

Inputs on Reporting Options for 6.2

PRIORITIES FOR REPORTING OPTIONS

Article 6 of the Paris Agreement is designed to facilitate international cooperation to enable Parties to reach goals set out in their Nationally Determined Contributions (NDC), and ultimately to keep global temperature rise under 1.5 degrees. At COP26, countries made key decisions around ensuring the environmental integrity and operationalization of Article 6.

However, there are still details to be determined before the mechanism is up and running, particularly around the role of corresponding adjustments (Cas) to avoid double counting. As Parties start to consider priority topics for the Bonn Intersessional and COP27, the following questions should be considered to guide the development of reporting options for 6.2. We have developed these questions through extensive outreach among civil society groups, the business sector, and policy makers, and believe there is high demand for more clarity here.

- 1. What does an “authorization” look like?** An ITMO is defined in paragraph 1(d) and (f) as a mitigation outcome authorized for use towards an NDC, **authorized** by a participating Party for use for international mitigation purposes other than achievement of an NDC or **authorized** for other purposes as determined by the first transferring participating Party. Will there be a general template or a minimum set of criteria to guide countries on how to “authorize” ITMOS for use towards an NDC, international mitigation purposes or other purposes? Or will it be up to the country to define what format, activities, conditions and sectors to include in an “authorization”?
 - a. Having a basic set of criteria that all countries must meet but leaving flexibility for each country to sign on in ways that fit their national legal needs may provide a useful way forward. This could be similar to the Paris Agreement’s language of each country submitting their “Instrument” of Ratification.
- 2. What does a corresponding adjustment look like?** Parties will likely rely on a variety of different domestic legal regulations when determining how best to create and implement a corresponding adjustment. However, will the recording and reporting of such adjustments be standardized? Or will there be options for using a standardized reporting structure, that Parties may choose to follow or may choose to create an independent reporting system? This approach has been used with success by the World Bank’s Forest Carbon Partnership Facility, which allows countries to design their own registry system (following established guidelines) *or* to use a centralized World Bank system, depending on their preference.
- 3. How and when to make a corresponding adjustment for mitigation outside of an NDC?** If countries sell credits from sectors outside their NDC, there must be a

corresponding adjustment. However, exactly how the country must account for these CAs is still unknown since the units were not in the NDC in the first place. Is this to be decided in future negotiations or within each country? It seems most feasible for countries to show CAs alongside the greenhouse gas inventory in the biennial transparency reports (BTRs).

- a. There is a secondary question here, as well, around how to show progress towards NDC achievement if the ITMO is from outside an NDC sector. If, for example, a buyer country purchases credits from inside an NDC, seller countries should be able to showcase their current progress towards that sectoral commitment and may wait to sell until they know if that target will be met or exceed. However, this information will not be available for credits outside of an NDC; how can buyer countries know if the purchase is raising ambition above existing mitigation targets?
4. **How and when to report on the relationship between corresponding adjustments and NDC achievement?** In many cases, seller countries will likely sell ITMOs prior to achieving an NDC. During this time, seller countries may showcase their current progress towards that sectoral commitment. However, what happens in the event that the NDC is not met? When and how will that be reported?
 5. **How will conditional targets be conducted under Article 6.2?** Article 6 can be an important funding tool to help developing countries achieve their NDCs. However, the Article 6 text does not bring clarity on how countries should report on conditional targets. Will there be specific guidance on this?

Recommendations

Many questions remain around how to operationalize Article 6.2, especially around the reporting of corresponding adjustments. At the Bonn Intersessional and COP27, Parties should prioritize designing options to address these questions.

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