

Canada's submission to the UNFCCC on guidance on cooperative approaches referred to in Article 6.2 of the Paris Agreement:

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

October 2023

Introduction

Canada is pleased to present its views on the Paris Agreement's Article 6.2 work program contained in paragraphs 16(a), 17, and 22 of decision [6/CMA.4](#). This submission outlines Canada's views as structured around the five topics outlined in paragraph 5 of [FCCC/SBSTA/2023/L.6](#): (1) authorization, (2) the agreed electronic format and reporting tables for regular information, (3) the international registry, (4) the sequencing of reporting and review, and (5) on addressing inconsistencies in reporting.

1. Authorization

Authorization is a central concept in Article 6. Party authorization is what designates a mitigation outcome as an internationally transferred mitigation outcome (ITMO) and comes with it the responsibility and obligation to apply a corresponding adjustment, underpinning the accounting integrity of Article 6. Parties considering authorization, in particular host-Parties, must undertake significant due diligence around balancing the costs and benefits associated with the activities generating ITMOs and the achievement of its own nationally determined contribution (NDC). Parties must also abide by the established rules and guidelines under Article 6 when authorizing a cooperative approach or ITMOs. As such, authorization is both a Party prerogative and responsibility.

Any further guidance on authorization being considered by Parties, including for managing changes to authorization, must prioritize clarity, stability, predictability, and the overall integrity of the Article 6 framework. Parties should also ensure that any further guidance accommodates national circumstances and reflects the variety of potential cooperative approaches that could be implemented under Article 6.

Types of authorization

While not explicit, existing Article 6 guidance points to at least three kinds of authorization: (1) authorization of ITMOs (for use towards NDCs or other international mitigation purposes), (2) authorization of a cooperative approach, and (3) authorization of entities. While there are similarities across each of these, it is possible that a single cooperative approach may require separate types of authorization by a Party at different stages in the process. When considering additional guidance, Parties should be clear which type of authorization is being referenced.

Managing and tracking authorization

As contained in the decisions [2/CMA.3](#) and [6/CMA.4](#), Parties have already adopted substantive guidance on reporting and tracking authorization. This includes rules for reporting on authorization through each of the three reporting vehicles—the initial report, annual information, and regular information—as well as the requirement for registries to accurately track authorization associated with any transfers of ITMOs. To enhance the overall transparency and consistency of authorization, Canada supports adopting guidance to develop a central, public-facing repository for storing copies or statements of authorization. The Central Accounting and Reporting Platform (CARP) offers a useful platform for hosting this

functionality. Parties should be able to reference or provide direct links to authorization in the CARP to fulfil their reporting requirements. The CARP should be able to track any potential changes or updates to a Party's authorization to assist in transparency and ensure accurate, up-to-date information.

Regarding the development of specific templates for authorization, Canada supports developing sample templates with minimum requirements provided they are developed on the basis of the adopted guidance and used on a voluntary basis. Many elements of authorization are already included in the initial report and Party authorization will vary depending on what is being authorized, the complexity of cooperative approaches, and Parties' differing national arrangements for authorization.

Changes to authorization

Existing guidance suggests that Parties can make changes to authorization and reflect these updates in its regular information (paragraph 21(c), Annex, 2/CMA.3). Canada recognizes that technical and procedural issues may arise during the implementation of Article 6 implementation that require changes or updates to authorization. These changes can range from simple and administrative with little to no impact on ITMO accounting—which can be managed by Parties within their cooperative approaches—to complex with significant risks for double-counting. Generally, changes to authorization should be managed between Parties participating in a cooperative approach. However, given the importance of authorization in Article 6 and the potential significance that their changes may cause, in Canada's view reporting on changes only once every two years (as part of regular information) is not sufficient. To reflect changes to authorization on a more timely basis, a Party should update its authorization statement or copy contained in the repository hosted by the CARP (as described above).

However, a change to authorization (whether to a cooperative approach, an ITMO, or authorized entity) that impacts an ITMO after it has been first-transferred poses a significant risk to the overall credibility and stability of Article 6. As a first-transfer requires a corresponding adjustment, any retroactive changes introduce the potential for double-counting and inconsistency in Party reporting and accounting. Canada, therefore, supports limiting potential changes to authorization to those made prior to first-transfer. While other changes can be managed between Parties in their cooperative approaches, prohibiting changes made after first-transfer provides a degree of confidence in the overall marketplace and accounting system. For whatever reason, if two participating Parties wish to reverse an authorized transfer, this can be recorded as a new ITMO transaction, for example a new transfer and not a revocation, to ensure changes are made on a forward basis.

2. Agreed electronic format and tables for submitting regular information

Canada expects Parties to adopt a final version of the agreed electronic format (AEF) and the tables for regular information at CMA.5 to enable reporting on Article 6 starting in 2024, when the first round of annual reporting and regular information is due (by April 15 and year-end respectively). Parties should focus on ensuring that all necessary elements from the adopted guidance are reflected in these tables with clear definitions of concepts and terminology reflected where needed.

Agreed electronic format (AEF)

The AEF plays an essential function in the Article 6 system. It is the tool by which parties submit annual information on their ITMO transactions at the most granular level. It is this activity- and cooperative approach-level information that forms the basis of the transparency system for Article 6 identifying the required information Parties and cooperative approaches will need to track in their registry systems. As

such, information contained in the AEF must ensure transparency, accuracy, consistency, completeness, and comparability (TACCC), while also being accessible and user-friendly by Parties.

Canada supports the draft table for the AEF captured in [Annex VII](#) to decision 6/CMA.4 as a good basis for further elaboration. As was captured at the workshop in April earlier this year, there is room for further clarity and improvement. To help advance discussions on this table, Parties should focus on ensuring the table is aligned with adopted decisions 2/CMA.3 and 6/CMA.4, specifically on identifying the specific action/transaction types that will populate the entries of rows into the Article 6 database. The table could also benefit from clearer definitions to differentiate between the 'Article 6 database record ID', 'unique identifier' (first and last), and the 'underlying unit block ID' (start and end). Some of these fields may require manual entry by Parties on the basis of the underlying cooperative approach, whereas others will be assigned by the Article 6 database/CARP itself. Parties should develop a list of action types and concepts referenced in the Article 6 guidance including: first-transfer, transfer, use, cancellation, acquisition, and authorization. Canada welcomes the SBSTA Chair's work to further refine this in their new iteration ahead of COP28, supported by examples of completed AEF entries, based on different action types to help facilitate Party discussions.

To further enhance Parties' understanding of the AEF, a manual to assist Parties in using the AEF and submitting annual information should be developed by the Secretariat and regularly updated over time, in line with the other manuals being developed for the initial report and regular information.

Finally, to facilitate the submission of annual information and to foster consistency and accuracy, the international registry should enable the auto-population or pre-filling of the draft AEF for Parties that have accounts in the international registry. This will help reduce burden on Parties where this information is already readily available.

Tables for regular information

Parties discussed but were unable to adopt tables for regular information at COP27. This was due in part to the fact that Parties did not finalize the AEF which will form the basis of the tables for regular information. Canada looks forward to continuing efforts to finalize both the AEF and tables for regular information at COP28 later this year.

The purpose of the tables for regular information is to provide a degree of aggregation to the information submitted annually through the AEF, and act as an accessible summary for the Article 6 and Article 13 technical expert review (TER) teams when reviewing information on cooperative approaches. Whereas the AEF contains information at the level of each action and transfer, tables for regular information should be organised to aggregate information for example, by cooperative approach, by year, and other elements. As there is a direct relationship and flow of information between the annual information Parties submit through the AEF, the regular information contained in the annex to the Biennial Transparency Report (BTR), and the structured summary table in the BTR, the Article 6 database and CARP should facilitate automatic pre-filling of these tables. The structured summary table for *tracking progress made in implementing and achieving the NDC under Article 4* (table 4 of Annex II to [decision 5/CMA.3](#)) already reflects all elements of paragraph 23 of 2/CMA.3 as separate rows, with the exception of 23(j), which relates to the amounts per cooperative approach, sector, transferring Party, and other elements. Given this information is already embedded in the structured summary, Parties do not need to redesign a table for these elements. However, when reviewing regular information, the TER teams must review all information a Party submits for regular information, including the structured summary table in the BTR and the annex for regular information.

The reporting of the tables for regular information, including the structured summary and information in 23(j) should be automatically pre-filled by the Article 6 database, reducing errors and manual reporting

burden on Parties. Existing guidance on Article 6 already makes note of this automatic pre-filling function by the Article 6 database and the international registry.

Example tables for regular information were included in the draft SBSTA [informal document](#) from October 2022 published ahead of COP27 (pg. 51, Annex VII table for submitting regular information). This contains draft tables for the AEF and regular information, including 23.j that make a good basis for further revision. Canada welcomes the SBSTA Chair's work to further refine this in their textual proposal ahead of COP28.

3. Issues related to the international registry

Additional registry functionalities

The requirements for registries are captured in [Annex I](#) to decision 6/CMA.4: registries must be able to have accounts for ITMOs, record action types (e.g. authorization, first-transfer, transfer, acquisition etc.), track and maintain records for ITMOs through unique identifiers, and produce and maintain records and information consistent with the AEF. This guidance also states that “where participating Party registries are interoperable”, Parties shall implement appropriate standards and procedures to mitigate risk for the consistency of data, including through communication of data about the transfer and reconciliation procedures between registries. This recognizes that interoperability between registries is an option, but not a requirement, and that additional functionalities, such as the degree of interoperability, is for each Party to determine on the basis of their needs and cooperative approaches.

The [informal text](#) from SBSTA58 recognizes at least two different models for Party registry systems:

- (1) **Non-transactional registry**, where registries track information on ITMOs from underlying cooperative approach registries and perform a “pulling and viewing” function from these registry systems. ITMO transactions between Parties occurring in underlying registries are reconciled by the Article 6 database, where Parties record all transactions related to ITMOs via the AEF.
- (2) **Transactional registries**, where registries perform additional functionalities related to the transferring ITMOs between different Party registries, or registry accounts. This type of registry requires additional interoperability to allow for a direct connection between registries for the transfer and recording of ITMOs .

Canada supports this flexibility in the text, recognizing that Parties may choose which registry system model to implement, provided it meets the basic requirements and ensures transparency and the avoidance of double-counting. Both registry system models can provide a robust system for tracking, reporting and reconciling ITMO information between Parties, but differ in their level of complexity and by consequence in their expected cost. It remains unclear what Party demand is for the international registry to have the full functionality of a transactional registry, or what the cost and timelines would be for its development—which are the subject of a technical paper and survey being prepared by the Secretariat. Parties should take into consideration the increased complexity, higher expected costs, and longer timelines associated with developing and operating the international registry as a transactional registry, and prioritize developing the higher-tier accounting functionalities of the international registry first. Canada is open to expanding the international registry to include transactional registry functionalities in the future, so that Parties that do not manage or no longer wish to manager their own transactional registries are able to access both registry system models using the international registry.

Common nomenclatures

Common nomenclatures provide Parties with a common ‘language’ that enables the exchange of ITMOs in a consistent, transparent manner and facilitates the completion of the AEF. Parties adopted basic guidance on common nomenclatures (section II.B of Annex I to decision 6/CMA.4) outlining features and roles of the secretariat, Parties and the CARP in establishing and managing these values and codes. While Canada views common nomenclatures as a technical matter that can be managed by the Secretariat, to help advance their development, Parties should focus on identifying a list of information types or categories that require common nomenclatures on the basis of the AEF, which Parties will finalize at CMA.5. The secretariat’s [technical paper](#) from September 2022 outlines some useful options and considerations in developing this list. While some of these fields of information are likely to remain constant over time (e.g. codes for Parties, sectors, action types, gases), other types of information may be assigned by the CARP as they emerge (e.g. codes for specific cooperative approaches). Once this list is identified, Canada supports the Secretariat taking a central role in developing, assigning and maintaining specific values for common nomenclatures that can be managed without additional decisions from the CMA. The voluntary forum of Article 6 registry system administrators and technical experts may also contribute to the implementation of common nomenclature, if required. Once developed, common nomenclatures should be fully imbedded in the AEF and in the instructions/manuals for reporting to ensure consistency and aid in reporting.

4. Sequencing of reporting and review

The submission of timely information is key to fostering transparency and consistency across Article 6. When participating in cooperative approaches, Parties must uphold the standards set in the guidance, ensuring they have appropriate institutional arrangements in place to ensure accurate and timely reporting and to be able to respond to the review process.

When considering the sequencing of the reporting and review processes under Article 6, it is useful to recall the timelines associated with the three reporting vehicles:

- The **initial report** is due “no later than authorization” of ITMOs from a cooperative approach. Authorization is therefore the de facto trigger for submitting the initial report. However, the guidance also recognizes that Parties may also submit the initial report “in conjunction with the next BTR”, suggesting that a Party may submit its initial report, regular information and biennial transparency report together. While Parties should avoid this and submit timely information, this is necessary to reflect the fact that Parties have already been engaging in cooperative approaches in the absence of the supporting infrastructure and necessary reporting tools.
- **Annual information** is due each year by April 15 of the following year. Because annual information includes information on the transfers of authorized mitigation outcomes, a Party cannot submit annual information until it has also submitted an initial report containing the details of that cooperative approach.
- **Regular information** is due alongside the BTR no later than December 31 of the relevant biennial year (i.e. 2024, 2026, 2028, etc.). Regular information will be populated largely by the underlying annual information and data submitted through the AEF.

Similarly, the technical expert review process has an important function in improving the overall transparency and clarity of cooperative approaches. Here too, the timelines and sequencing of the review processes for the initial report and regular information is clearly outlined in the guidance (section IV ‘Timing and sequencing of review’, and section VI ‘Procedures’ of Annex [6/CMA.4](#)). The guidelines state that the initial reports and updated initial reports will be reviewed on rolling three- to six-month

calendar periods after submission. The sequencing also provides for the scenario whereby a Party submits an initial report (or updated initial report) “at the same time” as its regular information. In such cases the initial report and regular information may be reviewed together as a single Article 6 review. Under ordinary circumstances, the initial report should be reviewed in advance of the submission of annual information and regular information, which would allow a Party to respond to any questions from the review team to provide any clarity or adjustments to its cooperative approach as required. However, recognizing that the AEF is not finalized, the training programmes to equip the roster of experts for the review process is still being established, Parties are not yet able to submit all their reports or undergo the review process.

Canada recognizes the challenges this sequencing presents, particularly around the bottleneck of reviewing reports and potential for submitting incomplete information, particularly in 2024 when Parties are expected to submit their first annual and regular information, as well as their first BTR. Noting these challenges, Canada does not support the proposal that would require the completion of the initial report’s technical expert review before a Party can submit annual or regular information. This directly contradicts the adopted guidance that states the initial report and regular information may be submitted at the same time. More importantly, this would have the affect of undermining transparency by inhibiting Parties from reporting on their cooperative approaches in a timely manner.

Rather than limiting Party reporting, Canada supports guidance that would prioritize the review of initial reports on a more accelerated basis. The secretariat can facilitate this by completing the training courses for the initial report as soon as possible, by prioritizing the training of expert reviewers for the initial reports, and by initiating the review on a more immediate basis than a three- to six-month period. This would help accelerate the review process early on and provide Parties with an earlier opportunity to address any inconsistencies prior to submitting annual information. In cases where the initial report and regular information are reviewed together, this still requires that the initial report be reviewed and completed before the review of regular information. This is recognized in paragraph 21(i) of Annex II to decision 6/CMA.4. This means that even when a review team is reviewing both an initial report and regular information ‘together’, the review team must initiate the review of the initial report first, before completing the review of any other information submitted by the Party. This is necessary to allow the TER report to feed into each subsequent review.

To help clarify this sequencing, Canada supports adopting clear language that emphasizes: (1) the initial report must be submitted in advance of a Party’s reporting of annual information from that cooperative approach; (2) the TER team shall complete the review of the initial report before the completion of the review of regular information, and similarly before the completion of the review of the BTR; (3) encouraging Parties to submit their initial report as early as possible in advance of submitting the AEF.

Finally, Canada also supports enabling the CARP to clearly identify where a cooperative approach has not had its initial report reviewed yet (e.g. by tagging a cooperative approach as “initial report review pending”, or “initial report review complete” with a link to the review report). This tagging would provide additional transparency and clarity in the system.

5. Addressing inconsistencies in reporting

Ensuring consistency in reporting is essential to the integrity and trust of the Article 6 system. Consistency is one of the guiding principles and the central focus of the TER team, as outlined in paragraphs 1 and 2 of the TER guidelines (Annex II to 6/CMA.4). Parties shall also make all attempts to address any inconsistencies in their reporting and submitted information to the UNFCCC, particularly those identified by the TER teams.

The review guidelines also define consistency of reporting as meeting the following three criteria:

1. **Consistency with guidelines:** Information is complete, transparent and consistent with all relevant Article 6 guidelines
2. **Consistency across reporting:** Information is consistent across different reporting components (initial report, annual information, regular information, the structured summary in the BTR)
3. **Consistency between Parties:** Information is consistent across all Parties participating in the same cooperative approach

The reporting tools, secretariat, and review teams offer several opportunities to identify and notify Parties of any inconsistencies, and for a Party to respond to these. The guidelines point to several “check-points” in this reporting and review process:

- **Consistency check(s):** The consistency check procedure (paragraph 37-40, Annex I, 6/CMA.4) explains that when a Party submits annual information using the AEF, the Article 6 database will automate a consistency check to identify any potential issues related to availability, accuracy, and completeness of information, also extending this to the information reported by other Parties participating in the same cooperative approach. The results of the consistency check will be provided to Parties, allowing them to make necessary adjustments, published on the CARP, and shared with the TER team. In addition, a *pre-submission consistency check* is provided as an optional tool for Parties to use when drafting their AEF, prior to officially submitting.
- **Completeness check:** After a Party submits its annual or regular information and in advance of the technical expert review, the Secretariat will conduct a separate *completeness check* of all submitted information. This completeness check will be provided to the TER team and to the Party undergoing review at least four weeks in advance of the review week (paragraph 21(e), 29, Annex II, 6/CMA.4). This provides Parties with another opportunity to be notified of any issues, make corrections, or provide any further clarifying information.
- **Technical expert review process:** The procedures for the TER also provide several opportunities to identify inconsistencies and provide Parties with a window to respond: **prior** to the review week, the TER team will communicate any preliminary questions to the Party; **during** the review week, the TER team may request additional information from the Party; and **after** the review week, before finalizing its review report, the TER team will share a draft version of the report (including recommendations) with the Party. Parties are required to cooperate with the TER team and secretariat, and make every reasonable effort to respond to questions and provide requested information, including through resubmitting any information or reports to address inconsistencies identified during this process.

Parties have agreed that persistent inconsistencies and non-responsiveness by a Party is to be taken seriously and have outlined steps across the Article 6, Article 13 and Article 15 guidance to address this. In cases where a Party does not respond to inconsistencies identified during the above processes, the TER team will include this in their final review report as specific findings published on the CARP. Additionally, the secretariat, in its annual compilation and synthesis report of the Article 6 reviews, will identify which specific Parties have cases of persistent inconsistencies and/or non-responsiveness. In this case “persistent” could be defined as two or three consecutive review processes with the same recommendation, after which, the secretariat should identify which Party and recommendation has persisted. The Paris Agreement Implementation and Compliance Committee, following the guidance adopted in 20/CMA.1, may also address such cases, including where these findings arise in the Article 13 TER process. As outlined in this decision, the Article 15 Committee may reach out to a Party where cases persist in a facilitative and non-punitive manner to help find solutions.