

JOINT ARTICLE 6 ANALYSIS FOR COP 25:

Recommended Options and Textual Edits in the June 2019 Article 6 Text

Article 6 of the Paris Agreement establishes a broad framework for voluntary cooperation among Parties in delivering climate action. It sets out three approaches through which Parties may interact: 1) bilateral or plurilateral cooperative approaches via internationally transferred mitigation outcomes (ITMOs); 2) a centrally-governed UNFCCC mechanism to contribute to mitigation and support sustainable development; and 3) non-market approaches.¹ Encouraging the transfer of high-quality emission reductions generated in all sectors can drive needed flows of finance to climate actions addressing both sources and sinks, particularly in developing countries.

Guidance on Article 6.2 and 6.4 should ensure the environmental integrity of all internationally transferred emission reductions, while promoting flexibility and higher ambition for meeting global mitigation goals. To that end, all Article 6.4 units that are internationally transferred should be subject to Article 6.2 guidance.

Parties are encouraged to consider the following technical elements when developing aspects of Article 6.2 and 6.4 guidance:

APPLYING A CORRESPONDING ADJUSTMENT FOR SECTORS AND GASES OUTSIDE OF A COUNTRY'S NDC

Any emissions reductions transferred from sectors or gases that are not covered in the scope of a country's NDC should demonstrate robust baselines, monitoring, reporting and verification, and be subject to the same corresponding adjustment as other transfers. The requirement to "apply robust accounting" and "ensure environmental integrity and transparency" supports the application of corresponding adjustments to out-of-NDC-scope ITMOs. Unless both sides of a transaction account for the transfer, a mismatch is created between the sum of the host and acquirer's inventory emissions and the sum of their accounted emissions. Such a mismatch is inconsistent with a straightforward interpretation of "robust accounting." Applying special or differential treatment for mitigation originating outside of NDCs also risks creating a perverse incentive for countries to keep those sectors outside their NDCs. Rules should ensure comparable accounting treatment of all mitigation outcomes, regardless of where they originate or toward what commitment they are used.

¹ Paris Agreement, Article 6, Paragraphs 2, 4, and 8, respectively.

We support the inclusion of the following text selections, with proposed modifications in blue²:

Article 6.2: Draft SBSTA Bonn Text, Article 6.2 Annex, Section I, paragraph 1, sub-bullet vii

[[Include] ~~f~~emission reductions~~],~~ removals] [and avoidance]] under the mechanism established by Article 2 6, paragraph 4, [when internationally transferred ~~fand used towards an NDC]]for use towards and NDC or for other international mitigation purposes];]~~

Article 6.2: Draft SBSTA Bonn Text, Article 6.2 Annex, Section VI, paragraphs 30 (Option A)

A. Internationally transferred mitigation outcomes from sectors and greenhouse gases covered by nationally determined contributions

29. A Party that transfers ITMOs for emission reductions and removals from sectors and greenhouse gases covered by the NDC of the Party shall apply corresponding adjustments pursuant to section V above (Corresponding adjustments).

Option A *30. A Party that transfers ITMOs from emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party ~~f~~shall apply corresponding adjustments pursuant to section V above (Corresponding adjustments)] ~~fis not required to apply corresponding adjustments pursuant to section V above (Corresponding adjustments)]~~ ~~funtil 2031]]~~.*

Article 6.4: Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, paragraph 39, bullet (c)

39. The public or private entities participating in an activity (hereinafter referred to as activity participants) who wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the following requirements and any other relevant requirements defined by the CMA or the Supervisory Body:

Option A *(c) The activity shall achieve emission reductions ~~fand emission removals]~~ in the sectors and greenhouse gases ~~[(GHGs)]~~ covered ~~fand not covered]~~ by the NDC of the host Party;*

Article 6.4: Draft SBSTA Bonn Text, Article 6.4 Annex, Section IX, Option B, paragraph 85

~~85. [Pursuant to Article 6, paragraph 5, a Party hosting Article 6, paragraph 4, activities shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2, only to emission reductions that are included in the sectors and GHGs covered by its NDC], if those emission reductions are transferred internationally] [from [X date]]-~~

² IETA supports this joint input and welcomes this contribution to potential Article 6 text. However, IETA has a different position on the application of a corresponding adjustment for sectors and gases outside of a country's NDC and believes that a simplified version of this guidance is needed.

APPLYING A CORRESPONDING ADJUSTMENT FOR ITMOS USED FOR MITIGATION PURPOSES OTHER THAN TOWARD THE NDC

Any effort a country makes to mitigate emissions—whether through activities and sectors covered in its NDC, mitigation in sectors that fall outside its NDC, or to assist mitigation in other sectors (e.g., international aviation)—is ultimately mitigation delivered toward the Paris Agreement goal of keeping the global temperature increase to well below 2°C and pursuing efforts toward 1.5°C, as well as the UNFCCC goal of avoiding dangerous anthropogenic interference in the climate system.

Parties must therefore prepare guidance and the necessary systems to facilitate the acquisition and reporting of internationally transferred mitigation outcomes by Party and non-Party actors (such as by aeroplane operators using offset credits towards the offsetting obligations under the International Civil Aviation Organization’s Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)) in a way that ensures the avoidance of double counting.

As agreed at COP 24, Paragraph 77(d) of the Transparency Framework applies high-level reporting requirements for internationally transferred mitigation outcomes used toward an NDC or used for international mitigation purposes other than achievement of its NDC, which would include transfers to international airlines under CORSIA. This language in Paragraph 77(d) is an important foundation for ensuring no double counting; however, Parties should reaffirm and strengthen this provision in the more detailed Article 6 guidance.

We support the inclusion of the following text selections with proposed modifications in blue:

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Annex, Section I, paragraph 1, bullet \(a\), sub-bullet \(v\)](#)

1. *The following definitions apply to this guidance:*

(a) *Internationally transferred mitigation outcomes (“ITMOs”) are [to]:*

(v) ~~[[Be] from a cooperative approach between participating Parties that involve the authorized transfer of mitigation outcomes that are intended for use towards an NDC;]~~

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Annex, Section VI, paragraph 34 \(Option A\)](#)

B. Purposes other than towards nationally determined contributions

Option A 34. *[Pursuant to guidance relating to Article 4, paragraph 13,] where a Party ~~[expressly]~~ authorizes the use of mitigation outcomes, for a purpose other than towards an NDC, this guidance shall apply to such mitigation outcomes, whether or not they have been internationally transferred.*

The definition of “expressly” is subject to varying interpretations and could lead to gaps in the application of Article 6 guidance to authorized uses of mitigation outcomes. To

ensure consistency with the agreed language of Article 6.3 of the Paris Agreement and paragraph 77(d) of the Annex to Decision 18/CMA.1, “expressly” should be deleted.

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section IV, paragraph 28, bullet \(g\)](#)

28. *[Prior to authorizing any Article 6, paragraph 4 activity, each] [Each] Party hosting Article 6, paragraph 4, activities shall, [in addition to its responsibilities in the Article 6, paragraph 4, activity cycle referred to in section VI below (Article 6, paragraph 4, activity cycle),] ensure that:*

(g) ~~It~~ confirms that it intends to apply corresponding adjustments for A6.4ERs it authorizes for use towards another Party’s NDC or any other international mitigation purposes.]

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, Option C, paragraph 49, bullet \(d\)](#)

49. *The host Party shall provide to the Supervisory Body the [authorization][approval] of the activity for requesting registration to be an Article 6, paragraph 4, activity, which shall also include:*

(d) ~~if~~ the Party decides to do so, authorization for A6.4ERs issued for the activity to be internationally transferred for use toward NDCs or for purposes other than toward NDCs, and the statement that a corresponding adjustment will be applied to the A6.4ERs by the host Party consistent with the guidance on cooperative approaches referred to in Article 6, paragraph 2.]

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, Option C, paragraph 50](#)

50. *A participating Party shall provide to the Supervisory Body the authorization of the participation of the activity participants in the activity ~~and the confirmation that it intends to apply corresponding adjustments for A6.4ERs it uses towards its NDC or that it authorizes for use towards any other international mitigation purposes].~~*

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, Option C, paragraph 64](#)

64. *~~The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use toward NDCs or for purposes other than toward NDCs, consistent with the host Party’s [authorization][approval] of the registered Article 6, paragraph 4, activities referred to in section VI.C above.]~~*

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, Option C, paragraph 66](#)

66. *~~The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use toward NDCs or for purposes other than toward NDCs, consistent with the host Party’s approval of the registered activity referred to in section VI.C above .]~~*

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section X, paragraph 87](#)

87. ~~To avoid double use of emission reductions achieved by Article 6, paragraph 4, activities, host Parties shall make an adjustment for emission reductions used for purposes other than [contributions] towards NDCs, consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2~~~~[, if the A6.4ERs were issued for emission reductions that are achieved in the sectors and GHGs covered by their NDCs].~~

“Contributions” is duplicative of the term “NDCs” that follows, and its meaning in this context is unclear. Text in this paragraph should follow the draft SBSTA Bonn Annex text for Article 6.2, Section VI, paragraph 34, Option A (above) to ensure clear, consistent procedures for avoidance of double counting.

KEEPING ARTICLE 6 OPEN TO ALL SECTORS

Parties should facilitate the generation and robust accounting of emission reduction transfers across all sectors and enhance the potential for removals by sinks. While specific sectors do not need to be explicitly referenced in Article 6 guidance, the Draft Article 6 Texts include language that could limit or ban the international transfer of mitigation outcomes from forests and the land sector and these references must be removed or replaced. **We support the inclusion of the following text selections with proposed modifications in blue:**

Remove references prohibiting activities from Article 5 (the “Forest Article”)

Under Article 6.4, remove “and shall not include actions referred to in Article 5.” Ambitious mitigation action is needed in all sectors in order to urgently address climate change. Prohibiting international cooperation in specific sectors that otherwise meet Article 6 guidance would be inconsistent with the Paris Agreement and undermine global efforts to limit temperature rise to safe levels.

Further, engaging in a sector-by-sector discussion in the context of Article 6 is harmful in securing optimal guidance for cooperative approaches that ensures consistency and high environmental integrity. Limiting the sectors from which a country may transfer could undermine their national prerogative to voluntarily engage in cooperative approaches for emission reductions that meet the criteria of Article 6 as well as their sovereign right to choose sectors for climate action.

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, paragraph 39, bullet \(a\)](#)

39. *The public or private entities participating in an activity (hereinafter referred to as activity participants) who wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the following requirements and any other relevant requirements defined by the CMA or the Supervisory Body:*

a) *[With regard to the types of mitigation, the activity shall achieve emission reductions, [emission removals,] [emission avoidance] [[the full spectrum of mitigation outcomes,] including mitigation co-benefits of adaptation actions and/or economic diversification plans] (hereinafter collectively referred to as emission reductions) ~~and shall not include actions referred to in Article 5~~][The activity shall achieve mitigation of greenhouse gas (GHG) emissions;]*

Our preferred option is to keep only the language in the last set of brackets, bolded in black above. However, we deem it essential that if the first option of bracketed text is to remain in the text, that the proposed modifications in blue above are made.

Remove limits on sectors with “high uncertainty”

Remove language proposing limits on sectors with “high uncertainty.” In quantifying mitigation outcomes, all sectors encompass some level of uncertainty. As already outlined in the Definition section of the text, ITMOs must be measured in accordance with the methodologies and common metrics assessed by the IPCC, which already include calculations and recommendations for addressing uncertainty across all sectors. Additionally, several measures inherent in ensuring environmental integrity (which are included in the text) can address uncertainty, such as conservative baselines, below BAU emissions projections, and procedures to address any material reversals. These tools are already sufficient to address uncertainties. Additional limits on sectors would be confusing, unnecessary and could reduce needed investment in sectors that could make a significant contribution to achievement of the Paris Agreement’s mitigation goals.

Additional proposed limits could also potentially discriminate against countries with data limitations, even though they may be fully implementing IPCC-recommended guidance to manage any resulting uncertainty. This would go against the tenet of equitable implementation under Article 2 of the Paris Agreement. We cannot afford to ignore mitigation solutions that meet Article 6 criteria for high-environmental integrity if we are to deliver on the goals of the Paris Agreement.

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Draft decision, paragraph 4, bullet \(l\), sub-bullet \(viii\)](#)

4. *[Requests the SBSTA to undertake the following work, on the basis of the annex, to develop a draft decision on the [remaining] guidance on cooperative approaches referred to in Article 6, paragraph 2, for consideration and adoption by the CMA at its third session, as an integral part of the guidance:*

(l) [Safeguards and limits, including consideration of the following:

~~(viii) [Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty][Requirements to have a system to [address][ensure] permanence, including addressing reversals;]~~

The most appropriate placement for this bullet is in Section XI of the Article 6.2 Annex text. Further work is not needed on this point, so it would be inappropriate to include in a Work Programme under the Draft Decision. **Therefore, we recommend deleting Paragraph 4, bullet (l), sub-bullet (viii) of the Draft Decision in its entirety and keeping Paragraph 60, bullet (h) of the Annex with the proposed modifications in blue below.**

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Draft Annex, Section XI, paragraph 60, bullet \(h\)](#)

Option B *{return of safeguards and limits under a work programme from the cover decision to the Annex}*

60. [Each participating Party shall apply [, as applicable,] the following safeguards and limits:

(h) ~~[Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty]—[system to [address][ensure] permanence, including addressing reversals];~~

Article 6.4: Draft SBSTA Bonn Text, Article 6.4 Draft decision, paragraph 7 (Option A), bullet (g), sub-bullet (ii)

Option A (g) [Potential provisions that [may][shall] be required on limits to the issuance, transfer, acquisition and/or use of A6.4ERs, including measures to:

(ii) ~~[Address A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty in emission estimates;]~~

Article 6.4: Draft SBSTA Bonn Text, Article 6.4 Draft Annex, Section XI, paragraph 89, bullet (b)

Option B 89. [Each participating Party shall apply [as appropriate][as applicable], the following safeguards and limits:

(b) ~~[Address A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty in emission estimates;]~~

Adjust references to “permanence”

Mitigation outcomes from all sectors are vulnerable to risks that challenge the long-term sustainability of results, including political risks, project management risks, financial risks, market risks, as well as risks from both human actions and impacts beyond human control (e.g., natural disturbances). In delivering mitigation outcomes, guidance and approaches already exist to both minimize and address any potential for reversals.

References in the text to “permanent” reductions should be replaced by language that is inclusive of all sectors, such as “address risk of reversals.” This simpler language captures the intent of the original text and is more precise because risks of reversals can be detected, quantified, and addressed, and the *risks* of reversal can be quantitatively estimated, whereas “permanence” can never be measured or guaranteed.

This language should be included in Article 6 guidance, not the draft decision, because existing IPCC guidance already sufficiently explains how Parties can address reversals when they occur so no further technical work is needed on this topic. Furthermore, many countries have undertaken instructive work to assess the risks that could trigger reversals, and Parties may find it helpful to consult this literature and consider what issues are relevant to their own particular national circumstances.

Article 6.2: Draft SBSTA Bonn Text. Article 6.2 Draft decision, paragraph 4, bullet (l), sub-bullet (viii)

4. *[Requests the SBSTA to undertake the following work, on the basis of the annex, to develop a draft decision on the [remaining] guidance on cooperative approaches referred to in Article 6, paragraph 2, for consideration and adoption by the CMA at its third session, as an integral part of the guidance:*

(l) [Safeguards and limits, including consideration of the following:

~~(viii) [Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty][Requirements to have a system to [address][ensure] permanence, including addressing reversals;]~~

The most appropriate placement for this bullet is in Section XI of the Article 6.2 Annex text. Further work is not needed on this point, so it would be inappropriate to include in a Work Programme under the Draft Decision. **Therefore, we recommend deleting Paragraph 4, bullet (l), sub-bullet (viii) of the Draft Decision in its entirety and keeping Paragraph 60, bullet (h) of the Annex with the proposed modifications in blue above.**

Article 6.2: Draft SBSTA Bonn Text. Article 6.2 Annex, Section I, paragraph 1, bullet (a), sub-bullet (i)

1. *The following definitions apply to this guidance:*

(a) “Internationally transferred mitigation outcomes (“ITMOs”)” are [to]:

(i) [Be][real][verified][additional][and permanent][and has subject to a system to [ensure][address] permanence, including addressing reversals][based on text from 8 December SBSTA text, paragraph 28(h)(iv) [and address risk of reversals]

Article 6.2: Draft SBSTA Bonn Text. Article 6.2 Draft Annex, Section XI, paragraph 60, bullet (h)

Option B *{return of safeguards and limits under a work programme from the cover decision to the Annex}*

60. *[Each participating Party shall apply [, as applicable,] the following safeguards and limits:*

(h) [~~Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty][system to [address][ensure] permanence, including addressing risk of reversals];~~

Article 6.4: Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, paragraph 39, bullet (e), sub-bullet (ii)

39. *The public or private entities participating in an activity (hereinafter referred to as*

activity participants) who wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the following requirements and any other relevant requirements defined by the CMA or the Supervisory Body:

(e) With regard to general requirements, the activity shall:

(ii) ~~{Avoid non-permanence of emission reductions and, in case of reversals, require correction;} {text from 8 December SBSTA text, paragraph 31(d)(ii)}~~
~~{incorporate actions to address risk of reversals and displacement of emissions;}~~

Adjust language on “compensation for reversals”

Adjust the reference to, “ensuring compensation of any material reversals.” “Ensuring compensation” is unclear in this context and should be replaced by “address risk of reversals.”

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Annex, Section VII, paragraph 40, bullet \(b\)](#)

40. Each participating Party shall also submit¹, as part of its biennial transparency reports pursuant to decision 18/CMA.1] the following [qualitative] information in relation to how the cooperative approaches in which it participates:

(b) Ensure environmental integrity, such that there is no increase in global emissions, through robust, transparent governance and the quality of mitigation outcomes, including through stringent reference levels, baselines set in a conservative way and below ‘business-as-usual’ emission projections (including by taking into account all existing policies and addressing potential leakage) and **ensuring the compensation of any material reversals addressing risk of reversals;**

Keep references to “emission removals by sinks”

Where bracketed, keep all references to “emission removals,” as this language was already agreed in paragraph 36 of 1/CP.21.

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Annex, Section I, paragraph 1, bullet \(a\), sub-bullet \(ii\)](#)

1. The following definitions apply to this guidance:

(a) “Internationally transferred mitigation outcomes (“ITMOs”)” are [to]:

(ii) ~~[[Be] in the form of anthropogenic emissions by sources {and removals {by sinks}} [avoidance]] {text from 8 December SBSTA text, start of paragraph 1(a)(ii)}, including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans, or the means to achieve them;~~

Article 6.2: [Draft SBSTA Bonn Text. Article 6.2 Annex, Section I, paragraph 1, bullet \(a\), sub-bullet \(vii\)](#)

1. The following definitions apply to this guidance:

(a) “Internationally transferred mitigation outcomes (“ITMOs”)” are [to]:

(vii) [[Include] [emission reductions], removals] [and avoidance]] under the mechanism established by Article 6, paragraph 4, [when internationally transferred [and used towards an NDC][for use towards and NDC or for other international mitigation purposes];]

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, paragraph 39, bullet \(a\)](#)

39. The public or private entities participating in an activity (hereinafter referred to as activity participants) who wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the following requirements and any other relevant requirements defined by the CMA or the Supervisory Body:

(a)[With regard to the types of mitigation, the activity shall achieve emission reductions, ~~emission removals,~~ [emission avoidance] [[the full spectrum of mitigation outcomes,] including mitigation co-benefits of adaptation actions and/or economic diversification plans] (hereinafter collectively referred to as emission reductions) ~~and shall not include actions referred to in Article 5]~~[The activity shall achieve mitigation of greenhouse gas (GHG) emissions;]

Article 6.4: [Draft SBSTA Bonn Text, Article 6.4 Annex, Section VI, paragraph 40, bullet \(c\)](#)

40. The activity shall apply a mechanism methodology approved by the Supervisory Body following its technical assessment, that is developed in accordance with section VI.B below (Methodologies) in order to:

(c) Ensure accurate monitoring of emission reductions ~~and emission removals~~;

CONTACT:

Diana Movius

Director, Global Forest Policy
Climate Advisers Trust
movius@ca-trust.org

Maggie Comstock

Senior Director, Climate Policy
Conservation International
mcomstock@conservation.org

Alex Hanafi

Director, Multilateral Climate
Strategy & Lead Attorney
Environmental Defense Fund
ahanafi@edf.org

Stefano De Clara

Director, International Policy
IETA
declara@ieta.org

Jason Funk

Principal & Founder
Land Use & Climate Knowledge
Initiative lucki.funk@gmail.com

Kelley Hamrick

Policy Advisor
The Nature Conservancy
kelley.hamrick@tnc.org