

7 May 2021

Submitted to:  
Tosi Mpanu Mpanu,  
Chair of the SBSTA

## IETA'S INPUT ON ENSURING RAPID OPERATIONALISATION OF ARTICLE 6 IETA SUBMISSION TO THE CHAIR OF SBSTA

### INTRODUCTION

The [International Emissions Trading Association \(IETA\)](#) welcomes this opportunity to provide input on the topic of ensuring rapid operationalisation of Article 6 of the Paris Agreement. The COVID-19 pandemic has disrupted and halted the international negotiations on the implementation of the Paris Agreement, which could potentially cause harmful delays in the ability of the global community to respond to the climate crisis.

We therefore warmly applaud the initiative by the Chair of SBSTA, Tosi Mpanu Mpanu, to convene [informal technical expert dialogues](#) on Article 6 of the Paris Agreement. These informal dialogues can be instrumental in maintaining the momentum of the negotiations and helping prepare the groundwork for political negotiations at COP26 by bridging diverging positions and developing common understanding.

We are grateful that observer organisations representing the broader stakeholder community have also been invited to prepare submissions, as this enriches the discussion and brings more perspectives to the table. We hope that IETA's insights and recommendations, leveraging on the wealth of experience and expertise of our members, are used to inform these dialogues.

By way of brief introduction, IETA is a global multi-sector business association created in June 1999 to promote the establishment of a functional international framework for trading in greenhouse gas emissions. **As the leading international business voice on climate markets and finance**, IETA represents over 150 companies. IETA's market expertise is regularly called upon to inform market-based policies that deliver greenhouse gas (GHG) reductions and removals, address economic competitiveness concerns, and balance economic efficiencies with social equity and co-benefits.

IETA and its members actively support the advancement of the objectives of the United Nations Framework Convention on Climate Change and the Paris Climate Agreement, with a long history of engagement in the UNFCCC process.



## IETA'S VIEWS ON ENSURING RAPID OPERATIONALISATION OF ARTICLE 6

At COP25, the business community eagerly anticipated the completion of the Article 6 rules and implementation guidance, but the negotiations failed to produce an agreement. The outcomes on Article 6 in Katowice and in Madrid were disappointing, and the prolonged impasse is delaying important climate action. Certainty on the rules, which is still absent, is crucial for enabling countries to assess how to make best use of the Article 6 provisions to deliver future ambition. Clear rules for Article 6 will also allow the private sector to enhance its support to Parties in achieving their NDCs. Article 6 Guidance must therefore be adopted at COP26, in order to avoid delaying this process any further.

We anticipate that some elements will be agreed at COP26, as part of the Article 6 Guidance, while others, especially those requiring further technical elaboration, will need to be included in a work programme to accompany the Article 6 Guidance. While all issues currently under discussion are crucial for the operationalisation of Article 6, some elements are particularly important to give confidence and sufficient lead time to the business community and Parties alike.

To ensure rapid operationalization, it will be crucial for COP26 to provide clear direction on key elements in the Article 6 Guidance and to establish an effective and ambitious work programme to work out the remaining elements as quickly as possible and without further delays.

### Article 6.2

Given the level of 'maturity' of the latest Article 6.2 draft texts from COP25, the single most effective way to 'ensure rapid operationalisation' would be to formally adopt them as soon as possible. Adopting them in their current form would already represent about 95% of what needs to happen to ensure rapid operationalisation.

We believe that the latest draft texts, if adopted, would provide clarity on key elements of Article 6.2 and establish a necessary work programme to further define the remaining technical aspects. Their adoption would therefore be instrumental in clearing the way to scale up the current Article 6 pilots, allowing them to move ahead full steam, and will prompt more and more countries to follow suit. While this is possible even in the absence of Article 6 Guidance, confirming the rules Parties will have to follow will catalyse more market cooperation. At the same time, a work programme will be needed to finalise technical work as quickly as possible.

More concretely, to ensure a prompt uptake and operationalisation of Article 6.2, we are pleased that the current draft Guidance provides clarity on the following elements:

- Scope, form and metrics of ITMOs,



- Accounting rules and methods for ITMOs,
- Rules concerning the application, frequency and reporting of corresponding adjustments,
- Participation requirements and responsibilities,
- Role of non-Parties and rules for non-NDC uses of ITMOs,
- Accounting guidance for single-year targets, with implementing details to be elaborated by the work programme,
- Governance and infrastructure requirements, and
- Guidance on how corresponding adjustments will apply for emission reductions/removals that occur outside a host country's NDC

With clear guidance on the above listed elements, national authorities are more likely to facilitate Letters of Authorisation (“LoA”) reflecting their intention to make corresponding adjustments consistent with the final rules on NDC accounting and reporting. Such LoAs are crucial for piloting activities under Article 6.2, as they are the decisive factor for project developers to scale up carbon finance from foreign partners and Parties. Through the cooperation of national authorities in issuing such LoAs, the implementation of emission reduction and removal projects will be accelerated, leading to acceleration of climate action and achievement of the Paris goals, together with the accelerated improvement of local communities through projects’ enormous variety of co-benefits on society.

As outlined above, if the Guidance provides clarity on these elements, most of what is needed to ensure rapid operationalisation will be in place. An effective work programme will be needed to tackle the few remaining items. For example, the work programme will need to prioritise key elements that will be essential to the operationalisation of Article 6, such as the accounting methods for single- and multi-year NDCs and the reporting framework required for Article 6.2.

It is also worth noting that current Article 6 pilot approaches and implementation efforts are generating several lessons learnt and insights related to the practical implementation of Article 6. It is essential for both the Article 6 guidance and the work programme to leverage these valuable experiences as much as possible.

#### **Article 6.4**

Ensuring rapid operationalization of the Article 6.4 mechanism will be more challenging than Article 6.2, but it is nevertheless equally important.

- The latest draft texts from COP25 are less ‘mature’ than the Article 6.2 provisions and contain several unresolved policy questions.
- By nature and design, the Article 6.4 mechanism will require significant technical work to be undertaken after the adoption of the Rules, Modalities and Procedures at COP26, before it can become fully operational.



Nevertheless, to ensure its rapid operationalization, Rules, Modalities and Procedures (RMPs) adopted at COP26 should give full clarity on the overall design and function of the mechanism and provide a clear mandate to the Article 6.4 Supervisory Body to move forward the subsequent technical and operational work.

More concretely, to ensure a prompt uptake and operationalisation of Article 6.4 it is essential for the RMPs to provide as much clarity as possible on the following elements:

- The RMPs should clearly define the scope of the mechanism and the scope of activities under the mechanism.
- The RMPs should define membership, rules of procedure and code of conduct for the new governing body for 6.4. These rules are extremely important as the Supervisory Body will be responsible for the development of technical aspects related to the functioning of the mechanism.
- The RMPs should provide for the Secretariat to provide an orientation for new governing body members and ensure that they are trained in how to abide by the code of conduct.
- The RMPs should indicate which approach will be followed to define baselines and additionality for the operations of the Article 6.4 mechanism, including assurances that these policies take account of national implementation plans (“regulatory additionality”) to avoid double counting. Further technical details concerning baselines and additionality might be developed under a work programme or by the Article 6.4 Supervisory Body.
- The RMPs should give clarity on the CDM transition, as this will be crucial to provide continuity for existing projects and immediate critical mass for the Article 6.4 mechanism. We plan to further outline our thinking on the topic of the CDM transition in the upcoming submission.
- The RMPs should provide a clear work plan/timeline going forward, indicating the date by which Article 6.4 will be operational.

After the adoption of RMPs, it is essential for the Supervisory Body to perform the following activities as quickly as possible:

- The body should agree to its operational rules for methodology/project/program (registration, review and approval).
- The body should expedite a consolidation of methodologies from CDM & JI that are fit for purpose under Article 6.4, subject to the necessary updates.
- Depending on the outcome on CDM transition, the body should establish an approval system for projects/programmes to be re-registered under 6.4 if they meet the agreed criteria.

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