

SUMMARY BRIEF



# **SUMMARY BRIEF ON A CONCEPTUAL FRAMEWORK FOR ARTICLE 6 READINESS**

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**NDC**   
PARTNERSHIP

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## OVERVIEW

Since the adoption of general rules and principles to operationalize international carbon markets and non-market approaches under Article 6 of the Paris Agreement in 2021<sup>1</sup>, countries are increasingly looking to implement and operationalize international market-based cooperation. Engaging in Article 6 can help countries hosting Article 6 activities in meeting and enhancing their Nationally Determined Contribution (NDC) targets, attracting investment for high-cost mitigation actions, facilitating technology transfer, and building capacities. Several countries have already prepared for Article 6, while the majority have either not started or are in the process of preparing for getting ready. Several support programmes provide financial and technical assistance to countries and institutions to help enhance the level of Article 6 readiness. However, the implementation of Article 6 is still in an early stage with little practical experience available. Navigating this rather new and technically demanding space can be challenging, especially given the need to adapt Article 6 implementation to the specific and unique context of each country.

This Summary Brief<sup>2</sup> for decision-makers introduces a conceptual framework for Article 6 readiness and was developed as conceptual underpinning of the NDC Partnership's Article 6 Readiness Toolkit, developed jointly with Perspectives Climate Research. It provides a common terminology for key concepts and terms related to Article 6 readiness and outlines several flexible and adaptable building blocks and elements needed for countries to effectively engage in and benefit from Article 6. Using this framework, countries can identify pathways to advance Article 6 readiness and shape impactful support requests.

1. UNFCCC (2021): Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (Decision 2/CMA.3); Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Decision 3/CMA.3); Work program under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement (Decision 4/CMA.3), FCCC/PA/CMA/2021/10/Add.1. [https://unfccc.int/sites/default/files/resource/cma2021\\_10\\_add1\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cma2021_10_add1_adv.pdf) (accessed 10 October 2023)

2. This Summary Brief was produced by Perspectives Climate Group and the NDC Partnership Support Unit. The Brief and Toolkit were authored by Kaja Weldner, Marc André Marr, Ximena Samaniego, and Pedro Bremberger Pássaro of Perspectives Climate Group and Amanda McKee and Molly McGregor of the NDC Partnership Support Unit, with input from other members of the Support Unit.



## Market-based cooperation under Article 6

Article 6 of the Paris Agreement provides a framework and a mechanism for international market-based cooperation, which should foster higher ambition in mitigation and adaptation actions and contribute to sustainable development. It is important to differentiate between Article 6.2 (the framework) and 6.4 (the mechanism):

- › **Article 6.2** allows countries to agree on bilateral or multilateral cooperation agreements, that involve the buying of “Internationally transferred mitigation outcomes” (ITMOs) from countries hosting Article 6 activities (called host countries). Buying countries can use them towards the NDC target; private sector companies can buy ITMOs and use them to make climate-related claims. ITMOs need to be authorized by the host country. An authorization is a commitment from a host country that the underlying emission reduction or removal is not counted towards its NDC target, that the activity meets certain integrity requirements of the Article 6.2 rules and principles and that the country adheres to the accounting, tracking, and reporting requirements for Article 6 and the Paris Agreement. Complying with these requirements and making informed decisions about which activities and mitigation outcomes to authorize under Article 6.2 requires strategic consideration, institutional arrangements, legal foundations and governance, understanding and having in place operational procedures and a monitoring and reporting infrastructure. It also requires institutional coordination and capacities to set-up cooperation agreements with other countries. How Article 6 activities align with the NDC and what Monitoring, Reporting and Verification (MRV) systems can be built on or need to be established are cross-cutting considerations that influence all aspects of Article 6 decision-making.
- › **Article 6.4** establishes an international baseline and credit mechanism known as the Article 6.4 Mechanism (A6.4M) or Paris Agreement Crediting Mechanism. Mitigation activities that meet the requirements of the mechanism’s supervisory body (SB) and of the host country can be registered under the A6.4M. To participate in the A6.4M, countries need to designate a national authority and communicate which types of activities are eligible in the national context. This requires strategic considerations and institutional arrangements. The mechanism issues Article 6.4 emissions reductions (A6.4ERs). If authorized by the host country, A6.4ERs become ITMOs and need to comply with the Article 6.2 rules. Countries have not yet decided on all aspects of the A6.4M rulebook; hence the mechanism is not yet fully operational. However, many countries, support organizations and actors are already in the process to prepare for the mechanism, to be ready once it is fully operational.

All countries wanting to benefit from market-based cooperation under Article 6 (both A6.2 and A6.4) need to undertake efforts to get “Article 6-ready”. In the context of the framework and toolkit,

## **Article 6 readiness refers to the ability of a Party to the Paris Agreement to take full advantage of international market-based cooperation in the context of the framework and mechanism established by Article 6.2 and Article 6.4 of the Paris Agreement.<sup>3</sup>**

A significant number of initiatives provide technical assistance, resources, guidance, and capacity-building to help countries develop their Article 6 readiness. These initiatives take many different forms with a variety of starting points (i.e., country-specific; instrument-specific, or approach-specific) with differing terminology and nomenclature. In addition, readiness activities vary depending on the starting point of each country, its priorities, strategic considerations, potential for Article 6, institutional and political landscape and available capacities and resources. Consequently, navigating the landscape of Article 6 readiness and support opportunities is complex and context specific.<sup>4</sup>

### **Article 6 Readiness framework**

A framework to understand and navigate Article 6 readiness can support policymakers in three key ways:

- › First, it can clarify key prerequisites and relevant requirements for operationalizing Article 6 nationally, as well as for pursuing related supporting initiatives.
- › Second, it can support terminology convergence. Identifying the various elements that fall under the umbrella of Article 6 readiness, and how they relate to each other, can help governments and relevant stakeholders navigate this space, consequently facilitating the coordination of technical assistance.
- › Third, it can help countries outline a pathway to become Article 6-ready and map out and access the support required to do so.

3. Michaelowa, Axel; Espelage, Aglaja; t Gilde, Lieke; Krämer, Nicole; Censkowsky, Philipp; Greiner, Sandra; Ahonen, Hanna-Mari; Andreo Victoria; Gema; Hoch, Stephan; Ombuya, Sherri; Dalfiume, Sandra (2021): Article 6 readiness in updated and second NDCs, Perspectives Climate Group and Climate Focus, Freiburg. Available at: [https://www.perspectives.cc/public/publications/publication/?no\\_cache=1&tx\\_pccprojects\\_plugin\[action\]=show&tx\\_pccprojects\\_plugin\[controller\]=Publication&tx\\_pccprojects\\_plugin\[uid\]=139](https://www.perspectives.cc/public/publications/publication/?no_cache=1&tx_pccprojects_plugin[action]=show&tx_pccprojects_plugin[controller]=Publication&tx_pccprojects_plugin[uid]=139) (accessed 11 October 2023).

4. For an overview refer to Hoch, Stephan; Waweru, Peris; Samaniego Figueroa, Ximena; Thomas, Holly; Tekie, Bruk; Michaelowa, Axel; Greiner, Sandra; Della Maggiore, Marco; Omuko-Jung, Lydia; Kovács, Anna; Rodezno Ayestas, María José; Schuck, Mauriz (2023): The landscape of Article 6 implementation, Perspectives Climate Group, Freiburg i. Br., available at: <https://perspectives.cc/publication/15750-2/> (accessed March 12, 2024).

## The Building Blocks for Article 6 Readiness

Figure 1 outlines a framework with five building blocks and two cross-cutting elements, to support countries assess their needs to effectively engage in Article 6 mechanisms. It was developed through a review of Article 6 guidance, key resources on Article 6 implementation, and insights from interactions with numerous Article 6 negotiators and implementors.

The five building blocks are described as follows:

- › **Strategic considerations:** the preliminary steps for Article 6 engagement, declaration of the political willingness to engage in Article 6, as well as specific decision points for countries critically reflect upon for an informed engagement in Article 6 (e.g., eligibility criteria, guiding principles, NDC alignment).
- › **Legal foundations and governance:** legitimizing the governing institutions and creating the legal conditions for participation in Article 6.
- › **Institutional arrangement:** establishment of institutional arrangements and definition of roles and responsibilities for actors to carry out their tasks and obligations under Article 6.
- › **Operational procedures:** the technical and procedural tasks that need to be performed for an effective engagement in and operation of Article 6.
- › **Infrastructure:** the hardware including tools and instruments (e.g., database, registries) that need to be available and made accessible to underpin the operational procedures.



Each of the five building blocks has associated sub-elements that are listed in Figure 1.

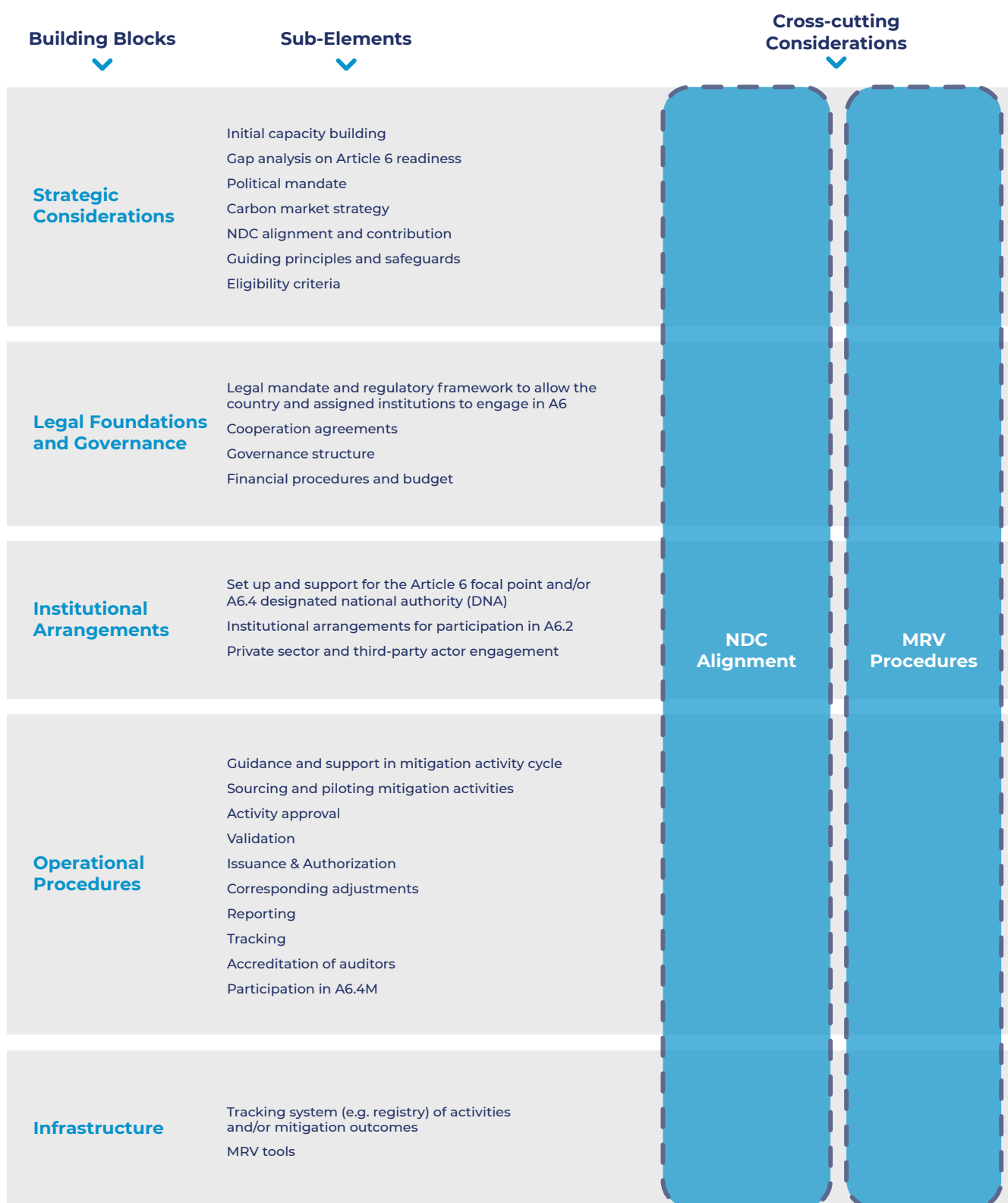


FIGURE 1. BUILDING BLOCKS OF ARTICLE 6 READINESS

The building blocks presented do not indicate the priority level of the Article 6 readiness building blocks, nor how a given country should approach them. Likewise, while all building blocks are inherently linked, some are more directly related to each other. In applying the framework, it is important to consider the interlinkages across building blocks. For instance, defining operational procedures (e.g., how activities under Article 6 would need to be approved in the country) will likely impact the needed institutional arrangements, as certain institutions would need to be involved in the operation of the procedure (e.g., assessing and approving the activities).

In addition to the specific building blocks, countries should consider two cross-cutting areas in their Article 6 readiness:

- › **Aligning Article 6 engagement with the NDC:** This ensures Article 6 activities are integrated and embedded into the broader planning, implementation, and reporting process in the context of the host country's NDC.
- › **Measurement, Reporting and Verification (MRV) frameworks:** Article 6 needs to be rooted in MRV processes at different levels (e.g., sectoral, national). Countries should consider the interactions with and implications of different MRV systems in the country.

The interactions across the building blocks and the cross-cutting implications of considerations related to the NDC and MRV activities are fundamental in applying the Article 6 readiness framework.

Different focuses and approaches should be used depending on a country's starting point in Article 6 readiness, its expected needs, and its previous experience with carbon market mechanisms. The framework presented here is not prescriptive, rather, it is intended to provide an overview of the central elements countries should consider setting them up to best benefit from Article 6. Each country's specific actions, support needs, and their timing will depend on many different factors.

By providing a comprehensive grasp of the building blocks, their sub-elements, and the cross-cutting considerations contributing to the conceptualization of Article 6 readiness, this framework can help boost Article 6 preparation efforts. This articulated structure has wide applicability: it can help to understand and assess the implications of Article 6 engagement on achievement of their NDC and associated MRV processes, guide countries in identifying and requesting support for Article 6 readiness needs, and assist implementing and development Partners to pinpoint the specific areas of capacity building support each country requires.



## NDC Partnership Support for Article 6 Readiness

The NDC Partnership brings together 126 countries, developed and developing, and 96 institutional and associate members to create and deliver ambitious NDCs that help achieve the Paris Agreement and the Sustainable Development Goals (SDGs). Governments identify their NDC implementation priorities and the type of support that is needed to translate them into actionable policies and programs. Based on these requests, the membership offers a tailored package of expertise, technical assistance, and funding. This collaborative response provides developing countries with efficient access to a wide range of resources to adapt to and mitigate climate change and foster more equitable and sustainable development. To date, the Partnership has received requests from more than 20 countries for readiness support for Article 6, a number that is expected to increase substantially given opportunities for countries to link Article 6 implementation to climate finance and NDC achievement.

## Perspectives Climate Research Support for Article 6 Readiness

Perspectives Climate Research is an independent, internationally active, and highly qualified not for profit research think-tank. Perspectives carries out research for governments, international organizations, non-governmental organizations and the private sector, while maintaining high standards of methodological and ecological integrity. Perspectives has an international inter-disciplinary team with extensive expertise in political science, economics, climate engineering, international climate and energy policy and UNFCCC negotiations. As a result of more than two decades of research, we have established an international network of contacts in industry, governments, research and NGOs. Perspectives has developed several studies on the transition of existing market-based mechanisms into Article 6 by assessing potential pathways of transition and implications for specific countries. Perspectives Climate Research is an associate member of the NDC Partnership.







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## NDC PARTNERSHIP SUPPORT UNIT

### WASHINGTON, DC, USA OFFICE

#### WORLD RESOURCES INSTITUTE

10 G Street NE Suite 800,  
Washington, DC 20002, USA

T: +1 (202) 729-7600

E: [supportunit@ndcpartnership.org](mailto:supportunit@ndcpartnership.org)

### BONN, GERMANY OFFICE

#### UNFCCC, UNOPS

Platz der Vereinten Nationen 1  
53113 Bonn, Germany

T: +49 (228) 815-1000

E: [supportunit@ndcpartnership.org](mailto:supportunit@ndcpartnership.org)

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