

SUBMISSION BY SLOVENIA AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

EU submission Reporting and review cycle per Art.6.2 guidance

15 October 2021

Introduction

The EU and its member states welcomes the opportunity to submit its views on the reporting and review cycle as per the Article 6.2 guidance and recalls its previous submissions on *Enabling ambition in Article 6 instruments*¹ from 2 June 2021, and on *Reporting and accounting for Article 6.2 (including GHG and non GHG metrics)*² from 17 June 2021. The latter contains proposed elements on accounting and reporting, including a proposed tabular format for the annual information reported under Article 6 and with linkages to the structured summary in 18/CMA.1.

This submission follows the guiding questions prepared by the SBSTA chair for the informal technical expert dialogue of 23 September 2021 on the reporting and review cycle as per the Article 6.2 guidance. Unless otherwise specified, the numbers of the paragraphs below refer to the third iteration of the Presidency text of the draft guidance on Article 6.2 cooperative approaches (15 December 2019).

Q1: What further dates and details are needed in the 6.2 decision to ensure sequencing is clear?

In terms of dates:

- In §18: Add that Parties that participate in Article 6 during one NDC period and continue to do so would need to submit 'a new initial report at the beginning of its next NDC'. Also delete the reference to '*initial first transfer*' in order to clarify that the initial report shall be submitted no later than the time of 'providing or receiving authorization of ITMOs', since a Party should have all the information requested in the initial report when it decides to authorize a cooperative approach. Therefore, this information should be submitted at the time of authorization.
- In §19: Specify the timing for submitting the information for each *further* cooperative approach in the CARP: '*Each participating Party shall submit the information in paragraph 18 (f) above, for each further cooperative approach no later than when*

¹ <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202106021558---PT-06-02-2021%20EU%20Submission%20on%20Enabling%20ambition%20in%20A6.pdf>

² <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202106171201---PT-06-17-2021%20EU%20Submission%20on%20Reporting%20and%20accounting%20for%20Article%206.2.pdf>

providing or receiving authorization of ITMOs and for each NDC period in which the Party continues to participate in cooperative approaches under Article 6’.

- In §20: Clarify the date when the information should be submitted and for which years: ‘Each participating Party shall submit by 31 March each year in an agreed electronic format, as referred to in paragraph 3 of this decision, to the Article 6 database as referred to in chapter VI.B (Article 6 database) annual information on [list from §20] for the previous year, specifying each participating Party’.
- In §20: Clarify that Parties can submit quantified information in the database ‘only for the cooperatives approaches that they have previously authorized and for which they have previously submitted the requested qualitative information (either through the initial report or through the information on further approaches)’.
- In §23: Clarify that the regular information shall be submitted ‘by 31st of December of the relevant calendar year for the previous two years’, where possible ‘in conjunction with’ the BTR, in order to facilitate the timely review by the Article 6 ERT of this information (which should precede the Article 13 BTR review).

In terms of details of reporting:

- In §18: Add that Parties must provide information on ‘long term mitigation strategies leading to net zero by mid-century’, and must demonstrate that the use of Article 6 is ‘aligned with limits set out in their relevant strategies so that reaching net zero by mid-century is not placed at risk by overselling’.
- In §18(f): Expand the list of information to be provided in the initial report with some of the elements from §22 (regular information), in particular those related to environmental integrity, sustainable development and human rights. We have provided detailed textual proposal in our submission from 17 June 2021 for those elements that should be part of the initial report. We have also proposed a definition of ITMO and of cooperative approach as this is currently missing in the text and therefore subject to wide interpretation.
- In §21 and 22: Clarify linkages between Article 6 and Article 13 information, by inserting cross-references to para 77(d)(iii) in those parts where the Article 6 text specifies information requirements that should be incorporated in the BTR: add after the respective word ‘information’ in § 21 and § 22: ‘in relation to paragraph 77(d)(iii) of the annex to decision 18/CMA.1’
- In the chapeau of §23: Add after the respective words ‘annual information report’: ‘in relation to paragraph 77(d)(i) and 77(d)(ii)’, to reflect that information requested in §23 (a) – (f) partially mirrors information in 77(d).
- In §23 (f): Insert a reference to the MPGs to ensure consistency across both texts and in the implementation: “For tCO₂ eq metrics, an annual emissions balance as referred to in paragraph 77(d)(ii) of the annex to decision 18/CMA.1, as applicable, consistent with Chapter III. B (Application of corresponding adjustment)”.
- In §23 (g): Add a reference to ‘paragraph 77(d)(iii)’ if there would be an agreement on non-GHG metrics. The EU will expand on this in its submission for the dialogue on cooperative approaches using non-GHG metrics.
- In §23(h): Add a reference to §77d of the MPG to ensure consistency across both texts and in the implementation: ‘Each participating Party shall in relation to paragraph

77(d)(ii) and (iii), in each biennial transparency report that contains information on the end year of the NDC implementation period, include in its assessment of whether it has achieved the target(s) for its NDC pursuant to decision 18/CMA.1, paragraph 70, information on the application of the necessary corresponding adjustments consistent with chapter III above (Corresponding adjustments).

- In §28: Add that the reports from the Art6 ERT 'must be made publicly available through the CARP'.
- In §34: Add that the inconsistencies found by the Secretariat and the corrections made by Parties 'must be made publicly available through the CARP'.
- In §35: Add that, in addition to information submitted by Parties: the CARP should also publish inconsistencies found by the Secretariat, and reports from the Article 6 review and from the Article 13 review.

In terms of details regarding the review:

The review guidance in chapter V should be expanded to include more detail on the mandate/scope of the review, on the information to be reviewed and on what triggers the review. The elements below should be added in the guidance to be adopted by CMA3, while noting that further elaboration on other elements of the review (such as review formats, procedures, team composition and selection) can then be further developed on this basis under the SBSTA next year (as mandated by §4 of the draft decision):

- In §26: Clarify that the information to be reviewed by the Article 6 TER include : the initial report, the information on further approaches, the most recent annual information in the Article 6 database, the regular information including the annual information report, the information in the CARP, and any amendments to information recorded in the Article 6 database following the Secretariat's consistency checks.
- Clarify the sequencing of the Article 6 review and some of the modalities, including that:
 - The initial reports must be reviewed after their submission. This can be through a desk review, and possibly a standalone review if the initial report is not submitted in conjunction with the BTR;
 - The information on each *further* cooperative approach shall be submitted by the Parties directly into the CARP (as per §19) and should be reviewed after their submission;
 - The annual information should be reviewed annually, possibly through a desk review, supported by consistency checks by the secretariat;
 - The regular information report should be reviewed biennially, and all the reports from the Article 6 TER should be made available to the Article 13 TER;
 - For the identification of inconsistencies mentioned in §33: the Secretariat should check the consistency of the information reported by all the Parties that participated in a cooperative approach.
- In §25: Since an Article 6 technical expert review consists of 'review of the consistency of the information submitted pursuant to chapter IV above (Reporting) with this guidance', this implies, when possible, a review of all the parties that participated in a cooperative approach.

- In chapter V: Add that an Article 6 technical expert review team shall review the information listed in paragraph X above in accordance with the modalities, procedures and guidelines adopted by the CMA referred to in paragraph X of this decision for completeness, consistency and accuracy with the provisions of this guidance and for consistency and accuracy of the information reported across Parties participating in the same cooperative approaches.
- For other elements of the review guidance, including definitions, procedures, confidentiality, role of the Party, role of the Article 6 TER, role of the Secretariat, and the institutional arrangements of the TER, the EU is of the view that we could draw on the example of the review guidance in the MPGs for Article 13 (decision 18/CMA.1).

Q2: By when do reporting formats and tables and review guidance need to be ready?

Timelines of reporting and supporting infrastructure

- As expressed before, giving the delay in reaching a decision, the EU would like that Parties already engage *at this stage, ahead of Glasgow*, on the reporting formats, the tables and the review.
- We are of the view that the reporting format for the initial report could be finalized by CMA3, provided that there is space for technical work on this ahead of Glasgow. This is needed to allow Parties to already submit such a report in 2022.
- All other reporting formats and technical infrastructure (for the annual and regular information, the infrastructure of the database, the centralized accounting and reporting platform and the registries) should be finalized by CMA4.
- The secretariat should be mandated to put forward a proposal for the infrastructure for consideration by SB56 and for adoption at CMA4.

Q3: What is the relationship with the ETF, including the structured summary, and how should the 6.2 decision reflect this?

In general

The BTR will include the information related to Article 6 specified in the annex to decision 18/CMA.1 and further reporting guidance related to the BTR provided as part of the decision(s) under Article 6 as foreseen in paragraph 77(d)(iii) in the annex to decision 18/CMA.1.

The review under Article 13 will cover this information in its consideration of the implementation and achievement of the NDC. Any findings from Article 6 reviews or from consistency checks by the secretariat will support the Article 13 review and facilitate the management of Article 13 review in relation to the information under Article 6.

In terms of the A6.2 decision

The Article 6.2 guidance must be more specific on the *timing* of the corresponding adjustment including because:

- There are inconsistencies between §77(d) of the MPG (which refers to ‘*first transfer/transfer*’ and ‘*used/acquired*’) and §9 of the annex to the draft Article 6.2 guidance (which refers to ‘*authorized and first transferred*’ and ‘*used*’). To be consistent with the definition of first transfer in §2, we propose to streamline §9 by referring to *first transferred* and *used*. ;
- There is also no indication on the calendar year for which the emission balance must be adjusted (also sometime referred to as ‘vintage based accounting’). This will result in different interpretations of the calendar year for which an emission balance must be adjusted, and in a potential large time lag between the authorisation of an MO and its use, possibly across different NDC periods.
- To avoid this situation, §9 should clarify that the host party must adjust its emission balance *at first transfer, for the relevant year when the mitigation outcome was achieved*; while the using party must adjust its emission balance *during that same NDC period* (see detailed textual wording in our submission from 17 June 2021).
- We are also open to hear other proposals for addressing this issue, including through clarifying that MOs must be used *within a timebound period after its vintage date*.

In addition, we also believe that:

- Further work is needed on *how* and *when* the information on the end year of the NDC period is being assessed and reviewed. This could be included as part of a SBSTA work program on MPG for the review, as referred to in §4 of the draft CMA decision.
- All parties that participate in a same cooperative approach should use the same ‘method’ consistently throughout their NDC implementation period and for all the approaches they participate in during this period. This should be added in §8, to clarify that there is only one method associated to each approach, applied by all participating parties, so that the consistency checks and the tracking of progress are manageable.

Q4: How do these issues relate to the rest of the package (Article 6/the wider Glasgow outcome) and how could resolving these issues contribute to reaching consensus?

To guarantee the good functioning of the new international carbon market under Article 6 and the trust in this market, transparency is key. A robust, well sequenced and coherent reporting and review cycle for all participants in cooperative approaches is key.

To fulfill the Paris Agreement’s mandate on tracking progress, it is key that the Article 6 cycle and the Article 13 cycle are consistent and contribute to a coherent picture of tracking progress in the implementation and achievement of NDCs, and to reach a decision on the common tabular format for the structured summary by CMA3.