

Supporting authorizations under Article 6 of the Paris Agreement:

Lessons learned and key considerations

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Executive Summary

Article 6 of the Paris Agreement enables countries to participate in **market-based cooperation**, and to authorize public and private entities to engage in such cooperation, towards achievement of the Paris Agreement's goals. The Article 6.2 guidance enables cooperation involving internationally transferred mitigation outcomes (ITMOs), which are mitigation outcomes **authorized** by the host country for use towards (another country's) Nationally Determined Contributions (NDCs), international mitigation or other purposes. The Article 6.4 Mechanism can be used to certify mitigation outcomes (emission reductions and removals) that meet international criteria as Article 6.4 Emission Reductions.

Authorization is a key step in enabling market-based cooperation under the Paris Agreement. Authorization commits the participating Parties to ensure environmental integrity, promote sustainable development, and apply robust accounting. For a host country, authorizing the use of ITMOs triggers an obligation to apply corresponding adjustments to its emissions balance, meaning that authorized mitigation outcomes are not counted towards its NDC.

To date, there has been a limited practical experience in the authorization process. Under the Gold Standard's Article 6 Early Movers Programme, Perspectives Climate Group GmbH, and Atlas Environmental Law Advisory have supported activity developers in the process of preparing for authorizations under Article 6.2. This project included identifying and engaging with specific case studies, provision of technical support and sharing knowledge of the practical application of the Article 6.2 guidance on authorization.

The case studies selected for this support were a cookstove activity in Rwanda, a household biogas activity in Nepal, and a cookstove activity in Ghana. The support was mainly directed at the activity developers, but also included support to Article 6 focal points of the government in the three host countries.

This report highlights **key lessons learned and best-practice actions** identified through engaging with these case studies. It also presents an overview of the key elements, processes, and considerations relevant to authorization as well as an analysis of the various actors and processes that shape the dynamic landscape of market-based cooperation under Article 6.

The following issues were identified as key take-aways from the case studies:

- **Host countries and activity developers** currently **face many uncertainties** relating to authorization, from general requirements, such as eligibility criteria, to operational aspects, such as who to contact. Some uncertainties are due to lack of awareness while others are due to ongoing gaps in international Article 6 rules and lack of national arrangements, strategies, and procedures for Article 6 at this early stage in its implementation.
- **A clear mandate and guidance** for the Article 6 focal point, underpinned by national legislation and regulation, is required to enable authorization. Only one of the case study host countries, Ghana, finalized and published an Article 6 regulatory framework during the support project. The other two countries (Nepal, Rwanda) were at different stages of preparation and did not yet have mandates and procedures for authorization.

- **Early and regular engagement between the host country and activity developers** prior to the approval of the framework, especially on eligibility criteria, can help road-test the framework and facilitate private sector engagement. For example, it was helpful for the participating parties that Ghana started engaging with activity developers and published a national whitelist of eligible activity types ahead of the approval of the national framework.
- **Authorization arrangements need to strike a balance between flexibility and predictability.** Flexibility and regular reviews are required to safeguard NDC implementation and adapt to the evolving guidance, experience, and circumstances while predictability and clarity are needed to facilitate private sector engagement and investments. Conditional authorizations at an early stage of activity development could help the activity developer to overcome early-stage investment barriers more effectively than an unconditional authorization at a more advanced stage of activity development and could guide the activity developer in designing activities that are compatible with the host country's NDC and sustainable development priorities.
- **The Article 6 landscape continues to evolve on multiple parallel fronts**, including through the further elaboration of international rules, national frameworks and bi- and multilateral cooperation, as well as readiness support and pilots in host countries. Some open issues relating to authorization, such as common minimum elements for reporting and a common approach to flexibilities, may benefit from international guidance while other open issues, such as the exact timing of authorizations, may be appropriate to be determined at the national level. While all these efforts are important to operationalize the Article 6 cooperation, it can be challenging for countries and activity developers to keep up with the latest developments in a fast evolving and changing environment.

This project highlighted the significant role of early mover Article 6 activities and the need to bring different stakeholders together to learn, share experiences, identify needs, challenges, and opportunities, and cooperate to develop robust and practical rules and procedures.

Abbreviations

BAU	Business As Usual
BTR	Biennial Transparency Report
CA	Corresponding adjustment
CDM	Clean Development Mechanism
COP	Conference of the Parties
CORSIA	Carbon offsetting and reduction scheme for international aviation
EB	Executive Board
EPA	Environmental Protection Agency
ETF	Enhanced Transparency Framework
GGGI	Global Green Growth Institute
GHG	Greenhouse gas
GS	Gold Standard
HC	Host country
ICAO	International Civil Aviation Organization
IR	Initial Report
ITMOs	Internationally Transferable Mitigation Outcomes
LoA	Letter of Authorization
LT-LEDS	Long-term low emission development strategy
MADD	Mitigation Activity Design Document
MAIN	Mitigation Activity Idea Note
MATS	Mobilizing Article 6 Trading Structures
MO	Mitigation Outcome
MOFE	Ministry of Forest and Environment
MoU	Memorandum of Understanding
NDC	Nationally Determined Contribution
PA	Paris Agreement
PDD	Project Design Document
REMA	Rwandan Environmental Management Authority
SEA	Swedish Energy Agency
UIR	Updated Initial Report
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Markets
VCS	Voluntary Carbon Standard

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1. Background and Objectives

Article 6 of the Paris Agreement facilitates market-based collaboration among countries. The Article 6.2 guidance enables cooperation involving internationally transferred mitigation outcomes (ITMOs), which are mitigation outcomes **authorized** by the host country for use towards (another country's) Nationally Determined Contributions (NDCs), international mitigation purposes, and/or other purposes (UNFCCC, 2021). The Article 6.2 guidance contains several elements relating to authorization. These elements relate primarily to **participation requirements, authorization of cooperative approaches, entities, use of ITMOs, and reporting of authorization** (UNFCCC, 2021).

The authorization of **mitigation outcomes as ITMOs** commits the country to ensure environmental integrity, to promote sustainable development, and to apply robust accounting. ITMOs must meet specific criteria, e.g., relating to additionality, baselines, and verification (UNFCCC, 2021). ITMOs can be used by various types of (public or private) **buyers** for various (compliance or voluntary) **purposes** and could potentially be authorized for more than one purpose.

To participate in Article 6.2 cooperation, a country is required to, inter alia, have in place national arrangements for authorization and related tracking and reporting (UNFCCC, 2021). To benefit from cooperation and safeguard NDC implementation, the host country needs sufficient capacity and effective criteria and processes to make informed decisions about authorization. The host country should only authorize ITMOs that represent mitigation over and above what is needed to achieve its NDC, and that are compatible with national sustainable development objectives. Otherwise, ITMO authorization could jeopardize its NDC achievement.

Leading players in carbon markets, such as Gold Standard, have been supporting carbon market stakeholders in the process of **generating carbon credits that can meet the Article 6.2 requirements** and setting best practices for carbon credits in the Paris Agreement era, building on the legacy from the Kyoto Protocol. In doing so, Gold Standard started the "**Article 6 Early Movers Programme**", funded by the German Federal Ministry for Economic Affairs and Climate Action (BMWK), to contribute to capacity building and knowledge sharing to support the first examples of applications of Article 6.

Under the Article 6 Early Movers Programme, **Perspectives Climate Group GmbH and Atlas Environmental Law Advisory, as partners of Gold Standard**, supported activity developers in the **process of preparing for authorizations under Article 6.2**. The objectives of the project were:

- To provide proof-of-concept, through specific case studies, of the practical application of the Article 6.2 guidance.
- To generate knowledge that can promote the robust and high-integrity application of Article 6 requirements, ensuring transparency in developing and implementing Article 6 initiatives.
- To share this knowledge with other activity developers and stakeholders interested in Article 6.2 authorization.

The project was not intended to support the activity developers in their certification under Gold Standard, or any standard, nor was the securing of an authorization considered essential for the project to be successful. It was understood from the start that the lack of readiness of most host countries to use Article 6 may make this unachievable during the project's timeframe, as proved to be the case. This, and the observations drawn in the following chapters, should not be considered as a criticism of the countries considered through this project, but rather a reflection of the fact that this project took

place in the year following the adoption of the Article 6 rulebook at COP26, when no country had yet adopted a full framework for its implementation.

2. Methodology

The support provided under the Early Movers Programme focused on the need to facilitate the collaboration between the host countries, activity developers and potentially other stakeholders and buyer governments to prepare the activity developers to request Article 6.2 authorization for mitigation outcomes of one activity per developer. Three case studies were selected, seeking diversity in terms of countries and sectors to obtain diverse lessons learned.

The work under the assignment was structured in three phases:

- I. **Identification phase:** Identifying activity developers to be supported, the (existing or planned) activities that would generate the mitigation outcomes to be authorized as ITMOs, and the respective host countries that would need to provide the authorization.
- II. **Engagement phase:** Providing technical support and advice to the selected activity developers to prepare and undertake their outreach to and engage with relevant authorities within the activity’s host country with the aim to prepare for requesting an authorization.
- III. **Knowledge sharing phase:** Summarizing lessons learned from the case studies and providing a comprehensive overview of key information relevant to stakeholders interested and/or engaged in Article 6 ITMO authorization processes.

Phase I: Identification

A Call for Interest distributed among developers interested in the Article 6 Early Movers Programme and seeking authorization under Article 6.2 was launched to identify activity developers. Interested activity developers provided information through an online expression of interest form communicated via the Gold Standard website. The information requested focused on the level of preparedness of the developer, the level of maturity of the mitigation activity, and the Article 6 readiness of the host country in which the activity is taking place.

Table 1: Information gathered through the expression of interest form.

Questions
1. Do you have experience with the Clean Development Mechanism (CDM)? If yes, please indicate the level of CDM experience
2. Do you have experience with the Voluntary Carbon Market (VCM)? If yes, please indicate the level of VCM experience
3. Do you have experience with the following activities (please tick all that apply)? If yes, how many projects/programmes do you have registered (in total)?
5. Do you have issued emission reductions from the projects/programmes under CDM and/or other VCM standards?
6. Please indicate your technical experience with conducting emission reduction calculations and applying monitoring of GHG emissions reductions?
7. Do you have experience in Article 6 activities, including Article 6 pilot activities?
8. Have you already engaged with national authorities for carbon market participation? If yes, how often do you communicate with national authorities
9. Are you well informed of applicable procedures and requirements of national authorities regarding participation in carbon market mechanism, especially Article 6?

10. Do you have previous experience in the legal assessment regarding the authorization of mitigation activities and emission reductions trading?
11. Please indicate your level of experience in dealing with other legal requirements applicable for the mitigation activities developed?
12. Please indicate the level of experience you have with relevant stakeholders for any mitigation activities developed/planned (e.g., ministries, local banks, regulators etc.)?
13. Do you have experience with stakeholder consultations?
14. How many Article 6 mitigation activities are you proposing under this initiative?
15. What is the status of the proposed mitigation activity/activities?
16. Please indicate the activity type for each proposed activity
17. What is the scale of the proposed mitigation activity/activities?
18. Where is/are the mitigation activities located? Please state the country for each mitigation activity
19. What documentation is available for the proposed Article 6 mitigation activity/activities?

More than twenty expressions of interest were received. The criteria used to assess the submissions and the minimum attributes required to score against a quantitative and qualitative scoring method are shown in table 2.

Table 2: Criteria to select activity developers.

CRITERIA	ATTRIBUTES
<u>Criteria related to the activity developer:</u> General experience in carbon markets such as the Clean Development Mechanism (CDM), voluntary carbon standards, technical experience in accounting and estimating emission reductions, and level of interaction with relevant stakeholders for Article 6 inquires (e.g., host country authorities).	A medium to advanced level of readiness of the activity developer in terms of experience in Article 6 piloting/ carbon crediting mechanisms and/or consulting with host country government stakeholders relevant for Article 6.
<u>Criteria related to the proposed activity:</u> Maturity level, current implementation status, host countries and level of data/information available.	A high level of compatibility between the proposed activity and Article 6 regarding sector/technology/ size of the mitigation activity and greenhouse gas (GHG) mitigation potential, status, anticipated timeline, and readiness for registration/ implementation of the activity within the period of the Article 6 Early Movers Programme.
<u>Article 6 readiness of the host country:</u> level of Preparedness of the host country, awareness of Article 6 procedures and requirements by the activity developer, and level of existing engagement between the activity developer and national authorities.	The host country's high interest and readiness to participate in Article 6 cooperation, based on evidence (i.e., national efforts to elaborate Article 6 potential). A high level of alignment between the proposed activities and the host country's interests in mitigation and sustainable development.

Seven activity developers were initially shortlisted based on the evaluation criteria and requirements. Additional follow-up calls were conducted to assess their level of experience and obtain more information about their underlying activities and focus countries to identify the most suitable cases. As the project aimed to provide more focused support to two to four activity developers, the selection was finally narrowed down to three case studies (see a summary of selected case studies in section 3.2). The main objective was to maximise the learning potential by ensuring diversity and avoid

overlaps – for instance by covering activities in different stages of readiness, in different countries/regions, and covering different sectors or scopes.

Phase 2: Engagement

The main support to the activity developers was provided during the engagement phase, between July and December 2022. After informing the activity developers that they were selected for the support, they were introduced to the team of consultants and briefed about the next steps:

- Sharing the latest available information about the underlying activity (e.g., Project Design Document - PDD, Mitigation Action Design Document - MADD, baseline studies, feasibility studies, etc.).
- Exchange of relevant contacts and information about the Article 6 readiness in the host country.
- Regular and on-demand, update calls, in-person meetings (e.g., during the African Climate Week in Gabon and the COP 27 in Egypt) and email exchanges with the activity developers and other relevant stakeholders (e.g., Article 6 focal points).

The objective was to follow the progress of each activity developer, assess their needs and requirements, and define jointly the most suitable approach for preparing for an authorization in the host country.

Furthermore, there were numerous interactions with Article 6 focal points and other actors in each of the host countries which aimed to identify the respective contact persons for the activity developer and learn more about the procedures and requirements for requesting ITMO authorization. In addition, Perspectives Climate Group provided technical support to the activity developers and host country Article 6 focal points, with a focus on authorization-related aspects:

- Technical recommendations to activity documentation to ensure that documents fully reflect Article 6 requirements.
- Development, and provision of technical guidance documents¹ for Article 6 authorization and inputs.
- Contribution to Article 6 workshops and webinars organized by the host countries or third parties.

Further details on the case studies and a summary of milestones and key lessons learned during the engagement phase are provided in chapters 3 and 4.

Phase 3: Knowledge Sharing

The present report summarises the lessons learned from the technical support to enable the broader community of activity developers and other actors interested in ITMO authorization under Article 6.2 to benefit from the experience from the case studies. The report provides key observations, identifies best-practice actions, and provides initial recommendations to address the main uncertainties and issues to be solved.

¹ These documents include a Briefing Paper on Authorization for activity developers; an authorization guidance document for host country authorities and templates for requesting authorization and for a letter of authorization.

In addition, several **guidance materials** with the latest available information on authorization were shared with the activity developers and host countries’ officials as part of the engagement phase to ensure up-to-date knowledge across the different stakeholders. This included a briefing paper about key rules and requirements for ITMO authorization that was shared with the activity developers at the start of the engagement phase. Another briefing paper was developed towards the end of the engagement phase to summarize the needs and requirements for authorizations for host country Article 6 focal points. This paper included also draft templates for a request for authorization and a letter of authorization.

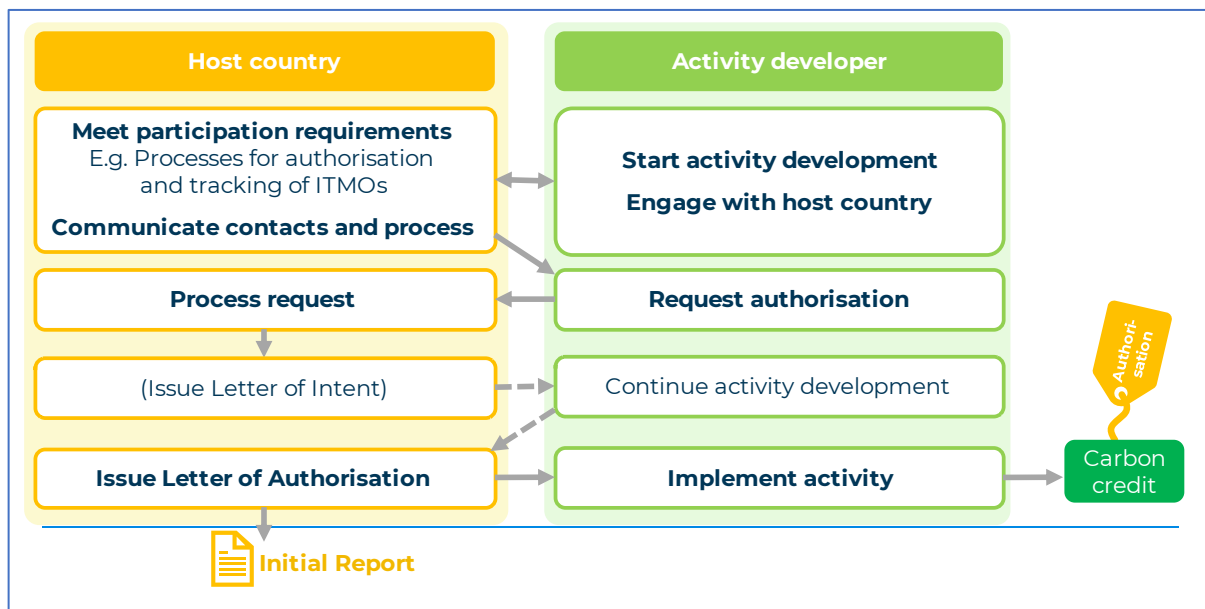
3. Context of the case studies

3.1. Requirements and key consideration relevant for Article 6 authorization procedures

Generic steps for the authorization process

The Article 6.2 rules do not prescribe specific criteria or processes for authorization, leaving many aspects of authorization up to the participating parties to decide at the national level. Figure 1 illustrates **possible key steps of the authorization process** for the **host country authorities** and **activity developers**, which are further summarised in this section. One of the tasks during the engagement phase was to assess to what extent the host countries had defined, approved, or applied processes for authorization, or whether this stage of readiness had not yet been reached.

Figure 1: Illustrative authorization process



Source: PCG 2023

Host Country considerations and decisions

The main **requirements** that countries must fulfil to engage in cooperation involving the use of ITMOs include (UNFCCC 2021, para 4):

1. Being a Party to the Paris Agreement (i.e., meaning having ratified it).
2. Implementing and **maintaining** an NDC by updating and communicating NDCs as required under the PA every five years.
3. Having arrangements in place to **authorize** and **track** ITMOs.
4. Having provided the most recent National Inventory Report².
5. Ensuring that its participation contributes to the implementation of its **NDC** and **long-term low-emission development strategy**, if it has submitted one, and the **long-term goals** of the Paris Agreement (UNFCCC 2021, para 4(f)).

For the **host country**, authorization means not counting the mitigation outcome towards its NDC. Therefore, authorization of ITMOs is an important strategic procedure and requires defining the appropriate criteria and approach for participating in collaboration that contributes to, and does not undermine, the implementation of its NDC. To safeguard its NDC implementation, host countries should only authorize mitigation outcomes that are truly additional and – though this is not a requirement under the Article 6 rulebook - fully within the scope of its NDC and reflected in the national greenhouse gas inventory. Furthermore, a host country can support its NDC implementation by authorizing only part of the mitigation outcomes generated by an activity under Article 6.2 while counting the rest towards its NDC, or charging an authorization fee that is reinvested to support its NDC implementation. If doing the former, the host country should be mindful that the lower the authorized part of any mitigation outcomes, the less financially attractive this might make the activity for investors.

The following elements are important for informed national decision-making on authorization:

1. **Article 6.2 definitions and criteria:** Key concepts and criteria (e.g., eligibility criteria for activity types) related to Article 6.2 need to be established by the most appropriate instrument (e.g., new legal framework) for national application. The instrument must designate national authorities (e.g., Article 6 Focal Points) and mandate them to apply these definitions and criteria.
2. **Article 6 strategy within the NDC and LT-LEDS:** Some of the crucial details of the NDC that would influence the definition of the Article 6 strategy include: the mitigation potential and mitigation implementation plan until the NDC target year, ideally disaggregated by sectors and technologies; the mitigation activities that are to be supported with domestic financing to achieve the unconditional NDC target; the mitigation activities that fall under (or go beyond) the conditional NDC targets that require international support (for a detailed discussion, see Greiner et al. 2021); and the mitigation activities under the conditional NDC target that have already received international climate finance and the ones that are in the

² The National Inventory Report provides information on the national GHG inventory, collated according to the rules agreed by COP24 in Katowice 2018. It can be submitted annually as a stand-alone document or every two years as a component of the Biennial Transparency Report (Decision 18/CMA.3, annex, para 12), with data from two or a maximum of three years prior to the reporting year.

pipeline for future international climate finance (Espelage et al., 2022). If the country has a long-term low emission development strategy (LT-LEDS), it should be considered. Hence, the **country's NDC and LT-LEDS should be the points of departure** when national Article 6 focal points commence their work on the Article 6 strategy.

Based on the NDC, the identification of activity types that could be generically classified as additional, meaning those that are not mandated by law and not financially viable without the revenue from the sale of the mitigation outcomes, including considering any incentives from policy instruments (Espelage et al., 2022) is also a recommended practice. Host countries can prepare so called “positive lists” or “whitelists” of activities or technologies that they deem categorically, and even automatically, additional, or eligible for an authorization. If doing so, these lists naturally need to be regularly updated.

Countries like Ghana and India have developed a mitigation activities or technologies whitelist that confer automatic additionality if the activity meets a set of criteria. Acquiring countries and other buyers may also have their own criteria for the mitigation outcomes that they wish to buy for their own use. These criteria may differ from the host country's criteria.

- 3. Article 6 institutional arrangements:** A well-coordinated Article 6 readiness process should start with the mapping of key national, subnational, local, and international stakeholders involved in identification, design, funding, implementation, and management of potential Article 6 activities. To set up **effective institutional and national arrangements** to perform specific Article 6 tasks, it is important to understand the **expected needs and volume of mitigation outcomes** to avoid under or over allocation of resources, and to **understand the main tasks** to be undertaken by the Host Party. These tasks must be allocated to specific institutions and specific staff at the national level. The distribution of tasks and responsibilities must be clarified and formalized in a regulation (Espelage et al., 2022, p. 45). For the authorization process, relevant roles, such as who oversees reviewing the Letter of Authorization (LoA) request, who signs the LoA, who performs a technical review, who oversees receiving the request (including by which means), and who does the follow up, among others, also need to be defined.
- 4. Corresponding adjustment methods and process:** Parties participating in ITMO cooperation are required to apply corresponding adjustments (CAs) for all authorized and first-transferred ITMOs in line with Article 6.2 rules. CAs are applied to emissions balances, to the year in which the mitigation occurred, using a method for determining multi-year emissions trajectory or budget for its implementation period consistent with the NDC or an average annual amount of ITMOs first transferred and used over the NDC implementation period. The selected method must be communicated as part of the Initial Report, which is due at first authorization. Annually thereafter, Parties shall report on, inter alia, the authorization and first transfers of ITMOs. Every two years, starting in December 2024, Parties shall report on the emissions balance and CAs as part of their biennial transparency reporting. ITMOs that are correspondingly adjusted by the host country do not count towards its NDC and are thus available for use uniquely by the buyer. ITMOs that are used towards the NDC of a country other than the host country are correspondingly adjusted by the acquiring country to count them towards its NDC.

For the host (first transferring) country, authorizing the use of ITMOs and consequently applying CAs will influence the Party's ability to achieve its NDC (Lo Re et al., 2022). Upon authorization, countries must have clarity on how the CAs will be applied in practice and how this influences its NDC achievement.

- 5. Registry infrastructure:** Participating countries must establish, or have access to, a registry for ITMO tracking and must ensure that such registry records, including through **unique identifiers, authorization, first transfer, transfer, acquisition, and use of ITMOs towards various** purposes (UNFCCC 2022b. Annex I.A.1). The UNFCCC Secretariat will establish and make available an international registry that Parties could use (UNFCCC 2022b. Annex I.C).

Considerations for activity developers

While the Article 6 rulebook will ensure a basic level of consistency, and governments are likely to adopt many of the same best practice models and approaches, it is likely that each country's approach to the implementation of Article 6 and the authorization of ITMOs will be distinct and will reflect the country's national circumstances. That said, there are a number of considerations that are likely to be relevant for activity developers seeking the authorization of ITMOs.

As shown in Figure 1, one of the first steps that the **activity developer** should consider is initiating engagement with the assigned host country contacts (if already designated) to share initial information of the proposed activity. As a potential interim step, the host country may provide an indicative Letter of Intent for proposed activities that indicates that the described activity seems in line with what the host country wishes to promote under Article 6. In adopted Article 6 frameworks like Ghana's, the activity developer is entitled to request an account in the national registry for which they must pay a fee. If the project is registered in any independent carbon crediting programme, formal recognition needs to be requested from the host country.

If the national framework includes mitigation activities that meet specific criteria to be considered automatically additional (known as whitelist or positive list), the activity developer may submit a pre-authorization request in so far as the mitigation activity is included in such a list.

Before requesting authorization, it is also necessary to design the mitigation activity intended to reduce/remove GHG emissions according to the methodologies approved by the host country and to use the corresponding templates if applicable. It is important that the final version of this document could be shared with the host country's official Article 6 focal point and, if applicable, the participating acquiring Party for consideration.

Once the activity developer requests authorization, including any supportive documents required by the host country, the host country would review and assess the request in line with national procedures against national criteria (which in many cases are to be defined). Upon the issuance of the letter of authorization, the activity developer could make final decisions about implementing the activity.

3.2. Case Studies - Basic information and level of Article 6 readiness

This project supported the selected activity developers in preparing for Article 6 authorization by facilitating interactions between the activity developer and other stakeholders, mainly the Article 6 focal points of the host country.

The engagement with the activity developers started with an assessment of the current knowledge level about Article 6 and authorization in particular, and any steps that had already been taken by the activity developers to engage in Article 6 and with the host country authorities. In addition, the level of Article 6 readiness of the host country was assessed, including any steps taken to develop and implement a national Article 6 framework, including institutional arrangements and operational procedures, and whether the country had already engaged with other Parties, e.g., by signing Memorandum of Understandings (MoUs) or bilateral agreements, or with other activity developers related to Article 6.

The following table provides an overview about the three case studies and the level of readiness and knowledge of both the activity developer and host country in the three case studies at the start of the engagement phase (July 2022).

Table 3: Readiness level at the start of the case studies

	Case Study 1 Nepal	Case Study 2 Ghana	Case Study 3 Rwanda
Host country	Nepal	Ghana	Rwanda
Region	South Asia	West Africa	East Africa
Sector/technology	Household bio-digester	Cookstoves	Cookstoves
Activity type	Single activity	Programmatic approach	Programmatic approach
Scope of the activity at the start of the support	Existing activities with planned further installation of appliances until 2028.	Potentially several activities with first issuance expected in 2023.	Registered under CDM (partly issued emission reductions).
Host country Article 6 focal point	Ministry of Forest and Environment (MoFE). Climate Change Management Division	Climate Change Unit of Ghana's Environmental Protection Agency (EPA)	Rwanda Environment Management Authority (REMA)
Bilateral agreements	No bilateral agreements signed (MoU with Sweden)	Bilateral agreements signed incl. Singapore Sweden and Switzerland	No information about bilateral agreements or MoUs
Art.6 framework	No framework available (but support received by GGGI to work towards Article 6 readiness)	Developed with support of UNDP. Some information shared in June 2022. Not endorsed by Government and not published.	Work on framework started with support of UNDP
Art.6 focal point interacts with activity developers about potential authorization	Only limited	Yes	Yes
Previous interactions between Art.6 focal point and activity developer of the case study	No	Initial interaction and activity listed as one of the planned Art.6 activities in Ghana	No
Previous interactions between activity developer of the case study and potential ITMO buyer	No	Yes	No
Availability of Art.6 specific information/documentation on the activity	No	Yes (Draft Mitigation Activity Idea Note)	No

The comparison of the case studies demonstrates differences in the readiness levels of both host countries and activity developers. Considering that case studies were selected for which a certain level of Article 6 readiness existed, and where some information about the underlying activity was already available, it can be assumed that in other countries and for other activity developers, the differences might be even bigger. The reasons for the differences can be manifold and can include political and strategic reasons for the timing and level of engagement in Article 6, resources, and capacities

available, expected demand for Article 6 in the country and international support received to build capacity and arrangements for Article 6 readiness.

4. Common observations and lessons learned.

This section describes observations and lessons learned about the authorization process obtained from the case studies.

The three main take-aways from the case studies are the following:

- 1) The level of uncertainty about requirements and processes for the implementation of Article 6 is very high among both activity developers and host country authorities, with additional support and clarity on various aspects required (addressed in section 4.2).
- 2) Many actors are involved in addressing these uncertainties and providing support to increase the level of readiness for host countries. A consequence of this is that many processes and developments are taking place in parallel, and it is challenging for activity developers to follow the developments in the dynamic Article 6 landscape (addressed in section 4.3).
- 3) Some open issues remain on the international guidance for authorization, from the UNFCCC. Addressing these issues would help providing further clarity and reducing the level of uncertainties (addressed in section 4.4).

4.1 Key lessons learned.

In the following section, the key lessons learned from engaging with activity developers, host countries, and other actors during the case studies are described:

- **Lack of awareness of international rules for Article 6** among both activity developers and host country authorities. Awareness about basic requirements from the Article 6 rulebook was partly missing at the beginning of the engagement phase.
- **Lack of information** among activity developers on the criteria, process, and contacts for the national authorization process.
- Strong uncertainty among activity developers about **how to assess and demonstrate the eligibility of activities**.
- **A clear mandate and guidance** for the Article 6 focal point, underpinned by national legislation/regulation, is needed to enable authorization. Only one of the case study host countries, Ghana, had an Article 6 regulatory framework in place. The other two countries (Nepal, Rwanda) were at different stages of preparation and lacked approved procedures for authorization.
- **Early and regular engagement between the host country and activity developers** prior to the approval of a national framework can help to pave the way for authorization and provide some level of trust and clarity. Preparatory work can be started both by the host country and the activity developer, to ensure preparedness and timely authorization once the framework and procedures are approved by the host country.
- The **Article 6 landscape continues to evolve** on multiple parallel fronts, including through the further elaboration of the international rules, national frameworks and bi- and multilateral cooperation, as well as readiness support and pilots in host countries. While all these efforts are important for operationalising Article 6 cooperation, it can be challenging for countries and activity developers to keep up with the latest developments (see section 4.3).

4.2 Uncertainties and needs of activity developers and host countries.

Section 4.2 describes the observations made on how activity developers and host countries require different information and have different needs for moving forward while preparing for an authorization. This section describes which uncertainties were observed at which stage during the case studies and the potential reason for such uncertainties. Where possible, initial recommendations have been provided that may help to reduce uncertainties.

Initial stage: Basic knowledge & first engagement with the Article 6 focal point

I. What is the level of knowledge about general rules and procedures for Article 6 authorization?

- **Observation:** The case study activity developers had different starting points regarding Article 6 knowledge in general. One developer has followed the negotiations of Article 6 closely, while another developer was only familiar with the Clean Development Mechanism under the Kyoto Protocol. All activity developers lack knowledge about at least some rules, requirements and procedures related to Article 6 authorization. This was expected, given that the international Article 6 rules provide only general guidance on authorization, and many details will need to be elaborated at the national level. At the start of the project, no practical experience with authorization existed globally.

The case study host countries were also positioned differently at the start of the project. All of them lacked national arrangements for authorization. During the project, Ghana approved its national Article 6 framework and issued its first authorization (November 2022) – the first country to do so in the world. Ghana had engaged with activity developers already prior to the approval of the national framework. In addition, Ghana launched a website for Article 6 information in the autumn of 2022. However, in December 2022, it was not yet fully operational. In Nepal and Rwanda, information on authorization was not available in December 2022. Rwanda is currently in the process of developing an Article 6 framework and in Nepal, initial work for an operational Article 6 manual has started.

- **Recommendation:** Host countries that wish to engage in Article 6 cooperation should prioritise the development of national arrangements for authorization, including clear criteria, responsibilities, processes, and timelines, and make them publicly available. Host countries can facilitate private sector participation by engaging with activity developers prior to the approval of the national framework, through a dedicated contact point. It is also important that information on the national authorization criteria and process is provided in a clear, structured, and accessible way.

II. Identifying the Article 6 focal point of the host country and contact person

- **Observation:** The availability of information differed across the three case study countries. At the time of the engagement with the case studies, only Ghana provided a structured website with contact details and further information on the process for Article 6 (<https://cmo.epa.gov.gh/>). In Rwanda and Nepal, activity developers had problems identifying the respective Article 6 institution and contact person, even though they had contact with government officials regarding carbon markets before. Only with the help of a wider Article 6

and carbon market network, was it possible to find out the Article 6 focal point. This was manageable in the context of this project but is not an available or sustainable solution for all activity developers.

- **Recommendation:** It is highly recommended that governments provide information on the authority in charge of Article 6, including contact details. This would also help the Article 6 authority to channel information about interested actors and to better understand the potential needs and demand for Article 6 activities.

Preparatory stage: Assessing an activity's eligibility for authorization.

III. When to contact the Article 6 focal point, and what information is required at which stage?

- **Observation:** Activity developers interested in a potential authorization need to know when to contact the Article 6 focal point to inform about the activity and receive initial feedback on the eligibility for receiving authorization. At the start of the project, clear and publicly available information on authorization requirements, procedures, and templates was lacking in all three case study countries. Closer to the end of the project's engagement phase, only Ghana provided clear information as part of its approved Article 6 framework.
- **Recommendation:** To attract carbon finance and activity developers, it is important for host countries to provide such information transparently to facilitate more efficient planning and preparation. Clear procedures will help activity developers to assess in advance the time and effort needed for preparing the required information and to create risk strategies.

IV. How to assess the activities' eligibility for Article 6 authorization in the country?

- **Observation:** Activity developers need information about the national Article 6 eligibility criteria to assess the eligibility of their activities. All three developers had potential activities in more than one country. They wanted to understand the potential for Article 6 engagement as early as possible to mitigate risks and avoid spending time and resources inefficiently (e.g., for preparatory work/studies). At the start of the project, official and transparent information about the Article 6 eligibility of activity types and sectors was lacking in all three countries. In Ghana, some clarity was provided in the summer of 2022, when a list of eligible sectors and technologies were presented by the Environmental Protection Agency. This list was later also part of the Article 6 framework, which was published in late 2022. The lack of such information in Rwanda and Nepal led to uncertainties of the activity developers. Only after several rounds of interactions with the Article 6 focal point, facilitated by the consultants of the Early Movers Programme and own expert judgement, could more clarity be obtained.
- **Recommendation:** To facilitate private sector engagement in Article 6 cooperation, host countries should provide clear information about eligible sectors, technologies, or activity types that they could consider authorizing under Article 6. Such information would provide a positive signal to activity developers although obtaining authorization would require meeting also other criteria. To safeguard NDC implementation, host countries should ensure that their national authorization process considers its NDC implementation plans. This may require interactions between the Article 6 focal points and line ministries.

V. Would there be risks involved when authorizing ITMOs under Article 6?

- **Observation:** Activity developers expressed uncertainty about how and to what extent they should engage in Article 6 and what implications an authorization may have for their activities and resulting mitigation outcomes. Two activity developers were considering whether requesting an authorization could potentially have any negative implications. One activity developer was still exploring under which carbon crediting programme (e.g., Gold Standard) they should register the activity(ies). A concrete concern was whether requesting an Article 6 authorization would limit their options and require them to follow procedures of the host country which may only be known at a later stage. It seems that activity developers have uncertainties about advantages and disadvantages of requesting an authorization under Article 6.2, developing the activity under a voluntary carbon crediting programme or waiting until Article 6.4 is operational. One activity developer was uncertain about whether to keep operating activities under the existing carbon crediting programme under which the activity was registered, whether they request an authorization under Article 6.2 for being able to sell their mitigation outcome as ITMOs or whether they should transfer the activity to the Article 6.4 Mechanism, which is not yet operational. As rules and procedures for Article 6.2 authorization are not yet available in most countries and price premiums are only speculation, uncertainties remain high.³

From the case studies it became clear that host countries also have concerns about potential negative implications when authorizing ITMOs. The concerns relate more to the achievement of their NDC and ensuring that e.g., reporting requirements and corresponding adjustments can be properly ensured.

- **Recommendation:** It is important for host country authorities to provide information about the authorization process to interested stakeholders and enable an exchange with these stakeholders about questions, concerns, and uncertainties in an open and transparent way. Once Article 6 procedures are carved out and approved, it is recommended that Article 6 focal points make such information easily accessible and conduct consultations with the activity developers and private sector, so that uncertainties can be considered, addressed, and resolved. It is further recommended to integrate activity developers while developing Article 6 procedures. Uncertainties raised by them can inform the process for developing rules and procedures and ensure such aspects are addressed. The facilitation of meetings between the activity developers and Article 6 focal points as part of the Early Movers Programme initiated this exchange between these actors during the case studies.

Advanced stage: Preparing for requesting authorization.

VI. What are the requirements for requesting authorization and how is authorization being processed?

- **Observation:** The activity developers were interested to know how they can prepare for requesting an authorization; for instance, whether the country has certain requirements for

³ For transitioning any activity from CDM to the Article 6.4 Mechanism, according to the Article 6 rules, the developer needs to submit a request to the host country DNA for a transition of that activity. This request needs to be submitted until 31.12.2023.

specific sectors/technologies (e.g., to conduct Environmental and Social Impact Assessments), what steps would need to be followed (e.g., first submission of idea note, then full mitigation activity design document - MADD) and if specific templates need to be used. There was also uncertainty about the evaluation of requests and how the actual authorization would be carried out by the host country. Uncertainties were also expressed about:

- when the authorization would be given,
- the timeline for requesting authorization until it is given,
- potential fees to be paid,
- and details on the authorization process itself (validity, pre-conditions, retroactive changes, for which purposes the authorization can be provided, etc.).

Of the three case study countries, only Ghana has published its Article 6 framework, including procedures for authorization under Article 6.2, which provides details on timelines, procedures, responsibilities, templates, and fees. The first authorization was already provided to an activity shortly after the framework was approved. As in most other countries, Nepal and Rwanda did not have an approved Article 6 framework in place and procedures were not yet officially available in most parts.

- **Recommendation:** It can be beneficial for the host country and Article 6 focal points to engage with activity developers during the process of developing procedures for requesting authorization. This will help to inform the developers and other Article 6 actors about the status, but also to get feedback on practicability of planned procedures. Such consultations can help to build trust among stakeholders and activity developers and to avoid requirements for revising the framework and delays in the operationality. For example, in Nepal the consultants under the Early Mover Programme had various interactions with the host country Article 6 focal point and the Global Green Growth Institute (GGGI), who support Nepal in the Article 6 readiness. While Nepal is in the process of developing an operational manual for Article 6, they welcomed the recommendations provided to them with a guidance document focusing on requirements and needs for authorization. This guidance document was developed as part of the engagement phase under the Early Movers Programme and shared with the Article 6 focal point of Nepal. Due to the lack of templates, the consultants also developed a draft general template for requesting authorization as part of the technical support provided under the Article 6 Early Movers Programme. This template can be used as a starting point and an example for host countries that do not have such templates in place.

4.3 Dynamics of Article 6 and impacts on activity developers

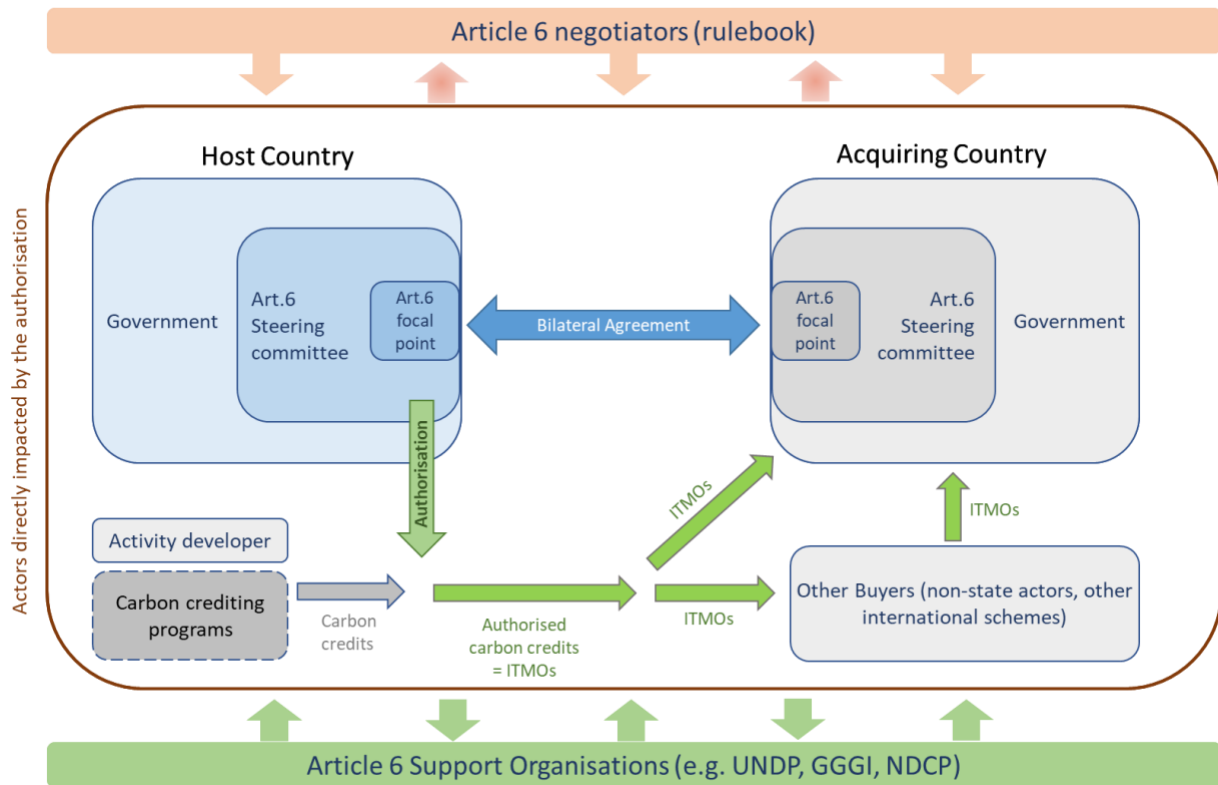
Section 4.3 describes the experiences of the case study activity developers with other actors and the processes influencing how rules and procedures for Article 6 authorization are shaped.

Article 6 pioneers, front-runner countries, and stakeholders are helping to shape processes and arrangements that participating Parties need to apply to implement the Article 6 rules in their own unique contexts and circumstances. This very diverse and dynamic environment has implications for activity developers engaged in Article 6. During the Early Movers Programme support for the three case studies, the dynamic environment in which Article 6 authorization processes are embedded became evident, displaying the complexities that activity developers had to engage with other actors to follow the processes for ITMOs authorization.

Relevant actors involved in Article 6 authorization.

As shown in Figure 2, **different actors** need to cooperate for operationalising the rules established under Article 6.2 and determine the necessary arrangements for the ITMOs authorization process.

Figure 2: Typical stakeholders engaged in Article 6.2



Source: PCG, 2023

The governance structure for Article 6 in both the host countries and acquiring countries depend on country specific procedures and requirements and are up to each country. It is expected that in many countries there will be an Article 6 focal point (e.g., a department or division within the Government) and a form of Article 6 steering committee or board that would represent different line ministries and/or other key stakeholders of the host country. Carbon credits are generated by mitigation activities that are developed by activity developers either independently or through carbon credit programmes (e.g., Gold Standard). With the authorization of carbon credits by the host country government, the carbon credits would be considered as ITMOs, which could be then transferred to the acquiring country with which the host country has a bilateral agreement or to other buyers (see green coloured arrows in figure 2).

During the exchange with **activity developers**, one main takeaway was the need for **direct interaction** with the **host country**, including **governmental institutions assigned to oversee Article 6 issues** (e.g., Article 6 steering committee, Article 6 focal point). Through this interaction, activity developers can better understand procedures and requirements for authorization in that country and keep up with

the latest developments on Article 6 in the country and globally. Interacting with the relevant authorities is a fundamental knowledge-sharing and learning-by-doing process and is crucial to understand, among other things, the government's institutional and infrastructure arrangements as well as the operational procedures in place or planned to receive/approve an Article 6 authorization.

For instance, in the case of Ghana, despite a previous interaction between the activity developer and the Article 6 focal point, it was not entirely clear to the activity developer what procedures would need to be followed to request an ITMO authorization. This was mainly because the Article 6 framework was not published at that time. Therefore, it was challenging for the activity developer to continue with the process of preparing for requesting authorization. Only in early November, Ghana announced that the Article 6 framework was approved, but it was not published until mid-December 2022, just before the engagement phase under this assignment ended. Only at that stage did the activity developer know the procedures they would have to follow and, for example, the documents to prepare and submit. A close interaction between activity developers and Article 6 focal points during the development of an Article 6 framework or prior to the official approval of the framework can help both parties to learn from each other, build trust and provide more certainty about needs and procedures to follow.

The interaction between the activity developer and the host country can also be facilitated by **Article 6 supporting organisations** that play a key role in the country and provide guidance on, among others, enabling the rapid implementation of Article 6.2 initiatives through funding, technical assistance, guidance to develop pilot activities and supporting the development of Article 6 national frameworks as requested by Parties.

This was the experience in Nepal, where the activity developer did not have any previous contact with the Government of Nepal nor the Article 6 focal point, but after reaching out to GGGI, a multilateral organisation that is providing support in Article 6 readiness through the 'Mobilizing Article 6 Trading Structures' (MATS) programme, it was possible to identify the contact person of the national focal point for Article 6⁴. Therefore, through this support the developer, GGGI and the Article 6 focal point were connected and continued interacting until the end of January 2023 with regular update calls and personal meetings.

Likewise, Rwanda's activity developer had no direct interactions with the persons or authorities responsible for Article 6 before this assignment. Therefore, in parallel to engaging with the developer, various other actors were contacted to find out more about the level of Article 6 readiness and procedures planned or in place for preparing and operationalising an authorization under Article 6. This outreach included exchanges with the Rwandan Environment Management Authority (REMA), currently functioning as the Article 6 focal point (official Article 6 framework and governance structure not available), and the Ministry of Finance and Economic Planning. Furthermore, other institutions providing Article 6 readiness support to Rwanda or are in any other way engaged with Rwanda on Article 6, were identified, and contacted, including:

- UNDP, which supports Rwanda in the development of an Article 6 framework.
- The Eastern Africa Alliance on Carbon Markets and Climate Finance where Rwanda holds membership and that provides exchanges and support on Article 6 related topics.
- The Swedish Energy Agency that has engaged with Rwanda regarding a potential bilateral agreement with Sweden for cooperative approaches under Article 6.2.

⁴ Climate Change Management Division of the Ministry of Forest and Environment – MOFE

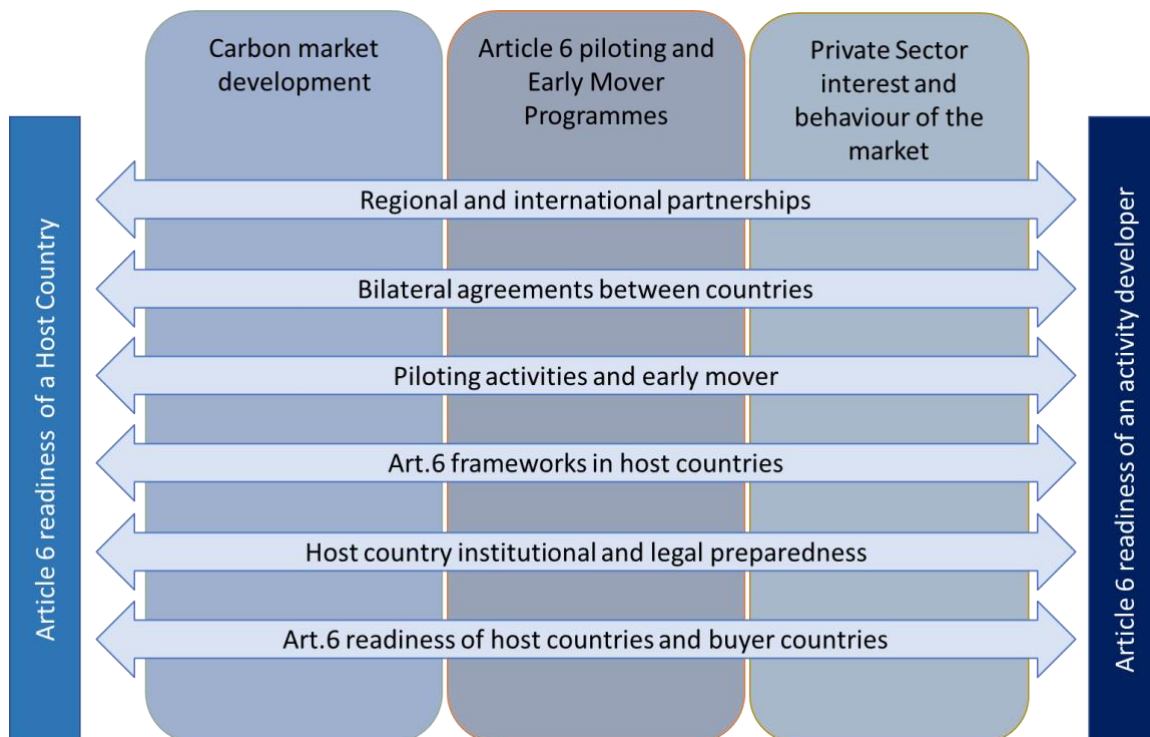
- Other activity developers active in Rwanda to gain further experience about their engagements with the host country related to Article 6.

In addition, **acquiring Parties** and **non-state buyers**, beyond their role as potential off takers of ITMOs, can play a fundamental role in guiding activity developers and providing information and support to host country focal points. For instance, through this assignment the activity developer from Nepal was connected to the Swedish Energy Agency as they will likely be one of the first cooperative partners for bilateral agreements with Nepal (with an MoU already signed).

Processes influencing Article 6 procedures.

Through the work under the Early Mover Programme it was possible to identify **three main factors** that influence Article 6 procedures on the ground: (i) the carbon market development, actually the elaboration of the voluntary carbon market to ensure Article 6 conformity, (ii) the Article 6 piloting and early mover programmes that are showcasing local experiences with significant lessons learned, and (iii) the private sector interests which trigger the behaviour of the market as their main interest relies on the establishment of clear and predictable rules for using carbon credits to ensure the integrity of the carbon market (see Figure 3).

Figure 3: Processes influencing the Article 6.2 authorization.



Source: PCG, 2023

In addition, there are several **processes** evolving in parallel that are expected to help shape Article 6 rules and procedures and lead to improved Article 6 readiness among key actors. This dynamic nature of all such processes was observed during the work on the case studies and showed how activity developers and host countries are influenced by such processes. For instance, in regard to the

establishment of the necessary arrangements for the **institutional and legal preparedness**, which are related to the definition of **Article 6 frameworks**, two major global developments were highly relevant for the support provided: the **further enhancement of the Article 6 rulebook during COP27** in Egypt (November 2022); and the first of its kind **Article 6 framework officially endorsed in Ghana**. The latter was seen as a kind of blueprint or at least an major orientation point for other countries that are either in the process of developing such a framework or that are intended to start developing similar procedures.

Moreover, the preparation and endorsement of legal **agreements between countries**, are not mandatory under the Paris Agreement rules, but are part of the practical elements that pioneer countries have implemented to operationalise cooperative approaches through pilot activities. These instruments, despite being highly influenced by factors including governmental changes, institutional capacity to support Article 6 or carbon markets, political willingness to implement changes, and interactions with non-state actors, are crucial to provide a basis for authorizations of ITMOs, in a way that is fair and based on standardised high-quality criteria. Further progress on the operationalisation of these agreements is relevant to understand how the Article 6 readiness in countries is progressing.

One major development observed after finalising the engagement phase, on the national level, included the **first ever authorized Article 6.2 activity globally (in Ghana)**. This established a precedent for the requirements that Ghana has established to authorize ITMOs and obtain a letter of approval, which will influence the next steps for the activity developer supported during this project in Ghana.

In addition, **the regional and international partnerships**, many of them backed by major emitters and economies, have a real potential to contribute to closing the mitigation gap. They significantly influence the multilateral climate negotiations since they are seen as the vehicles to explore and pioneer new ways of delivering climate finance and action, some of them with a focus on carbon crediting programmes. For instance, the Africa Carbon Markets Initiative⁵, the Japanese Article 6 Implementation Partnership⁶, the Energy Transition Accelerator⁷, and the Just Energy Transition Partnerships⁸ are just some examples of initiatives launched at COP 27 that could potentially influence or become an instrument to speed up the progress on the implementation of Article 6 mechanisms in the countries covered by this assignment.

As the implementation of Article 6 is a complex process, coordination among multiple parties and the development of common rules and standards is needed. While progress has been made in developing these general procedures, there is still work to be done to ensure that the use of market-based mechanisms under Article 6 is consistent with the goals of the Paris Agreement and promotes sustainable development.

⁵ [Sustainable Energy for All | Sustainable Energy for All \(seforall.org\)](https://seforall.org)

⁶ [Paris Agreement Article 6 Implementation Partnership \(a6partnership.org\)](https://a6partnership.org)

⁷ [Energy Transition Accelerator Launch - The Rockefeller Foundation](https://www.rockefellerfoundation.org/energy-transition-accelerator-launch)

⁸ [Just Energy Transition Partnerships: An opportunity to leapfrog from coal to clean energy | International Institute for Sustainable Development \(iisd.org\)](https://www.iisd.org/energy-transition-partnerships)

4.4 Open issues related to rules and procedures for authorization.

Although the general rules for authorization have already been agreed, some key issues remain open. Some of these may be resolved at the level of international negotiations while others may be best addressed at the national level.

Status and stakeholder perspectives

It is already clear that authorization is a key requirement for participating in cooperative approaches, creating, and using ITMOs. For participating Parties, authorization triggers obligations to ensure environmental integrity, apply robust accounting, including corresponding adjustments, record, and track ITMOs, and report to the Paris Agreement. It has been decided that authorization must take place prior to the first transfer (though for use of ITMOs for purposes other than use towards an NDC, the host country has some discretion in what is meant by a ‘first transfer’), and prior to or at issuance in case of A6.4ERs. Different elements of authorization are to be reported in different reports.

There are still many open issues related to the content, scope, format, process, timing, and reporting of authorization, as well as any ex-post changes (Lo Re et al. 2022). Some issues may be decided by participating Parties in their national processes while others may be addressed through additional guidance at the international level in the coming years. As observed during the case studies, the lack of clarity on key issues can lead to differing approaches and inconsistencies across countries, and the lack of experience and capacity can lead to misinformed approaches. This could potentially undermine environmental integrity and robust accounting and weaken trust in Article 6 cooperation. Cooperation between actors is also key to promote consistent and compatible approaches and identify areas where further international guidance would be helpful and important for ensuring environmental integrity. International guidance can promote consistency across countries, but negotiations can take time and may not always lead to clear outcomes that are interpreted consistently by all Parties.

As shown during the case studies and described in section 4.3, the incomplete and steadily evolving regulatory environment imposes risks to host countries, activity developers and buyers, and may deter and postpone Article 6 cooperation. Early movers can provide insights on open issues, thus helping to shape more robust frameworks and practical solutions. Ghana, for example, with the support of UNDP, has developed a national framework that addresses the issues such as the content, scope, format, process, and timing of authorization. This can serve as a blueprint for other countries that are in the process of developing their Article 6 readiness, including institutional and legal frameworks and processes to engage in Article 6 cooperation. Some pioneering countries have already established or are in the process of establishing their national arrangements for authorization, unilaterally or in cooperation with bilateral partner countries. The first mitigation activities are also under development.

Authorization arrangements need to strike a balance between flexibility and predictability. Flexibility and regular review are needed to safeguard NDC implementation and adapt to the evolving guidance, experience, and circumstances. Predictability and clarity are needed to facilitate private sector engagement and investments.

From the host country’s perspective, authorization triggers important obligations and can have substantial implications to the achievement of its NDC and long-term strategies. Informed decision-making requires capacity, resources, and reliable information. The earlier in the activity development and NDC implementation cycles the authorization is granted, the higher the uncertainties to the host

country regarding the activity's implications on NDC achievement. These uncertainties could be at least partly addressed through provisional or conditional authorizations, limitations to the period and volume of authorized mitigation outcomes, and ex-post changes to authorization. However, while these have benefits for the host country, they may heighten risk and weaken the investment case for activity developers and/or buyers.

It is important to note that the host country's authorization could take place at different points of time, e.g., before or after the generation of the mitigation outcome, and therefore at different stages of the activity cycle. The timing will have implications on the availability and accuracy of activity-related information e.g., on the potential volume, generation schedule, buyers, and use cases of the ITMOs. Some countries may choose to provide a pre-authorization before the generation of the mitigation outcome, to specify national criteria that need to be met to receive authorization after the generation of the mitigation outcome. After authorization, some countries may make the transfer of ITMOs subject to a separate approval. For example, Ghana provides Letters of Intent for early-stage activities that are aligned with Ghana's NDC and sustainable development priorities, based on a mitigation activity idea note. Activity types that are included in the whitelist are deemed automatically additional and can receive pre-authorization in the form of a Letter of Assurance. A Letter of Authorization can be requested from Ghana prior to registration, based on a mitigation activity design document and an independent validation report. Before issuing the ITMOs, Ghana conducts a positive examination of the verification report and sustainable development requirements specified for each mitigation activity.

From the activity developer's perspective, authorization is a key step in determining the potential demand and price for the activity's mitigation outcomes, and thus the attractiveness of the investment. Authorized carbon credits are expected to fetch a higher price and have a broader demand base than non-authorized carbon credits. The later in the activity development cycle the authorization is granted, the higher the uncertainties and risks to the activity developer and investors. For example, Ghana provides authorization prior to registration, that is, before the activity is implemented and mitigation outcomes generated. One case study activity developer highlighted the importance of flexibility in terms of timing and use cases of the authorization, and the possibility to request authorization even in case buyers had not yet been identified, as well as the possibility to adjust the authorization once a buyer is identified.

From the carbon credit buyer's and end user's perspective, authorization is key for determining the potential use of the carbon credit. Buyers and end users would need to have information on the authorization status of the carbon credit before the purchase, and certainty of the authorization status at the very latest at the time of end use. The later in the activity cycle the authorization is granted, the higher the uncertainties to the buyer on whether and at what price to buy the carbon credits and how they can be used.

For both activity developers and buyers, the provisional or conditional nature of the authorization and the possibility of ex-post changes that limit the scope or volume of – or even revoke – the authorization would increase risks, while the possibility to make ex-post changes that expand the scope of authorization, e.g., to additional uses of ITMOs, could be beneficial for obtaining authorization before buyers have been identified. For example, Ghana's national framework allows ex-post modifications to Letters of Authorization to allow for an upward adjustment in the volume of ITMOs. Furthermore, a conditional authorization at an early stage of activity development could help the activity developer to overcome early-stage investment barriers more effectively than an unconditional authorization at

a more advanced stage of activity development. Conditional authorizations could also inform the independent validation about relevant national criteria.

Open issues to be addressed internationally or nationally.

Lo Re et al. (2022) note that there are different ways to interpret the existing guidance and identify open key issues where further international guidance on authorization could facilitate early action and promote consistency in Parties' reporting, as well as open questions that could be clarified at the national level.

According to Lo Re et al. (2022), **international guidance** would be helpful for clarifying what authorization encompasses (cooperative approach, entities and/or ITMO use), whether these elements can be provided separately at different times in different documents, and which aspects of authorization are mandatory or optional to participating Parties other than the host Party. International guidance would also be helpful for clarifying if an authorization can be provided unilaterally by the host Party before identifying the buyer, that authorizations were accompanied by unique identifiers, and what types of changes can or cannot be done to authorizations, when, by whom, and under what conditions. It would also be helpful to have further international guidance on suggested format and minimum elements for delivering and reporting on authorizations. Delays in the timing of guidance poses challenges to early movers. For example, authorization triggers the submission of an initial report which should include information on the method to apply corresponding adjustments. However, international guidance on these methods is not expected until the end of 2024.

Lo Re et al. (2022) propose that the **national level** would be appropriate for addressing the role of authorized entities and different actors in the authorization process. Decisions about national criteria and additional elements for authorization as well as (interim and final) legal frameworks are also best addressed at the national level.

In conclusion, clear and predictable rules and procedures are important for facilitating participation in Article 6 cooperation. However, not everything can be solved in theory and upfront. A certain level of practical experience is required to test and elaborate on such rules and procedures. Moving forward with early mover Article 6 activities and bringing different stakeholders together will help to learn about practical bottlenecks, applying existing frameworks and procedures, understanding needs and challenges, and designing robust and practical rules and procedures.

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