



## NEW ZEALAND

### Submission to SBSTA on matters referred to in paragraphs 16(a), 17 and 22 of decision 6/CMA.4

October 2023

1. This submission focuses on two areas: guidance on authorisation and the international registry. New Zealand considers these issues as key to enable operationalisation of Article 6. These areas should be prioritised at COP28 to enable the full operationalisation of Article 6 with transparency, with environmental integrity and without further delay.

#### **Authorisation<sup>1</sup>**

2. Authorisation is a critical step in the international transfer of mitigation outcomes under Article 6. Well-functioning and transparent authorisation plays a role in the stability and predictability of cooperation under Article 6.
3. The international transfer (and hence decision to authorise) of a mitigation outcome has impacts on the potential achievement of a host Party's Nationally Determined Contribution (NDC) and long-term low emissions development strategy (LTLEDS). NDCs and long-term transition plans are both nationally determined.
4. In taking a decision to authorise, host Parties 1) consider the balance of conditions, including monetary and non-monetary costs and benefits; and 2) determine what is appropriate investment (in the context of their national circumstances and priorities) in activities that generate Internationally Transferred Mitigation Outcomes (ITMOs), while also achieving their NDCs.
5. Guidance on authorisation should:
  - a. Enable and respect Parties' ability to self-determine choices around their NDCs and LTLEDS in line with the spirit of the Paris Agreement; and
  - b. Enable Article 6 cooperation to deliver increased mitigation.
6. New Zealand supports host-Party determination around authorisation and considers that guidance should accommodate varying national circumstances.

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<sup>1</sup> New Zealand refers to the authorisation of a mitigation outcome for international transfer in this submission. This does not include considerations for authorisation of a cooperative approach or of authorised participating entities.

7. Guidance on authorisation must also be flexible to accommodate the variety of cooperative approaches that can occur under Article 6. To date cooperative approaches have emerged in the form of ETS linking, crediting mechanisms, bilateral and multilateral project development. Guidance on authorisation Parties must be fit for purpose across all forms of cooperation, thus delivering greater market participation and action.

#### *Timing of Authorisation*

8. In line with existing guidance and retaining a flexible approach to authorisation, New Zealand considers that host Parties can authorise mitigation outcomes at any time. Nevertheless, New Zealand considers that guidance for authorisation could state the necessary timing as *before or no later than at the time of first transfer*. This is a minimum requirement as without authorisation mitigation outcomes cannot be internationally transferred.
9. Under Article 6.4, Decision 7/CMA.4 is clear that authorisation takes place *at the time of issuance*. This enables the mechanism registry to identify authorised A6.4ERs and differentiate them from mitigation contribution A6.4ERs.
10. Authorisation is also the trigger for reporting under Article 6 as the guidance in Decision 2/CMA.3 states “each participating Party shall submit an Article 6, paragraph 2, initial report ... no later than authorization of ITMOs from a cooperative approach or where practical.” This guidance recognises that decisions on the timing of authorisation are taken in advance and with significant consideration as it requires the preparation and submission of an Initial Report.

#### *Changes to Authorisation*

11. New Zealand recognises that technical, procedural, or other matters could lead to the need for changes in authorisations. Minor changes, such as expanding or reducing use (NDC or Other International Mitigation Purpose), as well as changes to the cooperative approach or authorised entities do not have significant impacts on the stability or credibility of the market.
12. New Zealand considers these changes to fall within the scope of the cooperation and could be agreed between the participating Parties without additional guidance.
13. In contrast, changes to the status of authorisation *after first transfer* create substantial complexity and poses risks to environmental integrity and the credibility and stability of the market. It is in Parties’ best interest to limit changes to authorisation to provide assurances and stability to the market. New Zealand supports guidance that can provide some clarification around the timing of such changes.

#### *Revocation*

14. New Zealand is sympathetic to Parties who advance the option for revoking authorisation of a mitigation outcome. Certain revocations may be necessary in examples where the cooperative approach does not deliver the expected mitigation agreed in the authorisation. To this end, New Zealand could support guidance that provides some clarification around the option for such

revocations. However, New Zealand notes that after authorisation occurs, Parties also have subsequent decision points – i.e. on effecting a transfer.

15. Similar to changes to authorisation stated above, New Zealand has strong reservations in considering the possibility of revocations *after a first transfer*. This means once a mitigation outcome has become an ITMO and is being tracked, or has potentially been used, by another Party. Should the authorisation of these ITMOs be revoked, environmental integrity, market trust and credibility risks being compromised.

#### *Format of Authorisation*

16. The current Article 6 guidance is fit for purpose to begin to submit authorisations. Indeed, some Parties have already done so. The current guidance allows for the flexibility of host Parties to deliver authorisation in a manner that suits national contexts and differences in cooperative approaches.
17. New Zealand also understands the call from some Parties to provide guidance that enables consistency between authorisations. New Zealand could support the development of a voluntary, standard, and user-friendly template to facilitate the submission of authorisations.
18. A template could include the key elements expected of authorisation to promote consistency across cooperative approaches. The voluntary nature of the template would maintain the ability of Parties to structure it as needed and include relevant additional information the cooperating Parties may wish to include.
19. In line with Decisions 2/CMA.3 and Decision 6/CMA.4, the key elements expected of an authorisation format could include:
  - a. Host Party and participating Parties;
  - b. Date of authorisation;
  - c. Identification of the cooperative approach;
  - d. Anticipated volume of authorised mitigation;
  - e. Authorised use (NDC and/or OIMP); and
  - f. How the host Party defines a first transfer.
20. Additional considerations that could be added such as:
  - a. The scope of possible changes to authorisation;
  - b. Outline of the process for managing changes to authorisation; and
  - c. Options for revocation of authorisation.
21. New Zealand would seek to minimise any overlap between the information included in an authorisation and other Article 6 reporting requirements.

#### **International registry**

22. As agreed in paragraph 29 of Decision 2/CMA.3, Parties who do not have or have access to a registry shall have access to the international registry for the purpose of tracking. This means that not

delivering the international registry by COP28 has greater impacts on Parties who do not have or have access to their own registry system. New Zealand therefore advances the urgent need for guidance that enables the establishment of the international registry.

23. Without guidance on the international registry by COP28, the UNFCCC Secretariat cannot develop this key piece of infrastructure that enables the tracking of ITMOs and therefore provides a critical component of the transparency needed for trust in Article 6.

#### *Transactional and higher-tier functionalities*

24. New Zealand supports the proposal from the UNFCCC Secretariat to develop a registry system that can provide both transactional and higher-tier functionalities<sup>2</sup>.
25. To ensure Parties deliver the necessary guidance in a timely manner New Zealand proposes guidance is developed iteratively. Guidance for the international registry to be agreed at COP28, would focus on the functional requirements of Decisions 2/CMA.3 and Decision 6/CMA.4, to enable the international registry to be used for the purpose of tracking. Guidance can then be iterated on as necessary, including if further functionality is needed. This efficient approach will enable a fit-for-purpose registry to be developed following COP28.
26. Development of an international registry will require funding. New Zealand considers that a user-pays approach will not be feasible for infrastructure established for use by Parties who do not have or have access to their own registry systems; or when there is significant upfront cost in advance of the system being usable. Therefore, cost implications also need to be considered.

#### *Interoperability*

27. New Zealand supports efforts to develop guidance that delivers interoperability between registry systems. New Zealand considers that interoperability can be delivered through the use common standards, practices, and common nomenclature.
28. Consistent with the proposal above to deliver iterative guidance for the international registry, New Zealand contends that common processes and common nomenclatures for registries meet the functional requirements to enable Parties to begin using registry systems under Article 6. Guidance on interoperability can be further developed as the system matures.
29. The market may grow to where highly automated interoperability between registries is desirable / necessary. However, in this early stage of the market, New Zealand considers that guidance on interoperability should focus, without delay, on the need for registry infrastructure to provide transparency.

#### **Conclusion**

30. New Zealand looks forward to working with Parties to advance these key issues at COP28.

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<sup>2</sup> Enabling the pulling and viewing of tracking information, rather than the issuance and physical transfer of units.