

OVERVIEW OF CARBON MARKETS UNDER **ARTICLE** **6** OF THE PARIS AGREEMENT

CONSERVATION
INTERNATIONAL



Overview:

What is Article 6?

Article 6 of the Paris Agreement recognizes that countries may choose to cooperate in meeting their national commitments. Article 6 outlines three approaches for this “cooperation”:

Bilateral Trading (Article 6.2)	Centralized Mechanism (Article 6.4)	Non-Market Approaches (Article 6.8)
<p>Article 6.2 provides the overarching framework for how countries can trade bilaterally or multilaterally via “internationally transferred mitigation outcomes” or ITMOs (e.g., the guardrails for trading, the systems to ensure environmental integrity and processes for reporting/ accounting). A “mitigation outcome” is an umbrella term that encompasses both emission reductions AND removals and is used interchangeably with “units” or “credits” throughout this document.</p>	<p>Article 6.4 provides the framework for country investment in the generation of a specific type of carbon credit that is generated through a centralized United Nations mechanism. This is similar to having a new GHG standard that is essentially replacing the centralized crediting mechanism established under the Kyoto Protocol known as the Clean Development Mechanism (CDM).</p>	<p>Article 6.8 covers avenues for cooperating without trading, known as “non-market approaches” or NMAs. NMAs cover anything else that does not involve a trade. Some examples include traditional climate finance, capacity building, technology transfer, results-based payments without transfer, among others.</p>



What is eligible?

Article 6.2 approach is **open to credits from all sectors**, provided that the units meet the minimum Article 6.2 requirements. This means that credits from nature-based solutions and REDD+ are eligible, as long as they meet the guidance. For activities and geographies that fall under the Warsaw Framework for REDD+, it is expected that the Article 6 requirements on national authorization and accounting will translate into only jurisdictional/nested REDD+ being eligible. **The details of each bilateral/multilateral deal will be determined by the two countries involved.**

<p>REDD+</p>	<p>National or subnational scale, including nested projects</p>		<p>Details of each bilateral/multilateral deal will be determined by the countries involved</p>
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Article 6.2 units¹, called Internationally Transferred Mitigation Outcomes (ITMOs), must be:

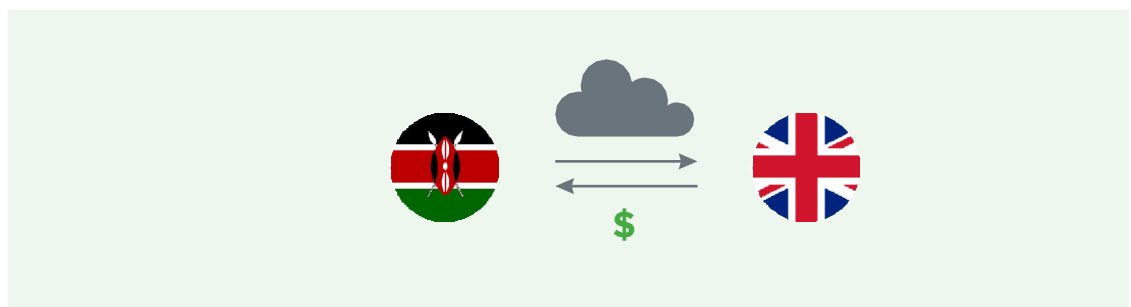
- ☑ Emission reductions and removals that are **real, verified, and additional**.
- ☑ Generated **in respect of or representing mitigation from 2021 onward**.
- ☑ Measured in **metric tonnes of carbon dioxide** equivalent (tonnes of CO₂ equivalent) or in other non-greenhouse gas (GHG) metrics determined by the participating Parties.
- ☑ From a cooperative approach referred to in Article 6.2, that involves the international transfer authorized for (a) use towards an NDC; (b) authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC; or (c) authorized for other purposes as defined by the host Party.
- ☑ Article 6, paragraph 4 emission reductions when authorized for use towards achievement of NDCs and/or authorized for use for other international mitigation purposes².
- ☑ Trading may occur in **any sector**, regardless of whether it is included in the scope of the NDC, and which meets other Article 6 requirements.
- ☑ Trading REDD+ credits requires meeting all **REDD+ requirements** on scale/nesting, MRV, accounting etc.
- ☑ Rules apply to **all transfers**, regardless of whether sector is included in NDC or not. May have implications for **voluntary carbon market** transactions.

Additionally, Article 6.2 credits must meet minimum quality criteria, including:

- ☑ Respecting human rights.
- ☑ Ensuring environmental integrity, including by having systems in place to address permanence.
- ☑ Setting baselines in a conservative way and below “business as usual” emission projections.

Who can sell?

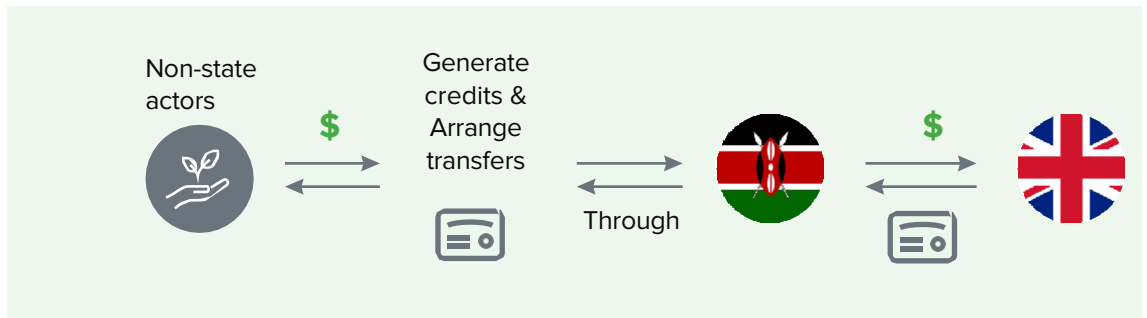
The sale of emission reductions and removals under Article 6.2 (ITMOs) is conducted by the host country government. Hypothetical Article 6.2 transaction:



Though credits can be generated by public and private actors, those who want to sell credits under Article 6.2 will likely be selling to the host country government for them to then sell to other countries.

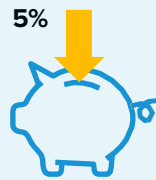
¹ In the past there was a debate about whether an ITMO should be considered a unit or the net flows between Parties measured in tons of CO₂e, but for simplicity, we are referring to ITMOs as units throughout this document. More information is available in the following source: Asian Development Bank. Decoding Article 6 of the Paris Agreement. 2018. <https://www.ercst>.

² Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. Annex, Paragraph 1.



Are there any additional costs?

There are two costs which countries can **voluntarily** incur for Article 6.2 transactions:



A **'Share of Proceeds'** (SOP), whereby 5% of the units are transferred to the Adaptation Fund at issuance to help fund adaptation projects in developing countries.



A voluntary cancellation at issuance of at least 2% of the credits, rendering those credits no longer valid for use, which in turn helps deliver an **Overall Mitigation in Global Emissions (OMGE)**, or reduction of global emissions. This cancellation helps ensure that there is a net climate benefit, rather than 1:1 offsetting.

Other issues to Note?

Article 6.2 rules apply for all transfers, regardless of whether the sector was included in a country's Nationally Determined Contribution (NDC) or not.

How will it work?

Article 6.2

Country-to-country carbon trade via **"internationally transferred mitigation outcomes"** (ITMOs)

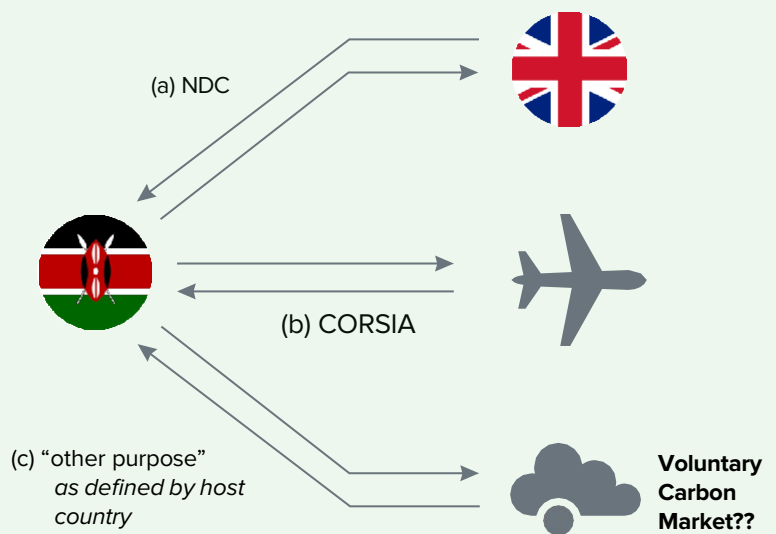
The carbon credits (known as "mitigation outcomes") can be generated from **any sector or under any methodology** agreed in the bilateral deal, provided the units meet Article 6.2 guidance.



Any carbon credits *authorized* for transfer by the **host country** to:

- ✓ a country for use toward its **NDC**
- ✓ to an airline for use under **CORSIA** or
- ✓ to another buyer for any **“other purpose”**

***Then a “corresponding adjustment” is required.**



Once used toward an NDC or other international mitigation purpose, the credits cannot be further used, cancelled or transferred.

***Note:** Please see section “What are the implications to the VCM” for more details on the implications of Article 6 for the voluntary carbon market.

What is a corresponding adjustment?

Once an ITMO is transferred, it requires a Corresponding Adjustment (an adjustment to the emissions balance on the participating countries) to ensure robust accounting and that mitigation outcomes are not counted twice. Corresponding adjustments **work similar to a balance sheet, where one party subtracts whilst the other party one adds** the emission reductions to their accounts. The rationale for corresponding adjustments is to ensure that only one Party can count a transferred emissions reduction towards the NDC. It is critical to avoid double counting, so that global emission reductions are not overestimated. Corresponding adjustments also ensure that governments reporting under the Paris Agreement meet good accounting principles and that no GHG reduction or removal is accounted for twice.

Pending items to be decided for Article 6.2

There are enough rules in place to start trading. There was significant process at COP27 on registries, reporting and tracking rules, but there was no progress at COP28. There are still some outstanding issues that need to be addressed, including:

- Process, content, format and scope of authorization for ITMOs towards different use(s)
- Transparency of information about authorization
- Changes to authorization and revocation of authorization
- Application of first transfer
- International registry
- Agreed Electronic Format (AEF) for reporting
- Processes for sequencing, reporting and review of ITMOs.
- Whether ITMOs could include emission avoidance: during SB60 Parties proposed to postpone discussions until 2028.

Beyond the negotiations, Host countries are in process of developing their domestic frameworks to comply with Article 6 requirements (authorization processes, institutional arrangements, domestic processes for reporting, registries, how they want to treat the VCM etc.).

Article 6.4 Guidance

What is eligible?

Article 6.4 is also open to all sectors, but the specific methodologies for Article 6.4 projects need to be developed and approved by the Supervisory Body, once it is fully operational. As REDD+ most naturally fits under Article 6.2, **other types of Natural Climate Solutions may be eligible under Article 6.4, pending the availability of relevant methodologies.**

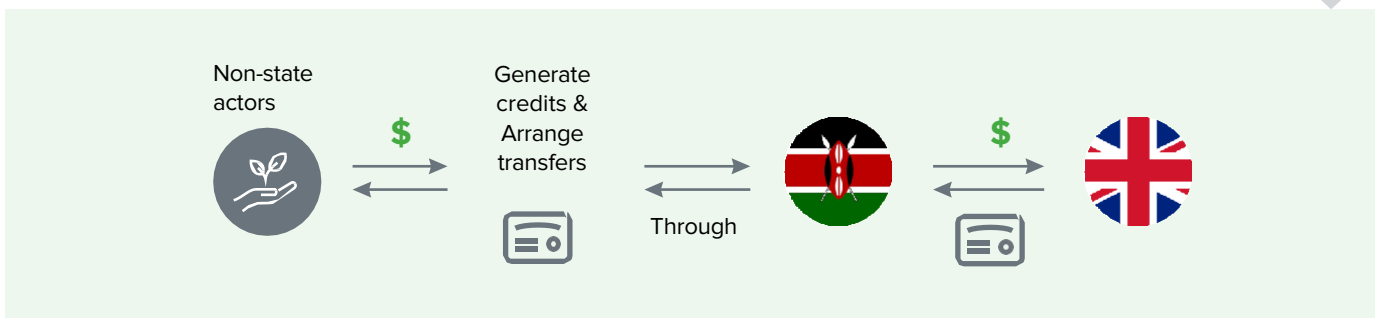
The Supervisory Body is in charge of developing and agreeing on project methodologies before any credits can be issued. The Supervisory Body has also been tasked with determining how to allow some existing CDM projects to “graduate” or transition to the Article 6.4 mechanism.

Countries agreed that **credits from the Clean Development Mechanism from 2013-2020 can be applied toward the first NDC period** (which ends in 2025 or 2030, depending on the NDC). After the first NDC period, only the use of credits from 2021 onward; will be allowed for use towards its NDC commitments.

The **crediting period** - which refers to the period of time through which a project’s emissions reductions or removals are eligible for the issuance of carbon credits - varies depending on the type of project or activity. Most Article 6.4 activities will be subject to a crediting period of 5 years, which can be renewed twice; or maximum 10 years with no renewal option. Alternatively, for activities involving removals, there is a maximum crediting period of 15 years, which can be renewed twice. All crediting periods must start in 2021.

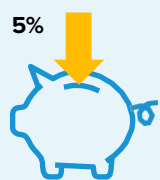
Who can sell?

Public and private entities can generate Article 6.4 credits for sale; however, the **sales can only be approved by the host country government.** If not authorized, the credits can be used for domestic purposes or potentially for voluntary buyers depending on how the host country has decided to treat the voluntary carbon market. Please see section “Is the VCM covered by Article 6?” for more details on the voluntary carbon market.



Are there any additional costs?

There are **two** additional **mandatory** costs associated with transactions under Article 6.4 mechanism:



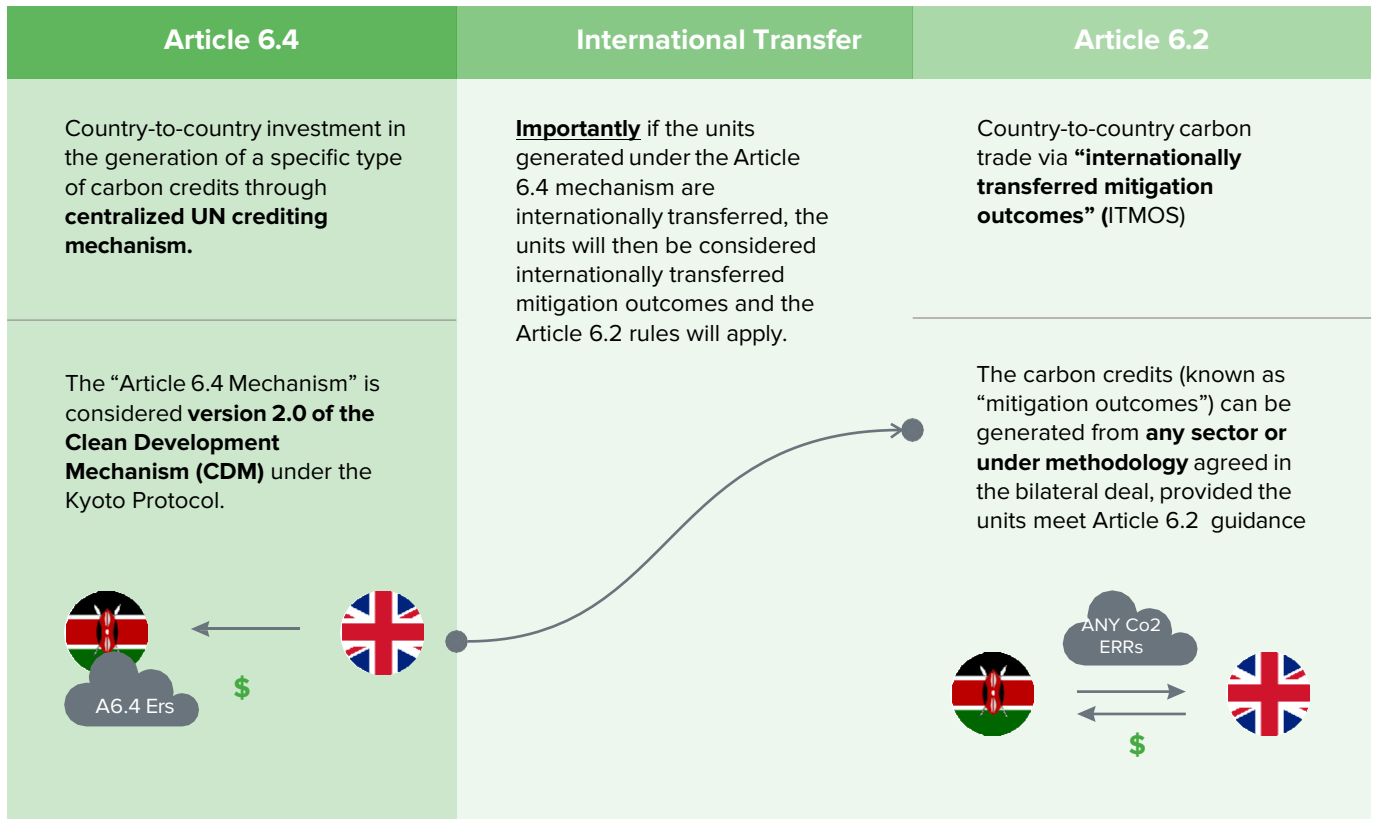
5%

A ‘**Share of Proceeds**’ (SOP), whereby 5% of the units are transferred to the Adaptation Fund at issuance to help fund adaptation projects in developing countries.



A **cancellation at issuance** of at least 2% of the credits, rendering those credits no longer valid for use, which in turns helps deliver an Overall Mitigation in Global Emissions (OMGE), or reduction of global emissions. This cancellation helps ensure that there is a net climate benefit, rather than 1:1 offsetting.

How will it work?

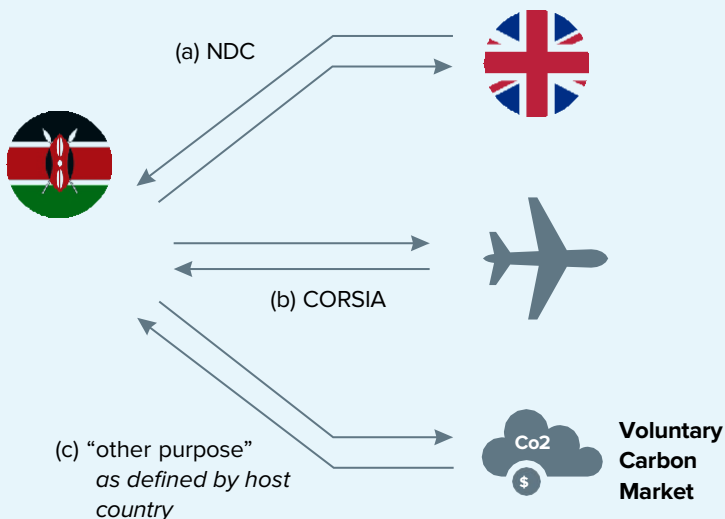


Who can use the credits?

Any carbon credits **authorised** for transfer by the **host country** to:

- ✓ a country for use toward its **NDC**,
- ✓ to an airline for use under **CORSIA** or
- ✓ to another buyer for any **“other purpose”**,

then a **“corresponding adjustment”** is required.



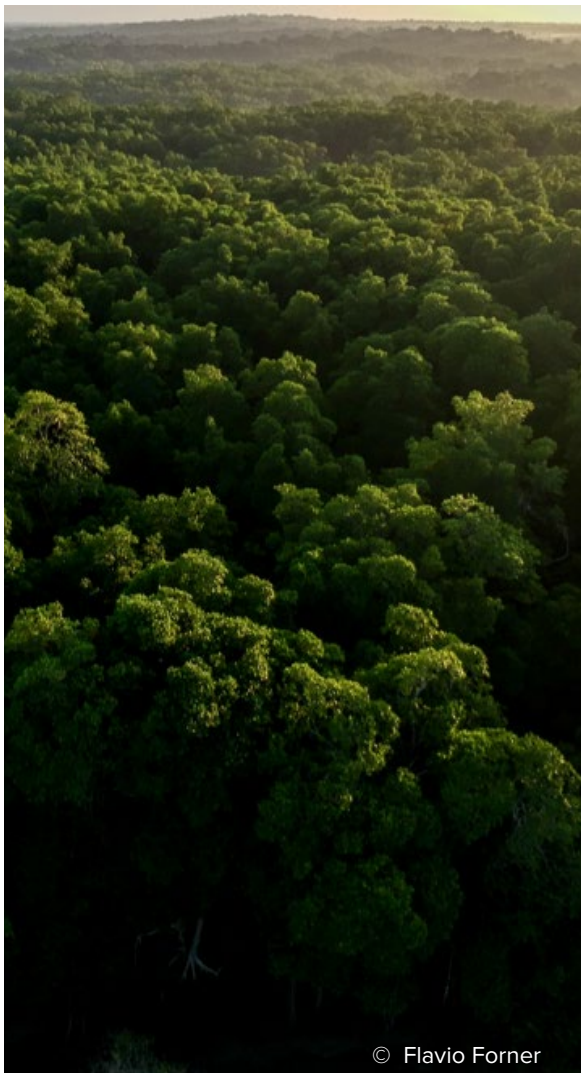
Once used toward an NDC or other international mitigation purpose, the credits cannot be further used, cancelled or transferred.

Note: Please see section What are the implications to the VCM for more details on the voluntary carbon market.

What is the Role of the A6.4 Supervisory Body?

Article 6.4 is overseen by the UNFCCC and specifically an **A6.4 Supervisory Body (SBM)**. The A6.4 SBM roles and responsibilities include, inter alia:

- ✔ Validation/ verification body for accreditation
- ✔ Development of methodologies and baselines
- ✔ Approval of methodologies developed by parties and other stakeholders.
- ✔ Registration of activities as A6.4 activities
- ✔ Renewal of crediting periods of registered A6.4 activities and the issuance of A6.4ERs;
- ✔ Managing the registry for the mechanism
- ✔ Overseeing share of proceeds and overall mitigation of global emission
- ✔ Robust social and environmental safeguards



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Pending items to be decided to operationalize Article 6.4

The Article 6.4 mechanism needs a set of additional rules and guidance to be in place before it can become operational.

Although at COP28 there was no progress on pending matters, there was some progress at the A6.4 SBM level throughout the year:

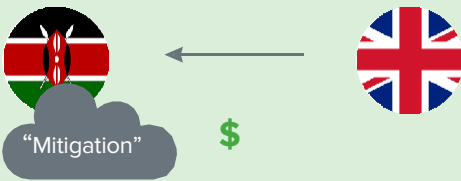
- ✔ The A6.4 SBM established 2 panels to support its work: a) A Methodologies Expert Panel (MEP) to provide support to the A6.4 SBM in the creation of standards, guidelines, and other methodological matters applicable to A6.4.; and b) An Article 6.4 Accreditation Panel (A6.4-AP) to provide support to the A6.4 SBM in the implementation of standards and procedures for accreditation of operational entities that conduct validation and verification regarding A6.4 activities.
- ✔ The procedure for the appeal and grievance processes under the A6.4 mechanism was approved by the A6.4 SBM.
- ✔ Adoption of a standard and a procedure for the transition of CDM activities to the A6.4 mechanism.
- ✔ Requests for transition had to be submitted by December 2023; some CDM methodologies have already been submitted for review to assess their transition to the A6.4 mechanism.

The following key items remain outstanding:

- ✔ **Connection/interlinkages of the mechanism registry to the international registries.**
- ✔ **Methodologies:** The SBM is drafting the requirements for the development and assessment of mechanism methodologies. This includes the development of specific tools as the risk assessment tool, the additionality tool, the SD tool (sustainable development tool), among others. While the SD tool was finalized and approved at the last SBM meeting in October 2024, other tools will require further work from the SBM and the MEP.
- ✔ **Note:** Mechanism methodologies may be developed by activity participants, host Parties, stakeholders, or the Supervisory Body, but have to be approved by the Supervisory Body.
- ✔ **Removals: The SBM was also tasked with drafting recommendations on activities involving Removals** (including monitoring, reporting, accounting, addressing reversals, avoidance of leakage, avoidance of negative social and environmental impacts, etc.)
- ✔ The Parties must approve the requirements for methodologies and the recommendations for removals at COP29, since the previous version of these documents was submitted for approval from Parties at COP28 but this effort was unsuccessful. However, the SBM has decided to take a different approach and approved the frameworks as standards, now asking the Parties at COP29 to endorse the approach and provide general guidance if needed. This new approach allows the SBM to create standards for removals and methodologies, which would not need to be approved by Parties at COPs and could be amended by the SBM in the future.
- ✔ **Authorization**, including timing of authorization, content and if any changes/amendments to authorizations can be made.
- ✔ Consideration of whether A6.4 activities could include **emission avoidance** and **conservation enhancement** activities: during SB60 Parties proposed to postpone discussions until 2028.

Article 6.8 Guidance

How will it work?

Article 6.8	
<p>Cooperate without trading, known as “non-market approaches” (NMAs)</p>	<p>“Non-market approaches” is a general category for cooperation that does not involve a transfer of the mitigation outcomes. Further clarity is needed on how the non-market approaches will operate, including examples of non-market cooperation, whether there are models for non-market approaches that should be developed to aid replication, and if there should be a system to track and report these approaches.</p> <p>At COP 26, countries established the Glasgow Committee on Non-Market Approaches to focus on guidelines.</p>
<p>An NMAs includes any form of cooperation that does not involve a transfer of units, which can include traditional climate finance, capacity building, technology transfer, results-based payments without transfer, etc.</p> 	

What Are The Implications For The Voluntary Carbon Market?

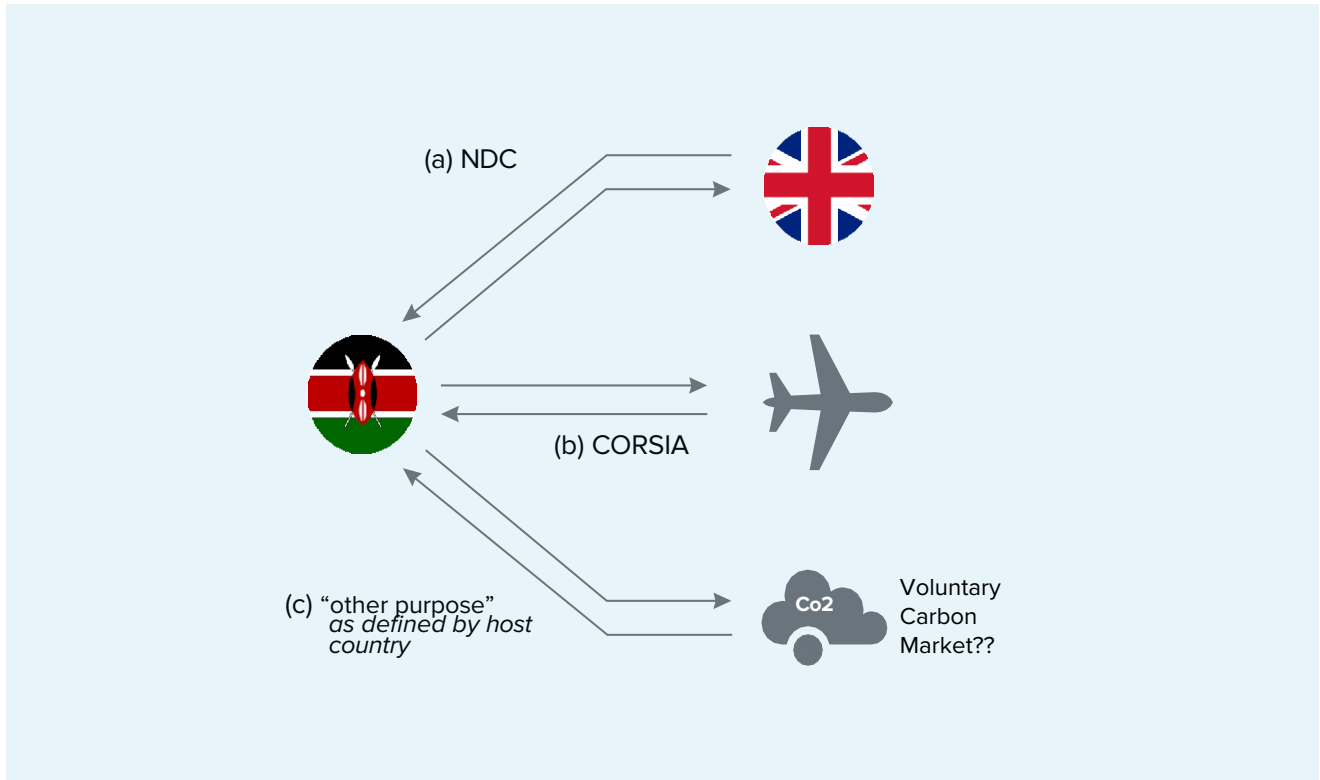
Article 6 guidance agreed in Glasgow does not directly govern the voluntary market. However, it does empower the selling or host country to decide how to treat voluntary carbon market transactions.

Adopted text from Article 6.2 Guidance, Paragraph 1(f) with emphasis added:

- “1. Internationally transferred mitigation outcomes (ITMOs) from a cooperative approach are: (...)
- f. Mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC (hereinafter referred to as international mitigation purposes) or **authorized for other purposes as determined by the first transferring participating Party** (hereinafter referred to as other purposes) (international mitigation purposes and other purposes are hereinafter referred to together as other international mitigation purposes).”

Deciding whether the voluntary carbon market (VCM) is considered an “other purpose” and, therefore, requires a corresponding adjustment (CA) depends entirely on the host country. If a climate investment falls outside of the host country definition of “other purpose,” no authorization is needed, which means there is no requirement for a corresponding adjustment, and the host country can use the mitigation outcomes toward its NDC. Based on the rules, this risk depends on the host country’s decisions and/or policies (which are yet to be developed).

Is VCM covered by Article 6?



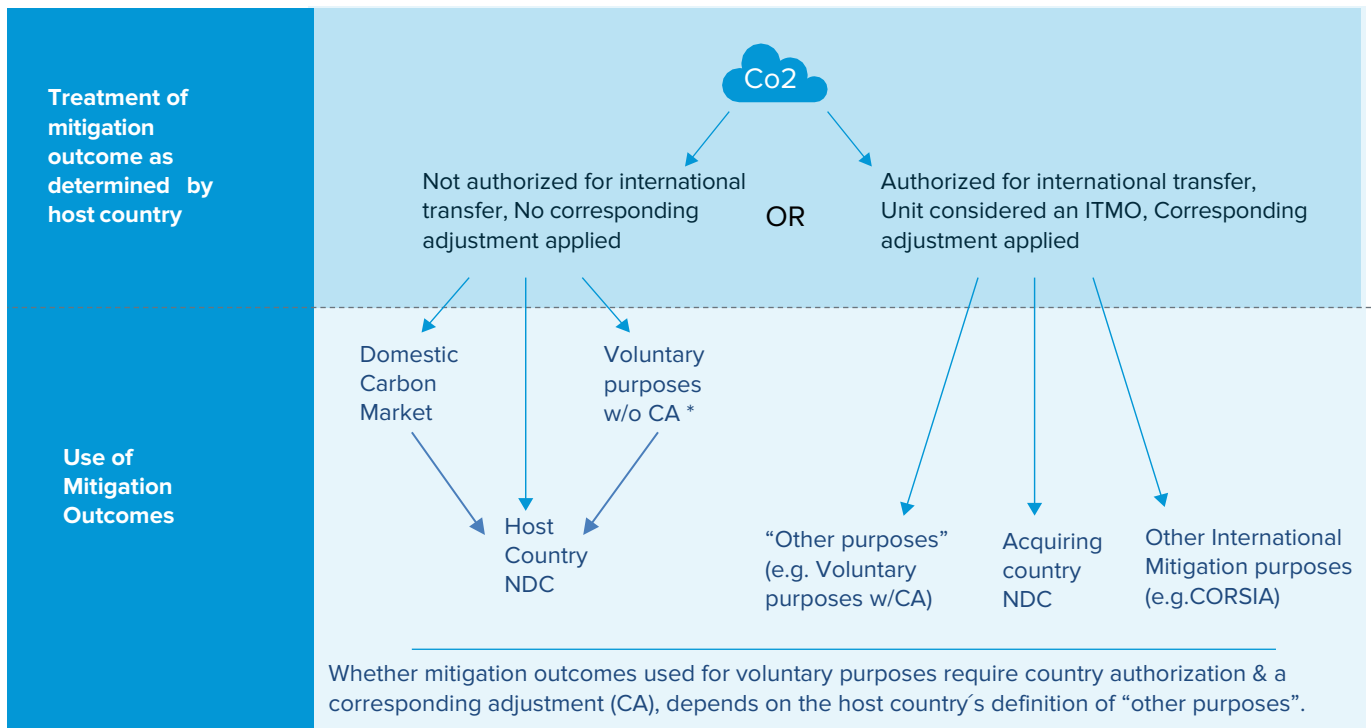
In the latter, we expect potential reputational risks for buyers (corporates or countries) in the future considering "double claiming" risks for credits with no CA. Moreover, in that sense, there might be implications on the types of claims that can be made, namely no offset but rather mitigation contributions or claims. Companies will likely want to always accurately and transparently communicate any claims associated with voluntary climate investments, especially when these are directly supporting NDC achievement in the host country. **It might be worth noting that some argue that CAs are not necessary when voluntary corporate buyers purchase carbon credits from a host country as there is not a second country involved and therefore, no risk of double claiming within NDCs and national GHG Inventories. This changes if the VCM buyer eventually wants to resell the credit.**

In any case, we expect both the VCM and international and national markets (Article 6, CORSIA and growing domestic and regional markets) will continue to exist and grow. What most likely would occur, is that VCM might present different characteristics and dynamics than those present today, moving towards more convergence with the international framework. This could occur in different ways, from adoption of common methodologies to buyers from both markets accessing the same crediting pool to make purchases, perhaps for fungible use across both compliance and voluntary markets (IETA, 2023). This convergence is positive, as it leads to less confusion and more credibility of carbon markets in general.

Pre-2021 units (non-CDM) can still be sold to willing international or domestic voluntary carbon market buyers, as those are not eligible under Article 6.2.


To navigate whether and, if so, how to authorize credits for "other purposes," government agreement or guidance on sale of credits on the voluntary market, whether domestic or international, will likely be needed in most countries as governments aim to keep track of how many credits are being produced within their borders and how many they want to retain to apply to their own NDC


Corresponding Adjustments and Authorization Requirements





*In countries where VCM is not considered an "other purpose", there still could be reputational risks for private sector buyers using credits without host country authorization or a CA. We strongly recommend that companies always accurately and transparently communicate any claims associated with voluntary climate investments.

There are several pathways or alternatives that can inform how countries decide to address the relationship between the VCM and Article 6 of the Paris Agreement, each one of them has different implications, risks, and requirements:

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Option A - VCM is subject to Article 6 rules: A country decides that the VCM is an "other purpose" therefore subject to Article 6 rules. This approach would entail laying out clear rules to provide clarity for buyers and governments and would imply that Article 6 requirements would need to be met, including corresponding adjustments and national authorizations to ensure double counting is avoided. Ultimately this alternative would grant governments control over what emission reductions are transferred outside the country.
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Option B - VCM is not subject to Article 6 rules: A country decides that the VCM does not fall under the definition of an "other purpose", therefore it is not subject to Article 6 rules. This approach would entail laying out clear rules and provide clarity to buyers and governments and would imply that there is no requirement to meet Article 6 guidance (including corresponding adjustments and national authorizations). Governments would not have control over what emission reductions are transferred outside the country and it would be unclear whether double counting can be avoided and if there could be a reputational risk to buyers related to double claiming.
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Option C - No guidance is issued: A country decides to remain silent on the matter. Lack of rules could fail to provide clarity for buyers and governments, creating uncertainty for investments and transactions. Under this approach, corresponding adjustments and national authorizations would not be required and as a result, governments would have no control over what emission reductions are transferred outside the country. It is unclear whether risks of double counting can be avoided under this scenario.
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Option D: Hybrid approach: A country decides that it will be optional for the VCM to be subject to Article 6 rules. Under this approach, countries would clearly define that it will be optional for VCM to be subject to Article 6, therefore providing clarity to buyers and countries and creating certainty for investments and transactions in both the VCM and compliance markets. VCM actors would be able to decide if they wish to have i) non-adjusted/non-authorized carbon credits or ii) Article 6 compliant credits which would be labelled as such. Where VCM buyers are interested in purchasing Article 6 labeled credits, prior government national authorization will be required and

corresponding adjustments will need to be applied; all Article 6 guidance requirements would need to be met for these cases. Governments would only have control over Article 6 labeled emission reductions that are transferred outside the country and would not have control over non-Article 6 labeled credits, although regulations may establish a need to register these projects and transactions in a national registry for tracking purposes. Double counting could only be avoided for those carbon credits that are Article 6 labeled under this scenario, and this could not be ensured for non-Article 6 labeled credits.

REDD+ Framework under the UNFCCC

What is the REDD+ Framework?

REDD+ stands for Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. It is globally agreed framework developed under the UNFCCC that creates an incentive for **national efforts to protect, conserve, and restore forest ecosystems** in developing countries by valuing carbon removals, storage and other social and environmental services.

The **Warsaw Framework for REDD+** was adopted at COP 19 in Warsaw, Poland, in 2013. It provides complete methodological and financing guidance for the implementation of REDD+ activities and recognizes the importance of safeguards to ensure that REDD+ activities do not lead to negative social or environmental impacts.

The REDD+ UN framework includes 5 types of activities:

- ✔ Reducing emissions from **deforestation**
- ✔ Reducing emissions from **degradation**
- ✔ **Enhancement** of forest carbon stocks
- ✔ **Sustainable management** of forests
- ✔ **Conservation** of forest carbon stocks

Note: From the projects' perspective, often methodologies for REDD+ can exclude afforestation and reforestation (as these are covered in occasions through separate activity specific methodologies); nevertheless, **these are all activities that fall under the Warsaw Framework for REDD+**, as explained above.

The **Warsaw Framework for REDD+** requires that each country puts in place:

- ✔ **National REDD+ strategy:** Defines the country's REDD+ goals and objectives, as well as the policies and measures that will be used to achieve them.
- ✔ **National Forest reference level:** The baseline level of emissions from deforestation and forest degradation, against which REDD+ results will be measured. This must be at the national level (sub-national in the interim).
- ✔ **National forest monitoring system:** The system used to collect data on forest cover, deforestation, and forest degradation.
- ✔ **Safeguards:** Measures that are put in place to ensure that REDD+ activities do not lead to negative social or environmental impacts

REDD+ Safeguards

REDD+ offers social and environmental advantages but can also pose risks. It is crucial to design REDD+ activities to minimize negative impacts while maximizing benefits. The Cancun Safeguards serve to protect local communities and the environment, ensuring that REDD+ policies align with broader environmental and development goals. Compliance with these safeguards, as mandated by the Warsaw Framework, is monitored through a Safeguards Information System.

What is REDD+ Nesting?

Before the Warsaw Framework on REDD+, standalone site activities focused on forest conservation existed but were not part of national strategies or monitoring systems. While these projects do not meet Warsaw Framework's national scale requirements, they have served as steppingstones for national REDD+ approaches and can now contribute effectively if integrated into national systems through REDD+ "nesting".

A nested REDD+ system is one where site- or subnational-scale REDD+ activities are incorporated into, reported on, and formally recognized under national REDD+ programs, allowing for benefits to flow at all scales.

The Warsaw Framework for REDD+ is not prescriptive to how governments recognize site-scale implementation efforts, so each country has the prerogative to determine whether and how to "nest" site-scale REDD+ activities or projects.

Key design elements of REDD+ Nesting frameworks and Policy Recommendations

For successful implementation of a nested REDD+ program, governments should take decisions on each of the following topics.

Overall Nesting Approach Recommendations:

- ✓ Develop nesting scenarios to understand the implications of different nesting Establish or use existing REDD+ councils, teams, or roundtables for nesting and include the input and regular discussion between policymakers, stakeholders and technical staff.
- ✓ Prepare national nesting guidance to integrate project-scale and subnational-scale baselines, MRV, safeguards, and reporting of results into national systems. This guidance should seek alignment with international decisions already taken on REDD+ and climate mitigation, especially under the Warsaw Framework on REDD+, Cancun Safeguards, Paris Agreement and UNFCCC decisions under Article 6.
- ✓ Plan for transition periods and compensation mechanisms to avoid any abrupt changes to the operating environment for projects and sub-national efforts.

Carbon Rights Recommendations:



- ✓ Prepare a national regulation or guidance document that defines the rights to benefit from sequestered carbon and/or reduced greenhouse gas (GHG) emissions.
- ✓ Undertake a legal review by country experts to ensure that nesting decisions, policies or guidance are compatible with the legal context of the country and/or subnational jurisdiction.

Scope and Methodologies Recommendation:



- ✓ Identify project methodologies and standards that are covered by and are fit-for-use under the scope of the national REDD+ strategy and include these in national guidance on nesting to help projects determine if they are eligible for nesting in the national program. Maintain flexibility for periodic updates to the list of approved methodologies and standards.

Baseline allocation

Recommendation:



- ✔ Consider baseline allocation approaches that align project-scale baselines with the national FREL, such as using a risk-based methodology to allocate GHG benefits from project activities. This approach integrates subnational and project-scale activities with national deforestation and forest degradation data, enhancing the coherence of REDD+ results across scales.

Monitoring, reporting and verification (MRV) nested systems

Recommendations:



- ✔ Develop or refine MRV protocols for alignment between national efforts and project-scale activities to prevent double counting and maintain environmental integrity, ensuring effective communication of REDD+ activities and results across different scales, as well as compatibility with UNFCCC reporting frameworks.

National registries

Recommendations:



- ✔ Start with simple actions such as registering all current projects and evolving the registry to a national scale for compliance with Nationally Determined Contribution (NDC) reporting requirements.
- ✔ When designing the registry, consider the infrastructure from existing registries in the voluntary carbon market and domestic compliance markets as a starting point, as well as UNFCCC Article 6 requirements for registries.

Allocation of incentives

Recommendation:



- ✔ Applies only to centralized-nested systems, where the jurisdiction is the only entity authorized to generate Emissions Reductions and Removals - ERRs from REDD+ results. Develop a methodology for incentive allocation between the jurisdiction and all scales of REDD+. This can include upfront or performance-based incentives in the form of carbon credits or cash disbursements.

Benefit Sharing

Recommendations:



- ✔ Set-up a fair and transparent process to ensure participation and good-faith negotiations with communities on fair allocation of revenues, governance, and fund flow mechanisms, among others.
- ✔ Define governance and financial mechanisms to distribute monetary and non-monetary benefits to beneficiaries, directly or through authorized intermediaries (E.g., project developers in decentralized approaches).
- ✔ Government and projects can work together to ensure wide coverage of benefits and value among diverse REDD+ stakeholders such as IP & LCs, women, youth, and vulnerable groups.
- ✔ Prioritize a benefit sharing mechanism that distributes both upfront benefits and rewards for performance, tailored to meet community needs and maximize positive impacts and value for communities.

Safeguards

Recommendations:



- ✔ Develop participatory approaches for alignment of social and environmental safeguards across all scales of REDD+ and to fulfill the Cancun Safeguards and international and regional conventions. This includes the consultation of diverse stakeholders and the application of Free, Prior, and Informed Consent (FPIC).
- ✔ Create appropriate and accessible channels for stakeholders to address safeguard violations through a grievance and redress mechanism, designed to also address gender-based violence and harassment - GBVH. This may be through a combination of local and national resources. Vulnerable groups may need additional resources to access safeguards and protect their rights.

Taxes, levies, and duties

Recommendations:



- ✔ Develop participatory approaches for alignment of social and environmental safeguards across all scales of REDD+ and to fulfill the Cancun Safeguards and international and regional conventions. This includes the consultation of diverse stakeholders and the application of Free, Prior, and Informed Consent (FPIC).
- ✔ Create appropriate and accessible channels for stakeholders to address safeguard violations through a grievance and redress mechanism, designed to also address gender-based violence and harassment - GBVH. This may be through a combination of local and national resources. Vulnerable groups may need additional resources to access safeguards and protect their rights.

Land rights and legal tenure

Recommendations:



- ✔ Include guidance in the nesting framework for navigating the implementation of benefits sharing and ERR claims in the context of customary land rights, especially for IP & LCs with undocumented claims.

Access [here](#) the Conservation International Policy Recommendations for REDD+ Nesting.

Approaches to REDD+ nesting

- ✔ Each country's nesting approach will vary based on its unique circumstances, goals, and the actors involved, such as government agencies, Indigenous peoples and local communities (IPs & LCs), civil society organizations, associations of land users, and the private sector. This decision is determined by factors such as national climate goals, forest governance and institutional structures, policy and legislative system governing land and forest tenure and ownership, countries' capacity for monitoring, reporting, and verifying emissions reductions. A key factor shaping the process is the degree of centralization taken by the national government. In a general sense, there are two main approaches to nesting: centralized and decentralized.
- ✔ **Centralized-nested - National crediting:** The government controls emission reduction and removal (ERR) activities, offering incentives and managing outcomes. Through performance-based incentives and a benefit-sharing system, it promotes the involvement of projects as part of national REDD+ activities. This method encompasses national ERR accounting, management of ERRs, benefit distribution, and rewards tied to greenhouse gas reduction performance.

✔ **Decentralized-nested - Multi-scale crediting:** The national government leads the nesting process and works to set the parameters for diverse actors to generate ERRs across different scales. Under this approach, subnational governments or site-scale projects may lead independent REDD+ activities and issue credits separately from the national REDD+ program. This approach supports direct crediting of ERRs at multiple scales, including at national, subnational and project levels, and the national REDD+ program aligns results by subtracting project ERRs from national ERR claims. National standards for monitoring, reporting, and verification (MRV) at the project scale, along with safeguards, are established and enforced by the national government, and may be additional to the standards established by the crediting program under which the project is registered.

✔ **Hybrid nested framework:** These two approaches can be combined to create hybrid nesting frameworks tailored to a country's specific needs. A country may begin with one approach and gradually evolve into a hybrid model that better aligns with its national circumstances. For example, while a centralized approach involves government oversight in crediting and selling ERRs, a hybrid model could allow for multi-scale crediting with the government acting as a key broker for subnational and project-scale activities. Alternatively, a hybrid approach might decentralize crediting and sales to subnational jurisdictions, where the national government supports these efforts without necessarily engaging in national-level crediting. Various scenarios can illustrate how a hybrid approach can be effectively implemented, such as:

- Combination of jurisdictional and centralized nesting model: A national emissions reduction program is established, utilizing a benefit-sharing mechanism to distribute both performance-based funding and ERRs to various stakeholders.
- Combined approach of the decentralized and centralized nesting models: The country seeks to access both non-market (result-based payments) and market opportunities (Article 6 and voluntary carbon markets). For result-based payments, it offers non-market incentives for national-scale performance. For market approaches, it assigns project baselines and allows projects to sell a portion of ERRs in the voluntary carbon market, aligned with national GHG performance and MRV systems.
- Combination of several models: Non-market result-based payments are distributed among local communities to reward GHG performance. Projects receive allocated forest reference emission levels, enabling direct participation in voluntary markets. Additionally, the country may explore a domestic crediting scheme, encouraging local companies to invest in conservation and restoration efforts.

Source: World Bank. 2021. Nesting of REDD+ Initiatives: Manual for Policy Makers. World Bank. <https://documents1.worldbank.org/curated/en/411571631769095604/pdf/Nesting-of-REDD-Initiatives-Manual-for-Policymakers.pdf>



Annex I:

Common Questions

How are natural climate solutions included in Article 6?

As it has been explained in sections above, natural climate solutions are included in Article 6 in the following ways:

- ✔ The Article 6.2 approach is open to credits from all sectors, thereby covering REDD+ and natural climate solution credits at national/subnational scales, including nested projects, as long as they are post-2020 units and comply with the minimum quality requirements outlined in Article 6.2 guidance. Given that REDD+ has very specific rules under the United Nations (namely the Warsaw Framework and the Cancun Safeguards), including requirements for implementation at the at the national/subnational scale, this means that all REDD+ units under Article 6 must be at a jurisdictional scale or nested.
- ✔ Article 6.4 is also open to all sectors, but specific project methodologies will need to be developed and approved by the Supervisory Body (once it is fully operational). Since REDD+ falls under Article 6.2, other non-REDD+ types of natural climate solutions could also be eligible under Article 6.4 pending approval of final methodologies.
- ✔ Article 6.8 is also open to natural climate solutions. Although further guidelines are pending, the existing guidance calls for submissions from parties and observers to express their views on examples of potential additional focus areas of non-market approaches, which included blue carbon, among other topics. It is worth noting, however, that blue carbon interventions are not exclusively non-market approaches. For example, there are existing voluntary carbon market projects for blue carbon ecosystems. Additionally, mangrove forests can be included in a country's national REDD+ program (depending on the national definition of forest) and would therefore also be eligible as an Article 6.2 cooperative approach. Furthermore, for blue carbon that is not already included under REDD+, may also be covered by Article 6.4, pending the approval of specific methodologies.
- ✔ Finally, Article 6.2 only covers post-2020 carbon credits. This means that in the case of the voluntary carbon markets, the use of pre-2020 credits, including those from REDD+ and other natural climate solutions, can still be sold to willing buyers on either the international or domestic voluntary markets.

What is the definition of “emissions avoidance”?

Under Article 6.2, there is a work programme to consider “*whether internationally transferred mitigation outcomes could include emission avoidance.*” And under Article 6.4, there’s a work programme to consider “*whether activities could include emissions avoidance and conservation enhancement activities.*”

The reference to “emissions avoidance” is not officially defined under the UNFCCC. However, it is generally understood to refer to efforts to prevent future fossil fuel extraction. An example of this concept is the Yasuni-ITT Initiative proposed by the Ecuadorean government, whereby, instead of exploiting the oil reserves from the Yasuni, carbon credits would be issued for the emissions that are avoided by not pursuing oil extraction. While some colloquially use the term “emissions avoidance” to refer to a large swathe of mitigation activities, the introduction of the term “emissions avoidance” in the Article 6 context has a very specific and narrow understood meaning, as described above.

Some examples of mitigation activities that **ARE NOT** “emissions avoidance” include REDD+ activities (“emissions reductions from avoided deforestation”), among others.

Since REDD+ most naturally fits under Article 6.2, consideration of “conservation enhancement activities” under Article 6.4 should not have any impacts on REDD+. In this context, the development of Article 6.4 methodologies related to “conservation enhancement activities” will be most relevant for countries or ecosystems that fall outside of REDD+.

Annex II: Glossary of Terms



Adaptation Fund: Fund established under the Kyoto Protocol to finance adaptation projects and programmes in developing countries that are most vulnerable to climate change. Under decisions 13/CMA.1 and 1/CMP.14, it was decided that the adaptation fund would finalize its role within the Kyoto Protocol and would serve the Paris Agreement instead.



Blue Carbon: “Biologically-driven carbon fluxes and storage in marine systems that are amenable to management. Coastal blue carbon focuses on rooted vegetation in the coastal zone, such as tidal marshes, mangroves and seagrasses.”³



Clean Development Mechanism (CDM): “A mechanism under the Kyoto Protocol through which developed countries may finance greenhouse-gas emission reduction or removal projects in developing countries, and receive credits for doing so which they may apply towards meeting mandatory limits on their own emissions.”⁴



CDM credits or Certified Emissions Reductions: “A Kyoto Protocol unit equal to 1 metric tonne of CO2 equivalent. CERs are issued for emission reductions from CDM project activities.”⁵



Cooperative Approaches: Form of voluntary international cooperation in the implementation of Parties’ Nationally Determined Contributions to allow for higher ambition in mitigation and adaptation actions and to promote sustainable development and environmental integrity.⁶



Corresponding Adjustment: Process through which a mitigation outcome is credited to the Buyer Party’s emissions balance and debited from the Seller Country’s emissions balance to ensure no double counting of emissions.



Double Counting: Double counting of emission reductions refers to when an emission reduction is issued, used, or claimed more than once, which the Paris Agreement explicitly prohibits.⁷



Emissions Avoidance: The reference to “emissions avoidance” is not officially defined under the UNFCCC. However, it is rather generally understood to refer to efforts to prevent future fossil fuel extraction. An example of this concept is the Yasuni-ITT Initiative proposed by the Ecuadorean government, whereby, instead of exploiting the oil reserves from the Yasuni, carbon credits would be issued for the emissions that are avoided by not pursuing oil extraction.

³ IPCC. Sixth Assessment Report. Annex VII – Glossary. https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Annex_VII.pdf. *Please note this is the accepted version subject to final edits.

⁴ UNFCCC. Glossary of climate change acronyms and terms. CDM. <https://unfccc.int/process-and-meetings/the-convention/glossary-of-climate-change-acronyms-and-terms>

⁶ UNFCCC. Glossary of climate change acronyms and terms. CDM. <https://unfccc.int/process-and-meetings/the-convention/glossary-of-climate-change-acronyms-and-terms>

⁷ Paris Agreement, Article 6, paragraph 1.



Emissions Reductions: A decrease in the release of greenhouse gases into the atmosphere. In the context of carbon markets, this decrease must result from human interventions as opposed to a naturally occurring decrease of emissions.



Emissions Removals or Anthropogenic removals: “The withdrawal of greenhouse gases (GHGs) from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO₂ and using chemical engineering to achieve long term removal and storage. Carbon capture and storage (CCS), which alone does not remove CO₂ from the atmosphere, can help reduce atmospheric CO₂ from industrial and energy-related sources if it is combined with bioenergy production (BECCS), or if CO₂ is captured from the air directly and stored (DACCS) (...).”⁸



Internationally Transferred Mitigation Outcomes (ITMOs): Article 6.2 units, called Internationally Transferred Mitigation Outcomes, must be:

- ✔ Emission reductions and removals that are real, verified, and additional;
- ✔ Generated in respect of or representing mitigation from 2021 onward;
- ✔ Measured in metric tonnes of carbon dioxide equivalent (tCO₂eq) or in other non-greenhouse gas (GHG) metrics determined by the participating Parties;
- ✔ From a cooperative approach referred to in Article 6.2, that involves the international transfer authorized for (a) use towards an NDC; (b) Authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC; or (c) authorized for other purposes as defined by the host Party;
- ✔ Article 6, paragraph 4 emission reductions when authorized for use towards achievement of NDCs and/or authorized for use for other international mitigation purposes⁹.



Mitigation Outcome: Emissions reductions or emissions removals under the Paris Agreement.



Natural Climate Solutions (NCS): “NCS are a suite of protection, restoration and improved land management pathways that generate climate change mitigation outcomes. Each NCS pathway is a discrete and quantifiable type of action to avoid greenhouse gas (GHG) emissions and/or increase carbon sequestration in forest, savannah, agricultural lands or wetlands. NCS can also be referred to as nature-based solutions (NbS), although this is a broader term that also refers to climate adaptation, food security, water security, human health, and social and economic development derived from nature.”¹⁰



Non-Market Approaches (NMA): NMA refers to approaches, that do not involve the transfer of mitigation outcomes, and aim to (i) Promote mitigation and adaptation ambition; (ii) Enhance participation of public and private sector and civil society organizations in the implementation of NDCs; and (iii) Enable opportunities for coordination across instruments and relevant institutional arrangements. They also assist participating Parties in implementing their NDCs in an integrated, holistic, and balanced manner, including through: (i) Mitigation, adaptation, finance, technology development and transfer, and capacity-building, as appropriate; (ii) Contribution to sustainable development and poverty eradication.¹¹



Overall Mitigation in Global Emissions (OMGE): A concept for utilizing carbon markets to deliver a greater reduction in worldwide greenhouse gas emissions to achieve the Paris Agreement mitigation and temperature goals. Under the Article 6.4 mechanism, OMGE is operationalized through the automatic cancellation of a percentage of issued units.

⁸ IPCC. Sixth Assessment Report. Annex VII – Glossary. https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Annex_VII.pdf. *Please note this is the accepted version subject to final edits.

⁹ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. Annex, Paragraph 1.

¹⁰ Griscom BW et al. 2020 National mitigation potential from natural climate solutions in the tropics. *Phil. Trans. R. Soc. B* 375: 20190126. <http://dx.doi.org/10.1098/rstb.2019.0126>. Pg.2.

¹¹ Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement. Annex, Paragraph 2.



Other International Mitigation Purposes: *“Mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC (hereinafter referred to as international mitigation purposes) or authorized for other purposes as determined by the first transferring participating Party (hereinafter referred to as other purposes) (international mitigation purposes and other purposes are hereinafter referred to together as other international mitigation purposes).”¹² Other International Mitigation Purposes are understood to mean the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), whereas other purposes are understood to cover the voluntary carbon market IF that’s how the host country has defined “other purposes”.*

REDD+

REDD+: *“Reducing Emissions from Deforestation and forest Degradation, and sustainable management of forests, conservation of forest carbon stocks and enhancement of forest carbon stocks” (collectively referred to as REDD+) is a framework developed under the United Nations Framework Convention on Climate Change to address deforestation by supporting the protection of forests for their carbon sequestration, storage and other services.”¹³*

[REDD]

Nested REDD+: *A system that allows for site- or subnational-scale REDD+ activities (known as projects) to be incorporated into and formally recognized under national REDD+ programs, allowing for benefits to flow at all scales. Key elements that must be developed to establish a nested system include but are not limited to: carbon accounting and/or reporting approaches at the national level that incorporates site- and subnational-scale activities and agreement on the type and allocation of incentives to site- or subnational-scale actors (e.g., finance or results/credits). The specifics of the nesting approach, including which scale of activity is eligible and authorized to generate and transact credits, will be defined by each country to best address their national circumstances. Once recognized under national REDD+ programs, nested site- or subnational-scale activities should be considered part of the national REDD+ program.*



Share of Proceeds: *A percentage of emissions reductions and a monetary contribution that is levied and delivered to the Adaptation Fund to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.¹⁴ The Share of proceeds is mandatory under Article 6.4 and voluntary under Article 6.2.*



Voluntary Carbon Market (VCM): *“The voluntary carbon market (VCM) is where private individuals, corporations and other actors, issue, buy and sell carbon credits outside of regulated or mandatory carbon pricing instruments. The VCM aims to mitigate climate change by creating space for private actors to finance activities that remove greenhouse gas (GHG) emissions from the atmosphere or reduce GHG emissions associated with industry, transportation, energy, buildings, agriculture, deforestation, or any other aspect of human life.”¹⁵*

General Note: Where an official definition was available, the source was included in the Glossary of Terms.

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¹² Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. Paragraph 1(f)

¹³ Conservation International and Environmental Defense Fund. *Clearing the Air*. https://www.conservation.org/docs/default-source/publication-pdfs/ci-edf_icao_redd_factsheet_2019.pdf?Status=Master&sfvrsn=6a3bb78a_2

¹⁴ Article 6.4 guidance. Annex. Paragraphs 66 and 67.

¹⁵ Charlotte Streck, Melaina Dyck and Danick Trouwloon. *The Voluntary Carbon Market Explained (VCM Primer)*. December 2021. Pg. 1