



# A BLUEPRINT FOR ENGAGING IN COOPERATIVE APPROACHES UNDER ARTICLE 6 OF THE PARIS AGREEMENT

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**Gold  
Standard**<sup>®</sup>



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**CLIMATE CHANGE DEPARTMENT**  
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## INTRODUCTION

At COP26, Parties adopted a set of Decisions to underpin and enable international cooperation under Article 6 of the Paris Agreement, including through the use of carbon markets. These Decisions provide a framework for Parties to transfer ‘mitigation outcomes’ generated within their jurisdiction for use by other Parties or entities, or for Parties to use mitigation outcomes generated elsewhere towards their NDC. Following this, Parties adopted further Decisions elaborating on aspects of the framework at COP27, including the central electronic architecture to manage Article 6-related information, templates for national reporting, and the process of reviewing these reports.

For these decisions to be turned into action, governments need to take steps domestically to make their use of Article 6 possible. This introductory blueprint is intended to guide governments through the key decisions and actions required to use Article 6, structured around three steps:

1. **Preparation:** The actions that governments need to take to prepare to use Article 6, prior to their first authorisation.
2. **Authorisation:** The actions that governments need to take to authorise mitigation outcomes for use under Article 6, as well as to manage any changes to past authorisations.
3. **Accounting and reporting:** The ongoing actions that governments need to take to account for and report on their use of Article 6, in compliance with UNFCCC Decisions.

The introductory blueprint also shows the key actions for other actors with which governments will need to work: the UNFCCC, crediting programmes (where governments choose to work with such programmes), and project developers. This is to build understanding of the inter-relationship between the government and these other actors, as well as to give a more complete picture of the implementation of Article 6. The actions required of governments are also divided into two categories: (i) those of a more political nature, which primarily involve decision-making, and (ii) those of a more technical or procedural nature. In practice, the line between these may be blurred and may vary between governments.

The blueprint includes:

- **A flow-chart** to reflect the different steps involved in each phase of Article 6 implementation and the relationship between different actors;
- **A supplementary guide** to provide more information and resources on each of these different steps.

As is reflected through both the flow-chart and the supplementary guide, the implementation of Article 6 involves a set of steps that governments must follow to comply with UNFCCC-level Decisions, but also a degree of flexibility for governments to determine their own approach to Article 6. The blueprint tries to support governments navigate these different elements, and understand where they have the ability to make choices that suit their national context and preferences, and some of the factors they may wish to consider when making these choices. We recognise that many governments may need further technical support in implementing the steps of this blueprint, and strengthening the Article 6 capacity and knowledge-base for relevant

stakeholders. The blueprint lays out the basis for understanding such capacity building needs to streamline support into relevant areas. The blueprint also provides links to further and more detailed guidance on certain topics.

This blueprint was first developed and shared as an input to public and private sector workshops on the implementation of Article 6, held in Kampala, Uganda, on 18 and 19 October 2022. The intention was to illustrate key milestones for governments and other entities in the process of engaging in Article 6, and to provide a basis for discussion amongst participants on the most nationally appropriate approach to implement Article 6 within Uganda.

## ACKNOWLEDGEMENTS

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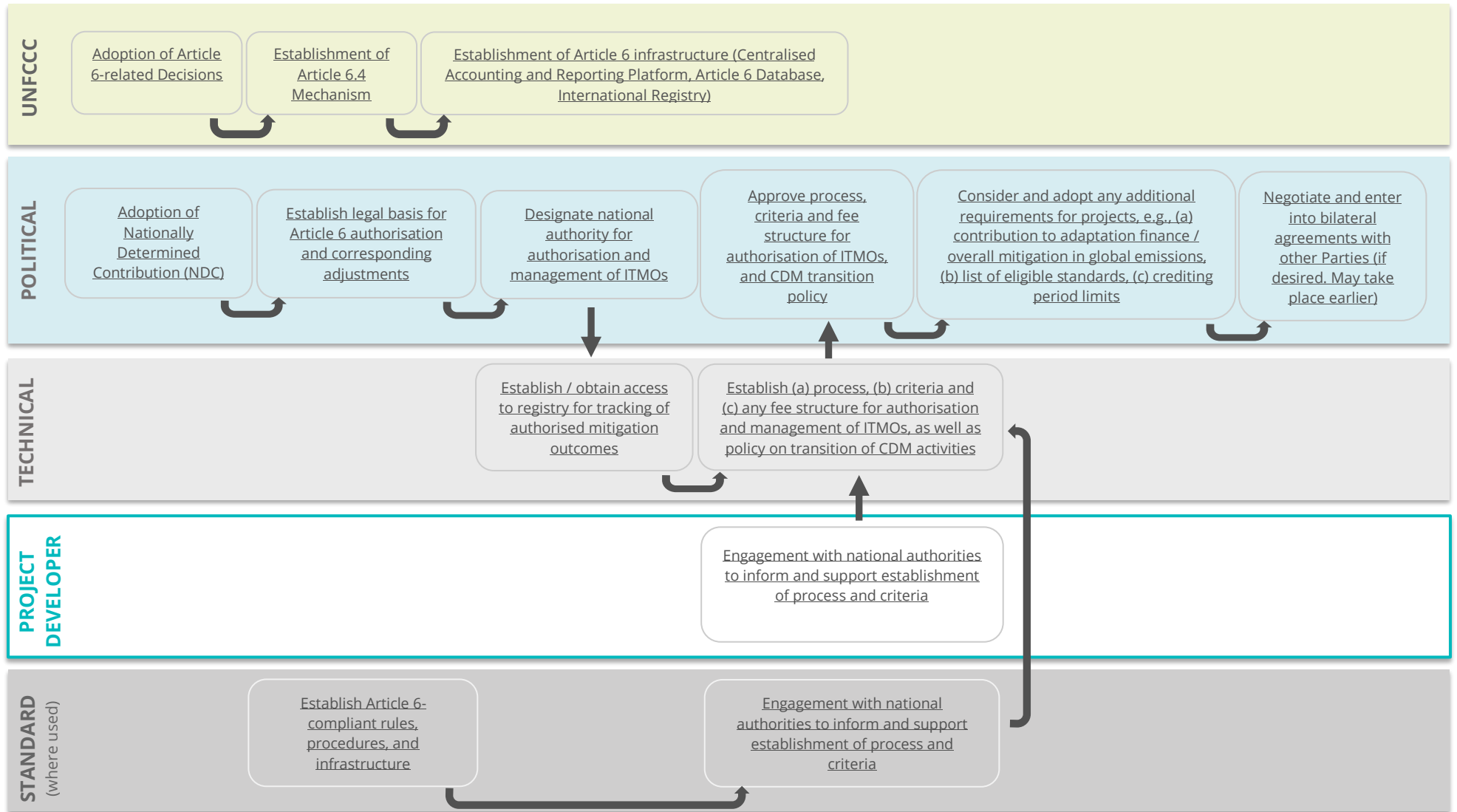
Please note that the views expressed in this blueprint are those of the authors and do not imply endorsement by or represent any official position of BMWK or other organisations that provided comments.



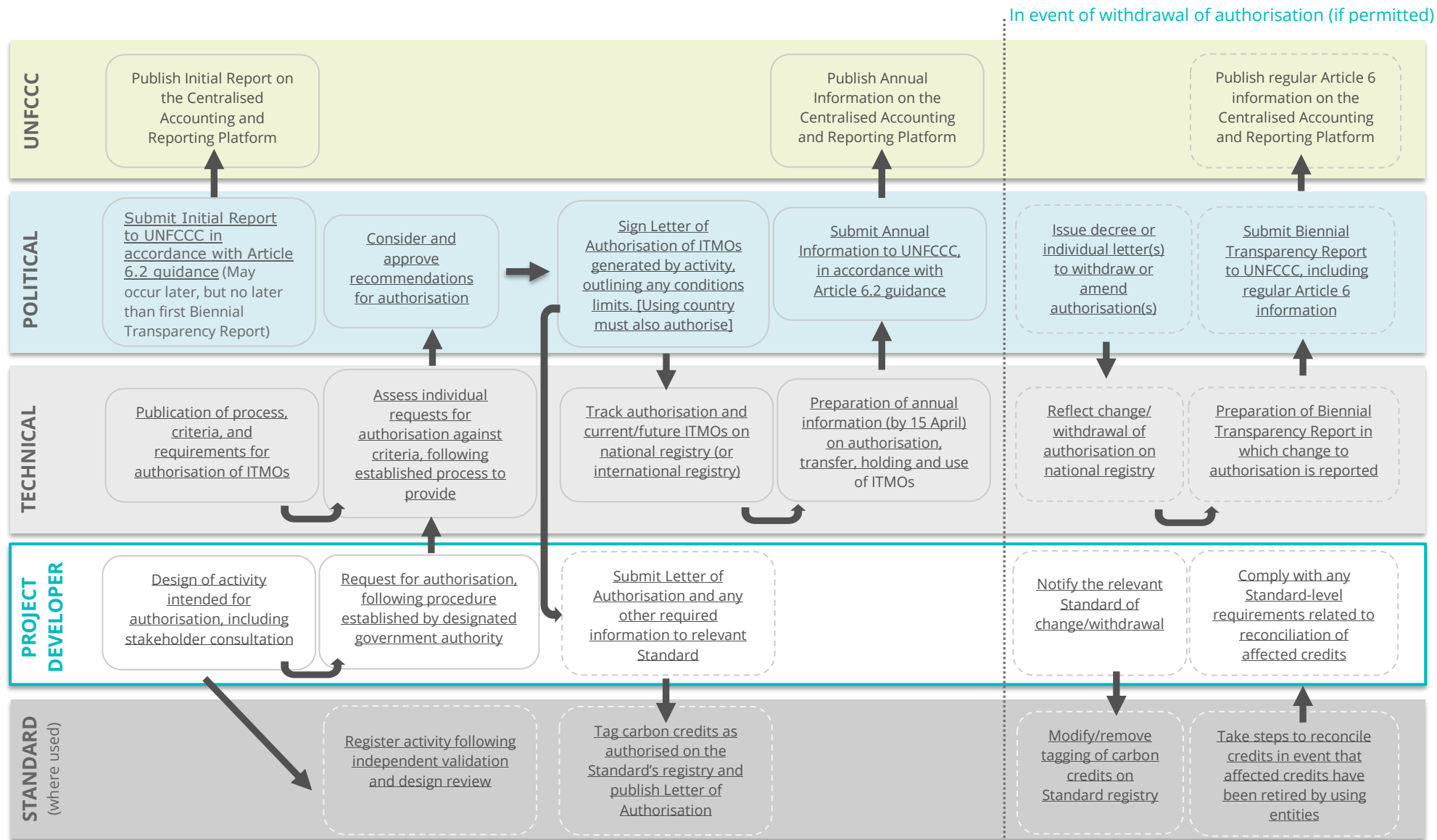
## SECTION 1

# **FLOW-CHART REFLECTING KEY STEPS IN THE IMPLEMENTATION OF ARTICLE 6**

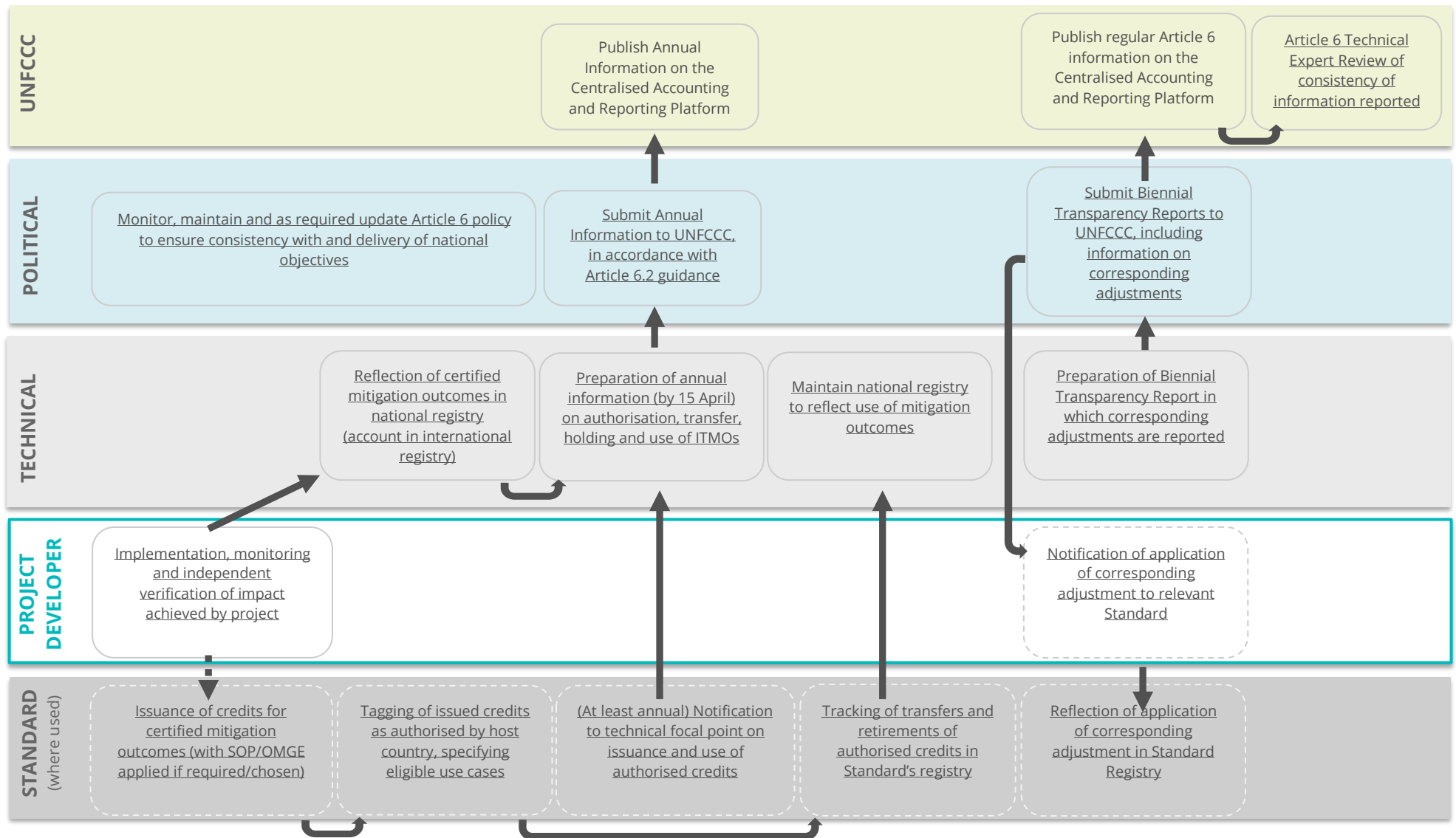
STEP 1  
PREPARATION



STEP 2  
AUTHORISATION



STEP 3  
REPORTING AND ACCOUNTING



## SECTION 2

# **SUPPLEMENTARY GUIDE WITH FURTHER INFORMATION ON KEY STEPS**

# STEP 1 PREPARATION

ENTITY **UNFCCC**

## ACTION **Adoption of Article 6-related Decisions**

### FURTHER INFORMATION

At COP26, Parties adopted several Decisions with direct relevance for international market-based cooperation:

- [Guidance on cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement](#)
- [Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4 of the Paris Agreement](#)
- [Guidance for operationalising the modalities, procedures and guidelines for the enhanced transparency framework referred to in Article 13 of the Paris Agreement](#)
- [Guidance relating to the Clean Development Mechanism](#)

At COP27, Parties adopted further related decisions:

- [Matters relating to cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement](#)
- [Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement](#)
- [Guidance relating to the Clean Development Mechanism](#)

Parties may adopt further decisions related to the implementation of Article 6 that Parties will need to follow in their cooperative approaches.

## ACTION **Establishment of Article 6.4 mechanism**

### FURTHER INFORMATION

The Article 6.4 mechanism will be a crediting mechanism established within the UNFCCC framework, like the CDM. The [first meeting](#) of its new Supervisory Body took place in July 2022, and its rules of procedure were adopted at COP27, though the mechanism is not yet able to accept projects.

## ACTION **Establishment of Article 6 infrastructure**

### FURTHER INFORMATION

The guidance adopted at COP26 requires the UNFCCC to establish several new IT-based platforms, with further elaboration at COP27:

1. An international registry for Parties that do not have a registry or access to a registry.  
The option to use this registry may be attractive to Parties with more limited resources or smaller project portfolios.
2. An Article 6 database to record and compile reporting information submitted by Parties related to ITMOs and the application of corresponding adjustments.
3. A Centralised Accounting and Reporting Platform which will incorporate the Article 6 database and will more generally maintain and provide links to public information on cooperative approaches and ITMOs.
4. A programme registry for the new mechanism established by Article 6.4, which will include holding accounts for each Party and each public or private entity authorised to participate under Article 6.4, and will track Article 6.4 emission reductions or A6.4ERs, as well as Certified Emission Reductions (CERs) issued by the CDM and eligible for transfer to the new mechanism.

## ENTITY **POLITICAL**

## ACTION **Adoption of Nationally Determined Contribution**

### FURTHER INFORMATION

One of the requirements for a Party to participate in international cooperation under Article 6 is that it must have prepared and communicated an NDC and be continuously maintaining it.

The nature of a Party's NDC determines how it can cooperate under Article 6 and how it must apply corresponding adjustments:

1. If a Party has a single-year NDC (i.e., a target to have achieved a certain target in a specific year), then it can follow either an 'averaging' model for applying corresponding adjustments or a 'trajectory' or 'budget' model. If a Party has a multi-year NDC, it must apply a 'trajectory' or 'budget' model. These are described in Article 6.2 guidance.

2. If a Party has an NDC that contains non-greenhouse gas metrics (such as kWh of renewable energy), or if consists of policies and measure that are not quantified, it can trade in and apply corresponding adjustments for the transfer of non-GHG mitigation outcomes, in accordance with Article 6.2 guidance.

Article 6 guidance does not distinguish between sectors and greenhouse gases that are covered by a Party's NDC, and those that are not. This means that if a Party authorises the creation of ITMOs from an activity outside of the scope of its NDC, it must still apply a corresponding adjustment.

This should be borne in mind, as it will directly affect a government's ability to achieve its NDC.

#### **ACTION Establish legal basis for Article 6 authorisation and corresponding adjustments**

##### FURTHER INFORMATION

When cooperating internationally under Article 6 of the Paris Agreement, governments are bound under international law to comply with the requirements adopted in relevant Decisions, including those linked to above.

Governments may in addition choose to establish a domestic legal basis for the use of Article 6. This legal basis can, amongst other things:

1. Give responsibility to the Ministry or other entity designated to review and provide approvals and authorisations to activities (more information below)
2. Outline the procedure for approval and authorisation of activities, and establish requirements related to a national registry (more information below)
3. Enshrine the commitment to apply a corresponding adjustment and report information in an accurate and timely fashion to the UNFCCC
4. Clarify the ownership of emission reduction units

**ACTION Designated national authority for authorisation and management of ITMOs**

**FURTHER INFORMATION**

Article 6.2 guidance requires that Parties have ‘arrangements in place’ for the authorisation of ITMOs, while the RMPs requires each Party to have designated a ‘national authority’ if the Party intends to provide approvals for activities to be registered under the Article 6.4 mechanism. As of 18 November 2022, during COP27, 28 countries have designated such national authorities.

Governments may want to consider three different roles when designating responsibility for authorisation and management of ITMOs:

1. Political decision-making: Who has the political responsibility for deciding on policy related to Article 6, and on the authorisation of ITMOs?
2. Technical administration: Who is responsible for handling requests for approval and authorisation, managing the national registry, tracking and reporting on ITMOs, and performing other administrative functions?
3. Governmental coordination: Considering that the use of Article 6 is directly relevant to achievement of a country’s NDC, and that activities from multiple sectors may be authorised, how will multiple government ministries be either consulted or directly involved in decision-making?

In some cases, the department tasked with the first and second roles will be the same; in others, a subsidiary body may be tasked with the second role. Also, in some cases, political decision-making may be the role of a cross-governmental board rather than the responsibility of one individual department.

ENTITY **TECHNICAL**

**ACTION Establish / obtain access to registry for tracking of authorised mitigation outcomes**

**FURTHER INFORMATION**

Governments using Article 6 must have, or have access to, a registry, and have three options available for them: first, establishing their own registry; second, using the international registry that will be created by the UNFCCC secretariat; or third, gaining access to another registry.

The prescribed requirements for this registry are fairly limited, giving flexibility to governments in the approach they take. Under Article 6.2 guidance, it must have the ability to record – including through unique identifiers of mitigation outcomes:

1. Authorisations of ITMOs
2. First transfer, transfer and acquisition of ITMOs
3. Use of ITMOs towards NDCs
4. Authorisation of ITMOs for use towards other international mitigation purposes
5. Voluntary cancellation of ITMOs, including for the delivery of an overall mitigation in global emissions

The Article 6.2 guidance adopted at COP7 outlined several further requirements, including that each ITMO must have a unique identifier, and that where a registry is electronic it must be based on software that enables tracking and recording of ITMOs.

Governments may want to bear three things in mind when deciding how to meet these registry requirements:

1. **Proportionality:** If a government is not planning to manage a large volume of activities and ITMOs, it is worth considering what type of registry makes most sense. Some registry solutions may cost a considerable amount to build and maintain, which may not be proportionate for the amount of information that will be held in the registry.
2. **Efficiency:** Linked to the above, does the government have options to bring greater efficiency, either through use of an existing registry (within or outside the country) or building a national registry that serves a broader purpose than solely Article 6. This second option may be relevant if a government plans to track other types of activities, such as those funded by climate finance.
3. **Cooperation:** If a government is authorising ITMOs that will be registered under either the Article 6.4 mechanism or independent standards (like Gold Standard and Verra), it may be able to rely on these standards to record and track more detailed information related to activities and emission reductions. The national registry would then be the primary record of the authorisation, transfer and use of ITMOs. The relationship between different registries is discussed in more detail later on.

#### ACTION **Establish process, criteria and any fee structure for authorisation and management of ITMOs**

##### FURTHER INFORMATION

**Process:** Governments will need to establish a process that will be applied to manage requests for authorisation from project developers, review of these requests, and decisions to authorise or not.

Key considerations for governments to bear in mind include:

1. **Transparency:** Governments can build trust and provide clarity for project developers by publishing information on the process for seeking an authorisation, the information required, the criteria for review (see below), any costs (see below) and the expected timeframes.
2. **Fair treatment:** Governments should establish principles and rules to ensure that each project developer is treated in a fair and equal way, with decisions based on objective criteria.
3. **Early assurance:** Governments using Article 6.2 are required to provide an authorisation of ITMOs, and those working with Article 6.4 are in addition required to approve the registration of an activity. Governments could consider other steps that could provide early assurances to project developers, such as letters to early-stage activities indicating an intent to approve or authorise if certain conditions are met.

**Criteria:** The decision to authorise ITMOs for use under Article 6 should not be taken lightly by a government. A government is obliged to apply a corresponding adjustment for all authorised ITMOs, meaning that these cannot be counted towards its NDC. Governments should therefore establish well-considered criteria to guide when to authorise ITMO. This could consider:

1. **Beyond NDC demonstration:** Demonstration that activities will achieve emissions impacts that go beyond those planned under the government's NDC. A government could support this proactively by identifying and publishing a list of activity types deemed to go beyond achievement of the country's NDC, for which the government is more likely to grant authorisations.
2. **Sustainable development:** Governments are required to report to the UNFCCC on how cooperative approaches contribute to their sustainable development objectives. While this could be treated as a tick-box exercise, governments would do well to give greater consideration to activities with higher sustainable development benefits, based on country-specific assessment criteria. Governments are required to apply corresponding adjustments for emissions benefits from activities; but the other sustainable development impacts remain within the country, benefiting local people and environments.
3. **Transformational impact:** There may be certain types of activities that have the potential to deliver a transformational impact for achievement of the country's long-term emissions development strategy. This could for instance be through introducing or mainstreaming a technology type that will lead to greater emission reductions outside of the activity itself.  
Or it could be through an investment (for instance into a lower-emission urban transport system) that would be credited for a limited period, with the government then able to benefit from the emissions impact over the longer-term.

**Fee structure:** While not required, governments may want to consider applying fees related to the authorisation of ITMOs under Article 6. These could broadly take one of two forms:

1. **Administrative fees:** Fees to cover the costs incurred by the government to administer the authorisation process, manage the registry and otherwise comply with Article 6.
2. **Broader revenue-raising:** Taxation related to the authorisation of ITMOs, to raise revenue for the government.

There are obvious incentives for governments to implement such revenue-raising taxes. However governments should bear in mind that Article 6 has established an international market, and that such taxes – especially if these are set at a high level – may make their jurisdiction less attractive for investment than other jurisdictions.

#### ACTION **Establish policy and process for transition of the Clean Development Mechanism to the Article 6.4 Mechanism**

##### FURTHER INFORMATION

As decided at COP26, projects or programmes of activities (PoAs) registered under the CDM may transition to be registered under the new Article 6.4 mechanism, provided this is approved by the host government. Projects or PoAs must request to transition by the end of 2023, and host governments must then decide whether to approve the transition by the end of 2025. The timeline for use of CDM CERs (pre-2021 emission reductions) from projects registered on or after 1 January 2013 is restricted to the period of first NDCs, most of which end in 2030. Eligible CERs will be cancelled in the CDM registry, and their serial numbers with details of the receiving account will be re-captured in the mechanism registry. A deadline for receiving CERs into the mechanism registry is yet to be determined.

The [Article 6.4 decision](#) at COP27 provided further elaboration on the transition of CDM-registered activities, with more specificity on the crediting period for transitioning activities, restrictions on their design, as well as the process for transition. The Article 6.4 Supervisory Body has since opened a [Transition Portal](#) for projects or PoAs seeking to transition, ahead of a deadline of 31 December 2023 to express interest.

There are a number of important considerations for governments, when deciding their approach to request transition to the Article 6.4 mechanism:

1. **Nature of policy:** Does the government want to take a blanket approach to transition (i.e., all projects that seek to transition may either do so, or are prohibited from doing so), a sectoral approach (i.e. all projects from sector X may transition, but from sector Y may not), or to review projects and PoAs on a case-by-case basis, applying a set of criteria to inform objective decisions.
2. **Policy intent:** What does a government ultimately want to achieve in its decision to approve, or not, the transition of projects or PoAs? A government may be most focused on investment certainty, which could incline them towards a greater transition. It could be most focused on environmental integrity, which may cause it to scrutinise the design and impact of projects or project types, which could incline it towards a more limited transition. It may also be focused on other factors, such as alignment with its NDC or achievement of sustainable development goals.
3. **Approval and/or authorisation:** Permitting an activity to transition from the CDM to the new Article 6.4 mechanism does not in itself obligate the host government to apply corresponding adjustments for its achieved mitigation outcomes. Host governments should decide if they simply want to approve projects transitioning to the new mechanism and for mitigation outcomes to count towards their own NDC, or if they wish to authorise ITMOs from the project in accordance with Article 6.2 guidance.

**ACTION Consider and adopt any additional requirements for projects**

FURTHER INFORMATION

In addition, there are a set of other decisions that a government may wish to make before beginning to provide authorisations to activities. These include:

1. Whether to require that a percentage of mitigation outcomes achieved by activities is **retained for accounting within the jurisdiction**, and not corresponding adjusted.
2. Whether to require that a percentage of authorised ITMOs is (a) levied as a **share of proceeds to fund adaptation**; and/or (b) cancelled to deliver an **overall mitigation in global emissions**. These are required under the Article 6.4 mechanism but not currently for other crediting approaches. They are strongly encouraged for transfers under Article 6.2.
3. Whether to **recognise certain crediting programmes as eligible** for authorisations under Article 6, or to leave this open. This could include the Article 6.4 mechanism, Verra, Gold Standard and/or other programmes.
4. Whether to apply other requirements on activities, such as to **limit the period in which they can be issued** credits or in which these credits will be corresponding adjusted. There are obvious incentives for a government to limit crediting periods, as it limits the period in which it must apply a corresponding adjustment. However shorter crediting or adjustment periods may also deter investment.

These are all choices that are at the discretion of the government.

**ACTION Approve process, criteria fee structure and additional requirements for authorisation and management of ITMOs**

FURTHER INFORMATION

While Article 6 is technical in nature, some of the decisions are quite political. It is expected that political / senior government representatives will be required to approve key elements of the country's Article 6 framework – as described in the two rows above - before it is introduced. The process for this will depend on the institutional arrangements the government has put in place, and its approach to policymaking. The government may, for instance, wish to publicly consult prior to adopting its Article 6 framework, to seek feedback and comments from businesses and other actors. It may also want to consult and seek approval across government ministries.

## ACTION **Negotiate and enter into bilateral agreements**

### FURTHER INFORMATION

Bilateral agreements act as a legal framework for the authorisation of ITMOs and their transfer from one government to another. Several buyer countries, such as Switzerland, Singapore, Japan and South Korea have signed bilateral agreements or entered into similar formal arrangements for future ITMO transactions. Switzerland, the first country to have done so, has [agreements with several partner countries](#).

Governments are not required to enter into bilateral agreements to use Article 6. They could for instance authorise mitigation outcomes for uses other than NDCs (including CORSIA and the voluntary carbon market) which do not require a government-to-government relationship.

Governments may however wish to enter into such bilateral agreements, with one or more of the (still small) set of governments intending to acquire ITMOs. This includes, but may not be limited to, Sweden, Switzerland, Singapore, and South Korea. In fact, this may be one of the first steps for a government to take, and there could be benefits to entering into bilateral agreements early, if the buying government is willing to provide capacity-building support.

Negotiations towards adoption of a bilateral agreement should be done in the appropriate way for the government. For example, this may require involvement from the ministry responsible for foreign affairs, and possibly for trade.

## ENTITY STANDARDS

## ACTION **Establish Article 6-compliant rules, procedures and infrastructure**

### FURTHER INFORMATION

Baseline-and-crediting activities are typically registered under an established crediting programme, or standard, which ensures that the activities are designed appropriately, follow a conservative methodology for calculating emission impacts and that activities are issued carbon credits to reflect their independently verified emissions impacts.

Governments may want to work with these standards (such as the Article 6.4 mechanism or independent standards like Gold Standard or Verra) when using Article 6, relying on their framework for managing activities and to provide assurance that ITMOs represent verified emission reductions. This can

reduce costs and work for the government; provide greater assurance that activities are managed effectively, and emission impacts calculated correctly; and may be preferable to project developers.

For standards to manage activities that have received an authorisation from a government, they must ensure that they have several key elements in place:

1. Procedures to check letters of authorisation, reflect their existence on the standard's registry and ensure that credits associated with an ITMO authorisation are only used for authorised purposes.
2. Capabilities and procedures to provide information to national governments on the issuance and use of credits associated with an ITMO authorisation.
3. Rules and requirements that are consistent with Article 6.2 requirements, including those related to baseline-setting and safeguarding against negative social, environmental and economic harm.

**ACTION Engagement with national authorities to inform and support establishment of process and criteria** (also applicable for project developers)

#### FURTHER INFORMATION

Governments are likely to benefit from active and open consultation with project developers, standards and other non-governmental stakeholders during their preparation for the use of Article 6.

Through doing so, they will be able to:

1. Understand and incorporate recommendations from non-government actors to improve the effectiveness, efficiency, competitiveness and transparency of the government's Article 6 policy and procedures.
2. Adopt procedures and systems that are aligned with those being adopted elsewhere in the world, to support the development of a globally-connected market.

## STEP 2 AUTHORISATION

### ENTITY TECHNICAL

#### ACTION **Publish process, criteria and requirements for authorisation of ITMOs**

##### FURTHER INFORMATION

The Preparation section (above) outlined the considerations that governments may make when designing the process, criteria and requirements for the authorisation of ITMOs. It will be important that governments publish information for stakeholders once these are adopted, so project developers have an understanding of the process that they will need to follow, and the factors that governments will consider when deciding whether to grant an authorisation.

### ENTITY PROJECT DEVELOPER

#### ACTION **Design of activity intended for authorisation**

Project developers may follow several different routes for designing projects, depending on the options available to them within the jurisdiction. They could develop a project:

1. For registration and certification under the Article 6.4 mechanism
2. For registration and certification under another international standard, such as Gold Standard or Verra
3. For registration and certification under a domestic crediting programme, if this exists
4. Within the framework of a bilateral agreement, which may draw on methodologies and approaches under international standards but be managed by the two governments.

If the government has adopted and published a process, requirements and criteria that will be applied when considering requests for authorisation under Article 6, these can all be taken into account by the project developer during its project design phase.

In all cases, there are likely to be – and should be - similarities, including:

1. The use of a recognised **methodology**
2. Demonstration of **additionality**
3. **Stakeholder consultation**
4. Safeguards against negative impacts
5. Consideration of **sustainable development** benefits

Governments may choose to introduce specific requirements for projects within their jurisdiction, which projects would then need to reflect within their design. For instance, the rules, modalities and procedures for the crediting mechanism established by Article 6.4 give host countries the ability to specify the following for projects within their jurisdiction:

1. Baseline approaches and other methodological requirements, including additionality, explaining how the required approaches and requirements are compatible with the country's NDC and long-term GHG emissions development strategy, if it has one.
2. The length of crediting periods, and whether crediting periods can be renewed, again with an explanation of how this is compatible with the country's NDC and long-term strategy

#### ACTION **Request for authorisation**

##### FURTHER INFORMATION

Project developers may wish to request an authorisation from the government at different phases of the development of a project, to request an authorisation. In some cases, this may occur very early on in the conceptualisation of a project; in other cases, it may be at a more advanced stage, or even after the issuance of credits.

Whatever the timing, it is likely to be beneficial for both the government and the project developer if there is a clear process for requests for authorisation. This could for instance include:

1. A form that must be completed with information on the request for authorisation, providing the government with sufficient information to make a decision
2. An identified focal point within a national government department or agency, with whom the project developer can engage

3. A publicly available timeline that outlines the steps involved in the authorisation process and the expected amount of time that each step will take
4. Information on any fees associated with requests for authorisation, where these exist

**ACTION Register activity with a crediting standard**

**FURTHER INFORMATION**

As well as its engagement with the government, the project developer may take required steps to register the project with a crediting standard. This is likely to involve an independent validation of the project's design document and a review process by the standard itself.

In some cases, this may have occurred prior to a request for authorisation from the government; in other cases, it may occur afterwards. If the project developer is seeking registration with the new crediting mechanism established by Article 6.4, the project developer will need to seek approval from the government before registration can take place. Governments may want to consider introducing a similar requirement, or at least a notification, for projects registered with other standards.

ENTITY **TECHNICAL**

**ACTION Assess requests for authorisation by project developers**

**FURTHER INFORMATION**

Governments will need to assess requests for authorisation submitted by project developers. This will be made easier if the government has established an objective set of criteria and requirements, and an overall policy approach for deciding whether to provide authorisations to projects.

The Preparation section of this document provides more information on the types of criteria and requirements that governments could consider. There are several other factors that governments should consider for the assessment process itself:

1. **Staffing:** Who will be responsible for assessing requests for authorisation, what qualifications are required and how will their role(s) be funded? In some cases, governments may choose to apply fees to project developers to cover these costs.

2. **Timing:** Governments could choose to accept requests for authorisation as and when a project developer is in a position to submit them. Alternatively, they may choose to have set windows of time (maybe either once or twice per year) in which project developers may submit requests for authorisation. The advantage of the latter is that the government can consider requests at the same time, and better manage the volume of mitigation outcomes it is authorising each year. A disadvantage is that it may cause project delays for project developers if they are required to wait for a window to open.

## ENTITY **POLITICAL**

### ACTION **Consider and approve recommendations for authorisation**

#### FURTHER INFORMATION

If a government delegates the assessment of requests for authorisation to technical officials, it may still wish for the actual decision to issue an authorisation to be taken at a more senior, political level. There could be a process for submitting recommendations for authorisation to either a designated Minister, or to a designated multi-department committee if this has been established. In either case, it should be clear which office-holder or committee has the right to provide a formal authorisation of ITMOs. In many cases, governments may choose to enshrine this in legislation.

### ACTION **Sign Letter of Authorisation and issue to activity**

#### FURTHER INFORMATION

A decision to provide an authorisation should be communicated to the project developer itself. It is likely to be useful for the government to have a set letter template that it uses to communicate this authorisation. This may be developed by the government itself, or it could use a template developed by other organisations, such as the [template developed by Gold Standard](#).

Within the written authorisation, the government should:

1. Clearly identify **the project** to which the authorisation is being granted
2. Provide a clear statement that emission reductions or removals generated by the project are being **authorised for use as ITMOs**
3. State the volume (or maximum volume) of emission reductions or removals achieved in each year that are being authorised for use as ITMOs

4. State the **time-period** for which the authorisation applies
5. State the purposes for which the ITMOs may be used: for use towards NDCs and/or for use towards 'other international mitigation purposes'
6. If the ITMOs are authorised for use towards 'other international mitigation purposes', state whether the government will **apply a corresponding adjustment** following (a) the act of authorising the ITMOs (i.e., at this stage), (b) issuance of units, or (c) the use of the ITMOs.

The government may also choose to:

1. Acknowledge that the activity will contribute to the country's **sustainable development** objectives
2. Confirm that the government complies with the **participation responsibilities** applicable for Article 6.2 and will fulfil all requirements in relevant guidance adopted by the CMA
3. Require that a portion of emission reduction units are diverted to support **adaptation finance**, for instance through the Adaptation Fund, or are cancelled to deliver an **overall mitigation in global emissions**
4. Include **any further conditions** that the government may wish to apply

In cases where ITMOs are intended to be transferred from one Party to the other, both Parties are required to formally authorise the ITMOs. As such, the acquiring country will also need to issue an authorisation. This may come either at the same time as the host country's authorisation or a different time.

#### ACTION **Submit Initial Report to UNFCCC in accordance with Article 6.2 guidance**

##### FURTHER INFORMATION

Governments intending to use Article 6 are required to submit an Initial Report to the UNFCCC, no later than either (a) the authorisation of ITMOs from a cooperative approach or (b) where practical, in conjunction with their next Biennial Transparency Report.

This needs to include comprehensive information in several different areas, which includes:

A demonstration that the Party meets the Article 6.2 participation responsibilities, including that it has prepared and is maintaining an NDC, has arrangements in place to authorise and track ITMOs, has provided the most recently required national inventory report, and that its participation in Article 6 contributes to implementation of its NDC, long-term low emissions development strategy (if relevant) and the Paris Agreement's goals.

A quantification of the Party's mitigation information in its NDC, or the methodology for quantifying the information, as well as the method that will be used to apply corresponding adjustments

A description of the cooperative approach, including (amongst other things) how it will ensure environmental integrity, minimise or avoid negative environmental, economic and social impacts, be consistent with the Party's sustainable development objectives, and whether it will contribute resources for adaption and deliver an overall mitigation in global emissions.

For each new cooperative approach that a government enters into, it is required to submit an updated initial report.

The UNFCCC Secretariat will publish the government's Initial Report on a 'Centralized Accounting and Reporting Platform, excluding any confidential information.

## ENTITY STANDARDS

**ACTION Add marker to reflect authorisation on the standard's registry**

FURTHER INFORMATION

In cases where a project is registered with a crediting standard, the standard itself should add a marker to its registry to indicate that a Letter of Authorisation has been granted.

In the case of Gold Standard, the standard plans to take the following steps in such cases:

1. Publish the Letter of Authorisation on the project's page
2. When credits are issued, indicate that the credits are associated with a Letter of Authorisation, and more specifically, indicate which purposes the credits may be used for (use towards NDCs, for international mitigation purposes, or for other purposes)
3. Restrict the use of credits associated with a Letter of Authorisation, so it is only possible to use them for authorised purposes
4. Abide by any requirements from the government to divert a portion of credits to the Adaptation Fund, or to cancel a portion of credits to deliver overall mitigation in global emissions

**ACTION Track authorisation and ITMOs on registry**

## FURTHER INFORMATION

Under Article 6.2 guidance, governments are required to track the authorisation of ITMOs on a registry. As discussed in the Preparation section, this could either be a national registry, or an account in another registry such as the international registry that the UNFCCC is establishing. The government is also required to track other information on the transfer, acquisition and use of ITMOs, which is discussed in the Accounting and Reporting section.

Information on authorisation must also be submitted to the UNFCCC as part of the government's Annual Information. This is also discussed in further detail in the Accounting and Reporting section.

*WITHDRAWAL OR AMENDMENT OF AUTHORISATION*

*Subject to any future decision that prohibits or limits this, there may be circumstances under which a Party withdraws or amends one or more authorisations that have been granted to projects.*

*This section describes the steps that could be followed in such a scenario, assuming no constraints are imposed at the UNFCCC-level.*

**ACTION Issue decree or individual letter(s) to withdraw or amend authorisation**

## FURTHER INFORMATION

The Article 6 Decisions adopted to date could be understood to allow for a scenario in which a government chooses to withdraw or amend an authorisation that it has previously issued. A withdrawal may for instance be due to the transition to a new government with a different policy position, risks to the delivery of the country's NDC or that the government has become aware of information about the project or project developer that leads it to either withdraw or amend its authorisation.

At the time of writing, there is an ongoing discussion about the relationship between national registries and the registry of crediting programmes, where used, and the division of responsibilities between the two. This is an important consideration for governments, if planning to rely on crediting programmes, and so should be closely monitored.

An amendment could be to introduce greater limitations on the original authorisation, or conversely could be to expand the scope of the original authorisation, for instance to extend the timeframe for the creation of ITMOs or allow their use for additional purposes.

Governments should of course bear in mind that a decision to withdraw or limit an authorisation, risks causing instability and financial consequences for market actors and so should be treated carefully. It is expected that the authority to withdraw or amend an authorisation would rest with the same officeholder or committee that has the right to issue authorisations. The actual act of withdrawing or amending could take one of several forms:

1. **General decree:** If a government is adopting a general approach that affects multiple project developers, it may issue a decree or statement that officially withdraws or amends existing authorisations
2. **Individual letter:** Governments may also choose to issue letters to individual project developers to notify them of the withdrawal or amendment of the original authorisation.

## ENTITY TECHNICAL

### ACTION **Reflect and report withdrawal/ amendment of authorisation**

#### FURTHER INFORMATION

Following any withdrawal of or amendment to an authorisation, the government should reflect this change of status within its registry. This means that the registry should have the functionality to record amendments or withdrawals. This would ideally maintain a record of the original authorisation so that the change of status is transparent.

The government is also required, as part of the Regular Information included as part of its Biennial Transparency Report, to report information on any changes to earlier authorisations. The information reported by the government will be published by the UNFCCC on the Centralised Accounting and Reporting Platform.

## ENTITY STANDARDS

### ACTION **Modify/remove marker on carbon credits on the standard's registry**

#### FURTHER INFORMATION

In cases where a project is registered with a crediting standard, the standard itself would also need to reflect the change of status of the authorisation on its registry. It could be notified of the withdrawal or amendment of the authorisation directly by the government, or the project developer could be responsible for sharing this information.

### ACTION **Take steps to reconcile retired credits, where required**

#### FURTHER INFORMATION

If the government has withdrawn an authorisation, and credits covered by the original authorisation have already been retired for use towards an authorised purpose, then it is expected that double counting will occur between the host government's NDC and the end-user of the credits, whether that is a government, an airline operator complying with CORSIA or a company using the credits voluntarily.

Standards may have measures in place to manage such double counting, such as procedures that require the project developer or the buyer to acquire additional credits to address the double counting. Under Gold Standard for instance, there is an obligation that one of the involved entities (the project developer, buyer, or another entity, as set out in emission reduction purchase agreements) reconciles any double-counted credits that have been retired for use towards an NDC or CORSIA. This of course introduces additional risk and cost for entities who are generating or using credits associated with a Letter of Authorisation.

## STEP 3 REPORTING AND ACCOUNTING

### ENTITY **PROJECT DEVELOPER**

ACTION **Implementation, monitoring and independent verification of project impact**

FURTHER INFORMATION

Once a project is up and running, it will follow the requirements of any standard and methodology that it is using to monitor its impacts. It will also use a third-party auditor to provide an independent verification of the information it has recorded.

This could happen somewhat independently of the government, in particular if the project is registered with and managed by a crediting standard, like the mechanism established by Article 6.4, Gold Standard or Verra. In other cases, the government may want to review third-party verification reports themselves prior to the creation of ITMOs.

Issuance of credits for certified mitigation outcomes

### ENTITY **STANDARDS**

ACTION **Issuance of credits for certified mitigation outcomes**

FURTHER INFORMATION

In cases where a project is registered with a crediting standard, it is likely that this standard will be responsible for issuing carbon credits into the registry account of the project developer on the standard's registry, following third-party verification and certification of the emissions impact it has achieved.

In the case of the crediting mechanism established by Article 6.4, and possibly in the case of other standards too, the standard will at the point of issuance:

1. Direct a percentage of the carbon credits to a fund managed by the Adaptation Fund, to be sold to fund adaptation activities.
2. Direct a percentage of the carbon credits to a cancellation account, to be cancelled to deliver an overall mitigation in global emissions.

This contribution to adaptation finance and overall mitigation in global emissions is required under the Article 6.4 mechanism, and strongly encouraged for other uses of Article 6. As discussed in the Authorisation section, governments should consider whether they want to require these contributions as a condition for issuing an authorisation to a project.

#### **ACTION Tagging of issued credits as authorised, specifying eligible use cases**

##### FURTHER INFORMATIONS

At the point of issuing credits, a standard should also add a marker on the registry to indicate when these credits are associated with a Letter of Authorisation from the project's host country.

In some cases, including under Gold Standard and the Article 6.4 mechanism, this will specify the purposes that credits are authorised for use towards: one or more of use towards NDCs, towards international mitigation purposes (e.g., CORSIA) and towards other purposes (e.g., the voluntary carbon market).

#### **ACTION Tracking of transfers, retirements, and cancellations of credits**

##### FURTHER INFORMATIONS

In addition to issuing credits, the standard's registry can be used for the transfer of carbon credits between entities when transactions occur, and ultimately for their retirement.

As discussed above, it will be best practice for standards to ensure that their registry:

1. Only permits credits associated with a Letter of Authorisation to be used towards a purpose that has been authorised by the host government. If a government has, for instance, specified that credits are only authorised for use towards NDCs, it inevitably creates administrative challenges if those credits are mistakenly used by an aeroplane operator towards CORSIA obligations.
2. Tracks the purpose for which credits are retired, and the entity that is using the credits. This information is, as described below, required by the host government when it is submitting Annual Information to the UNFCCC.

## ENTITY TECHNICAL

### ACTION **Reflection of ITMOs in registry**

#### FURTHER INFORMATION

As described above, any involved crediting standard is likely to be considered responsible for issuing carbon credits to a project for certified mitigation outcomes. However it is also expected that governments will reflect information within their registry (or account within an international registry) on the generation, transfer, acquisition and use of ITMOs.

It is not entirely clear from Article 6.2 guidance how the registries of governments and any crediting standard should work together and co-exist, to reflect the generation of mitigation outcomes. One practical solution would be to take the following approach:

- **Standard registry:** The standard's registry records carbon credits representing verified emission reductions or removals. These are live, tradeable assets that can be transacted and retired by entities. They are associated with Letters of Authorisation but are not themselves 'ITMOs'.
- **Government registry:** The government's registry records ITMOs representing the same verified emission reductions or removals. These are accounting units, meaning they cannot be transacted and retired, but represent the 'source of truth' for Article 6 accounting purposes.

In practice, this means that a host government should reflect the authorisation of ITMOs, their creation and when the first transfer<sup>1</sup> of the ITMOs has occurred, as well as any acquisition, use or cancellation of ITMOs.

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<sup>1</sup> It should be remembered that 'first transfer' can mean different things according to Article 6.2 guidance and does not necessarily involve a transfer. When ITMOs are to be used towards an NDC, the first transfer is the first international transfer of the mitigation outcomes. When ITMOs are to be used towards other international mitigation purposes, the first transfer can be one of the 'authorisation', 'issuance' or 'use' of the ITMOs.

Practically, a government could be notified that ITMOs (and their use) must be reflected on the registry in several different ways:

1. If **the government** is involved in the certification process, it will become aware automatically
2. The **relevant standard** could be required to report on a regular basis to the government on the certification of mitigation outcomes and their retirement, and could make information available on its registry. Gold Standard, for instance, plans to publish an annual report on all issuances and uses of credits associated with Letters of Authorisation
3. The **project developer** could be required to notify the government

#### ACTION **Preparation of Annual Information**

##### FURTHER INFORMATION

Each year, by 15 April at the latest, governments using Article 6 are required to provide information in an electronic format on activity related to ITMOs in the preceding year. This includes:

1. Annual information on the authorisation of ITMOs, their first transfer or onward transfers, acquisitions and holdings, any cancellations of ITMOs, and use of ITMOs towards NDCs
2. To support the above information on ITMOs, additional information on the cooperative approach itself, the other Party involved or the other authorised entity or entities in the case of use towards other international mitigation purposes, as well as the year in which mitigation occurred, the sector and activity type and unique identifiers.

A draft version of the electronic template for annual information was adopted at COP27, in [guidance related to Article 6.2](#). This information will be recorded by the UNFCCC Secretariat in the Article 6 Database, which is part of the Centralised Accounting and Reporting Platform.

Following a decision at COP27, governments are able to keep any information confidential if they provide the basis for protecting such information.

## ACTION **Preparation of Biennial Transparency Reports in which corresponding adjustments are applied**

### FURTHER INFORMATION

Every two years starting from 2024, governments are required to submit Biennial Transparency Reports to the UNFCCC. As an annex to this, they will be required to include information related to their participation in cooperative approaches under Article 6, including:

1. How the government is fulfilling its Article 6 participation responsibilities
2. Any updates to the information it included in its Initial Report and any previous biennial transparency reports. (If the government has not yet submitted its Initial Report, it may do so alongside the biennial transparency report, as discussed above)
3. Information on authorisations and any changes to authorisation
4. Information on how corresponding adjustments ensure the avoidance of double counting and of a net increase in emissions across Parties and NDC periods, as well as how double use has been avoided.
5. Information on the cooperative approach itself, including how environmental integrity is ensured, non-permanence risks are managed, negative impacts are minimised or avoided, recognised rights are protected, as well as how the cooperative approach contributes to the sustainable development objectives of the host country and, if applicable, contributes resources to adaptation finance or delivers an overall mitigation in global emissions.

In addition, governments are required to provide annual information to underpin the application of corresponding adjustments, including on:

1. **Annual anthropogenic emissions** and removals, for the whole NDC or the relevant portion in certain cases
2. **Annual quantity of ITMOs** first transferred, authorised for use towards other international mitigation purposes, and used toward achievement of its NDC
3. **The net annual quantity** resulting from the balance of quantities in point 2 above, as well as a breakdown of the information in point 2 above by cooperative approach, sector, partner Party and vintage
4. The total **quantitative corresponding adjustments**
5. The **emissions balance** for the Party, taking into account its anthropogenic emissions and removals as well as its application of corresponding adjustments.

If the government is transferring ITMOs using metrics other than carbon dioxide-equivalent, the reporting requirements differ slightly.

The UNFCCC Secretariat will publish all non-confidential information reported by the government on the Centralised Accounting and Reporting Platform.

There are several important considerations for governments associated with this step, including:

1. **Method of corresponding adjustment:** If the country has a single-year NDC (i.e., a target to have achieved a certain emissions result by a specified future year, with no formal annual targets in the interim years), the Article 6.2 guidance gives two different options for applying corresponding adjustments. The government can follow an averaging approach, taking the cumulative amount of ITMOs in the NDC implementation period, dividing this amount by the number of elapsed years, and applying annual indicative corresponding adjustments equal to the resulting figure for each year. Alternatively, it can provide an indicative multi-year trajectory or budget for the NDC implementation period, then apply corresponding adjustments for the total amount of transferred and used ITMOs in each year. The outcome of these two approaches will be different, and one may be more suited to or preferred by a government than the other.<sup>2</sup>
2. **Alignment with wider reporting:** This Regular Information on Article 6 is part of a wider reporting requirement faced by governments, as part of its Biennial Transparency Report. Governments should consider the most sensible internal arrangements for preparing Article 6 information and incorporating this into their overall Biennial Transparency Report. It would not make sense for this to be prepared in complete isolation from the wider data collection processes.
3. **Burden and efficiencies:** The Regular Information required of governments is quite extensive. It is likely to take governments some time to prepare, which should be borne in mind. At the same time, it will also be much easier for the government if it is fulfilling other requirements discussed in this guidance document. For instance, there is some duplication between information required in a government's Regular Information and its Initial Report. The information tracked on the government's registry, and reported in its Annual Information, can also be used directly to report Regular Information.

## ENTITY STANDARDS

### ACTION **Tracking and reflection of corresponding adjustment on registry**

#### FURTHER INFORMATION

While this may not be strictly required, the relevant standard may mark on its registry once carbon credits that it has issued have become subject to a corresponding adjustment. If the carbon credits have already been used, this will provide assurance to the buyer that their use of the credits is not double

<sup>2</sup> See [Siemons, A. & Schneider, L. \(2021\) Averaging or multi-year accounting? Environmental integrity implications for using international carbon markets in the context of single-year targets](#) for more discussion of this.

counted. If the credits have not yet been used, the fact that they have been adjusted may mean they attract a higher market price, as there is an assurance that they will not be double counted.

To enable this to happen, the standard will need to be able to trace a clear line between a corresponding adjustment – which is an aggregate amount representing multiple ITMOs – and the carbon credit. This will require the government to report the actual credits (with unique identifiers/ serial numbers) that a corresponding adjustment is being applied for. This reporting may either be part of the information provided to the UNFCCC if this is allowed for or may be conducted through a separate process.

## ENTITY UNFCCC

### ACTION **Review of the consistency of reported information by an Article 6 Technical Expert Review team**

#### FURTHER INFORMATION

Under the Article 6.2 guidance, an Article 6 Technical Expert Review team will be tasked to review information submitted by governments. This includes their Initial Reports, Annual Information and Regular Information.

The Article 6 Technical Expert Review team has no punitive powers. Instead, it is tasked to prepare a report that, if applicable, includes recommendations to the government on how to improve the consistency of the information reported with Article 6 guidance and other relevant CMA Decisions. This includes how to address any inconsistencies in reported information, for instance if two cooperating Parties report information that does not match up.

The reports produced by the Article 6 Technical Expert Review team will be published on the Centralised Accounting and Recording Platform and forwarded for consideration as part of the Technical Expert Review that considers broader information reported for transparency under the Paris Agreement.

Detailed guidelines for Article 6 Technical Expert Reviews were adopted at COP27, and the UNFCCC secretariat will organise a technical expert dialogue, to be held between November and December 2023.