



## Overview of Article 6 decisions and its implementation: sharing experiences from the Mutual Learning Program for Enhanced Transparency

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# Topics

## 1. Overview of Article 6 decisions and necessary arrangements for the participation to Art. 6.2

- Overview of Art. 6 rulebook
- Major decisions and future perspectives on Art. 6.2 and Art. 6.4
- Necessary arrangements for the participation to Art. 6.2 (e.g. JCM)

## 2. Sharing experiences from the Mutual Learning Program for Enhanced Transparency (MLP) on Art. 6 reporting

- Overview of the MLP and activities in 2021-2022
- Key discussion points on Art. 6 reporting
- Future implementation

## **1. Overview of Article 6 decisions and necessary arrangements for the participation to Art. 6.2**

## Overview of Art. 6 rulebook

### Art. 6.2

#### **Guidance on cooperative approaches (Accounting Framework)**

- Definition of internationally transferred mitigation outcomes (ITMOs)
- Corresponding Adjustments (CA) for avoidance of double counting
- Reporting, Review and Registry
- Support for adaptation action (Voluntary contribution)

### Art. 6.4

#### **Rules, modalities and procedures for the mechanism (New Crediting Mechanism)**

- Establishment of Supervisory Body and Rule on Art6.4  
(Participating requirement, Mechanism Cycle, Principle of methodologies, SOP and OMGE)
- CA for avoidance of double counting
- Transition of CDM projects and CER

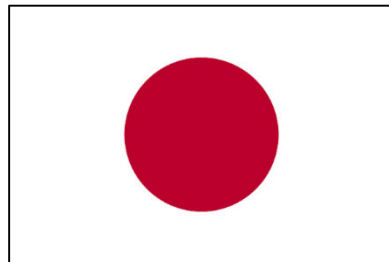
### Art. 6.8

#### **Work programme under the framework for non-market approaches**

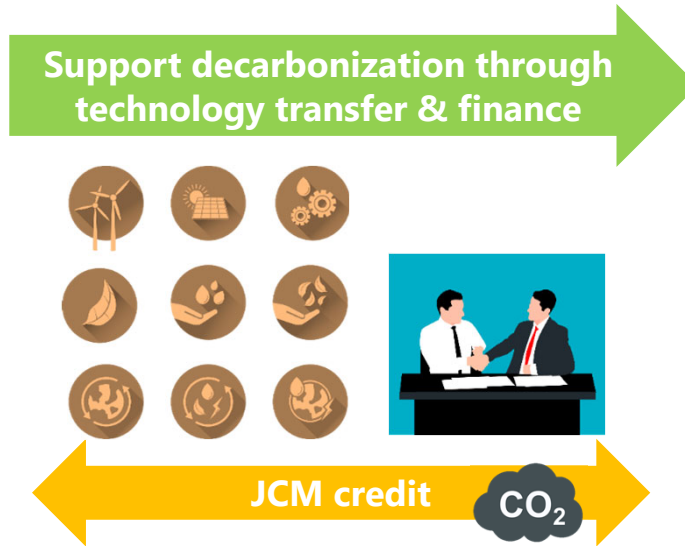
- Establishment of Glasgow Committee
- Principle of Non Market Approaches
- Future work programme

※SOP (Share of Proceeds), OMGE (Overall Mitigation in Global Emissions), CDM (Clean Development Mechanism), CER (Certified Emission Reduction)

## Art. 6.2 : Accounting mechanism to transfer/use ITMOs



**Use for NDC**  
(Private sector also acquire credit)



**GHG ERs through project implementation**  
(Current estimation: 19.2 million by 2030)

### Other initiatives



**Switzerland**  
(Klik Foundation)

- ◆ 6 countries (Peru, Ghana, Senegal, Georgia, Vanuatu and Dominica)
- ◆ Avoidance of double accounting and claiming



**Sweden**  
(Swedish Energy Agency)

- ◆ Dominica and Ghana
- ◆ Call for submission on Mitigation Activity Design Documents (MADD)



**Australia**  
(Indo-Pacific Carbon Offset Scheme)

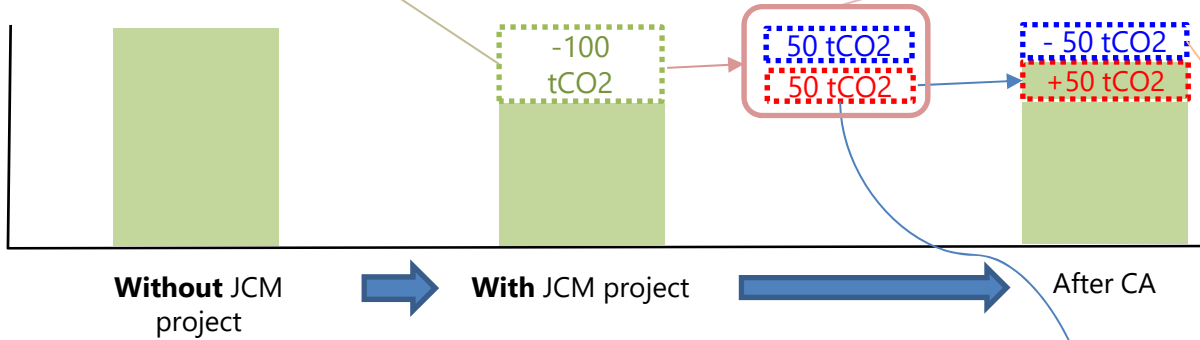
- ◆ Fiji and PNG
- ◆ \$104 million investment in the next 10 years
- ◆ High integrity carbon offset

# Concept of CA (e.g. JCM)

1. ERs from JCM projects supported by Japan

2. Credit issuance and first transfer of ITMOs (JCM credits issued in the JCM registry of Japan)

GHG emissions of JCM partner country

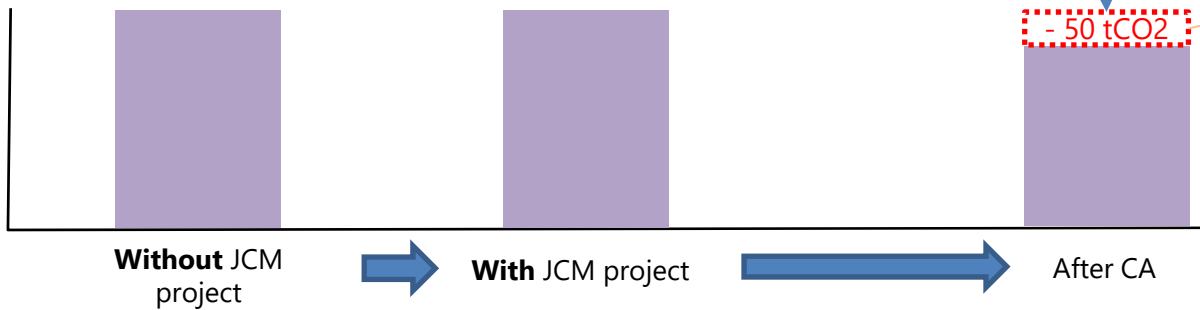


Credits issued in the JCM registry of JCM partner country represent domestic ERs (Contribution to NDC)

3. CA for ITMOs  
 - Addition for JCM partner country  
 - Subtraction for Japan

Overall ERs  
 JCM partner country : - 50 tCO2  
 Japan : - 50 tCO2

GHG emissions of Japan



※ERs = emissions reductions

# What are ITMOs? What is the scope of Corresponding Adjustment (CA)?



ex. PJ started in 2016

ERs are not eligible for ITMOs

2021

ERs are eligible for ITMOs

2030

- 1 For use towards NDC achievement
- 2 For use for international mitigations purposes (CORSIA etc)
- 3 For use for other purposes

※ CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation)

Participating Party needs to prepare **authorization arrangement**

Credit

**ITMOs** (credit under PA)  
 = Can be used for NDC  
 = Need **authorization** and CA

Credit outside of PA  
 = Cannot be used for NDC  
 = No need of **authorization** and CA

Credit used for NDC achievement

Art6.4 credit used for NDC achievement and other international mitigation purposes

Credit used for CORSIA etc

Credit used for voluntary cancellation

Credit without international transfer

- Use for voluntary target set by companies in the country where project implemented
- Use for claiming voluntary contribution (finance and ERs) by invested or financed company

## Art. 6.2 : Major decisions and future expectation

- ▶ Environmental integrity is one of the important elements under Art6.2. Importance of human rights and indigenous people are also recognized.

More detailed rule will be adopted in 2022 (COP27 in Egypt)

Method for  
Corresponding  
Adjustments (CA)

- Trajectory or Budget approach
- Average approach
- CA for Non GHG metrics

In the future CMA session, safeguard and limit will be considered.

Report and Review

- Initial Report
- Annual Information
- Regular Information
- Review by Art6 experts (Desk review or Centralized review)



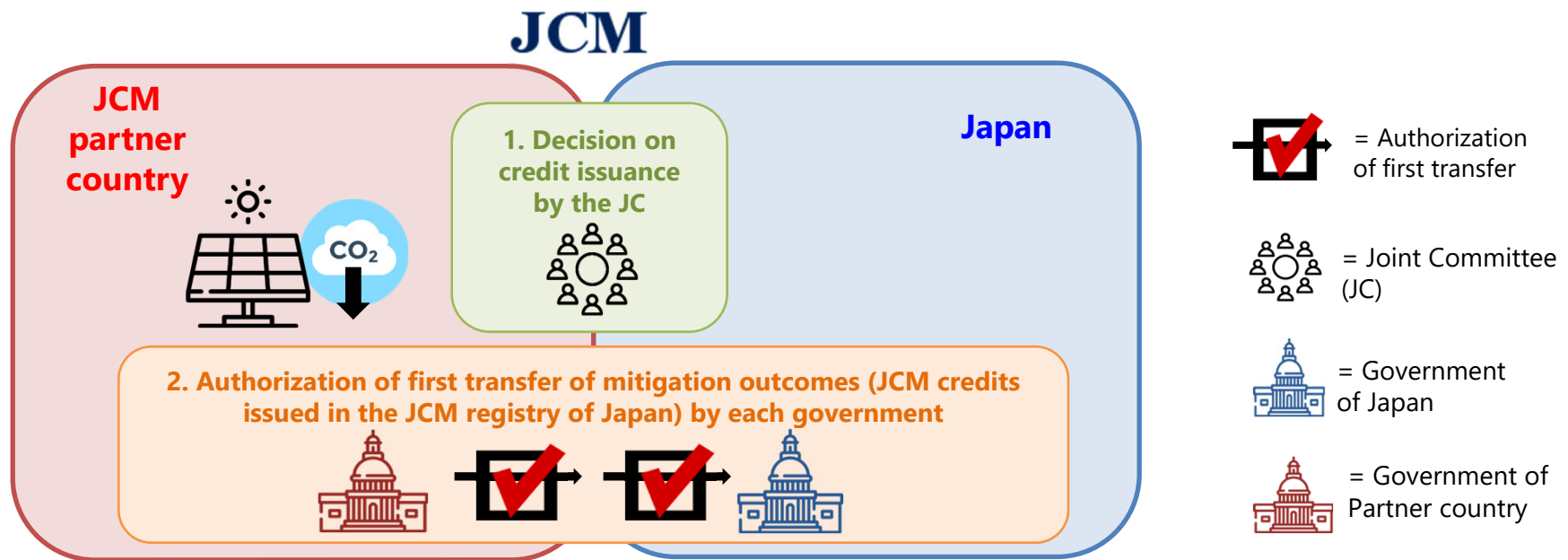
CMA (Conference of the Parties serving as the meeting of the Parties to the Paris Agreement)



## Participation responsibilities for participating Parties to Art. 6.2 (e.g. JCM)

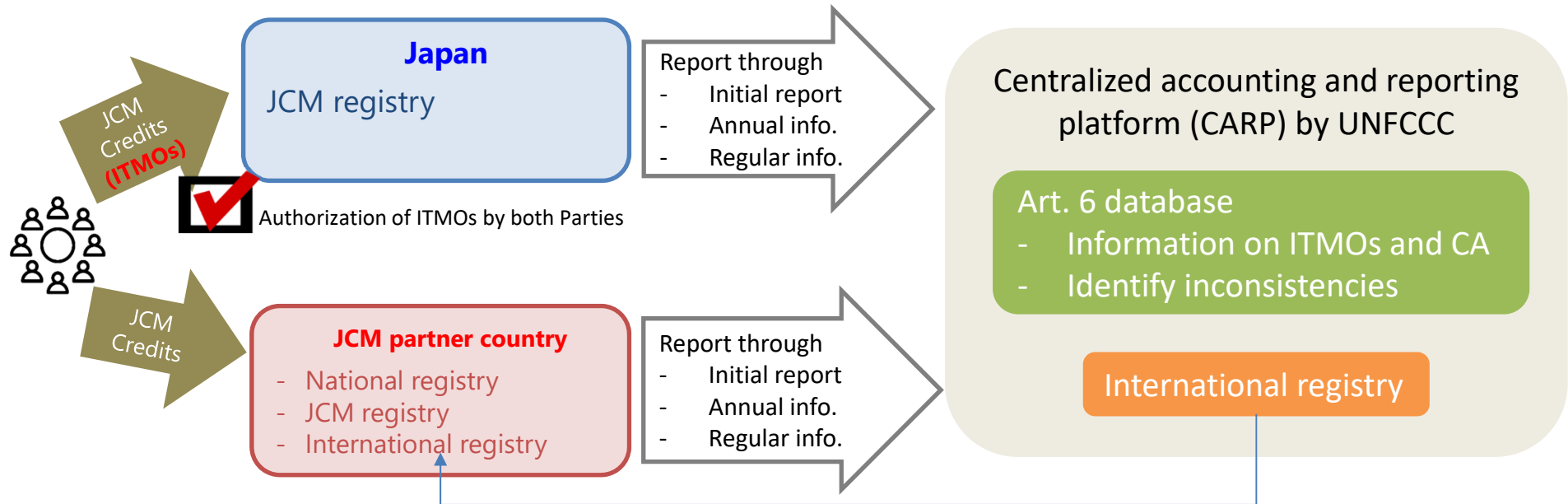
(a) To be a Party to the PA	→ Already fulfilled, and need to keep meeting the conditions continuously
(b) To communicate and maintain an NDC as per Art. 4.2	
(c) To have arrangements for authorizing the use of ITMOs	→ To be fulfilled by each Party, with bilateral coordination, as appropriate
(d) To have arrangements for tracking ITMOs	
(e) To provide the most recent NIR as per decision 18/CMA.1	→ To be fulfilled by each Party
(f) Its participation contributes to its NDC, LT-LEDS (as applicable), and long-term goals of the PA	→ To be fulfilled with bilateral coordination (e.g. on project type, credit allocation, etc.)

# Arrangements for authorizing the use of ITMOs



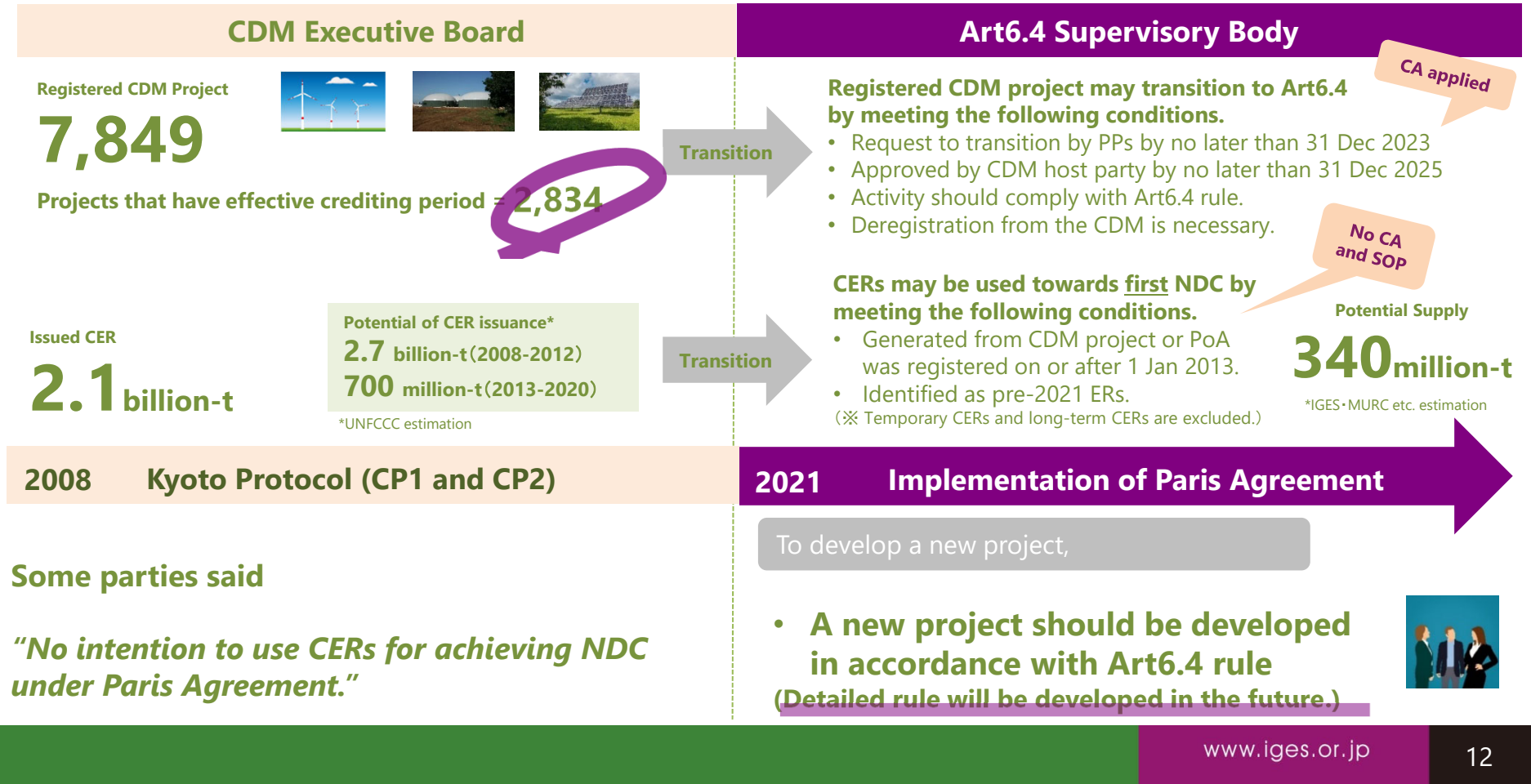
- Apart from the decision on credit issuance by the JC, authorization by each government is necessary.
- Each Party should prepare domestic (unilateral) arrangements for authorization (e.g. Japan will make decisions on authorization at the inter-ministerial committee consisting of members from JCM related ministries (the JCM Promotion and Utilization Council)).

## Arrangements for tracking ITMOs



- Each Party should decide on arrangements for tracking ITMOs (e.g. Japan will use the JCM registry system for Japan).
- Both JCM partner countries and Japan should record and report the JCM credits issued in the JCM registry of Japan and authorized by both governments.

# Art. 6.4 : Decision on CDM transition



## Art. 6.4 : Major decisions and future expectation



More detailed rule will be developed in next 2-3 years

### Supervisory Body

- Each UN regional groups (10 members (2 each group))
- 1 member from LDC
- 1 member from SIDS

2 meetings in 2022

- Development and approval of methodologies
- Registration of Art6.4 activities, Issuance of credit and renewal of crediting period
- Consideration to address human rights and indigenous people etc., Application of robust, social and environmental safeguards and Development of tools and approaches on sustainable development
- Development of Art6.4 website

More details are necessary

### Mechanism Cycle under Art6.4

A. Activity

D. Validation

G. Verification

J. First Transfer

B. Methodologies

E. Registration

H. Issuance

K. Voluntary Cancellation

C. Approval & Authorization

F. Monitoring

I. Crediting Period

L. Appeal Process

### SOP and OMGE

(SOP) Levy of 5% of Art6.4 ERs at issuance

(OMGE) 2% of issued Art6.4 ERs for cancellation

- Cancelled Art6.4 ERs cannot be transferred or used for any purpose.
- CA applied for remaining issued Art6.4 ERs.
- Voluntary cancellation of Art6.4 ERs is possible for further OMGE.

※Abbreviation  
SOP (Share of Proceeds)  
OMGE (Overall Mitigation in Global Emission)

## **2. Sharing experiences from the Mutual Learning Program for Enhanced Transparency (MLP) on Art. 6 reporting**

# Mutual Learning Program for Enhanced Transparency (MLP)

## Purpose:

- Understand how to apply the reporting guidance under Art. 6 and 13
- Explore improvement areas of next reporting
- Strengthen a network of institutions & individuals working on Art. 6&13 reporting

## Activity:

- 3 meetings & 2 reporting exercises

## Output:

- Draft reporting on Art 6 and 13

## Participants and topics in 2021-2022:

### Art. 6:

1. Chile (Article 6 Taskforce) – Thailand (TGO) – IGES

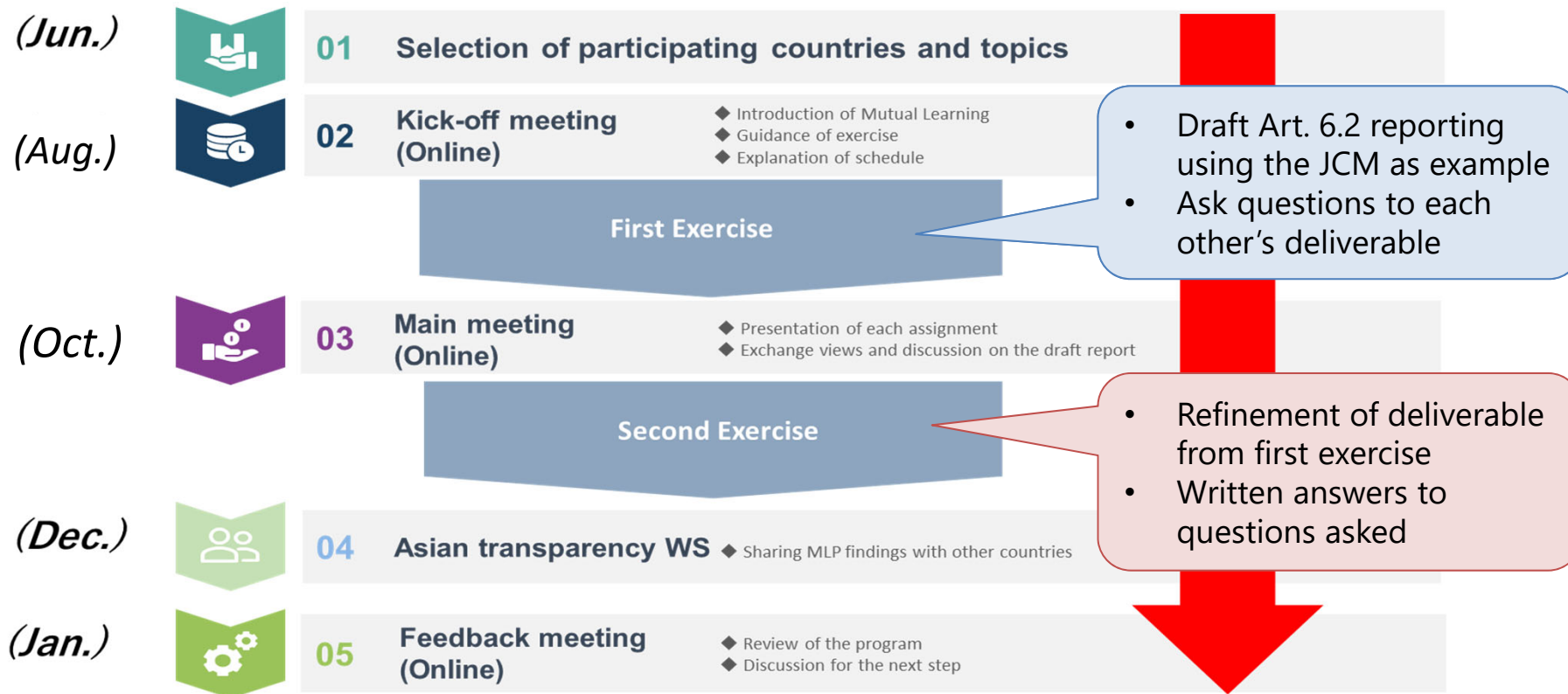
2. Indonesia (CMEA, MOEF) – Mongolia (MET)

### Art. 13:

3. Indonesia (MOEF) – Thailand (PCD) – IGES

TGO: Thailand Greenhouse Gas Management Organization  
CMEA: Coordinating Ministry for Economic Affairs of Indonesia  
MET: Ministry of Environment and Tourism of Mongolia  
MOEF: Ministry of Environment and Forestry of Indonesia  
PCD: Pollution Control Department of Thailand

# Overview in 2021-2022

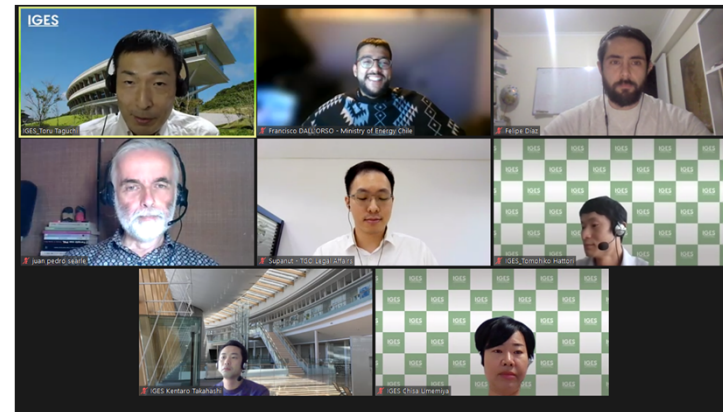


JCM: Joint crediting mechanism



## Exercise : Draft hypothetical Art. 6.2 reporting using the JCM as an example

<p><b>I. Initial report (submission year: 2023).</b></p>	
18.	Each participating Party shall submit an Article 6, paragraph 2 initial report (initial report) no later than the time of providing or receiving <u>authorisation</u> or initial first transfer of ITMOs from a cooperative approach and where practical, in conjunction with the next due biennial transparency report pursuant to decision 18/CMA.1 <sup>2</sup> for the period of NDC implementation. The initial report shall contain comprehensive information to: <ul style="list-style-type: none"> <li>(a) Demonstrate that the participating Party fulfils the participation responsibilities referred to in chapter II (Participation) above;</li> </ul>
	<p><b>II. Participation</b></p> <p>4. Each participating Party shall ensure that:</p> <ul style="list-style-type: none"> <li>(a) It is a Party to the Paris Agreement;</li> </ul>
	<p>Japan accepted the Paris Agreement in November 2016.<sup>3</sup></p>
	<ul style="list-style-type: none"> <li>(b) It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1;</li> </ul>
	<p>Japan communicated the updated NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1 in 2021<sup>4</sup>, which Japan is maintaining in 2023.</p>
	<ul style="list-style-type: none"> <li>(c) It has arrangements in place for authorizing the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3 of the Paris Agreement;</li> </ul>
	<p>Japan authorizes JCM credits issued for emission reductions/sequestration realized on or after January 1, 2021 as a Party to the Paris Agreement, in accordance with the Paris Agreement and related decisions, for use towards the achievement of Japan's NDC and for use in international emission reduction schemes, in accordance with the procedures described below, when those JCM credits are authorized for use by implementing entities.<sup>5</sup></p> <p>The line ministries of JCM implementation establish a council for the purpose of implementing JCM in accordance with the Paris Agreement and related decision documents, as well as bilateral documents for JCM implementation, and rules and guidelines adopted by the Joint Committee (JC) established based on the bilateral document. The council authorizes JCM credits as a Party to the Paris Agreement.<sup>6</sup> <b>The JC will serve as a forum for relevant coordination (e.g., corresponding adjustment).</b></p>



## Key discussion points

1. Terminologies for Art. 6 reporting with the JCM
2. Concept of corresponding adjustments (CA)
3. Application of different CA methods (i.e. trajectory and average)

CA: Corresponding adjustment

## Hypothetical reporting exercise on ITMOs status (Unit: tCO<sub>2</sub>eq)

### <Participant A from a Transferring Party>

Year	ITMO authorization	First transfer	Subsequent transfer	Acquisition	Holdings	Cancellation	Use towards the NDC	Authorization for other international mitigation purposes
2016	157	125	0	0	32	0	32	0
2017	8947	7158	0	0	1789	0	1789	0
2018	9206	7364	0	0	1842	0	1842	0
2019	1	0	0	0	1	0	1	0

### <Participant B from a Transferring Party >

Year	ITMO authorization	First transfer	Subsequent transfer	Acquisition	Holdings	Cancellation	Use towards the NDC	Authorization for other international mitigation purposes
2016	73	73	-	-	-	-	-	-
2018	141	141	-	-	-	-	-	-
2020	24,468	24,468	-	-	-	-	-	-

# Hypothetical reporting exercise on corresponding adjustments

## <Participant C from a Transferring Party >

	Unit	Reporting year			Cumulative
		2016	2018	2020	
A) Emissions and removals from sectors and GHGs covered by the NDC <i>{e.g., use past data from GHG inventories}</i>	tCO <sub>2</sub> eq	XXX	XXX	XXX	
B) ITMOs first transferred <i>{e.g., credits issued for Japan}</i>	tCO <sub>2</sub> eq	73	141	24,468	24,682
C) Mitigation outcomes authorized for other international mitigation purposes	tCO <sub>2</sub> eq	-	-	-	
D) ITMOs used towards the NDC	tCO <sub>2</sub> eq	-	-	-	
E) Corresponding adjustments as per the method referred to in paragraph 8 <i>{to choose 8.(a)(i), (ii) or 8.(b)}</i>	tCO <sub>2</sub> eq	8,227.33	8,227.33	8,227.33	24,682
F) Annual emissions balance	tCO <sub>2</sub> eq	XXX + 73	XXX + 141	XXX + 24,468	

# Hypothetical reporting exercise on different CA methods

<Participant D from an Acquiring Party>

Regular information reported in BTR1, which will be submitted in 2024:

Year	2021	2022	2023	2024	Cumulative
ITMOs transferred from a Transferring Party to an Acquiring Party	0	0	1,000	-	1000
Vintage	500	500	-	-	1000
Single year target in 2030					
Trajectory					
Difference of (annual emissions and removals) - (indicative emissions trajectory)	500	450	-	-	950
1: ITMOs used in the year of first transfer (immediate use)	-500	-450	-	-	-950
Average					
2: ITMOs used in the NDC target year (cumulative use)	0	0	-	-	0
3: ITMOs used in the year of first transfer (immediate use)	(-500)	(-500)	-	-	(-1000)

- Trajectory: *Whether CA should be linked with vintage of ITMOs?*
- Latest year to be reported: *Whether CA should be reported up to the latest year reported in GHG inventories, i.e. X-2?*
- Timing to use ITMOs: *Whether indicative CA is required only for "used" ITMOs?*

## For future implementation of MLP

- With adoption of Art. 6.2 guidance, we can start preparing reporting under Art. 6
- Practical exercise and learning what other countries think/do, using the JCM as an example, will help all of us to improve the understanding of adopted Art. 6.2 guidance
- Mutual Learning Program for Enhanced Transparency (MLP) can offer you an opportunity to do so!
- We're open for interested countries to work together in MLP for 2022-2023.

Thank you for your attention.

<https://www.iges.or.jp/en/projects/transparency>

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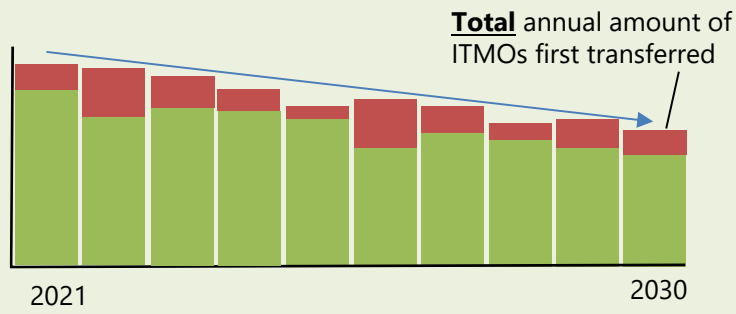
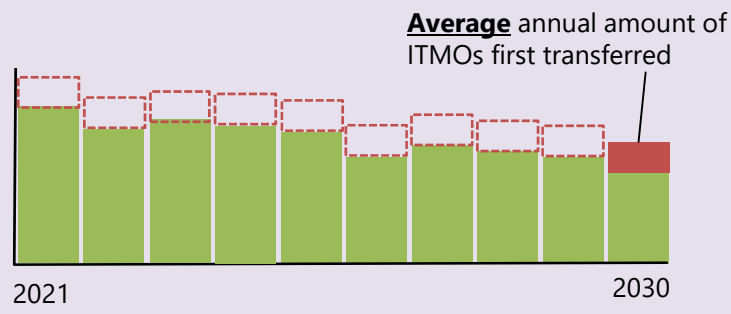
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# Annex



## CA approaches

Approach	<b>(Indicative) multi-year emissions trajectory, trajectories or budget</b>	<b>Average</b>
NDC type	Single-year / multi-year	Single-year
Method	<ol style="list-style-type: none"> <li>1. Provide an (indicative) <b>multi-year emissions trajectory</b>, trajectories or budget that is consistent with the NDC</li> <li>2. Annually apply CA for the <b>total</b> amount of ITMOs first transferred and used for each year</li> </ol>	<ol style="list-style-type: none"> <li>1. Calculate the <b>average</b> annual amount of ITMOs first transferred and used (i.e. cumulative amount of ITMOs divided by number of elapsed years)</li> <li>2. Annually apply indicative CA equal to this average amount for each year and apply CA equal to this average amount in the NDC year</li> </ol>
Simple figure (CA for Transferring Party)	 <p><b>Total</b> annual amount of ITMOs first transferred</p>	 <p><b>Average</b> annual amount of ITMOs first transferred</p>
	