Article 6 Negotiations
Handbook for Eastern Africa
Current Member States:
Burundi, Ethiopia, Kenya, Rwanda
Sudan, Tanzania, Uganda
Purpose of the Guidebook

After 2020, international carbon markets will transition from the Kyoto Mechanisms - governed in a top down fashion - to the Paris Agreement which is structured in a bottom up sense. In the future, Parties can generate and trade carbon credits through bilaterally governed cooperative approaches (under Article 6.2 of the Paris Agreement) or activities under a multilaterally governed mechanism (under Article 6.4) building on the lessons of the Clean Development Mechanism (CDM). In addition, a framework for non-market-based approaches under Article 6.8 will allow Parties to engage in cooperation which does not involve the transfer of emission reduction credits. However, Parties have not yet agreed on the final rules for operationalizing the Article 6 mechanisms. Due to the COVID-19 pandemic an international framework on Article 6 will be adopted earliest in November 2021 at COP26. The continuation of issuance of CDM credits after 2020 is uncertain. At the same time the first bilateral pilot activities for Article 6.2 are being developed, including in EAA member states.

In this uncertain situation, it is important that negotiators from East Africa meaningfully contribute to the negotiations to finalize Article 6 rules, based on regional priorities and circumstances. In this context, this guidebook aims to (i) facilitate understanding of Article 6 negotiation matters in an exhaustive yet simplified manner and (ii) contribute to strengthening negotiation skills necessary for drafting text and mobilizing support for East African positions. It briefly summarizes the historical roots of the Article 6 negotiations and the architecture of the approaches (sections 2.1 and 2.2) before presenting the key outstanding negotiation issues with a focus on priorities of Eastern African countries (section 2.3). Chapter 3 discusses a selection of specific practical implications of the Article 6 framework, namely the transition of CDM activities and Article 6 pilots in East African countries. In chapter 4, strategic approaches for eliciting support for negotiation positions are outlined. In the Annexes, readers will find key resources that delve further into the topics presented throughout the handbook.

The analysis, results and recommendations in this handbook, funded by the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU), represent the opinion of the authors and are neither necessarily representative of the position of the funder nor of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ GmbH) or Eastern African Alliance on Carbon Markets and Climate Finance member states.

Published: April 2021

Authors: Stephan Hoch, Kaja Weldner, Axel Michaelowa, Ruth Kassaye
Contents

Abbreviations 6
Abbreviations 7
Introduction 8

2.1.1. Brief summary of negotiations leading to Article 6 10
2.1. Historical evolution of Article 6 negotiations 10
2.1.2. Brief summary of Article 6 negotiations since COP21 until today 12
2.2.1. Cooperative approaches 13
2.1.3. Key differences to the Kyoto Protocol 14
2.2. Architecture of Article 6 14
2.2.2. The mechanism for sustainable development and mitigation (Article 6.4) 17
2.2.3. Framework for non-market approaches 20
2.3. Key negotiation issues 21
2.3.1. Accounting 22
2.3.2. Reporting and review 27
2.3.3. Transition of CDM activities 29
2.3.4. Share of proceeds and adaptation finance 32
2.3.5. Overall mitigation in global emissions 34
2.3.6. Baselines and methodologies 34
2.4. Overview on Article 6 and key links to NDC, Transparency and Climate Finance 37
3.1. Potential for CDM transition 39
3.2. Article 6 piloting 41

References 50

Annex I: Key resources 53
Annex II: Glossary of terms 54
Figures

Figure 1: “Ups” and “downs” of international carbon markets over time. 11
Figure 2: Shift of contentious negotiation issues between COP24 and COP25 13
Figure 3: Corresponding adjustments for sellers and buyers of mitigation outcomes 13
Figure 4: Activity cycle of the multilateral mechanism 16
Figure 5: Environmental integrity risk of accounting for single-year targets 19
Figure 6: Corresponding Adjustments under a multi-year trajectory 23
Figure 7: ‘Averaging approach’ to CA for a single-year target 23
Figure 8: Corresponding Adjustments for Non-GHG Metrics 24
Figure 9: Common (left) vs. alternative (right) understanding of “outside the NDC” 25
Figure 10: Article 6 reporting requirements and linkage with reporting under the ETF 25
Figure 12: Article 6 and the PA architecture 39

Tables

Table 1: Transition of CDM methodologies, activities and units to Article 6.4 30
Table 2: African Article 6 pilot activities 01

Textboxes

Box 1: Article 6.2, Paris Agreement 30
Box 2: Article 6.4, Paris Agreement 16
Box 3: Article 6.8 and 6.9, Paris Agreement 17
Box 4: Differences in NDC characteristics 20
Box 5: Share of proceeds under the CDM 22
Box 6: Additionality 32
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A6TER</td>
<td>Article 6 Technical Expert Review</td>
</tr>
<tr>
<td>A6.4ER</td>
<td>Article 6.4 Emission Reductions...</td>
</tr>
<tr>
<td>ABM</td>
<td>Adaptation Benefit Mechanism</td>
</tr>
<tr>
<td>BTR</td>
<td>Biennial Transparency Report</td>
</tr>
<tr>
<td>CA</td>
<td>Corresponding Adjustment</td>
</tr>
<tr>
<td>CARP</td>
<td>Centralized Accounting and Reporting Platform</td>
</tr>
<tr>
<td>CCXG</td>
<td>Climate Change Expert Group</td>
</tr>
<tr>
<td>CDM</td>
<td>Clean Development Mechanism</td>
</tr>
<tr>
<td>CDM EB</td>
<td>Clean Development Mechanism Executive Board</td>
</tr>
<tr>
<td>CER</td>
<td>Certified Emission Reduction</td>
</tr>
<tr>
<td>CMA</td>
<td>Conference of the Parties serving as meeting of the Parties to the Paris Agreement</td>
</tr>
<tr>
<td>CMM WG</td>
<td>Carbon Market Mechanisms working group</td>
</tr>
<tr>
<td>CMP</td>
<td>Conference and Meeting of the Parties to the Kyoto Protocol</td>
</tr>
<tr>
<td>COP</td>
<td>Conference of Parties</td>
</tr>
<tr>
<td>DNA</td>
<td>Designated National Authority</td>
</tr>
<tr>
<td>DOE</td>
<td>Designated Operational Entity</td>
</tr>
<tr>
<td>EAA</td>
<td>Eastern African Alliance</td>
</tr>
<tr>
<td>ECBI</td>
<td>European Capacity Building Initiative</td>
</tr>
<tr>
<td>ERCST</td>
<td>European Roundtable on Climate Change and Sustainable Transition</td>
</tr>
<tr>
<td>ETF</td>
<td>Enhanced Transparency Framework</td>
</tr>
<tr>
<td>ETS</td>
<td>Emission Trading Scheme</td>
</tr>
<tr>
<td>FVA</td>
<td>Framework for various approaches</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse gases</td>
</tr>
<tr>
<td>IET</td>
<td>International Emissions Trading</td>
</tr>
</tbody>
</table>
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IETA</td>
<td>International Emissions Trading Association</td>
</tr>
<tr>
<td>ITMO</td>
<td>Internationally Traded Mitigation Outcome</td>
</tr>
<tr>
<td>JCM</td>
<td>Joint Crediting Mechanism</td>
</tr>
<tr>
<td>JI</td>
<td>Joint Implementation</td>
</tr>
<tr>
<td>KP</td>
<td>Kyoto Protocol</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>LULUCF</td>
<td>Land Use, Land Use Change and Forestry</td>
</tr>
<tr>
<td>MPG</td>
<td>Modalities, Procedures and Guidelines (of the ETF)</td>
</tr>
<tr>
<td>NAMA</td>
<td>Nationally Appropriate Mitigation Action</td>
</tr>
<tr>
<td>NDA</td>
<td>Nationally Designated Authority</td>
</tr>
<tr>
<td>NDC</td>
<td>Nationally Determined Contribution</td>
</tr>
<tr>
<td>NMA</td>
<td>Non-market-based approach</td>
</tr>
<tr>
<td>NMM</td>
<td>New market mechanism</td>
</tr>
<tr>
<td>OMGE</td>
<td>Overall mitigation in global emissions</td>
</tr>
<tr>
<td>PA</td>
<td>Paris Agreement</td>
</tr>
<tr>
<td>PoA</td>
<td>Programme of activities</td>
</tr>
<tr>
<td>SB</td>
<td>Supervisory Body</td>
</tr>
<tr>
<td>SBSTA</td>
<td>Subsidiary Body for Scientific and Technological Advice</td>
</tr>
<tr>
<td>SCF</td>
<td>Standardized Crediting Framework</td>
</tr>
<tr>
<td>SIDS</td>
<td>Small island developing states</td>
</tr>
<tr>
<td>SOP</td>
<td>Share of proceeds</td>
</tr>
<tr>
<td>UNFCCC</td>
<td>UN Framework Convention on Climate Change</td>
</tr>
</tbody>
</table>
Introduction

All Parties to the Paris Agreement (PA) specify Nationally Determined Contributions (NDCs) with mitigation targets; most developing countries also define adaptation actions in their NDCs. Yet, the sum of current NDCs is inconsistent with an emissions path to achieve the PA’s goal to contain climate change “well below” 2°C and pursue efforts to limit the temperature increase further to 1.5°C. Therefore, in five-year cycles, countries are expected to “ratchet up” the ambition of their NDC targets. International carbon markets can help countries raise their mitigation ambition through international cooperation, as market mechanisms can lower the cost and increase the flexibility of achieving mitigation outcomes. Article 6 of the PA establishes three avenues for voluntary cooperation between Parties, two of which are market-based approaches:

- Cooperative approaches, pursuant to Article 6.2, PA: refers to the bilateral or multilateral international trading of mitigation outcomes. It is determined by Parties, but subject to international guidance and reporting and transparency requirements.

- The mechanism for mitigation and sustainable development established in Article 6.4 (sometimes called ‘sustainable development mechanism’) refers to a multilaterally governed baseline and crediting mechanism, and can be seen as the successor of the Clean Development Mechanism (CDM) under the Kyoto Protocol (KP).

- Article 6.8 establishes a ‘framework for non-market-based approaches’ (NMAs) which acknowledges the importance of non-market based-cooperation to promote mitigation and adaptation ambition.

While the broad contours of these approaches are outlined in the Paris Agreement, Parties still need to finalize the rules and guidance for operationalizing Article 6 as part of the so-called ‘Paris Agreement rulebook’. While other elements of the ‘rulebook’ have already been agreed at COP24 in 2018, Parties were unable to reach agreement on the “Guidance for cooperative approaches” for Article 6.2, “Rules, modalities and procedures” for the Article 6.4 mechanism as well as the “Framework for NMA” of Article 6.8 at COP24 and COP25. At the latter in 2019, the Conference of the Parties serving as meeting of the Parties to the Paris Agreement (CMA) concluded with a procedural decision referencing three different proposals by the COP Presidency for the Art.6 decision texts as a basis for further negotiations at COP26 (see decision 9/CMA.2).

Finalizing Art. 6 rules is further complicated by the COVID-19 pandemic. In 2020, for the first time since the UNFCCC entered into force, neither COP nor subsidiary body meetings have been held. Current planning foresees COP26 in November 2021, with several preparatory meetings during 2021 and first informal virtual talks announced for November 2020. But the ongoing onslaught of the pandemic raises questions about when and how to finalize multilateral Article 6 rules.
Why are Article 6 negotiations relevant for the East African region? First, a significant number of CDM projects and Programmes of Activities (PoA) have been registered in African host countries (UNEP DTU 2020). How these activities may be eligible and transition to the Paris Agreement context remains unclear. While the entry into force of the Doha Amendment to the Kyoto Protocol at the very last possible moment means the second commitment period of the Kyoto Protocol still becomes relevant and could generate demand for CDM credits until the end of the ‘true up’ period in 2023, the absence of clear regulation has significant implications on CDM transition, leading to high degree of uncertainty and risk for the East African project and PoA pipeline. This uncertainty is greatly amplified by the fact that, in the absence of a decision of the Conference and Meeting of the Parties to the Kyoto Protocol (CMP), the CDM EB discusses the question of whether the CDM will continue all of its operations after 2020 controversially (see detailed discussion in section 2.3.3). Second, some Parties have already started piloting concrete Article 6 activities in Africa, including the East African region. This allows feeding practical experiences from regional piloting activities into the negotiations to ensure that Art. 6 rules reflect the circumstances and priorities of African countries and Least Developed Countries (LDCs) in order to prevent barriers to participation. Third, market mechanisms can generate contributions to adaptation finance (e.g. through a share of proceeds to the Adaptation Fund as under the CDM).

Even though negotiations have been postponed, the discussion on Article 6 rules has continued in different informal virtual fora such as roundtables hosted by the European Roundtable on Climate Change and Sustainable Transition (ERCST), the climate change expert group (CCXG) of the OECD, virtual carbon market pavilion of the International Emissions Trading Association (IETA) or the Carbon Market Mechanisms working group (CMM WG) convened by Perspectives. While finalizing the negotiations through formal decisions is likely to still require physical meetings, virtual discussions can be important to resolve open issues even during the pandemic. It is therefore important that Eastern African negotiators follow and potentially engage in such discussions.

Against this backdrop, this guidebook on Article 6 negotiations has two main objectives:

- To facilitate understanding of Article 6 negotiation matters in an exhaustive yet simplified manner, tailored to the Eastern African context
- To strengthen negotiation language skills necessary for drafting text and eliciting support for East African positions through effective participation in the climate change negotiation meetings

This guidebook draws in part on recent work undertaken by Perspectives with the European Capacity Building Initiative (ECBI). The ECBI publishes and regularly updates studies and ‘pocket guides’ on issues related to UNFCCC negotiations1, and has published a comprehensive study on Article 6 negotiations with regular updates (Michaelowa et al. 2019; Michaelowa et al. forthcoming). The article 6 studies are informed by comments from negotiators and aim to reflect a balanced view of interpretations and negotiation positions. These and other useful resources that provide introductions and overviews to climate negotiations are listed in Annex I.

---

1 The full list of pocket guides can be accessed here; the Article 6 study is available on Perspectives’ website.
Review of negotiations on Article 6 of the Paris Agreement

2.1 Historical evolution of Article 6 negotiations

• The market mechanisms under the Kyoto Protocol, in particular the CDM serve as source of experience on issues negotiated under Article 6.
• Lessons can also be drawn from the historical carbon market experience. Carbon markets underwent several ‘ups’ and ‘downs’. The carbon market crash of 2011 shows the importance of sufficient, reliable demand and policy certainty for functioning carbon markets.
• Market mechanisms are controversial in climate negotiations; hence, identifying technical solutions for competing political objectives among Parties (e.g. striking a balance between ensuring environmental integrity and keeping transaction costs reasonable) requires defining compromise options.
• While their adoption was initially scheduled for 2018, the ‘rulebook’ for the three Article 6 approaches are still being negotiated. The delay of UNFCCC negotiations due to the COVID-19 crisis has led to further delay in finalizing Article 6 rules. However, a group of 32 countries has agreed on common “San Jose principles” for Article 6 activities in order to avoid delaying implementation.
• The key differences of the Paris mechanisms to the Kyoto mechanisms are (i) the commitment of all Parties to mitigation objectives posing challenges for accounting and additionality, (ii) limited international oversight of Article 6.2 approaches and (iii) the introduction of new types of carbon market cooperation such as the crediting of sectoral measures and policy instruments.

2.1.1. Brief summary of negotiations leading to Article 6

Market-based cooperative mechanisms were already introduced under the KP.² Parties established three mechanisms: Joint Implementation (JI); Clean Development Mechanism (CDM) and International Emissions Trading (IET). The CDM is a multilaterally governed baseline and credit mechanism. It enables developed countries to achieve part of their objectives under the KP by purchasing carbon credits (Certified Emission Reductions, CERs) resulting from mitigation projects in developing countries that also contribute to sustainable development. Over time, the CDM has been reformed, e.g. by introducing programmatic approaches and simplified methodologies. It continues to evolve to this day, often with the objective to increase access by underrepresented countries. JI is a baseline and crediting

² Even before the adoption of the KP, so-called Activities Implemented Jointly were piloted under the UN Framework Convention on Climate Change. This program was crucial for the emergence of the Kyoto mechanisms.
mechanism for developed countries and those in transition that have emissions targets under the KP. IET covers trading of ‘Assigned Amount Units’ under developed countries’ KP commitments.

The Kyoto mechanisms serve as sources of experience on issues negotiated under Article 6. Since their inception, the use of market mechanisms has had ups and downs (see Figure 1). Lessons can also be drawn from observed carbon market dynamics, such as the carbon market crash from 2011 onwards which was caused by reduction of demand and an increase in supply, as well as a high degree of uncertainty about what international climate policy regime would succeed the Kyoto Protocol.

Figure 1: “Ups” and “downs” of international carbon markets over time.
In international climate negotiations, market mechanisms are often controversially discussed,

![Degree of support of market mechanism](image)

Source: Michaelowa et al. (2019b).

and it is often challenging to identify technical solutions for competing political objectives among Parties, such as ensuring the environmental integrity of mitigation outcomes while also keeping transaction costs and capacity requirements at a reasonable level. Catering to such different viewpoints also explains the balance between the three main components of Article 6 (cooperative approaches, multilateral mechanism, non-market approaches).

These discussions have been evolving since the early days of the Kyoto Protocol. The CDM has been constantly reformed to address challenges and criticisms (Michaelowa et al. 2019; Shishlov and Belllassen 2012). In 2007 at the Bali conference, Parties decided to establish a new approach to enhance the domestic mitigation contribution by developing countries, so-called Nationally Appropriate Mitigation Actions (NAMAs). When negotiating the successor agreement to the KP, Parties pursued negotiations on market mechanisms in two tracks: the so-called ‘new market mechanism’ (NMM) and the ‘framework for various approaches’ (FVA) for bilateral cooperation and non–market-based initiatives. FVA was an
early placeholder for carbon markets not regulated by UNFCCC in order to avoid multilateral oversight and the need for consensus-based decision-making. This early structure continued to inform the Article 6 architecture of the Paris Agreement. While the negotiations took place for about five years (from 2010 to 2015), Article 6 in its final shape was only included late in the final PA at COP21.

2.1.2. Brief summary of Article 6 negotiations since COP21 until today

The PA defined high level principles for Article 6, but still required negotiators to specify technical details, which is still ongoing. Historically, the same happened under the KP with the detailed rules for the Kyoto mechanisms enshrined in the ‘Marrakech Accords’ of 2001. Parties continue to discuss ‘Guidance for Article 6.2’ and ‘Rules, Modalities and Procedures’ for Article 6.4. These Article 6 rules were initially scheduled to be adopted at CMA1 in 2018 in order for to become operational in 2020. Yet, since the adoption of the Paris Agreement, Parties achieved only limited progress in fleshing out Article 6 rules. During COP24, the Subsidiary Body for Scientific and Technological Advice (SBSTA) developed a first draft decision text. In the high-level segment during the second week of negotiations, the Polish COP presidency circulated different draft texts seeking to identify solutions for contentious points in the negotiations and suggestions to reduce the number of brackets in the text. However, Parties could not come to an agreement and deferred the decision to COP25 based on three draft decision texts, one for Art. 6.2, 6.4 and 6.8 (Decision 8/CMA.1; Pouffary et al. 2019).

Since it was already a priority for COP25 in 2019 to finalize Art.6, negotiations were pursued on the political level through Heads of Delegations meetings in parallel to the technical work in SBSTA since the first day of negotiations, which achieved considerable progress on key issues. In the high-level segment during the second week of negotiations, the Chilean COP Presidency convened informal roundtables to produce compromise negotiation text. Still, key contentious issues (see below) could not be resolved despite record ‘overtime’ of negotiations lasting almost two days beyond the official schedule. The CMA took a procedural decision which merely referenced three different versions of decision texts by the COP Presidency. Figure 2 and Figure 3 show the development of contentious negotiation issues. The grey circles show overarching negotiation ‘topics’ (e.g. accounting) to which specific negotiation issues are associated. It shows which negotiation issues were moved to a green ‘compromise zone’ between COP24 and COP25 and which ones are still highly contested (in red circle). Pending issues which might emerge as controversial are located in the yellow circle.

The delay of UNFCCC negotiations due to the COVID-19 crisis has led to a further delay in finalizing Article 6 rules beyond 2020. As is generally valid in climate negotiations, if there is no agreement on all issues, any issue can be reopened (“Nothing is agreed until everything..."

---

3 For a complete year by year summary, please refer to the archives of the Earth Negotiations Bulletin (ENB), which can be accessed online (in English and French) or the Negotiation Guide published by the Institut de la Francophonie pour le Developpement Durable on its website (in French and English).
is agreed"). In absence of international rules, a group of 32 countries led by Costa Rica and Switzerland proposed common principles, the so called “San José Principles”, for the use of Article 6 mechanisms (DCC 2019). The practical implications for the future negotiations and implementation of pilots remain to be seen. However, no African country is represented in the group so far.

**Figure 2: Contentious negotiation issues at COP24**
The following subsections introduce key features, elements of convergence and open issues for each component of Article 6 and illustrate their relevance for Eastern Africa.

### 2.2.1. Cooperative approaches

![Cooperative approaches](image-url)
2.1.3. Key differences to the Kyoto Protocol

The PA carbon markets show some key differences from the Kyoto mechanisms:

- Contrary to the KP, in which only industrialized country Parties committed to mitigation targets, all countries have agreed to make national contributions to reaching the mitigation target of the Paris Agreement. The targets are defined in countries’ NDCs, which are developed bottom-up and differ in many features (e.g., different metrics such as renewable energy or reforestation targets, as well as different target years and timeframes). The rules and modalities for Article 6 need to take this diversity into account. This poses important challenges regarding accounting for mitigation outcomes and additionality. Moreover, since all countries have NDCs, substantive interactions between Article 6 and the Enhanced Transparency Framework (ETF), for which the Modalities, Procedures and Guidelines (MPG) have been adopted in 2019 need to be considered. While the MPG include differentiated provisions for developing countries, in particular LDCs, all countries need to fully report on their participation in market mechanisms. This is especially relevant for Eastern African countries, whose NDCs demarcate conditional and unconditional targets, as countries can only sell mitigation outcomes which they do not need for the fulfilment of their unconditional NDC targets.

- While the multilateral Article 6.4 mechanism will be governed through a Supervisory Body (SB) in a way similar to the CDM EB, cooperative approaches under Article 6.2 are subject only to limited international oversight. Consequently, transparency and reporting processes are central for ensuring the environmental integrity of Article 6.2.

- PA mechanisms allow for new types of carbon market cooperation. They will go beyond project- and programme-based mitigation activities and include crediting of sectoral measures and policy instruments. New methodological approaches are required for these new types of carbon market activities.

2.2. Architecture of Article 6

<table>
<thead>
<tr>
<th>Key messages of section 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 6 has three main components: cooperative approaches (Art. 6.2), a UNFCCC mechanism succeeding the CDM (Art. 6.4) and a framework for non-market-based approaches (Art. 6.8).</td>
</tr>
<tr>
<td>Cooperative approaches include the voluntary exchange of Internationally Traded Mitigation Outcomes (ITMOs) between Parties. These approaches offer flexibility in design and implementation by Parties with limited international supervision. Key principles are to apply robust accounting, avoid double counting of mitigation outcomes, promotion of sustainable development, ensure environmental integrity and transparency. The international accounting</td>
</tr>
</tbody>
</table>
and reporting framework is the cornerstone of the guidance for cooperative approaches that needs to be adopted at COP26. Accounting for transactions will be operationalized through so-called corresponding adjustments. While the basic principle is clear, the details of how Parties perform corresponding adjustments still need to be agreed.

- The multilateral mechanism will generate carbon credits for mitigation activities authorized by host countries, which can be used towards the domestic NDC target or transferred internationally. The mechanism will be overseen by a Supervisory Board under multilateral oversight. The activity cycle will likely be similar to the CDM. In order to participate, host countries must have communicated a NDC and a DNA as focal point with potentially expanded oversight functions compared to CDM.

- The framework for non-market based approaches under Article 6 does not define a mechanism or financing instrument and instead will combine approaches which do not involve the transfer of mitigation outcomes through market-based approaches. These could refer to mitigation, adaptation, finance, technology transfer, and capacity-building approaches. The negotiations on the Article 6.8 framework are largely overshadowed by negotiations on market-based approaches. The main controversy is whether the framework will be permanently institutionalized within the UNFCCC architecture.

Article 6.2 governs voluntary exchanges of Internationally Traded Mitigation Outcomes (ITMOs) between Parties to facilitate achieving NDCs, the so-called cooperative approaches. These approaches are not supervised by an international body and are characterised by a large flexibility in the design and implementation. They may include a broad range of activity types, ranging from bilaterally governed crediting mechanisms such as the Japanese Joint Crediting Mechanism (JCM)4 to mitigation policies (such as carbon taxes, emissions trading schemes (ETS), or renewable energy auctions). Another key application under Article 6.2 is the linking of ETS which does not generate new carbon credits but exchanges allowances between two ETS (Michaelowa et al. 2019). International guidance will be limited to the accounting and reporting of transactions.

Article 6.2 lays out key principles for cooperative approaches (see Box 1). Double counting, i.e. using or selling the same emission reduction towards two or more mitigation pledges, is a key risk to environmental integrity of cooperative approaches. Hence, a robust international accounting and transparency framework is the cornerstone of the Article 6.2 guidance. However, the differences among NDCs with regards to objectives, metrics used, timeframes and sectors covered makes developing common accounting rules extremely challenging. Nevertheless, points of convergence have emerged from the negotiations:

---

4 Most partner countries are Asian, but the JCM is also being used in Ethiopia and Kenya. These activities are presented in more detail in section 2.6.
1. In the current negotiation text, ITMOs are defined as emission reductions resulting from an A6.2 approach, or from an A6.4 approach if they are internationally traded. A number of criteria will apply: ITMOs need to be real, verified, additional, and represent mitigation from 2021 onwards.

2. Parties using ITMOs need to account for them through so-called corresponding adjustments (CA). This means that parties selling mitigation outcomes internationally must subtract this mitigation outcome from the progress towards their own mitigation objectives (Michaelowa et al. 2019). The Party purchasing the ITMO can account it towards its target. Figure 3 illustrates the general principle of performing CA to the NDC target for seller and buyer countries. However, crucial questions such as when to apply CA, and how to account given diverse NDCs still remain to be solved (cf. section 2.3.1).

Box 2: Article 6.2, Paris Agreement

“Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting consistent with guidance adopted by the [CMA].“

Figure 4: Corresponding adjustments for sellers and buyers of mitigation outcomes

Source: adapted from Michaelowa et al. 2019
While there is no international oversight of cooperative approaches, a transparent reporting and review cycle at UNFCCC level will allow to identify and call out approaches that do not meet the key agreed principles. The reporting provisions under the Article 6.2 guidance are closely linked to the ETF under Article 13 of the PA. Parties have achieved significant progress on the reporting and review cycle at COP25 (see section 2.3.2).

Several East African countries, such as Rwanda, Ethiopia and Kenya have already been piloting crediting mechanisms under Article 6.2 approaches through the JCM and the World Bank’s Standardized Crediting Framework. Therefore, the design of rules and reporting requirements is of high relevance for these countries, which have expressed their commitment to robust accounting in their NDCs. Therefore, East African negotiators may consider this early experience from the region and bring it into finalizing Article 6.2 guidance. Moreover, special circumstances for LDCs have been invoked in both rule-making and implementation and East African negotiators may want to consider supporting these efforts (see 2.3.1; 2.3.6).

2.2.2. The mechanism for sustainable development and mitigation (Article 6.4)

Article 6.4 establishes a multilaterally governed baseline and crediting mechanism, which may emerge as the successor to CDM. This mechanism will generate carbon credits (tentatively called Article 6.4 Emission Reductions, or A6.4ER) for mitigation activities authorized by host countries, which can be used towards the domestic NDC target or transferred internationally, which would make them ITMOs.

Box 3: Article 6.4, Paris Agreement

"A mechanism to contribute to the mitigation of [GHG] emissions and support sustainable development is hereby established under the authority and guidance of the [CMA] for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to this Agreement, and shall aim:

(a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development;
(b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;
(c) To contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution; and
(d) To deliver an overall mitigation in global emissions."

Several East African countries, such as Rwanda, Ethiopia and Kenya have already been piloting crediting mechanisms under Article 6.2
At UNFCCC level, the mechanism will be overseen by the SB whose role is comparable to the CDM EB. It will register projects, oversee and approve the issuance of credits. Furthermore, it will approve eligible methodologies, in particular regarding the calculation of baselines and determining additionality.

The activity cycle will likely be similar to the CDM in that activities must be approved by host countries and validated by independent auditors, accredited by UNFCCC (so-called Designated Operational Entities, DOE). Emission reductions will also have to be monitored and verified by independent auditors and are issued to accounts of the developers of the activities in a UNFCCC registry.
Figure 5: Proposed activity cycle of the Art.6.4 mechanism

Activity design stage
- Approval
- Stakeholder consultation
- Validation by DOE
- Registration

Activity implementation stage
- Monitoring
- Verification by DOE
- Certification

Issuance of A6.4ERs
- Share of proceeds for adaptation and administration
- Voluntary/mandatory forwarding to cancellation account

Authorisation of Transfer
- Transfer of A6.4ERs (become ITMOs)

Source: Michaelowa et al. (2019)
Both public and non-governmental stakeholders can implement activities, as long as they obtain the approval of the host country. The host country must explain how its Article 6.4 activities relate to its NDC and promote sustainable development (Michaelowa et al. 2019). Furthermore, Parties have agreed on levying a share of proceeds (SOP) for the purposes of maintaining the SB and its support structure (administrative SOP) and for financing adaptation (e.g. contribution to the Adaptation Fund). While this is in principle agreed, it is not clear yet how the SOP will be operationalised (cf. section 2.3.4). In contrast to the CDM, a grievance and appeals process will be established.

The Art. 6.4 mechanism is of highest relevance for East African countries who host CDM activities and have generated experience and capacity with the CDM. The multilateral activity cycle and infrastructure (e.g. registry) ease pressure on host countries to build domestic capacity and infrastructure to deliver the same functions. Nevertheless, which governance functions are to be provided by the multilateral and the national level during implementation remains an open question. Special circumstances of LDCs and small island developing states (SIDS) needs to be considered in the operationalisation of the rules, e.g. more flexibility in developing baselines or testing additionality.

2.2.3. Framework for non-market approaches

Article 6.8 and 6.9 establish a framework for non-market-based approaches (NMA) (see Box 3). Article 6.8 highlights importance of “integrated, holistic and balanced non-market approaches” to assist Parties in the implementation of their NDCs. NMAs can take various forms and refer to mitigation, adaptation, finance, technology transfer, and capacity-building approaches (Michaelowa et al. 2019). Importantly, there is no clearly defined mechanism or financing instrument. Instead, Parties are negotiating a work programme to implement the framework, which is to be adopted at COP 26 as part of the ‘Article 6 package’. However, the Article 6.8 framework is largely overshadowed by negotiations on market-based approaches. Compared to negotiations on Article 6.2 and 6.4, there is relatively high convergence in the negotiations. Still, issues can be reopened any time and/or used as tactical ‘negotiation chips’.
The main controversy surrounding Article 6.8 concerns its institutional character. Some Parties fear that a strong framework might duplicate existing efforts, e.g. on adaptation, technology transfer, finance and might come with an increased pressure on industrialized countries to provide climate finance. The African Group is part of a coalition in favour of a work program that is permanently institutionalized within the UNFCCC architecture.

The negotiations under Article 6.8 have high relevance for Eastern Africa: Possible designs of approaches could cover the provision of climate finance for projects which are underrepresented in current market-based activities. This could concern for example adaptation and mitigation projects which are not easily quantifiable (e.g. technology transfer). The African-led Adaptation Benefit Mechanism (ABM) is one example for a potential activity under the framework, with early support from Uganda through a formal submission to UNFCCC proposing to integrate the ABM into the UNFCCC (see section 2.4).

2.3. Key negotiation issues

Key messages of section 2.3
- Defining common rules on robust accounting is difficult given the diversity of NDC features. Accounting questions are at the centre of most controversial negotiation issues. There are two key issues for NDCs with different target types: For NDCs expressed in metrics other than CO2e, Parties apply a corresponding adjustment for relevant indicator if the same indicator is used by both Parties. There is also disagreement on what constitutes an emission reduction ‘outside the NDC’ and whether corresponding adjustments apply for ITMOs used for ‘other purposes’. Moreover, there are different rules for developed and developing countries, and special flexibilities for LDCs.
- The reporting and review obligations for Parties using Article 6 approaches comprise: (i) an initial report before the start of an activity, (ii) annual information on ITMO accounting and (iii) regular information every two years on participation in Article 6 approaches, the country’s emissions balance and corresponding adjustments, in line with the ETF. UNFCCC will host a ‘Centralized Accounting and Reporting Platform’ (CARP) which assembles information on Article 6 activities. Reports will be evaluated by an Article 6 Technical Expert Review (A6TER). While there is little disagreement on the reporting and review cycle, there is uncertainty about practical steps for Parties.
- CDM transition to Article 6 remains highly contentious. While there was initial controversy between ‘full transition’ and ‘no transition’, significant progress has been achieved on all elements of CDM transition (infrastructure/methodologies, activities and units). However, the absence of finalized rules at the end of the second KP commitment period creates a regulatory gap regarding continuity of the CDM after 2020. At COP25, CMA could not agree on guidance to the CDM EB with regard to matters of CDM transition.
- While the share of proceeds for adaptation under Article 6.4 is not controversial, Parties need to determine how and when it will be levied. Options include monetary fees at registration or issuance or diverting a fixed percentage of units at issuance, or a mix of both. Whether a SOP will apply to ITMO transfers under Article 6.2 is highly contentious. Some Parties, including AGN, argue that it ensures sufficient and equitable funding for adaptation avoids disadvantaging the multilateral mechanism, others argue that it would not be technically feasible given the diversity of Article 6.2 approaches.
- How to interpret OMGE, as well as the approaches included in the negotiation to determine baselines and additionality are further topics which have been less controversial in the negotiations at COP25, but on which no agreement has been found. They may thus be re-opened at any moment.

The following section provides more detail on key issues that need to be resolved in order to be able to finalize the Article 6.2 guidance and Article 6.4 rules, modalities and procedures (RMP). There are important technical linkages between Article 6.2 and Article 6.4 and several of the key negotiation issues are relevant for both Article 6.2 and 6.4. These issues are only relevant for Art. 6.2 and 6.4, but not 6.8 since NMAs will not generate ITMOs.
2.3.1. Accounting

While there is agreement on the basic principle for robust accounting and avoiding double counting (see section 2.2.1), different characteristics used to define NDC by Parties as described in Box 4 make defining a common accounting approach extremely challenging. Accounting questions are at the centre of most controversial negotiation issues (Michaelowa et al. 2019). The main open questions are how to account for different time frames and metrics of NDCs, when corresponding adjustments will apply, and whether the use of mitigation outcomes for ‘other purposes’, such as voluntary market activities need to be accounted for. While Parties found common ground on the first two issues during COP25, positions on the latter two questions differ considerably. An additional negotiation issue with relevance for several Eastern African countries concerns the differentiation of accounting rules for LDCs and SIDS.

**Box 5: Differences in NDC characteristics**

**Scope of the NDC:** economy-wide vs. covering certain sectors

**Type of NDC target:** absolute emission targets, emission targets relative to (a) a base year level, (b) a static BAU scenario, (c) a dynamic BAU scenario; intensity targets relating to GDP or other parameters; non-greenhouse gas (GHG) targets (e.g. quantity of non-fossil or renewable energy, energy efficiency improvement, forest cover, etc.); policy or action targets.

Targets can be defined for multiple or single years during the NDC period. Some targets are quantified ex-ante, while others are only quantifiable ex-post.

**NDC metrics:** Metrics can take the form of CO2e or other units (e.g. energy units (GWh) or renewable electricity production capacities (MW), etc.)

**Time frames:** Parties have so far not agreed on common time frames for NDCs, so the time frames covered diverge. Most countries use 10 years, some five years.

How can accounting be operationalized given different time frames of NDCs?

Whether a country has pledged that it will achieve an emission reduction in a certain year in the future (single-year-target) or has communicated an emissions trajectory throughout the entire period of the NDC (multi-year target) makes an important difference for the accounting approaches for ITMOs that can be used. While accounting for corresponding adjustments between two countries with multi-year target NDCs (e.g. having defined an emissions trajectory) is relatively straightforward, accounting for single year targets is more difficult. The accounting approach needs to ensure that the transfer of ITMOs prior to the target year is properly accounted. If this is not ensured, Parties with a single year target might be incentivized to transfer emission reductions achieved earlier to the target...
year, which violates environmental integrity (see Figure 5). Parties’ positions seem to converge on two accounting approaches for single-year-targets. In the future, Parties can propose further accounting approaches for approval by the CMA.

- Development of one or several multi-year emissions trajectory(ies) for the NDC implementation period or a multi-year emission budget. This allows Parties to apply annual adjustments comparably to a multi-year NDC (see Figure 6).

- The Party calculates an average of the ITMOS it transfers and acquires throughout the NDC implementation period. This allows the Party to undertake annual 'indicative' adjustments equal to this average amount and a 'final' CA in the NDC single target year (see Figure 7).

**Figure 6: Environmental integrity risk of accounting for single-year targets**

![Figure 6: Environmental integrity risk of accounting for single-year targets](image)

Source: based on Michaelowa et al. (2019)

**Figure 7: Corresponding Adjustments under a multi-year trajectory**

![Figure 7: Corresponding Adjustments under a multi-year trajectory](image)
How can accounting be operationalized given expression of NDCs in different metrics? As not all NDCs have targets expressed in CO2e (e.g. renewable energy or reforestation targets), some Parties argue that requiring the expression of ITMOs in terms of CO2 restricts the accessibility of Article 6. While extensive experience exists for trading mitigation outcomes expressed in CO2e, new solutions would need to be found to operationalize corresponding adjustments for ITMOs expressed in other metrics. Some Parties oppose this in order to allow for transparent accounting, and any target type could in principle be converted into GHG denomination. The significance that Parties attach to this topic varies, and the substantive relevance of the topic may be limited. The current draft lays out a process for performing corresponding adjustments in a ‘buffer registry’, and SBSTA will have to elaborate further guidance, including on methods for conversion (Vivid Economics and Perspectives Climate Group 2020):

- Ideally, participating Parties need to have defined the NDC in the same other metric as the ITMO. Every Party needs to report the relevant indicator for this metric in annual levels. It is this indicator that will be used by the Parties to track progress of NDC implementation.
- If the ITMO and NDC metric do not correspond, participating Parties must apply a corresponding adjustment only to the relevant NDC ‘portion’, which has to be quantified in the same metric as the ITMO.
- Corresponding adjustments are then performed against this reported annual ‘level’ of the indicator.
Will CA apply to mitigation outcomes generated ‘outside’ of the NDC sectors?

This question remains highly controversial as there is no agreement (1) on the definition of ‘outside’ of the NDC; and (2) there is no agreement on whether or not accounting is required for activities ‘outside’ the NDC, provided there is an additionality assessment.

Regarding the first controversy, most countries use sectors and gases covered by the NDC as reference point for measuring progress towards NDC achievement. ‘Outside of the NDC’ then means sectors and gases not covered by the NDC (see left part of Figure 4). A few countries oppose this understanding and consider any mitigation action beyond the NDC target to be ‘outside the NDC’ (see right part of Figure 4). No compromise was found and the current text includes reference to sectors and gases. For LDCs this issue is important if their NDCs do not cover all sectors, and as some NDCs do not include the LULUCF sector.

Source: Michaelowa et al. (2019)
Regarding the second controversy, as per the most recent negotiation text on Article 6.2 guidance, the transfer of mitigation outcomes shall trigger a corresponding adjustment (to the emission balance on emission sources covered by the NDC), whether or not the underlying mitigation was itself achieved in sectors or GHGs covered by the NDC (Vivid Economics and Perspectives Climate Group 2020). Parties against the accounting for actions outside of the NDC put forward that this provides disincentives to pursue mitigation in sectors outside the NDC. Parties in favour argue that exemptions might disincentivize the expansion of NDCs. There might be exemptions for the international transfer of A6.4ERs that are issued ‘outside’ of an NDC within the first NDC implementation period⁵ (Vivid Economics and Perspectives Climate Group 2020).

Differences to use of carbon markets for domestic and non-NDC related purposes (voluntary carbon market, CORSIA)

Important ITMO demand in the short term may come from airlines that are required to offset part of their emissions under CORSIA (albeit now being constrained by the slump in international air travel triggered by the COVID-19 pandemic) and the voluntary market. However, there is a risk of ‘double claiming’ of ITMOs if these are not accounted for. Therefore, Parties agree that the use of ITMOs for ‘other purposes’ than achievement of the NDC target will trigger a CA. How the accounting to be performed depends on whether the definition of ITMOs includes credits traded on voluntary markets and the trigger for corresponding adjustments. For example, it is unclear whether the authorisation or the use of an ITMO ‘for other purposes’ will trigger a corresponding adjustment and whether the host country will be able to determine if the voluntary use of an ITMO can be considered an ‘other purpose’. Carbon credits used under CORSIA will certainly require a corresponding adjustment if the credit was generated since CORSIA is also a multilateral mechanism.

Differentiation of rules for LDCs⁶

Accounting requires important capacities with regard to institutional structure, the elaboration of methodologies, maintenance of a registry, regular reporting, etc. Experience with the CDM shows that this is a barrier to the accessibility of such mechanisms for LDCs. Therefore, in the CDM, special provisions regarding eligibility, the simplified use of methodologies, or buyer restrictions applied to LDCs. The PA establishes different rules for developed and developing countries, but goes further in recognizing the special circumstances of LDCs in light of their limited historical responsibility and high climate vulnerability. Such differentiated rules also apply to the operationalisation of Article 6, e.g. through more flexibility in accounting and reporting. While concrete proposals for this flexibility are not included in the negotiation texts, this may become crucial when elaborating detailed technical rules.

---

⁵ Cf. Chapter IX of the annex of all three iterations of the Presidency text on Article 6.4.

⁶ The authors are mindful that not all Eastern African countries are LDCs or that they may graduate from that status soon. Still, differentiation has been and will be a prominent topic in Article 6 rules, therefore it is important to pay special attention to this.
2.3.2. Reporting and review

Parties using Article 6 approaches will have three reporting obligations: An Initial Report which will be submitted before the start of an activity. It contains information on the metric of ITMOs used, the application of corresponding adjustments, quantified information on mitigation, a description of the approach and the fulfilment of participation responsibilities. After the initial report, parties submit annual information on ITMO accounting, as well as regular information every two years on their participation in approaches, their emission balance and corresponding adjustments. This will be included in the Biennial Transparency Reports (BTR), which contains the information to be reported as per the Enhanced Transparency Framework (Art. 13). The annual information on ITMO accounting may also be included in the BTR. Paragraph 77(d) of the ETF Modalities, Procedures and Guidelines defines minimum reporting standards for the annual emissions balance of sources and sinks, which must be aligned with reporting on Article 6 activities. However, they will only become operationalized once there is agreement on reporting on cooperative approaches.

Figure 11: Article 6 reporting requirements and linkage with reporting under the ETF

Source: authors

UNFCCC will host a ‘Centralized Accounting and Reporting Platform’ (CARP) which assembles information on Article 6 that are provided in biennial transparency reports, such as a description of each cooperative approach, the expected mitigation outcomes and activities submitted by Parties involved, public information on ITMOs, and all non-confidential information submitted by Parties in the context of their reporting obligations. The CARP will include non-confidential information submitted by Parties and also contain...
Reports will be evaluated by an Article 6 Technical Expert Review (A6TER). The information submitted by Parties will be reviewed by the technical experts regarding the consistency of information submitted, who may also provide recommendations.

Reports will be evaluated by an Article 6 Technical Expert Review (A6TER). The information submitted by Parties will be reviewed by the technical experts regarding the consistency of information submitted, who may also provide recommendations. The reports of the A6TER will be forwarded for consideration under the ETF. Furthermore, the secretariat is requested to periodically compile a synthesis of review reports.

Reporting is of central relevance for Article 6.2 approaches, as there is no multilateral supervision. While Parties have already found common ground on many issues regarding the reporting and review process (see above), two open questions remain:

- Will the mandate of the A6TER only check that reporting procedures and communication of CA are correctly observed by the Party or also examine environmental integrity and robustness of accounting?
- Will the Secretariat have the mandate to perform consistency checks in the CARP?

While there is little disagreement on the reporting and review cycle, Parties have high uncertainty about what the reporting under Article 6 and the ETF will look like in practice. Since Article 6 reporting is so closely interlinked with the ETF, Parties need to ensure consistency across their reporting. Many reporting requirements are optional or include flexibility provision, but since participation in market mechanisms is voluntary, participating Parties will be required to report more comprehensively and consistently. This may emerge as an important practical challenge for Eastern African participation in Article 6. Negotiators and decision makers therefore need to understand which reporting processes and infrastructure for market approaches need to be established at the national level (e.g. to keep an inventory, how to authorize ITMO transfers and what the consequences are etc) and for which ones the international infrastructure (e.g. CARP, incl. Article 6 registry, etc) can be used or flexibility provisions applied. For example, while some East African countries may not need to establish a full-fledged national Article 6 registries for tracking carbon credits given the resource requirements, a well-established national GHG inventory and annual emission balances will probably be necessary.
2.3.3. Transition of CDM activities

Under the CDM, the Executive Board and DNAs gained experience with developing methodologies and standards for international market mechanisms, registering projects, generating and issuing credits. The CDM has a large portfolio of projects and programmes of activities, in which significant investments have been made, even though some CDM activities are dormant due to the low CER price on the secondary carbon market. Despite high uncertainties, the potential accumulated CER supply is estimated by many to reach several billion tCO2e (Michaelowa et al. 2019). As of October 2020, the EAA member countries jointly host 103 CDM activities (projects and programmes of activities (PoAs)), which have generated 15.3 million CERs, with an additional potential of generating 1.1 million CERs by 2020 (UNEP DTU 2020).

CDM transition to Article 6 is a highly contentious issue in the negotiations. There was longstanding opposition between Parties in favour of ‘full transition’ vs. Parties in favour of ‘no transition’. Parties opposing the CDM transition point to the huge surplus of pre-2020 CERs which – unless governments would increase demand significantly – would result in an oversupply which would keep prices low for years and would undermine investments in new mitigation actions. They also point at the low environmental integrity of many credits from existing CDM activities in the global portfolio regarding the lack of additionality and low social and environmental co-benefits, such as large hydropower plants, destruction of industrial gases, or efficient coal power. Some Parties fear that CDM transition could also be a justification for industrialised countries to transfer Kyoto surplus allowances into the NDC implementation period. Parties in favour of a ‘full transition’ argue that there is a need to preserve existing mitigation investments and their mitigation contribution. Overall, a well-organized transition from the CDM to Article 6 based on clearly defined eligibility criteria that meet all PA requirements would be a trust enhancing measure sending a signal to the private sector that a UNFCCC market mechanism cannot just ‘switch off’ activities with valid crediting periods (Michaelowa et al. 2019). This is particularly relevant for the East African CDM portfolio, which has a comparatively high share of projects with strong sustainable development benefits, which were often only recently registered. It is also clear that the interest of those Parties opposing CDM transition is not focused on the still comparatively small African share of the global CDM portfolio, but directed at large emerging economies who are expected to contribute larger domestic efforts instead of being able to sell their mitigation outcomes.

However, significant progress has been achieved at COP25 and Parties converged on textual proposals for compromise on fundamental aspects.

However, significant progress has been achieved at COP25 and Parties converged on textual proposals for compromise on fundamental aspects.
Table 1: Transition of CDM methodologies, activities and units to Article 6.4

<table>
<thead>
<tr>
<th>Transition of CDM methodologies</th>
<th>Transition of CDM activities</th>
<th>Transition of CDM units</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Supervisory Body reviews methodologies in use for the CDM and other existing market-based mechanisms with a view to applying them with revisions as appropriate for activities of the mechanism.</td>
<td>The transition of activities is allowed following an eligibility check, in line with future CMA decisions and relevant requirements adopted by the Supervisory Body.</td>
<td>With regard to the transition of units, one controversial question remains: Can CERs generated before 2020 be used for compliance with NDC targets?</td>
</tr>
<tr>
<td>The Supervisory Body reviews the CDM accreditation standards and procedures with a view to applying them with revisions as appropriate by 2021.</td>
<td>SBSTA is tasked with developing criteria for the transition of activities, the steps for implementation of the transition and a fast track procedure for small-scale activities and PoAs (to be adopted by the CMA).</td>
<td>There is a strong opposition between countries opposing the use of any credits generated before 2020 and countries with a large amount of CDM credits, revenues from which they do not want to lose.</td>
</tr>
<tr>
<td>When an activity is eligible for transition, it may continue to apply the currently approved CDM methodology either until the end of its current crediting period or until 31 December 2023, whichever is earlier. Afterwards, it shall apply an A6.4M methodology.</td>
<td>Before an activity can be re-registered under the Article 6.4 mechanism, the host Party needs to communicate its approval. The transition shall have been completed no later than 2023. The transitioned activity may continue to apply the CDM methodology until the earlier end of its current crediting period or 31 December 2023.</td>
<td>However, there is consensus that this issue should not be deferred to a work programme.</td>
</tr>
<tr>
<td>A6.4ERs may be issued for emission reductions achieved after 31 December 2020, in line with the guidance on corresponding adjustments.</td>
<td></td>
<td>Compromise solutions could be a cut-off date in 2015/2016 with the entry into force of PA and a restriction of the period in which ‘old credits can be used (e.g. 2025 or 2030), but no compromise was found so far.</td>
</tr>
</tbody>
</table>

Source: based on Hoch et al. (2020)

Open questions and the regulatory gap in 2020

With regard to the transition of methodologies, it remains open what criteria should determine the eligibility and revisions of methodologies before they qualify as Article 6.4 mechanism methodologies, and what added value the review of methodologies of other market mechanisms will bring. First and foremost, however, it is questionable whether the process and in particular the timeline will be feasible. Given that COP26 has been deferred to 2021, the indicative timeline agreed on by Parties (Table 1) will have to be revised. It is important for East Africa to reflect on how to support the transition of the project types and associated methodologies that have been most relevant under the CDM regionally (in particular AMS-II.G and AMS-I.E for cook stoves, and ACM2 and AMS-I.D for renewable energy), and to prioritize supporting their transition.
Together with the fact that the second commitment period of the Kyoto Protocol ends in 2020, this creates a regulatory gap as the rules for how to meet NDC targets have not yet been finalized. This creates uncertainty for example on how the CDM EB and the SB may share responsibilities. At COP25, the CMP could not agree on guidance to the CDM EB on how to continue its functions beyond 2020. There is controversy between proponents of stopping CER issuances for post-2020 mitigation outcomes and to renew crediting periods after 2020 and proponents of continuing CDM activities. This also raises the question of whether it makes sense for project developers and DNAs to support the development of new CDM activities, even though a replacement is not yet in place. Moreover, it creates uncertainty about how Article 6.4 infrastructure will be able to build on operational CDM infrastructure such as the CDM registry and UNFCCC Secretariat support structure.
2.3.4. Share of proceeds and adaptation finance

Under the CDM, a share of proceeds (SOP) was levied (i) for administrative purposes and (ii) and for adaptation (Box 5). The SOP for adaptation leveraged important contributions to the Adaptation Fund.

Parties can rely on the experiences from the CDM, to draw lessons learned regarding advantages and disadvantages of monetary vs. in-kind SOP (for a detailed discussion see Michaelowa et al. 2019a)

<table>
<thead>
<tr>
<th>Box 6: Share of proceeds under the CDM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administrative share of proceeds:</strong></td>
</tr>
<tr>
<td>• monetary</td>
</tr>
<tr>
<td>• financing EB operation and maintenance of registry infrastructure for example</td>
</tr>
<tr>
<td>• levied upon credit issuance</td>
</tr>
<tr>
<td><strong>Share of proceeds for adaptation:</strong></td>
</tr>
<tr>
<td>• in kind (2% share of carbon credits)</td>
</tr>
<tr>
<td>• provided to the Adaptation Fund</td>
</tr>
<tr>
<td>• levied on credit issuance</td>
</tr>
</tbody>
</table>

An international levy on mitigation outcomes generated by international market mechanisms has been discussed under the Article 6 mechanisms. While a share of proceeds will apply to the multilateral mechanism of Article 6.4 to cover administrative expenses and contribute to financing adaptation, a possible contribution of activities under Article 6.2 to adaptation finance is highly controversial. Even if the applicability of a SOP under Article 6.4 is not in question, the exact modalities are still being discussed. There are different options how to levy the SOP:

- A **monetary fee** to be paid at registration and/or issuance. The advantage is that monetary fees provide for a stable income, even in times of low market prices.
- A **fixed percentage of units issued** could be withheld at issuance and transferred to a separate UNFCCC account. The units can then be sold on the international market by UNFCCC or a trustee.
- A **hybrid mix** of monetary fees and a share of the mitigation outcomes could be levied. Income from fees and from the sale of mitigation outcomes would then be distributed among the administrative institutions and the Adaptation Fund.
The question of whether a SOP will be applicable to ITMO transfers under Article 6.2 is highly contentious. The absence of a SOP in the original text of Article 6.2 in the PA is being interpreted differently. Some Parties stress that there is no mandate to introduce an additional levy, while others argue that this does not prevent the CMA to adopt new decisions. Some Parties are opposed to raising adaptation finance from Article 6.2 activities as this would represent a disincentive that would not be technically feasible given the diversity of potential approaches. Other Parties, including the AGN, support an adaptation levy on Article 6.2 as they want to ensure sufficient funding for adaptation and an equitable contribution by all Parties. They also have the concern that the Article 6.4 mechanism might be disadvantaged if the SOP is not applied to ‘competing’ bilateral cooperative approaches under Article 6.2.

It is also contested who should benefit from a contribution to adaptation finance. The AGN and other Parties are strongly in favour of contributing to the UNFCCC Adaptation Fund where countries are equitably represented, while other Parties oppose a binding beneficiary and want to have flexibility to support other bilateral and multilateral funds or activities. So far, only the SOP for adaptation has been discussed in the context of Article 6, however, the maintenance of the Article 6 database, the organisation of the A6TER, the provision of a registry to track ITMOs and related tasks for the Secretariat will also generate administration costs and capacity requirements which suggest that an administrative SOP may be required. Moreover, host countries will also face administrative costs for implementing cooperative approaches. (Michaelowa et al. 2019)

Lastly, when designing a SOP for both under Articles 6.4 and 6.2 is discussed, an important question is the point at which it is levied. Under 6.4, at the point of issuance of credits would be the easiest option. However, under Article 6.2, there is no international issuance. Either the SOP can be levied at the point of the international transfer for both mechanisms, or two different points of levy can be agreed for 6.4 and 6.2. This has high practical importance for EAA member countries who are establishing Art.6.2 institutional capacity, since the expanded oversight functions could potentially be financed through an administrative SOP on resulting ITMOs.

A highly relevant recent development that strengthens the argument for a SOP applied to Art.6.2 is that the ratification threshold for the Doha Agreement has been finally exceeded in October 2020, meaning it enters into force before the end of the year. A little-known aspect of this Agreement is that it expands the SOP from CDM to Joint Implementation and International Emissions Trading. While this may not have much relevance for raising actual adaptation finance during the KPCP2 as the dominant majority of carbon credit transactions was through the CDM, it cements the agreed understanding that all international market mechanisms are subject to an SOP – which makes it hard to argue why it should not apply to Art. 6.2.
2.3.5. Overall mitigation in global emissions

Article 6.4 mandates that the new mechanism shall deliver ‘overall mitigation of global emissions’ (OMGE) (see Box 2). However, Parties do not share the same understanding of this principle, which challenges its operationalisation. Some see OMGE as a ‘side benefit’, referring to either the general ambition increases of NDCs triggered by the availability of cheap ITMOs through Article 6, or the fact that additionality of activities under Article 6 or conservativeness of baselines is ensured by robust rules (Michaelowa et al. 2019). A different interpretation regards OMGE as a separate requirement that can be implemented through cancelling A6ER. This would mean that a certain part of the emission reductions achieved would be cancelled, either mandatorily or voluntarily in the context of results-based climate finance (Michaelowa et al. 2019).

Parties do not agree on whether OMGE should apply only to emission reductions generated under Article 6.4 or also to ITMO transfers under Article 6.2. The draft negotiation texts include options that would lead to either an encouraged (voluntary) or mandatory cancellation of a certain share of ITMOs transferred under Article 6.2. (Vivid Economics and Perspectives Climate Group 2020). In the past year there has been relatively little progress on these positions.

2.3.6. Baselines and methodologies

Key approaches in draft negotiation texts
Methodologies are important for establishing baselines, monitoring emission reductions and determining their additionality. These are key steps which determine the eligibility of a proposed carbon market activity for Article 6 and may have strong impacts on the amount of ITMOs/A64ER as well as their environmental integrity.

Box 7: Additionality
The concept of additionality stipulates that in the context of crediting mechanisms any mitigation activity needs to demonstrate that the activity (and thus the resulting mitigation) would not have happened in the absence of the revenue from the sale of emissions units created by the market-based mechanism. Additionality is important to prevent the generation of fictitious carbon credits and thus for ensuring environmental integrity and ensuring the efficient allocation of funds. Additionality has historically been checked through investment or barrier tests, which were subject to criticism of subjectivity. Recently, positive lists of technologies seen as automatically additional have gained ground.
Under Article 6.2 cooperative approaches, baselines and additionality will be determined by the cooperating Parties who have an obligation to report in their BTRs how each cooperative approach ensures environmental integrity. The additionality of each Article 6 activity needs to be determined. Given that host country policies were explicitly excluded from additionality tests in the CDM, as mitigation in developing countries was strictly voluntary, these approaches need to be fundamentally rethought in order to consider the new circumstance that all countries have NDCs. If the NDC of the transferring country is not ambitious, credits generated based on this NDC might not actually represent an emission reduction that results from a mitigation action (see Box 6). Thus, crediting of non-additional activities violates the principle of environmental integrity. If such credits are traded or claimed against NDC targets by the host Party, then total global emissions increase as a result, undermining environmental integrity. A key question is thus whether if the Supervisory Body will assess additionality only against the NDC or through investment or other tests (Michaelowa et al. 2019).

In order to meet Article 6 design principles, methodologies need to apply conservative baselines that take into account all existing policies and address potential leakage. Furthermore, the risk of non-permanence i.e. reversals of emission removals need to be addressed (Vivid Economics and Perspectives Climate Group 2020). For the Article 6.4 mechanism, baselines and methodologies are likely to be approved by the Supervisory Body, although it is possible that host country DNAs will play a role in ensuring the integrity of methodologies or country-specific parameters that influence baseline or activity scenarios. Several options for general baseline principles such as variations of a ‘best available technology’ approach or business as usual scenarios, are being discussed. At COP25, the text developed significantly; Parties tried to come up with language that balances several key principles. These go beyond the requirements for baselines under the CDM, but also provide flexibility to parties. On the one hand, baselines should reflect the ambition of the PA, which could be specified by a crediting threshold or ‘ambitious’ baseline ‘below BAU’ (which does not provide full crediting against a BAU scenario). Baselines have to contribute to emission reductions and/or removals and be consistent with the NDC of the host Party and the PA objectives.

It should be noted that the calculation of baselines on all levels of aggregation (project, programme, sectoral, etc.) relies heavily on data availability, which can be a barrier for participating in the mechanism. Therefore, baseline approaches should always be able to take into account host countries’ differing contexts. Parties discuss several text proposals:

- All baselines must take into account relevant circumstances (e.g. national, regional, local)
- Justification of the choice of baseline
- Baseline setting approaches based on best available technology baselines or performance benchmarks should be the main options (or default approach), but others (e.g. BAU, standardized baselines) can be chosen if not ‘economically or technologically viable’
Such flexibility provisions should cater for different capacities of countries, although it needs to be ensured that they will not be exploited as loopholes for middle- or high-income host countries. An additional option to address diverging capacities of cooperating countries would be the development of standardized baselines by the SB. This approach already exists under the CDM and most EAA member countries have successfully developed standardized baselines for the CDM.

**Differences between CDM and Article 6 baselines and methodologies**

While the CDM and JI can be clearly understood as predecessors of cooperative approaches and the multilateral mechanism, there are two fundamental differences. First, both new approaches include the possibility of crediting emission reductions generated by policy instruments or on a sectoral level. This means that parties engaging in cooperative approaches (for Article 6.2 approaches) or the SB for the multilateral Article 6.4 mechanism will develop an entirely new set of methodologies for such approaches that were not practiced in CDM and JI. Secondly, baseline and additionality determination have to be undertaken in the context of host countries’ NDCs (Michaelowa et al. 2019c). When engaging in a cooperative approach, host countries must determine which mitigation outcomes they need to achieve their national pledges and which ones can be traded internationally. ITMOs need to exceed unconditional NDC targets, which are to be achieved and accounted for domestically. Conditional NDC elements, however, are in principle likely to be eligible for generating ITMOs provided the respective activity is additional. The quality of the NDC and the institutional capacity to determine which mitigation outcomes can be traded without undermining environmental integrity are crucial preconditions for generating a ‘good quality’ ITMO.

An additional potential issue that is currently not mentioned in the draft decision texts, but particularly relevant for Eastern African countries is a baseline approach called suppressed demand. Such baselines allow to consider scenarios in which future anthropogenic emissions are projected to increase as access to basic services (such as electricity supply for households, cooking energy or access to water) has historically not been provided at adequate levels to local populations. In such cases, a CDM activity might not reduce historical emission as the de facto BAU baseline may be close to zero emissions. However, suppressed demand methodologies consider normative aspects in establishing baselines at least for so-called minimum service levels for the provision of basic services (CDM EB 2012). This issue was a central aspect of reform efforts to make the CDM accessible to underrepresented countries. While the issue was controversially discussed, it is now well-established in several CDM methodologies that are widely used in Africa (e.g. AMS-I.L for rural electrification). Crucially, the suppressed demand concept was based on a baseline approach in the CDM rules. Therefore, it is a key question for Africa of whether suppressed demand should be explicitly mentioned in the Art. 6.4 rules or whether it could be understood as a benchmark approach that takes into account the specific circumstances of LDCs.
2.4. Overview on Article 6 and key links to NDC, Transparency and Climate Finance

**Key messages of section 2.4**

- Article 6 negotiation issues are closely linked to other Articles of the PA, in particular the Enhanced Transparency Framework (Article 13), NDCs (Article 4), the Global Stocktake (Article 14) and climate finance (Article 9).

- For DNAs this means that Article 6 oversight must be aligned with other departments in charge of the respective processes and decisions, requiring institutional coordination and capacities.

Key negotiation issues on Article 6 are closely linked to other Articles of the PA, in particular monitoring and reporting of progress towards achieving NDCs goals. This concerns Article 4.13 (Guidance on accounting for the mitigation components of NDCs) and Article 13.7 (Information to be disclosed in the transparency framework). A potential mobilization of results-based finance would create linkages with provisions on climate finance (Article 9, PA). In addition, activities under Article 6 will be taken into account in the Global Stocktake (Article 14, PA). Figure 6 shows these links and the respective decisions. For Eastern African DNAs, this means that Article 6 oversight cannot happen in isolation, but must align with other departments that are in charge of the respective PA processes or issues. Therefore, a higher degree of internal coordination and respective capacities is likely to be required. However, engagement of powerful institutions and careful coordination may also facilitate significant upscaling potential beyond individual projects.

**Figure 12: Article 6 and the PA architecture**

Source: based on Michaelowa et al
Article 6 relevance and opportunities for Eastern Africa countries

Key messages of section 3.1

- The East African CDM pipeline has been growing in recent years and has been dominated by activities with high sustainable development contributions. However, the benefits have been limited as CER prices had already crashed, when the mechanism became more accessible to Africa and LDCs through comprehensive reforms, proactive negotiations of African negotiators and domestic capacity building.

- Therefore, African negotiators and decision makers may consider to engage both within and beyond UNFCCC negotiations for defining an organized CDM transition that prioritizes those existing CDM activities meet all PA requirements and are fully aligned with NDC targets and accounting.

- CDM transition of PoAs is particularly relevant for EAA member states, as their broad umbrella structure enable a rapid upscaling of existing mitigation activities.

- Since the CDM did not work well in many sectors (e.g. forestry, agriculture, transport) new opportunities e.g. in nature-based solutions or new technologies (e.g. clean mobility, hydrogen).
3.1. Potential for CDM transition

Securing an organized transition for existing CDM activities that meet PA requirements

When the CDM became more accessible to Africa and LDCs through comprehensive reforms, proactive AGN negotiations and domestic building of host countries, the CER prices had already crashed on the secondary market due to a lack of global mitigation ambition and CER import restrictions in some industrialized countries. Trust in the CDM was never fully restored and international demand for CERs has remained low to date, despite some notable high-quality project exceptions which sell their CERs on the primary market (i.e. directly to a buyer through an emission reduction purchase agreement). Africa’s CDM pipeline started to build only comparatively late. Still, as a result of the emissions profile and sustainable development priorities of the host countries, the African CDM pipeline has been growing over the years and has been increasing dominated by activities with high sustainable development contributions (e.g. improved cook stoves, rural electrification). As access to the CDM remains limited in scope and scale, it is crucial to be able build on the hard-won progress achieved through longstanding efforts (Hoch et al 2020). Therefore, Eastern African Article 6 negotiators and decision-makers need to have a good understanding of their domestic CDM and voluntary carbon market portfolio in order to advocate in UNFCCC negotiations for prioritizing those existing CDM activities that are anticipated to be part of conditional NDC elements. At least from a methodology perspective, supporting a relatively small number of CDM methodologies for transition to Article 6 enables the vast majority of Africa’s CDM pipeline to transition.

However, African countries also need to be careful about a selective process that filters which activities and units will be eligible in transitioning from the CDM to Article 6 as the mitigation potentials in other CDM host regions is much higher. Therefore, if not well-designed, transitioning activities could ‘crowd out’ African CDM activities with a higher degree of environmental integrity and sustainable development contributions, as resulting may only be available at higher prices. However, the controversy about CDM transition pits the largest buying and selling countries against each other. While the African CDM portfolio is generally seen positively, it may become ‘collateral damage’ of these conflicting interests. This makes it particularly important for African Parties to argue forcefully for a lifeline for the regional CDM portfolio that meets all PA requirements.

PoAs as key vehicles for potential rapid upscaling of carbon market activities

CDM transition is particularly relevant for CDM PoAs as their existing umbrella structure would enable a rapid upscaling of mitigation activities once regulatory certainty about transition to Article 6 would have been secured. Moving from projects to programmes was a major conceptual CDM innovation since it allows for aggregating decentralized CDM activities with many different component activities, sometimes even hosted by several countries. PoAs are often seen as a key reform to open access to the CDM in Africa:

---

7 Lacking demand from the EU, which had previously been the dominant CER destination, dried up the market for CERs. Still, is crucial to acknowledge that other Annex I countries did not buy CERs at all (e.g. USA) or withdrew from Kyoto after the first CP (e.g. Canada, Japan).
The African CDM PoA portfolio consists largely of small-scale activities supporting renewable energy, energy efficiency and landfill gas destruction (Hoch et al 2019). As described in section 2.3.3, SBSTA has been tasked to develop criteria for a fast track procedure for the transition of CDM PoAs, which was a demand of the African Group in the negotiations. It is however still unclear how this process may look like, although it is clear that further thoughts are required, e.g. with regard to how CDM transition cut-offs apply to programmatic activities (are programme or activity levels the main reference point for the cut-off, e.g. would the registration date of the entire PoA count, or the dates of the inclusion of the component project activities?). About 14% of the African PoA portfolio were registered after 2015 (i.e. after the adoption of the PA), which could potentially act as a cut-off date for the transition via a fast track procedure. PoAs can be easily upscaled by adding further component project activities (CPAs), provided there is regulatory certainty and market demand.

An issue where CDM transition may be less relevant since more fundamental regulatory reforms may be required to tap into relevant sectors are nature-based solutions (NBS). This includes the CDM rules for forestry and agriculture, as well as potentially blue carbon, which were flawed due to unsuccessful attempts to develop methodologies that address the permanence problem mentioned above. However, the large share of GHG emissions in the forestry and agriculture in several EAA NDCs suggest that these should actually be priority sectors. Besides active REDD+ participation by several countries, there have been multiple CDM projects supporting afforestation/reforestation in member countries. Crucially, several of these (here: in Ethiopia and Kenya) have since deregistered from the CDM mechanism due to the low attractiveness in particular of temporary CERs (tCER). Therefore, East African negotiators may want to pay attention to that solutions for sector-specific methodological challenges are being identified – in particular the issue of permanence – in order to be able to tap into the mitigation potentials of these sectors under Article 6. Given that East African progress in accessing the CDM is still largely confined to sustainable energy access, it is also important to assess how the mitigation potential in other sectors (e.g. forestry, agriculture, transport etc.) can be mobilized and which CDM elements should reasonably be transitioned.

### Standardized Baselines as a potential building block for establishment of sector-specific baselines under Article 6

Standardized baselines are established for a Party or group of Parties to facilitate the calculation of Emission Reductions and removals and/or the determination of additionality for CDM project activities, while ensuring environmental integrity. Although setting the baseline for the calculation of greenhouse gas emission reductions has been an expensive and time-consuming exercise in some cases, the development of standardized baselines for a region/country or group of countries brings significant benefits such as, reduced time and cost incurred by the project developers, provides credibility of the data that was used for calculation, generates a habit of QA/QC compliance at the data generation level etc. The

The large share of GHG emissions in forestry and agriculture in several EAA NDCs suggest that these should actually be priority sectors.
use of such baselines can also enhance transparency, objectivity and predictability, and scale up the abatement of GHG emissions in developing countries and LDCs.

The standardized baseline infrastructure could enable countries to establish baseline scenarios in a cost-effective way, for functional reporting of mitigation achievements under Article 6. The transition of the standardized baseline approach to the Article 6 framework would require establishment of baselines in several other priority sectors for the region other than those existing in the power, waste and biomass sectors. Ensuring that SBs can be developed under Article 6 helps to build on the existing capacity developed in East Africa under the CDM.

3.2. Article 6 piloting

**Key messages of section 3.2**

- Despite the lack of success in finalizing the Article 6 rulebook, several governments and development banks have jointly initiated pilot activities in East African and other host countries. Several actors engage in creating enabling conditions such as promoting research and development.
- The Joint Crediting Mechanism (JCM) and the Standardized Crediting Framework (SCF) are particularly relevant in the East African context, because pilots are already being undertaken in Ethiopia and Kenya.
- Other relevant pilots are the Swiss KliK foundation programme, as it is one of the most advanced bilateral initiatives with the objective and resources to procure substantial amounts of credits.
- The Adaptation Benefit Mechanism, initiated and piloted by the AfDB in several African countries stands out as key example of a non-market activity that could be a potential candidate for Article 6.

**Initial experience and further opportunities of Article 6 piloting in Africa**

Despite the lack of success in finalizing the Article 6 rulebook as discussed above, several governments and development banks have jointly initiated pilot activities in East African and other host countries (Greiner et al. 2019). Most of the concrete pilot activities which aim at generating ITMOs operate under the bilateral cooperative approaches under Article 6.2 or remain instrument neutral, as the multilateral mechanism under Article 6.4 has yet to be operationalized. Furthermore, several actors engage in creating enabling conditions such as promoting research and development, e.g. on methodologies, promoting the establishment of necessary regulatory processes and carbon market infrastructure or building capacities of relevant institutions (e.g. the DNA) and stakeholders. Eight African countries, three of which are East African countries, are currently involved in pilot projects (see Figure 13), which offers an opportunity to jointly reflect on these early Art.6 experiences, both in order to facilitate setting domestic processes for Article 6 engagement, but also to provide inputs into the ongoing climate negotiations taking into account regional circumstances.
Figure 13: African Article 6 pilot activities

Source: own compilation, based on Greiner et al. (2019)
The Joint Crediting Mechanism (JCM) and the Standardized Crediting Framework (SCF) are particularly relevant in the East African context, because pilots are already being undertaken in Ethiopia and Kenya. The JCM was established by Japan to promote bilateral cooperation with development countries and facilitate the implementation of mitigation actions in developing countries, in particular contributing to the NDC of Japan and the host country. Japan has signed agreements with 17 countries, and has more than 40 projects registered, of which 19 achieved issuances. Japan anticipates to continue operating the JCM under Article 6.2. The JCM is relevant as it allows to build experience with comprehensive oversight functions by host governments as well as with crucial NDC features such as reinterpreting additionality in light of NDCs, avoiding double counting or OME.

The SCF for sustainable energy access provides a simplified crediting approach that builds on the CDM but adjusts it to host country circumstances. Implemented by the World Bank’s Carbon Initiative for Development (Ci-Dev). SCF pilots have been launched in Senegal and Rwanda (Greiner et al. 2019). In Rwanda, the SCF builds on the Inyenyeri improved cookstove programme, with key stakeholders including the Rwanda Environment Management Authority (REMA), the Ministry of Environment, and Inyenyeri (a private sector project developer). While the Ci-Dev PoAs continue to operate under the CDM in both host countries, the SCF operates as a simulation in parallel to real world CDM operations which enables a direct comparison between the two approaches, including their costs and timelines, institutional set-up, and stakeholder engagement. Once the piloting phase comes to an end, Senegal, Rwanda and CI-Dev will evaluate the lessons learned and may decide to shift the basis of their contractual arrangements from the CDM to the SCF. The SCF may in this case enable the transaction of ITMOs (Greiner et al. 2019). The SCF is also valuable as it presents an opportunity to establish domestic rules, procedures and responsibilities for operating the SCF activity which is likely to resemble Art.6 responsibilities closely.

The Swiss KliK foundation programme is another relevant pilot, as it is one of the most advanced bilateral initiatives with the objective and resources to procure a substantial amount of credits. For 2021-2030, the KliK Foundation aims to purchase up to 35 million tons of CO2e to compensate emissions of Suisse fossil motor fuel importers under the Swiss CO2 law. At the time of writing, the Foundation has registered 93 private and governmental partner organizations that are eligible to submit project propositions in calls for proposals. Pre-selected activities will be developed into full project proposals, with financial support from the KliK Foundation. Before ITMOs can be purchased by KliK, a bilateral framework agreement will be signed between the Swiss Government and the respective host country. Project developers will then engage in separate discussion with KliK as the buyer. Therefore, an additional level of complexity compared to the CDM emerges.

The Adaptation Benefit Mechanism (ABM) as a potential Article 6.8 activity

Even though the purpose of Article 6.8 and the potential shape of NMAs are still under discussion, there are far fewer declared pilot activities than for market-based cooperation. The ABM, initiated and piloted by the AfDB in several African countries stands out as key non-carbon market activity that could be a potential candidate for non-market-based approaches under Article 6.

The ABM is the first attempt to operationalize a mechanism that supports adaptation activities. Established in 2016, in collaboration with the governments of Uganda and Côte d’Ivoire and in consultation with various stakeholders, the ABM aims to quantify, verify and certify the sustainable development benefits of adaptation actions using results-based finance (Greiner et al. 2019). In October 2019, the AfDB established an interim
The executive committee of the ABM, developed draft modalities and procedures for the mechanism and initiated a pilot phase until 2023 in which 10-12 demonstration projects will be tested in Africa. In the pilot phase, the effectiveness of the mechanism for mobilizing private finance for adaptation will be tested. It also serves to establish sufficient infrastructure for the operation of the mechanism, advancing methodological work and raising awareness for the mechanism. It is envisaged that after the pilot phase project developers and host countries will be enabled to determine Adaptation Benefits in advance and sign off-take agreements with climate change financiers which guarantee payments on delivery of Adaptation Benefits.

The first ABM demonstration project will be set up in Côte d’Ivoire in collaboration with The World Agroforestry Centre. It aims at introducing sustainable agroforestry measures to make smallholder cocoa farmers’ communities resilient to climate change, while contributing to enhancing quality of life for women and youth. The goal is to replicate this approach to other regions in Cote d’Ivoire and to at least three other cocoa producing countries in the region.

Overall, all three Article 6 avenues are relevant for East Africa. The region is well engaged in Article 6.2 pilot activities and therefore able to learn first-hand which institutional approaches to Article 6 are promising. The short-term priority is likely to focus on CDM transition, given the existing stake in host country pipelines and the imminent potential cut-off dates. Particularly the approach to treating programmatic approaches is important, where inclusion dates of component project activities should count instead of the registration date of the entire programme.
As became evident in the preceding chapters, Article 6 of the PA has redefined cornerstones of the future global carbon market. However, more detailed technical rules still need to be agreed, which currently prevents at least multilateral Article 6 mechanisms from becoming operational even though bilateral cooperation has already commenced. Finalizing these rules so that they reflect East African and AGN priorities and circumstances requires both strategic considerations as well as skilful engagement by East African Article 6 negotiators, including a deep and nuanced understanding of negotiations language and processes.
**Engagement in the negotiations**

Negotiation text proposals often use highly coded language and jargon (compare the glossary in Annex II), in which specific terms contain a lot of meaning that may not immediately be obvious if someone has not been immersed in the UNFCCC process for a long time (Abeyesinghe et al. 2015). In addition, a myriad of technical terms and acronyms is being used in the negotiations. Familiarity with negotiations terminology is key to engage effectively in the negotiations. Typical negotiation texts contain basic drafting language and qualifiers as well as brackets. Brackets indicate disagreement over the text contained therein. Sometimes different options for e.g. a target year are presented in parallel → [2025] [2030]. A high number of square brackets points to significant disagreements over the text, whereas a reduction of brackets from one text iteration to the next indicates progress on forging consensus.

Abeyesinghe et al. (2015) provide an overview of negotiations language with explanations of the meaning of typical negotiations terms. For example, the differentiation between “shall”, “should” and “may” is crucial for establishing the legal quality of the issue at hand.

<table>
<thead>
<tr>
<th><strong>“shall”</strong></th>
<th><strong>“should”</strong></th>
<th><strong>“may”</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Action is required (obligatory or binding)</td>
<td>No obligation, but advised (often used for principles)</td>
<td>No obligation, offers a possibility or alternative course of action</td>
</tr>
</tbody>
</table>

*37 Each mechanism methodology **shall require** the selection of a transparent and conservative approach, assumptions, ...*  
*37. Each mechanism methodology [...] **should encourage** an increase in ambition over time*  
*42. Standardized and/or regional and/or subregional performance based-baselines **may be developed** by the Supervisory Body at the request of the host Party or ...*

If negotiations text uses the term ‘shall’, action is legally binding and therefore required. However, this can still be softened by inserting qualifiers such as ‘shall strive to’, which only requires Parties to try to do something and are therefore less strong. If the term “should” is used, the issue is not obligatory, but only advisable or expected. This is often used for introducing high level principles. Provisions which are preceded by the word ‘may’ present one possibility or alternative course of action, but are neither binding nor advised.
In addition, negotiations text often contains so-called qualifying language. The following excerpt from the December 14, 2019, Article 6 Presidency text contains both the term “should” discussed above and the qualifier ‘as appropriate’: “37. Each mechanism methodology [...] should take into account, as appropriate: uncertainty; any leakage due to the implementation of the Article 6, paragraph 4, activity; relevant policy; consistency with the NDC of the host Party, any contribution to reducing emission levels in the host Party, any long-term low GHG emission development strategy of the host Party and the long-term goal of the Paris Agreement [...].” This qualifier gives Parties flexibility in determining how the application of the principle is appropriate (Abeyesinghe et al. 2015).

In addition, sometimes text includes terms which ‘hide’ meaning or replace a word which has become controversial in the negotiations and is therefore ‘burnt’. For example, the Presidency text on Article 6 of December 14, 2019 contains a reference to ‘projected emissions’ as a potential baseline approach. Such a baseline approach may include business as usual (BAU) baselines. However, the concept and term of BAU itself is contested in the negotiations, therefore it is not used explicitly in the text.

In addition to terminology, it is crucial to understand the role of different negotiation formats, which issues are being negotiated in them and with whom to coordinate. Gupta (2000) and Tenzing (2016) provide detailed overviews of these different UNFCCC negotiation formats. The complexity of climate negotiations requires a good organisation within the delegation of the respective country and regional or thematic constituencies. Even within a topic such as Article 6, several different sub-aspects of the negotiation sessions may happen in parallel, therefore delegates should clearly define who covers which negotiation track (e.g., CDM transition under CMP, Art.6 baselines under SBSTA), know the position of their delegation and negotiation group on specific sub-issues (e.g., corresponding adjustments) and exchange regularly regarding the status of negotiations. For the negotiation tracks for each political (COP, CMA and CMP) and technical (SBI/SBSTA) body, there are different meeting formats with different levels of formality (contact groups, informals, informal informals, etc.) which allow to negotiate or discuss according to different rules and conventions.

**Negotiation tactics**

It is important to develop and adjust positions on specific thematic issues within negotiation groups. Traditional negotiation groups are divided between developing countries (G77+ China; African Group; AOSIS; LDCs) and developed countries (EU, EIG, umbrella group). In recent years, negotiation groups have become more dynamic, with new groups emerging. Membership between groups sometimes overlaps (e.g., all African LDCs are members of both the African Group and the LDC group) and this can be leveraged within the negotiations. Coordinating synergies and common interests between these negotiation groups can lead to strong coalitions. In addition, different negotiation strands are often interlinked. As described above, the Article 6 negotiations are linked with negotiations on transparency, NDCs and climate finance. Skilled negotiators may use this linkage to include negotiation...
text which pertains to a certain topic under a separately negotiated topic. A key example is paragraph 77(d) of the ETF, which was adopted with decision 18/CMA.1 at COP24. It includes a ‘shall’-provision on reporting under Article 6 and corresponding adjustments in the Art.13 negotiations on transparency which did not correspond to the status of Article 6 negotiations.

Furthermore, procedural issues can be used for negotiation tactics. For example, a Party may add a request to include or remove a point from the agenda as an additional ‘negotiation chip’ or try to prevent negotiation outcomes by delaying negotiations. Increasingly, COPs tend to run overtime, with COP25 breaking the record by running 44 hours overtime.

Strategic Considerations

Regarding strategic considerations, Article 6 negotiations are characterized by an extremely high uncertainty about both substantive and procedural matters since multilateral agreement by consensus needs to be achieved under the conditions of a historic global pandemic that prevents large in-person meetings. Therefore, it is crucial to find alternative ways to elaborate a clear approach to defining substantive priorities and to develop a strategic approach to engaging relevant partners which are needed to explore compromise proposals that reflect East African priorities, even though formal decisions may only be possible once physical meetings can resume.

On a strategic level, the Eastern African Alliance (EAA) can serve as the primary regional platform that can support member countries in improving their understanding and exchanging their views...
Related, a crucial strategic issue to consider is that of overlapping negotiation constituencies. While AGN may be the primary regional negotiation bloc, the LDC Group is also a crucial negotiation alliance which has at times been very influential. Since all EAA member countries except Kenya are formally LDCs, they also have a role in this group. Other relevant alliances may include the Coalition of Rainforest Nations or other. There is potential in working towards aligning priorities among such different constituencies and there are historical precedents for powerful cooperation e.g. between AGN and LDCs during COP17 in Durban, which reset the UNFCCC negotiations after the failed Copenhagen Conference by creating the Durban Platform negotiations track that ultimately resulted in the PA. However, there are also instances of conflicting priorities of different constituencies which need to be taken into account, e.g. the influence of Arab countries on Northern African countries which complicates finding consensus within AGN.

While engagement by EAA member countries would strengthen AGN, it is also likely to lead to a better understanding of evolving Article 6 requirements for domestic implementation of Article 6. Since a lot of new requirements will apply to implementing Article 6 activities, member countries can use EAA as a platform for exchanges on practical questions related to technical issues. Carbon markets have historically always evolved in a learning-by-doing approach, and there is likely going to be a lot of iteration between national processes and international rule-making, since Article 6 rules still remain at a very high political level, and are likely to continually evolve over time, just as UNFCCC rules for the Kyoto mechanisms have in the past.

A more effective engagement by EAA member countries in practical steps towards finalizing Article 6 rules during upcoming SBs/COP26 and other fora will also benefit from improving the general UNFCCC negotiation skills of EAA negotiators. This includes understanding which issues are being negotiated on which of the different negotiation tracks (CMA-CMP-SBSTA-SBI), where to find information within the UNFCCC systems, differences between document and meeting types as well as practical tips on how to access information and the relevance of outreach (e.g. participating in side events in order to communicate national/regional experiences and priorities). As it is impossible to capture all the details of this highly complex material in this guidebook, Annex 1 offers an overview of further resources that allow interested readers to study either specific issues related to Article 6 or general overview into the UNFCCC negotiations in more detail. Moreover, Annex 2 presents a glossary of key terms relevant for the Article 6 negotiations.
References

Allan, Jennifer Iris; Antonich, Beate; Bansard, Jennifer; Luomi, Mari; Soubry, Bernard (2019): Summary of the Chile/Madrid Climate Change Conference: 2–15 December 2019, Earth Negotiations Bulletin IISD


Greiner, Sandra; Chagas, Thiago; Krämer, Nicole; Michaelowa, Axel; Brescia, Dario; Hoch, Stephan (2019): Moving towards next generation carbon markets. Observations from Article 6 pilots, Perspectives and Climate Focus, Freiburg and Amsterdam

Hoch, Stephan; Greiner, Sandra; Diagne, El-Hadj Mbaye; Michaelowa, Axel; Krämer, Nicole; Espelage, Aglaja; Kassaye, Ruth (2020): Closing the deal on ‘CDM transition’.

How COP25 defined new guardrails for compromise and what they mean for Africa. Short study. Perspectives and Climate Focus, Freiburg and Amsterdam

ICAO (n.d.): What is CORSIA and how does it work?, https://www.icao.int/environmental-protection/Pages/A39_CORSIA_FAQ2.aspx (accessed October 05, 2020)


Kizzier, Kelley; Levin, Kelly; Rambharos, Mandy (2019): What You Need to Know About Article 6 of the Paris Agreement, WRI, Washington, D.C.

Michaelowa, Axel; Espelage, Aglaja; Müller, Benito (2019): Negotiating cooperation under Article 6 of the Paris Agreement. ECBI, Oxford

Michaelowa, Axel; Espelage, Aglaja; Müller, Benito (forthcoming): Negotiating cooperation under Article 6 of the Paris Agreement. Update for negotiations after COP25, Freiburg and Oxford

Michaelowa, Axel; Greiner, Sandra; Espelage, Aglaja; Hoch, Stephan; Krämer, Nicole (2019a): Operationalizing the Share of Proceeds for Article 6. Perspectives and Climate Focus, Freiburg and Amsterdam

Michaelowa, Axel; Shishlov, Igor; Brescia, Dario (2019b): Evolution of international carbon markets: lessons for the Paris Agreement. In: WIRES Climate Change, 10:613

Michaelowa, Axel; Espelage, Aglaja; Weldner, Kaja (2019c): Options for negotiations and cooperating Parties in the context of varying degrees of international oversight, Perspectives, Freiburg

Pouffary, Stéphane; De Laboulaye, Guillaume; Djemouai, Kamel; Michaelowa, Axel; Espelage, Aglaja; Weldner, Kaja (2019): Guide des négociations. 25e session de la Conférence des Parties à la Convention-cadre des Nations Unies sur les changements climatiques (CdP 25). IFDD, Québec


Schneide, Lambert; Füssler, Jürg; Theuer, Stephanie; Kohli, Anik; Graichen, Jakob; Healy, Sean; Broekhoff, Derik (2017): Environmental Integrity under Article 6 of the Paris Agreement–Discussion Paper, German Emissions Trading Authority (DEHSt), Berlin

Shishlov, I., & Bellassen, V. (2012): 10 lessons from 10 years of the CDM. Paris, France: CDC Climat


UNFCCC (n.d.): Bodies: Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), https://unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-serving-as-the-meeting-of-the-parties-to-the-paris-agreement-cma (accessed October 05, 2020)


UNFCCC (n.d.): What is the Kyoto Protocol, https://unfccc.int/kyoto_protocol (accessed October 05, 2020)


Annex I: Key resources

Moving towards next generation carbon markets – Observations from Article 6 pilots, 2019, Climate Finance Innovators

IFDD Negotiation guide COP25, 2019, IFDD

IFDD Negotiation guide COP25, 2019, IFDD

Closing the deal on CDM transition, 2019, Climate Finance Innovators

Pocket guide to capacity building, 2020, European Capacity Building Initiative

2019 Climate Change Conference 2019, Highlights for Saturday 14 and Sunday 15 December 2019, Earth Negotiations Bulletin (ENB)- The ENB’s latest daily COP 25 coverage is available here in English, French, Spanish, and Japanese languages.

European capacity building initiative: Policy briefs and notes- All published briefs and notes can be accessed here.

How to become a delegate - A highly hands on description of the day to day practice of a UNFCCC negotiations session.

UNFCCC documents and decisions - All published UNFCCC documents and decisions can be found here

UNFCCC Regional Collaboration Centre (RCC), Kampala - RCC Kampala newsletter can be accessed here.
Annex II: Glossary of terms

Kyoto Protocol was adopted on 11 December 1997. Owing to a complex ratification process, it entered into force on 16 February 2005. Currently, there are 192 Parties to the Kyoto Protocol. Kyoto Protocol operationalizes the UNFCCC by committing industrialized countries and economies in transition to limit and reduce greenhouse gases (GHG) emissions in accordance with agreed individual targets. The Convention itself only asks those countries to adopt policies and measures on mitigation and to report periodically.

Clean Development Mechanism is a mechanism under the Kyoto Protocol, the purpose of which, in accordance with Article 12 of the Kyoto Protocol, is to assist non-Annex I Parties in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Annex I Parties in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol.

Certified Emission Reductions (CERs) are Kyoto Protocol units equal to 1 metric tonne of CO2 equivalent. CERs are issued for emission reductions from CDM project activities. Two special types of CERs called temporary certified emission reduction (tCERs) and long-term certified emission reductions (lCERs) are issued for emission removals from afforestation and reforestation CDM projects.

The Paris Agreement it is a legally binding global climate agreement adopted by 195 countries in December 2015 and entered into force in November 2016. It aims to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

Cooperative Approaches The Paris Agreement offers Parties the opportunity to cooperate with one another when implementing their nationally determined contributions (NDCs). The cooperation mechanisms designed to assist this process should not only make it easier to achieve existing reduction targets, but also to raise ambition in future efforts and to promote sustainable development. The cooperation mechanisms enshrined in Article 6 of the Paris Agreement form the legal framework to allow use of market-based climate change mitigation mechanisms.

The Conference of the Parties (COP) is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) is the supreme body of the Convention, shall serve as the meeting of the Parties
to the Paris Agreement. All States that are Parties to the Paris Agreement are represented at the CMA, while States that are not Parties participate as observers. The CMA oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation.

**Subsidiary Body for Scientific and Technological Advice (SBSTA)** is one of two permanent subsidiary bodies to the Convention established by the Conference of the Parties (COP)/Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). It supports the work of the COP, the CMP and the CMA through the provision of timely information and advice on scientific and technological matters as they relate to the Convention, its Kyoto Protocol and the Paris Agreement.

**Nationally Determined Contributions (NDC)** is a term used under the United Nations Framework Convention on Climate Change (UNFCCC) whereby a country that has joined the Paris Agreement outlines its plans for reducing its emissions. Some countries’ NDCs also address how they will adapt to climate change impacts, and what support they need from, or will provide to, other countries to adopt low-carbon pathways and to build climate resilience.

**Article 6.2** provides an accounting framework for international cooperation, such as linking the emissions-trading schemes of two or more countries (for example, linking the European Union cap-and-trade program with emissions-reduction transfers from Switzerland). It also allows for the international transfer of carbon credits between countries (WRI).

**Article 6.4** establishes a central UN mechanism to trade credits from emissions reductions generated through specific projects. For example, country A could pay for country B to build a wind farm instead of a coal plant. Emissions are reduced, country B benefits from the clean energy and country A gets credit for the reductions.

**Article 6.8** establishes a work program for non-market approaches, such as applying taxes to discourage emissions. For this explainer, we will focus on the carbon markets elements of Article 6.

**Internationally Transferred Mitigation Outcome (ITMOs)** are emission reduction units that Parties cooperating under Article 6.2 of the Paris Agreement can transfer and use for attaining their NDC. The Paris Agreement requires that Parties that are engaged in ITMO transfers shall ensure environmental integrity, apply robust accounting and promote sustainable development. The use of ITMOs to achieve NDCs shall be voluntary and authorized by participating Parties (Article 6.3).

**Additionality** stipulates that in the context of crediting mechanisms any mitigation activity needs to demonstrate that the activity (and thus the resulting mitigation) would not have happened in the absence of the revenue from the sale of emissions units created by the market-based mechanism. It is important to prevent the generation of fictitious carbon
credits and thus for ensuring environmental integrity and ensuring the efficient allocation of funds.

**Corresponding Adjustment** means that when one country sells emissions reductions to another, it must adjust its own emissions figures accordingly. In other words, it must increase its level of emissions reductions in its NDC to make up for the fact that it sold some emissions reductions to another country.

**Double Counting** refers to where credits are subject to robust accounting to ensure avoidance of double counting, meaning each ITMO must only count towards the targets in one country’s NDC. For example, country A might build a wind farm and then sell the credits for those emissions reductions to country B, so now country B can count those emissions reductions as part of its progress to achieving its NDC. But if country A claims those same emissions reductions toward achieving its own NDC, that is double-counting.

**Article 6 Technical Expert Review (A6TER)** reviews Parties’ reports involved in cooperative approaches covering participation requirements, application of corresponding adjustments and a description of the cooperative approach, annual quantitative information on ITMOs authorized, transferred, acquired, hold, cancelled and used. In addition, A6TER reviews Parties’ reports inter alia on how corresponding adjustments have been applied to ensure the avoidance of double use or counting of the ITMOs acquired and used and ITMOs authorized for other uses, and how the cooperative approaches promote environmental integrity; it reviews Parties’ annual information on adjustments to the annual emissions level (or levels of another relevant NDC indicator), and, in case reporting includes the end year of an NDC period, an assessment of whether NDC targets were achieved pursuant to the application of corresponding adjustments.

**Enhanced Transparency Framework**—Parties that engage in cooperative approaches must have arrangements in place to authorize and track ITMOs, in accordance with the requirements of the guidance; and provide the most recent national inventory report required under the enhanced transparency framework. Host parties that wish to register a mitigation activity under the Article 6.4 mechanism must also establish a national authority for the mechanism; communicate how its participation in the mechanism contributes to sustainable development and ensures on a continuous basis that this participation contributes to the implementation of the NDC and its long-term strategy, if applicable; and indicate to the Supervisory Body the types of activities it would consider approving and how they would contribute to mitigation in the host Party and achievement of its NDC.

**Article 6.4 Emission Reduction**—A crediting mechanism under the PA, for issuing carbon credits against real, measurable and additional emission reductions from mitigation activities approved by the host Parties (Article 6.4). The Parties to the PA will elaborate the rules, modalities, and procedures for this mechanism. The mechanism will be governed by a “Supervisory Body” that oversees the registration of activities and the issuance of credits.
These Article 6.4 emission reduction credits, called “A6.4ERs” can be internationally transferred if the host Party authorizes the transfer, but they can also be used in the domestic host Party context. Should they be internationally transferred, they become ITMOs and the Article 6.2 applies.

**Biennial Transparency Report (BTR)** - All Parties will submit a BTR. The scope of the BTR will cover information necessary to track progress made in implementing and achieving NDCs under Article 4, information related to climate change impacts and adaptation under Article 7, information on financial, technology development and transfer and capacity-building support needed and received under Articles 9–11, information on financial, technology development and transfer and capacity-building support provided and mobilized under Articles 9–11.

**Share of Proceeds** is a levy under the Paris Agreement to support for adaptation and administrative purposes, which provides support to vulnerable countries to adapt to the impacts of climate change under Article 6.4 (trading credits from emissions reductions resulting from specific projects), but did not mention it in Article 6.2 (when two or more countries transfer emissions reductions, for example through linked emissions-trading schemes).

**Overall Mitigation of Global Emissions (OMGE)** Article 6.4 stipulates that the mechanism is to deliver an OMGE. For some Parties, overall mitigation in global emissions could mean that some of the credits generated under Article 6.4 for emissions reductions are essentially taken off the table, not used toward any Party’s NDC. In other words, rather than transferring them between Parties and allowing a buying country to count those emissions reductions toward its target, these unused emissions reductions could be set aside to provide a net decrease in global emissions. Countries are primarily divided on whether overall mitigation in global emissions applies only to Article 6.4 or to Article 6.2 approaches as well, as well as how overall mitigation in global emissions is done in practice (via discounts, cancellations, or other means).

**Voluntary Carbon Market** is a market for the voluntary compensation of greenhouse gas emissions. It enables companies and individuals to voluntarily offset their carbon footprint.

**CORSIA** is a global market-based mechanism scheme in the form of the carbon offsetting and reduction scheme for international aviation to address any annual increase in total CO2 emissions from international civil aviation (i.e. civil aviation flights that depart in one country and arrive in a different country) above the 2020 levels, taking into account special circumstances and respective capabilities. CORSIA is implemented in phases, starting with participation of States on a voluntary basis, Pilot phase (from 2021 through 2023) and first phase (from 2024 through 2026), followed by participation of all States except the States exempted from offsetting requirements.
United Nations Framework Convention on Climate Change (UNFCCC) is the United Nations entity tasked with supporting the global response to the threat of climate change. The Convention has near universal membership (197 Parties) and is the parent treaty of the 2015 Paris Agreement.

Environmental Integrity in context of Article 6 means that using international transfers does not result in higher global GHG emissions than if mitigation targets of NDCs had been achieved only through domestic mitigation action.

Suppressed demand is the situation where energy services provided are insufficient – due to poverty or lack of access to modern energy infrastructure – to meet the needs of stakeholders given their human development needs. Suppressed demand in the context of CDM refers to because CDM projects estimate emissions reductions and the credits it receives through calculating baseline emissions and then subtracting project emissions, such approach makes it difficult for LDCs and SIDS Parties to register CDM projects. The concept of 'suppressed demand' tries to take into account the fact that their per-capita emissions would be much higher if the poor had better access to energy and goods.
Current Member States:
Burundi, Ethiopia, Kenya, Rwanda, Sudan, Tanzania, Uganda