



**GUIDE01**



**GUIDANCE FOR EVALUATING MITIGATION  
ACTIVITIES' LINKS TO THE HOST COUNTRY  
NATIONALLY DETERMINED CONTRIBUTION  
AND LONG-TERM LOW-EMISSION  
DEVELOPMENT STRATEGY**



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**GUIDANCE DOCUMENT**

International Initiative for Development  
of Article 6 Methodology Tools

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## International Initiative for Development of Article 6 Methodology Tools (II-AMT)

In January 2022, the II-AMT was launched with the aim of developing methodological tools that guide the revision of existing carbon market methodologies when applied to mitigation activities implemented in the context of Article 6 of the Paris Agreement. These tools cover additionality determination, baseline setting and monitoring, reporting and verification (MRV) of emissions, reductions and removals, while a guidance document covers aspects related to Nationally Determined Contributions (NDCs). Perspectives Climate Research convened an international team of leading baseline and monitoring methodology experts from different regions to develop the set of "Article 6 methodology tools".

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## Table of Contents

<b>Introduction</b>	<b>1</b>
Necessity of the Guidance	1
<b>Objective</b>	<b>2</b>
<b>Interpretation of Key Terms</b>	<b>2</b>
<b>NDC-Related Aspects Not Covered in II-AMT TOOL01, TOOL02, TOOL03</b>	<b>3</b>
Evaluation of “Target Surplus”	3
Options to Contribute towards Host Country NDC	5
<b>Rules and Principles</b>	<b>5</b>
<b>References</b>	<b>7</b>

# Introduction

## Necessity of the Guidance

1. In contrast to the Kyoto Protocol era, there are no countries without emission reduction targets under the Paris Agreement (PA), as all Parties have specified nationally determined contributions (NDCs) for greenhouse gas (GHG) mitigation and adaptation. Countries fulfilling their NDCs is a necessary but not sufficient condition for reaching the PA's long-term goal of "holding the increase in the global average temperature to well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels" (UNFCCC 2015, Article 2). Article 6 of the Paris Agreement recognises the opportunity for countries to voluntarily cooperate in the achievement of their NDCs, including through the transfer of mitigation outcomes. UNFCCC decisions (2021a, b) indicate that such cooperation must contribute to, and align with, participating countries' achievement of their NDCs and long-term low-emission development strategies (LT-LEDS)<sup>1</sup>.
2. If a country transfers mitigation outcomes under Article 6, it may not count these mitigation outcomes towards its NDC. This increases the risk that the country does not reach, or may fail to raise the ambition of, its NDC<sup>2</sup>. Even for mitigation activities that are additional, a host (i.e., transferring) country may be reluctant to authorise transfers for mitigation outcomes that do not go beyond (i.e., are not "surplus" to) the country's unconditional NDC, or:
  - a. Occur entirely outside the scope of the country's NDC (conditional or unconditional)
  - b. Involve emission reductions or removals that are not visible in the GHG inventory used to assess unconditional NDC progress<sup>3</sup>
3. Authorisation of mitigation outcomes under circumstances (a) or (b) would move a country further from its NDC goal, creating a high risk of compromising that goal. These scenarios are therefore not considered further in this guidance.
4. On the other hand, authorization of mitigation outcomes that are *visible* and *within the scope* of a country's unconditional NDC, but *go beyond* reasonably anticipated measures, may pave the way for activities that contribute to more ambitious future NDCs, as well as to LT-LEDS. For this reason, it is important to clarify the relationship between an Article 6 mitigation activity and the host country's conditional and unconditional NDC achievement, as well as LT-LEDS compatibility. However, NDCs can take widely differing forms, and it may not be immediately clear whether a mitigation activity within the scope of country's unconditional NDC target is nevertheless surplus to that target.
5. In time, countries may clarify and delineate which mitigation activities are considered surplus to their unconditional NDCs. Prior to such clarification, both activity developers and national governments may benefit from guidance for assessing whether a mitigation activity could be considered surplus to unconditional NDC targets. This guidance document outlines options for activity developers to ensure that Article 6 activities falling within the scope of a country's unconditional NDC are *target surplus*<sup>4</sup>, and therefore are in line with, and do not compromise, host countries' achievement of their NDCs. It also outlines options to ensure mitigation activities simultaneously contribute towards the achievement of a host country's NDC.

<sup>1</sup> Note that this guidance document deploys the well-established and defined concept of LT-LEDS, rather than providing a definition for the term long term strategies and goals used in the Article 6.4 rules, modalities and procedures (RMP).

<sup>2</sup> The described risks to host country NDC only occur when mitigation outcomes are internationally transferred. The concept of "mitigation contribution A6.4 emission reductions" developed during COP27, does not target such transfers. Therefore, this guidance does not refer to "mitigation contribution A6.4 emission reductions", but only to authorized credits.

<sup>3</sup> For example, the impact of activities that reduce non-renewable biomass consumption may not be visible in forest sector inventories, if those are not accurate or disaggregated enough to show small changes in biomass stocks.

<sup>4</sup> For the purposes of this guidance, mitigation activities that fall within the scope of a country's conditional NDC may be considered automatically surplus.

6. This guidance complements the tools designed to determine additionality (II-AMT TOOL01, II-AMT, 2022a), set robust baselines (II-AMT TOOL02, II-AMT, 2022b), and monitor, report and verify emissions and emission reductions (II-AMT TOOL03, II-AMT, 2022c) developed in the context of the International Initiative for Development of Article 6 Methodology Tools (II-AMT). The guidance addresses Article 6 requirements which affect NDCs but are not covered in the abovementioned II-AMT tools.

## Objective

7. This guidance document aims to assist activity developers in providing host country institutions with information needed to support authorization of the international transfer of an activity's mitigation outcomes, based on whether the activity: (1) is likely to be surplus to the host country's unconditional NDC; and (2) contributes to, and is aligned with, achievement of the host country's NDC and LT-LEDS.
8. The guidance in this document is based on principles and requirements outlined in the Article 6.2 guidance and the RMP of Article 6.4 of the Paris Agreement. The relevant rules and principles referred to in the development of this document are presented in the section before the references. The guidance does not include issues covered in the II-AMT TOOLS 01, 02, and 03; issues regarding the quantifiable impact of corresponding adjustments on NDC achievement; or elements linked to generic approaches to be applied by host countries and/or the Article 6.4 Supervisory Body's (A6.4SB) governance structure.

## Interpretation of Key Terms<sup>5</sup>

9. **NDC target:** An NDC target is a target for greenhouse gas (GHG) mitigation, expressed in terms of emission reductions or removals to be achieved, or using other quantitative metrics. This guidance distinguishes between "conditional" and "unconditional" NDC targets/measures. As a convention, conditional NDC targets are those that a host country agrees to achieve with external financial assistance, while unconditional NDC targets are those the host country agrees to achieve with or without external assistance. This guidance does not address how countries should define conditionality provisions in their NDCs.
10. **NDC measure:** An NDC measure is a policy or plan to achieve mitigation that will contribute to a country's achievement of its unconditional NDC target.
11. **Long-term low emissions development strategy (LT-LEDS):** Article 4, paragraph 19 of the Paris Agreement calls all Parties to formulate and communicate long-term low greenhouse gas emission development strategies (LT-LEDS). LT-LEDS provide the mid- to long-term vision of the mitigation measures required to meet the Paris Agreement's long-term temperature goal. Decisions 2 and 3/CMA.3 speak of "long term strategies and goals". This guidance applies both terms interchangeably.
12. **NDC implementation period:** After the initial NDC, an NDC implementation period starts when an updated NDC is communicated and ends on Dec. 31<sup>st</sup> of the updated NDC's target year. In line with the common time frames decision 6/CMA.3, NDCs are updated every five years starting in 2025, with the target year ten years from communication year.
13. **Activity crediting period:** The period for which emission reductions and/or removals achieved by an activity can be issued under Article 6. Under Article 6.2, the activity crediting period is freely chosen by participating Parties. Under Article 6.4, it is specified as a maximum of 3 times 5 years or a fixed length of 10 years for activities not involving removals; and a maximum of 3 times 15 years for removal activities. It can be shortened by host countries.
14. **Target surplus:** An activity provides target surplus if it goes beyond what can reasonably be expected to be part of the host Party's unconditional NDC measures.

<sup>5</sup> The guidance provides interpretations rather than definitions, as most of the terms used in this guidance are defined already in official documents.

## NDC-Related Aspects Not Covered in II-AMT TOOL01, TOOL02, TOOL03

15. To be additional, credited mitigation activities must go beyond a host country's current policies (Decision 3/CMA.3, annex, paragraph 38). However, achievement of NDC targets may require new NDC measures beyond those that have been implemented. A key question for activity developers (and host countries) therefore is, whether a mitigation activity is surplus to what is required to reach an unconditional NDC target. If a mitigation activity can reasonably be expected to be part of the host country's measures to reach its unconditional NDC, then even if it is fully additional (as determined, for example, following the procedures in II-AMT TOOL 01), the host country may be reluctant to authorise the transfer of its associated mitigation outcomes. This guidance document therefore suggests methods that may be applied to determine whether an activity is "target surplus".
16. In addition, the principles outlined in the Article 6.2 guidance and the Article 6.4 RMP determine that Article 6 activities must contribute to NDCs and LT-LEDS (Decision 2/CMA.3, annex, paragraph 4.f; Decision 3/CMA.3, annex, paragraph 28.b). Thus, while activities must be additional and they may be "target surplus", they must also help contribute to NDC and LT-LEDS achievement. This guidance therefore suggests methods that may be applied to ensure such a contribution.

### Evaluation of "Target Surplus"

17. Host countries have pledged to implement the measures necessary to achieve their unconditional NDC. Consequently, if a proposed mitigation activity can reasonably be expected to be part of the host-country's measures to reach its unconditional NDC, the activity does not provide a "target surplus". Therefore, the activity developer needs to evaluate whether implementation of the mitigation activity type may be deemed an expected part of the host country efforts to achieve the unconditional mitigation target of the NDC, even if the activity or mitigation is, per se, not yet mandatory by host country regulation.
18. The following stepwise approach can be used for the determination of "target surplus" prior to validation of a proposed mitigation activity:
  - i. **Step 1:** Assessment of whether the proposed mitigation activity type has been previously identified by the host country to go beyond its efforts for achieving its unconditional NDC. A host country may have communicated this decision publicly through a "host country approval list", or any other formal communication of the relevant national Article 6 authority in this regard or specified it in its NDC implementation plan (e.g., as a list of conditional measures).
    1. If "yes" (i.e. the activity has been identified), then the activity is "target surplus" and no further assessment is required. The activity developer informs the host country when requesting activity approval.
    2. If "no", proceed to step 2.
  - ii. **Step 2:** Assessment of whether the proposed mitigation activity falls within the scope of measures the host Party has identified as necessary to achieve its unconditional NDC target as well as any conditional NDC targets for which the Party has excluded the use of carbon finance. If the NDC does not differentiate between an unconditional and conditional target or has not made clear statements about the nature of the NDC target, the full NDC target will be assessed.
    1. **Option 2.1:** *Mitigation activity meets the "target surplus" criterion once the degree of implementation of that mitigation action specified in the NDC for the time frame in question has been exceeded.* This option may be particularly suitable for NDC targets that have yearly or several interim goals.

- a. If “yes”, the activity is “target surplus” and the activity developer informs the host country when requesting activity approval.
  - b. If “no”, the activity is unlikely to be “target surplus” and the activity developer informs the host country accordingly.
  - c. If the outcome is unclear, continue to option 2.2.
2. **Option 2.2:** *Mitigation activity meets the “target surplus” criterion if it the mitigation is beyond the mitigation trajectory of implementation needed for the NDC target.*
- a. If “yes”, the activity is “target surplus” and the activity developer informs the host country when requesting activity approval.
  - b. If “no”, the activity is not “target surplus” is unlikely, and the activity developer informs the host country accordingly.
  - c. If the outcome is unclear, continue to option 2.3.
3. **Option 2.3:** *Mitigation activity meets the “target surplus” criterion if the marginal costs of the mitigation activity are beyond a threshold: less expensive mitigation options could be reserved for the NDC first and only used under Article 6 when NDC targets have been achieved. The test for this could be to use a cost threshold, ideally derived from NDC financing strategies and related abatement costing exercises. If the abatement cost of the mitigation activity exceeds this threshold, the activity is “target surplus”.*
- a. If “yes”, the activity is “target surplus” and the activity developer informs the host country when requesting activity approval.
  - b. If “no” or unclear, the activity is unlikely to be “target surplus” the activity developer informs the host country accordingly.
19. The outcome of the steps above informs the activity developer if there is a clear risk that mitigation credited by the mitigation activity is likely not to be authorised by the host country.
20. The proposed steps only assess whether the mitigation activity is likely to represent “target surplus” mitigation at the point in time where the assessment is undertaken. If later over the course of activity implementation, the host country lags behind reaching its NDC targets, or the NDC is further specified regarding activity types contributing to NDC achievement, then the mitigation activity might no longer represent mitigation beyond the NDC. In this case, “target surplus” might no longer hold. These risks cannot be addressed through methodological approaches but will rather have to be addressed in separate agreements between the host country and activity developers (e.g., through host countries agreeing to authorise mitigation outcomes from the activity only under pre-defined conditions and/or for a limited period).
21. The approach described above does not exclude activities from authorization which are expected to contribute to the host country NDC. Instead, if there is a risk, this must be flagged to the host country and in public documentation; the decision whether to authorise an activity’s mitigation outcomes as ITMOs remains entirely with the host country government, in any case. Being aware of such risks, the host country may still choose to authorise ITMO transfers from these activities and undertake corresponding adjustments and choose to undertake additional efforts elsewhere to secure NDC achievement.
22. A mitigation activity’s “target surplus” must be re-evaluated when the host country updates its NDC and introduces a new NDC implementation period.

## Options to Contribute towards Host Country NDC

23. As mentioned above, UNFCCC decisions (2021a, b) demand that a mitigation activity contributes towards the host country NDC. While the above considerations explain the approach towards guaranteeing a “target surplus” (i. e., going beyond the host-country NDC), the following paragraphs outline several options to ensure a mitigation activity simultaneously contributes towards the achievement of the host country's NDC. Options 1 and 2 are related to additionality assessment and setting the baseline, respectively. Option 3 is based on bilateral negotiations between buyer and host country.
24. **Option 1:** A mitigation activity can be implemented and authorised for Article 6 in anticipation of a national policy instrument. As long as the respective policy instrument is not in force or officially announced, the activity's mitigation outcomes can be considered additional, having passed the determination of regulatory additionality, and be authorised as ITMOs. In anticipation of forthcoming legal requirements, the host country can ex-ante restrict the crediting period to end when the requirement enters into force. Alternatively, after the requirement is in place – or a decision has been taken on when it will be in place - the monitoring methodology can be adjusted to account for the new instrument to be part of business as usual (BAU). After the next baseline update, the baseline becomes equal to the activity emissions. If the crediting period ends before that, the renewal would be impossible as the activity would fail the regulatory surplus check. For any period in which the legal requirement is in place, but the activity's baseline has not yet been reassessed, the host country government needs to ensure that the activity's mitigation outcomes are not authorised as ITMOs but count toward the host country's NDC. In this way, Article 6 activities can encourage an early start to activities that, once they become mandatory, will immediately contribute to the host country's NDC.
25. The option to authorise only a short crediting period can also be used if no concrete NDC measure is anticipated, thereby ensuring that the activity's mitigation outcomes could be counted towards the host country NDC after the crediting period ends.
26. **Option 2:** The host country can intentionally adjust the baseline downwards to increase the share of emission reductions counted towards the host country NDC. Adjusting the baseline downwards implies that less mitigation outcomes are available for Article 6 transfers and, consequently, that more mitigation is counted towards the host country's NDC.
27. **Option 3:** Prior to authorization, the buyer and host country negotiate how to share verified mitigation outcomes. This would mean that only a certain fraction of an activity's mitigation outcomes is authorised for transfer under Article 6. If, in such arrangements, the buyer pays for all mitigation outcomes, it essentially provides additional climate finance to the host country. This option is not part of the methodological design of a mitigation activity.

## Rules and Principles

28. This guidance document is developed based on the principles and requirements enshrined in the decisions 2/CMA.3 (UNFCCC, 2021a) and 3/CMA.3 (UNFCCC, 2021b) adopted by the Parties to the PA. Specific principles and requirements addressing NDC alignment include the following [bold added to highlight key terms and provisions]:
29. **Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement**

*“4. Each participating Party<sup>6</sup> shall ensure that: [...]*

*(f) Its participation **contributes to the implementation of its NDC and long-term low-emission development strategy [LT-LEDS]**, if it has submitted one, and the long-term goals of the Paris Agreement.”*

*“17. Each participating Party shall ensure that the use of cooperative approaches **does not lead to a net increase in emissions of participating Parties within and between NDC implementation periods or across participating Parties** and shall **ensure transparency, accuracy, consistency, completeness and comparability** in tracking progress in implementation and **achievement of its NDC** by applying safeguards and limits set out in further guidance by the CMA.”*

<sup>6</sup> Defined in Paragraph 3 as “Party participating in a cooperative approach that involves the use of ITMOs”



### 30. Rules, modalities, and procedures of the Article 6.4 mechanism

“27. A host Party may specify to the Supervisory Body [...]:

(b) **Crediting periods** to be applied for [...] activities that it intends to host, [...] with an explanation of how those crediting periods are **compatible with its NDC** and, if it has submitted one, its **long-term low GHG emission development strategy**”.

“28. Each host Party shall ensure that, on a continuing basis [...]:

(b) Its participation in the mechanism **contributes to the implementation of its NDC**, and its **long-term low GHG emission development strategy** if it has submitted one.”

“31 (d) (ii) [The activity shall] minimize the risk of **non-permanence** of emission reductions over **multiple NDC implementation periods**, and, where reversals occur, ensure that these are addressed in full”.

“33. Mechanism methodologies shall [...] **align with its NDC**, if applicable, its **long-term low GHG emission development strategy if it has submitted one** and the long-term goals of the Paris Agreement.”

“40. The host Party shall provide [...] an approval of the activity, [which] shall include: [...]

(c) Explanation of **how the activity relates to the implementation of its NDC** and how the expected **emission reductions or removals contribute to the host Party's NDC** [...].”

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