

# Nigeria's Article 6 Framework

Paving the path for significant participation in cooperative mechanisms under the Paris Agreement

CAPACITY BUILDING WORKSHOP JANUARY 30<sup>TH</sup> – 31<sup>ST</sup> 2024  
DAY 1



Federal Republic of Nigeria



# Introductory Statements



Federal Republic of Nigeria



# AGENDA DAY 1

Time	Activity
9:30 – 10:00	Introductory Statements (2 minutes each):
10:00 – 11:30	Session 1: What is Article 6 & why participate? Speaker: Matias Ryberg – Neyen Consulting
11:40 – 11:55	Break
11:55 – 13:00	Session 2: Article 6.2 activities Speaker: Johan Nylander - Neyen Consulting
13:00 – 14:00	Lunch Break
14:00 – 14:45	Group Exercise 1: Brainstorms, participants split into small groups and answer the questions below and then share insights with participants. Moderators: Neyen Consulting / NCCC
14:45 – 15:50	Session 3: Governance and institutional framework for participation and fulfilling reporting requirements Speakers: Matias Ryberg and Johan Nylander – Neyen Consulting
15:50 – 16:05	Break
16:05 – 17:00	Group Exercise: Moderators: Neyen Consulting / NCCC
17:00 – 17:30	Q & A of Sessions 2 and 3 – Group Exercise Discussion
17:30 – 18:00	Short Q & A and Closing Remarks

# Objectives



Introduce the key components of the Paris Agreement's Article 6 and present key aspects for the operationalization of Article 6.2 in Nigeria.



Increase the understanding of Article 6.2 requirements among members of the Government of Nigeria and stakeholders.



Advance the development of Nigeria's Article 6 Framework.

# Session 1: What is Article 6 & Why participate?

Speaker: Matias Ryberg – Neyen Consulting



Federal Republic of Nigeria



# Content of the session

- The Paris Agreement Ambition Cycle
- International collaboration towards NDC achievement
- Article 6 Structure: Approaches covered by Article 6
- Article 6.2 participation requirements.
- Article 6.4
- Paris Agreement Rulebook
- Article 6 key basic concepts reminder



# The Paris Agreement Ambition Cycle

# The ambition cycle (1/2)

- The objective of the Paris Agreement is “to hold the increase in global average temperature to well below 2 degrees Celsius (°C) above pre-industrial levels and to pursue efforts to limit it to 1.5°C (Article 2).



- The ambition cycle is a “ratcheting-up” mechanism which aims to increase ambition based on regular stocktakes of information from Parties, submissions of progressive national climate plans, and the latest science on climate change

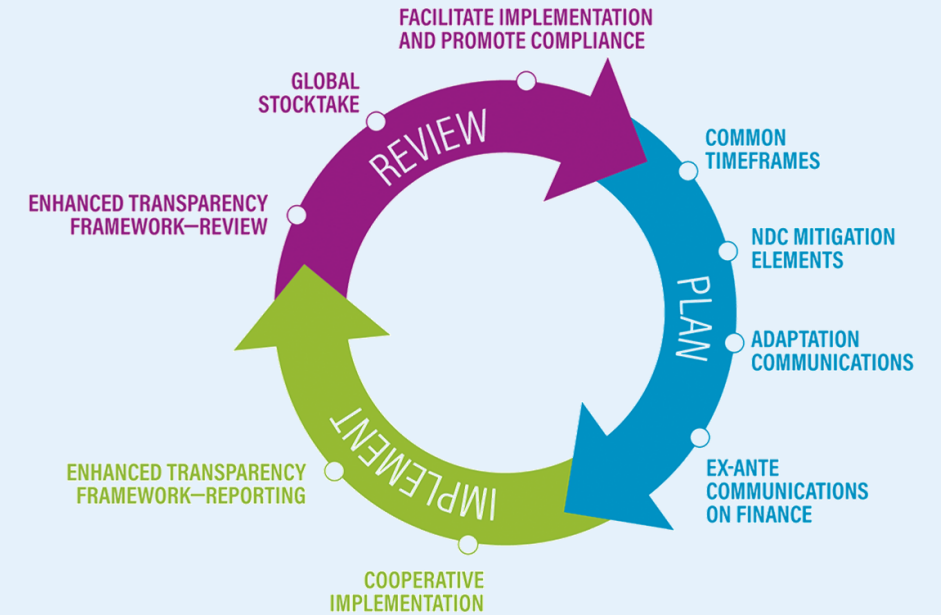
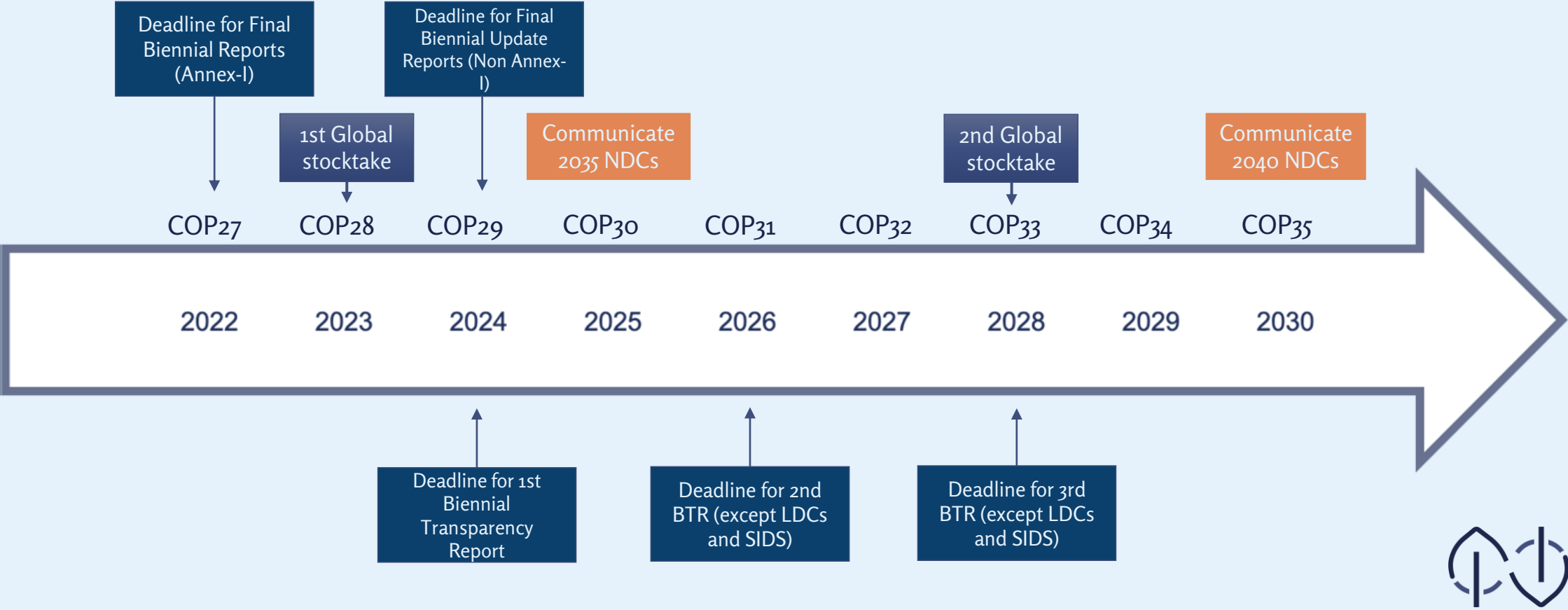


Figure 1. The ambition cycle. Source: World Resources Institute





# The ambition cycle (2/2)



# Nationally Determined Contributions (NDCs)

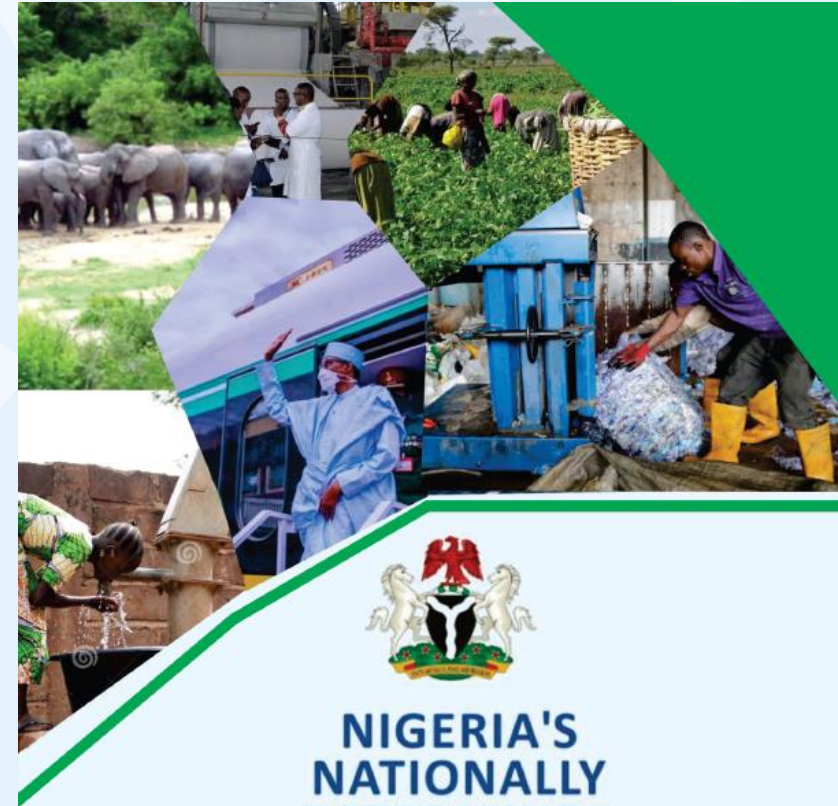
- The **cornerstone of the Paris Agreement** is the NDCs and the goal of improving their ambition overtime towards 1.5°C.
- NDCs are **self-defined, nationally developed**, contributions to reduce emissions and adapt to climate change. The NDCs contain different types of contributions and targets that can be measured by different indicators.
- The Paris Agreement (Article 4, paragraph 2) requires each Party to “*prepare, communicate and maintain successive nationally determined contributions (NDCs) that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.*”



# Nigeria's NDC

- Nigeria's updated NDC reiterated the country's **unconditional** economy-wide target to **reduce emissions by 20% by 2030** relative to business-as-usual, and increasing its **conditional target from 45% to 47%**.
- While the targets appear similar to those of the initial NDC, **revised baseline conditions** – based on more accurate economic growth projections – mean that they represent a **rise in ambition**.
- Updates include an analysis of the potential of Nature-Based Solutions (NBS) to contribute to mitigation efforts and the integration of the water and waste sectors to the adaptation component.

IMPORTANT CONCEPT REMINDER:  
CONDITIONAL VS. UNCONDITIONAL



**NIGERIA'S  
NATIONALLY  
DETERMINED  
CONTRIBUTION**

# Paris Agreement vs. Kyoto Protocol

## PARIS AGREEMENT

- Bottom-up approach
- Larger role for developing countries
- Developing countries commit through their NDCs
- Relatively weak compliance regime, building primarily on transparent reporting as the means for assessing progress against its objectives.

## KYOTO PROTOCOL

- Top-down approach
- Limited role for developing countries
- Developing countries do not have targets
- Compliance risk for Annex 1 countries only



# International Cooperation

- The Paris Agreement promotes voluntary cooperation in the implementation of Parties NDCs “to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity”.
- International cooperation can have an important role in the achievement and implementation of NDCs, promoting higher mitigation ambition, and creating other benefits like ensuring the **cost-effectiveness** of climate actions. For instance,

Research shows that using carbon markets at a global scale can reduce the global cost of delivering the emission reductions identified in the current NDCs by approximately **30% by 2030, and more than 50% by 2050.**

- Article 6 introduces multiple options for cooperation towards achieving the NDCs and higher ambition.



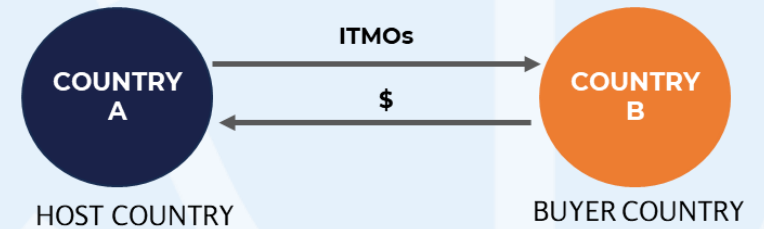


# ARTICLE 6 OVERVIEW

# International Cooperation through Article 6

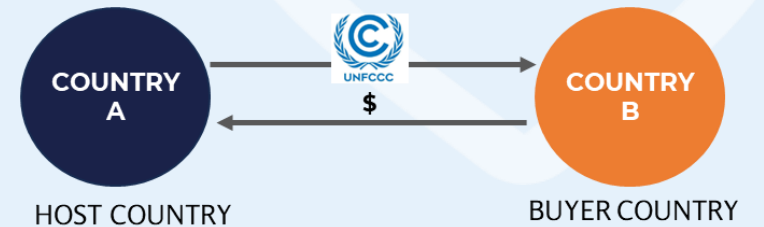
## Article 6.2

Host Country A transfers Article 6.2 units (ITMOs) to buyer Country B through a bilateral agreement. A decentralized approach, where countries A and B decide the rules and procedures of the cooperation, following UNFCCC guidelines. Cooperation can also be multilateral.



## Article 6.4

Country A generates units through a UNFCCC centralized mechanism and transfers them to country B. UNFCCC Supervisory Body governs the mechanism of Article 6.4 and oversees the validation, verification, and registration of projects.



## Article 6.8

Country B voluntarily uses a UNFCCC web platform to provide free-access resources to other countries without a market transaction. This can include, for instance, sharing the successful blueprint for a nationwide energy program.





# ARTICLE 6.2



# What is Article 6.2?

- Article 6.2 of the Paris Agreement allows countries to **collaborate to achieve their climate change targets** through carbon trade.
- This creates an international carbon market
- Governments have a high involvement, but the participation of the private sector is key
- Countries exchange ITMOs which represent units of emission reductions or removals. These units can be used towards the achievement of an NDC (Nationally Determined Contribution) in the country that acquires them.
- The Paris Agreement requires from all participants the ability to produce national inventories and track progress towards NDCs, which implies that exporting and importing carbon credits (ITMOs) becomes part of the NDC accounting.



# Article 6.2 participation requirements

- It has to be a Party to the Paris Agreement
- It has prepared, communicated and is maintaining an NDC
- It has arrangements in place for authorizing the use of ITMOs towards achievement of NDCs
- It has arrangements in place for tracking ITMOs
- It has provided the most recent national inventory report required
- 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.



# Article 6 – implications for developing countries

## In the Kyoto Protocol

- Developing countries **participated in the international carbon market as hosts for CDM projects**
- The approval of CDM activities implied confirming that participation was voluntary and contributed to sustainable development in the country. There was **no compliance risk for the host country**. Hence, most countries were willing to deliver approvals without implementing complicated approval processes.

## In the Paris Agreement

- Developing countries have targets through their NDCs and can participate as sellers or buyers of mitigation outcomes.
- Countries are expected to report to the UNFCCC ex post on how mitigation actions contribute to the NDCs of host and partner countries and are consistent with sustainable development and environmental integrity requirements.
- Countries will have to regulate Article 6 implementation domestically.





# ARTICLE 6.4

# Article 6.4 Requirements

- Ratification of the Paris Agreement and submission of NDC (Article 6.2)
- Designation of national authority, and indication to the Supervisory Body
- How its participation in the mechanism contributes to sustainable development;
- Types of activities that it would consider approving
- How such types of activity and any associated emission reductions would contribute to the achievement of its NDC



# Article 6.4 Implications (1/2)

The mechanism introduced by Article 6.4 replaces the Clean Development Mechanism (CDM) of the Kyoto Protocol. Through it, a host country generates mitigation units via a **centralized procedure under the UNFCCC** (that manages the whole activity cycle) and transfers them to a purchasing entity, which could be another country, a company under voluntary or mandatory obligations, or even an individual. This is seen by some as a key approach to facilitating private sector participation.

When mitigation outcomes from this mechanism are transferred internationally (Article 6.4 emission reductions, A6.4ER), they will be subject to the guidelines of Article 6.2. However, the level of institutional and regulatory capacity required to manage the activity cycle is less demanding for host countries, as much of it is directly managed by the UNFCCC, which reduces the implementation burden for those. **Article 6.4 is hence considered the preferred option for countries with limited public sector engagement capacity.**

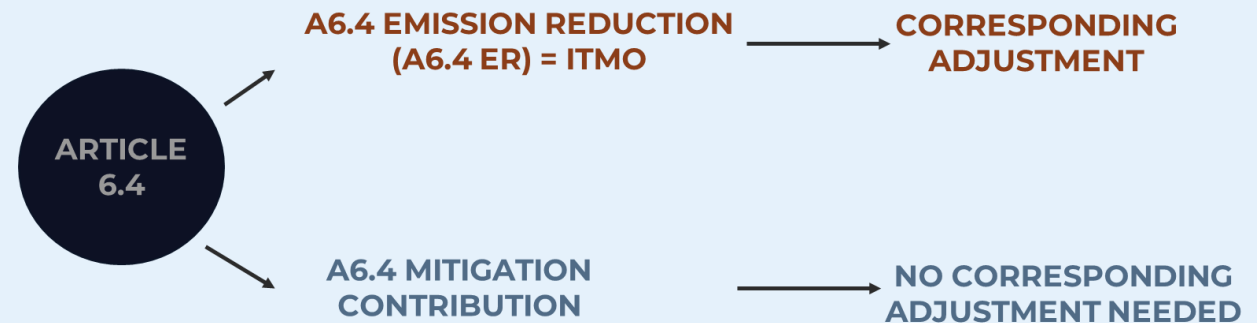
The rules, modalities, and procedures agreed upon at COP26 include provisions related to the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, credit periods, voluntary cancellation, and other processes, as well as the establishment of a UNFCCC authority (the Supervisory Body) to oversee the mechanism's operation. The Glasgow decision made the mechanism operational. The supervisory body held its first meeting at the end of July 2022.

The rules, modalities, and procedures of Article 6.4 require that the host country, before participating in the mechanism, has designated a national authority to carry out the necessary approvals, authorizations, and declarations. The designated national authority will also be responsible for submitting information to the supervisory body and the secretariat.

# Article 6.4 Implications (2/2)

- **Article 6.4 provisions state that the mechanism "aims (...) to achieve an overall mitigation in global emissions" (Article 6.4, d).** The concept of overall mitigation of global emissions (OMGE) was introduced to ensure that the allocation of carbon credits under the mechanism goes beyond mere compensation. Accordingly, in Decision 3/CMA.3 (paragraph 59), it was agreed that 2% of the mitigation outcomes produced by the Article 6.4 mechanism must be cancelled at the time of issuance. Furthermore, the COP26 decision also introduced a share of proceeds for adaptation, where 5% of the A6.4ERs will be set aside for financing the Adaptation Fund.

- At COP27, it was decided that **Article 6.4 could lead to "mitigation contribution A6.4ERs"**. These are MC6.4ERs not specified as being authorized for use in achieving NDCs or for "other international mitigation purposes". They can be used for result-based financing or in national systems, among others, and do not require corresponding adjustments.



- **The Article 6.4 mechanism could be attractive for parties and private entities with CDM experience.** CDM activities can transition to Article 6.4, provided that the transition request was made before the end of 2023 and the host country approves the re-registration as activities under Article 6.4 CDM Transition.



# Article 6.4: CDM Transition



CDM projects had the opportunity to transition to the Article 6.4 mechanism, provided they submitted their transition requests by the end of 2023. To date, 1,331 projects and programs of activities have applied to this option.

The transition process, to be conducted by the host countries, has a deadline set for the end of 2025. Host countries will need to **apply corresponding adjustments** to the units generated by projects undergoing this transition.

These projects were permitted to continue utilizing their original CDM methodologies until the end of 2025. Post this deadline, they are required to adhere to the methodologies outlined in Article 6.4.





# Article 6.4 Operationalization

To activate the Article 6.4 mechanism, the Article 6.4 Supervisory Body is tasked with formulating a comprehensive set of rules. These rules encompass methodologies, baseline criteria, safeguards, and guidelines pertaining to emissions removals, among other aspects.

The anticipation was that Parties would reach an agreement on these rules during COP28; however, they were unable to finalize a decision. Ideally, if approval is achieved at COP29, the commencement of related trades could feasibly begin by 2025. It is projected that the initial methodologies adopted under this mechanism will probably be adaptations or evolutions of those already established under the Clean Development Mechanism (CDM).



# Paris Agreement Rulebook

- The Paris Agreement Rulebook refers to the decisions that puts the agreement into operation.
- A large part of the rulebook is the Katowice climate package, which is a 133-page set of decisions that elaborate rules, guidance and modalities.
- Parties agreed on most of the Paris Rulebook at COP24/CMA1 , except for the rules operationalizing Article 6 mechanisms which were subject of negotiations for further 2 years.
- In December 2021 at COP26/CMA3, Parties to the Paris Agreement adopted
- Decision 2/CMA3 containing guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, Decision 3/CMA3 on rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Decision 4/CMA3 containing work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement.
- Annexes to these Decisions 2/CMA3 provides guidance on voluntary cooperation, rules, modalities and procedures for Art 6.4





# ARTICLE 6 AND INDEPENDENT CARBON PROGRAMS (VOLUNTARY CARBON MARKETS)

Article 6 and its impacts on independent carbon programs (ICP)

# Article 6 and Independent Carbon Programs

- Article 6 does not directly regulate Independent Carbon Programs (ICP), which means that in principle, carbon credits can be marketed without referring to Article 6. Indeed, these programs have their own ecosystem of standards, project promoters, and verifiers to ensure that emission reductions are real, measurable, and additional.
- However, given the possible fungibility between the independent market and Article 6, it is possible that the rules of the ICP may evolve to align with those of Article 6. Similarly, these programs will likely need to align their approaches and methodologies with those of Article 6. The Verified Carbon Standard (VCS) has included new labels that will allow to identify credits authorized for use under Article 6 of the Paris Agreement.
- Ultimately, the impact on the independent carbon market will depend on:

- The host country approach. Host countries can decide different approaches, including:

Approach	Possible Impact on ICP
Require corresponding adjustments for all carbon projects under independent carbon programs.	<b>Negative:</b> If CA are required for all projects, it is likely that many projects will be refused given that they do not align with host countries' NDC priorities ( <a href="#">see risks of participating in Article 6</a> ).
Do not allow any corresponding adjustments from carbon projects under independent carbon programs.	<b>Negative:</b> If the market demands credits with corresponding adjustments, ICP would be unable to address that demand.
Allow corresponding adjustments requests from carbon projects under independent carbon programs (on a voluntary basis).	<b>Positive:</b> This approach offers flexibility, allowing requests of CA for the projects that benefit both the buyer and the host country and without CA for those that do not.

- **Market behaviour.** Even if corresponding adjustments are not required by host countries, corporate demand for this type of credits will be a powerful driver towards Independent Carbon Programs with corresponding adjustments.



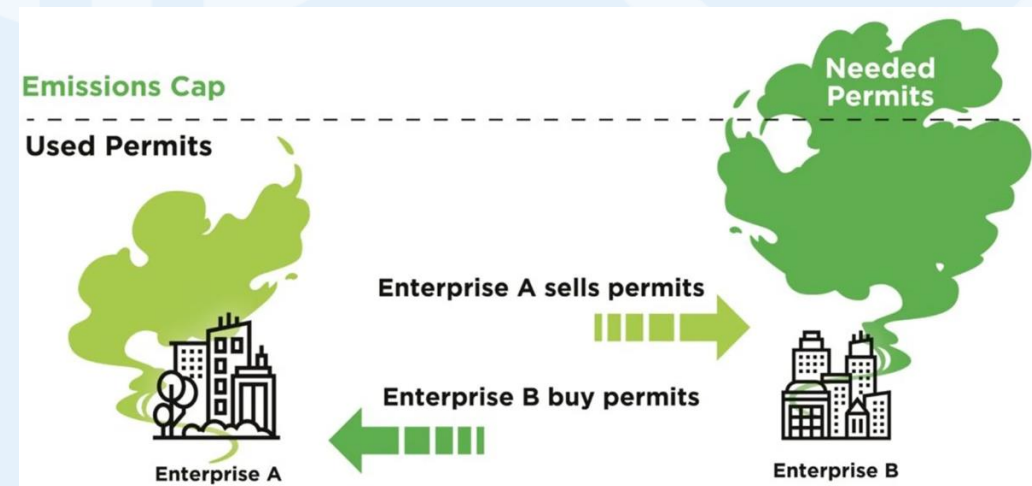


# Article 6

Key basic concepts

# Carbon Trading: The Basic Concept

- The theory about carbon markets is that they should lead to **more efficient use of resources** across an economy **to achieve a given carbon limitation target**.
- International carbon market cooperation is based on the general understanding that since **there is only one atmosphere**, it does not matter where the emissions are released and who will mitigate them. The idea is that **the market will identify the mitigation actions that are easiest to achieve (least marginal abatement costs)** leading to **cost-effective use of resources** for mitigation.
- **Emissions trading (cap-and-trade) at the national level** typically involves a government-set quantitative limit (cap) on the total allowable level of GHG emissions, which has the advantage of helping a country meet its quantitative emission reduction target. A cap-and-trade programme also enables the price for emissions being determined by market supply and demand. The Kyoto Protocol enabled emissions trading at the international level, where countries with targets could trade with each other.



Source: <https://iasbaba.com/2022/12/carbon-trading/>

# Baseline-and-crediting

Baseline-and-crediting mechanisms offer an approach for generating tradeable carbon credits that are used to monetize emission reductions achieved. Under baseline-and-credit mechanisms, entities can invest in mitigation actions and demonstrate that the mitigation actions result in fewer emissions than what would most likely have occurred if action had not been taken. When they do so, they are issued carbon credits.

Baseline-and-crediting mechanisms create opportunities to participate in the international carbon market, facilitate new international finance flows, and provide flexibility through access to mitigation options in other sectors within the jurisdiction. The largest and most internationally far-reaching baseline-and-credit mechanism has been the Clean Development Mechanism (CDM), which was in operation until 2021.

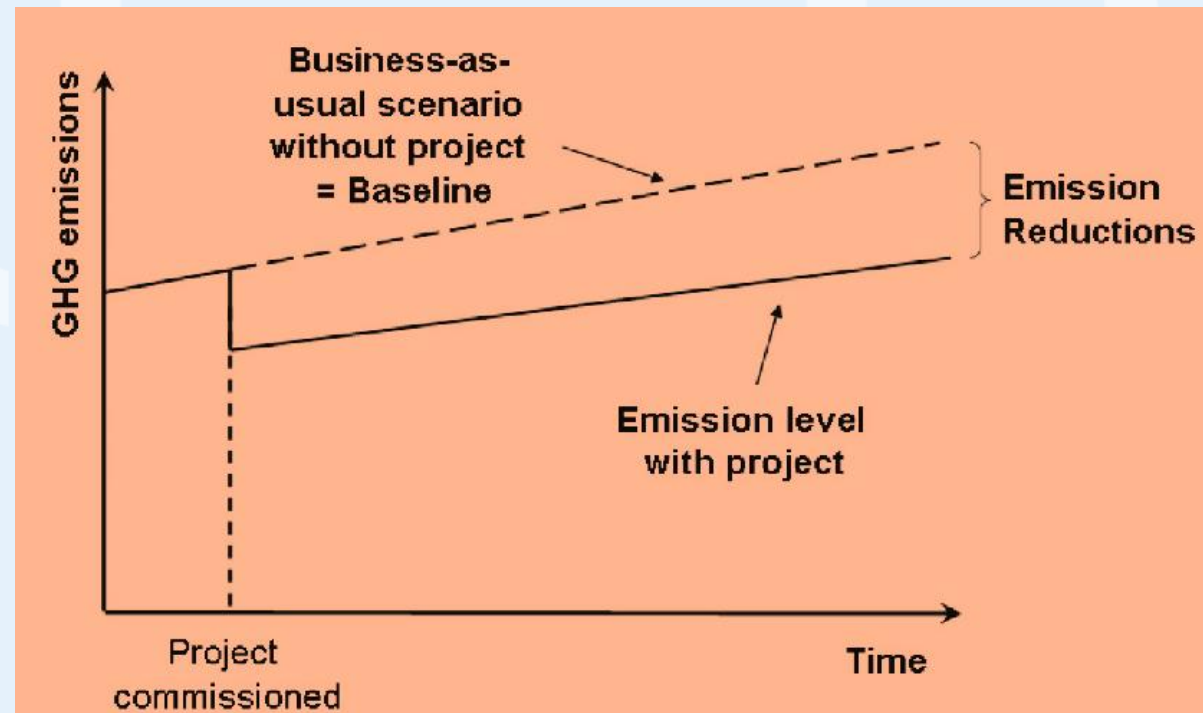


Figure 1. Baseline-and-crediting approach

# Authorization

- Article 6.2 guidance requires authorization for:

The  
cooperative  
approach

ITMOs for a use i.e. towards  
the achievement of an  
NDC or towards other  
international mitigation  
purposes (OIMP)

Participating  
entities in  
cooperative  
approach

Authorization of use of ITMOs is a key step in the Article 6.2 process since it gives the buyer country or company the rights to claim the ITMO and use it to its own NDC or for other international purposes such as compliance with CORSIA targets or voluntary purposes.





# Internationally Transferred Mitigation Outcomes - ITMO

- ITMOs - the result of different types of activities, defined as real, verified, and additional, representing emissions reductions or removals, and including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans or the means to achieve them.



# Internationally Transferred Mitigation Outcomes - ITMO

- Real, verified, and additional
- Emission reductions and removals, including mitigation co-benefits
- Generated in respect of or representing mitigation from 2021 onward
- Measured in metric tonnes of carbon dioxide equivalent (t CO<sub>2</sub> eq) or non-GHG metrics determined by the participating Parties that are consistent with the nationally determined contributions (NDCs) of the participating Parties
- From a cooperative approach referred to in Article 6.2, (that involves the international transfer of mitigation outcomes authorized for use towards an NDC)
- Mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC.
- Article 6, paragraph 4, emission reductions.



# Corresponding Adjustments

- The basic idea of corresponding adjustment is that countries' emissions levels, as reported when they track the progress towards achieving the NDC, should be adjusted to reflect the transfer (export) or receipt (import) of mitigation outcomes. Corresponding adjustments do not change the national GHG inventory. They are adjustments to an emissions balance that represents the sources of emissions and removals covered by the NDC targets.



Figure 3. Corresponding adjustment illustration. Source: UNDP Operationalizing Article 6.2 of the Paris Agreement. E-learning.



# Double Counting

- Double counting happens when authorized MOs are counted towards the NDC target of the transferring country, and they are used to achieve the acquiring country's NDC target at the same time.

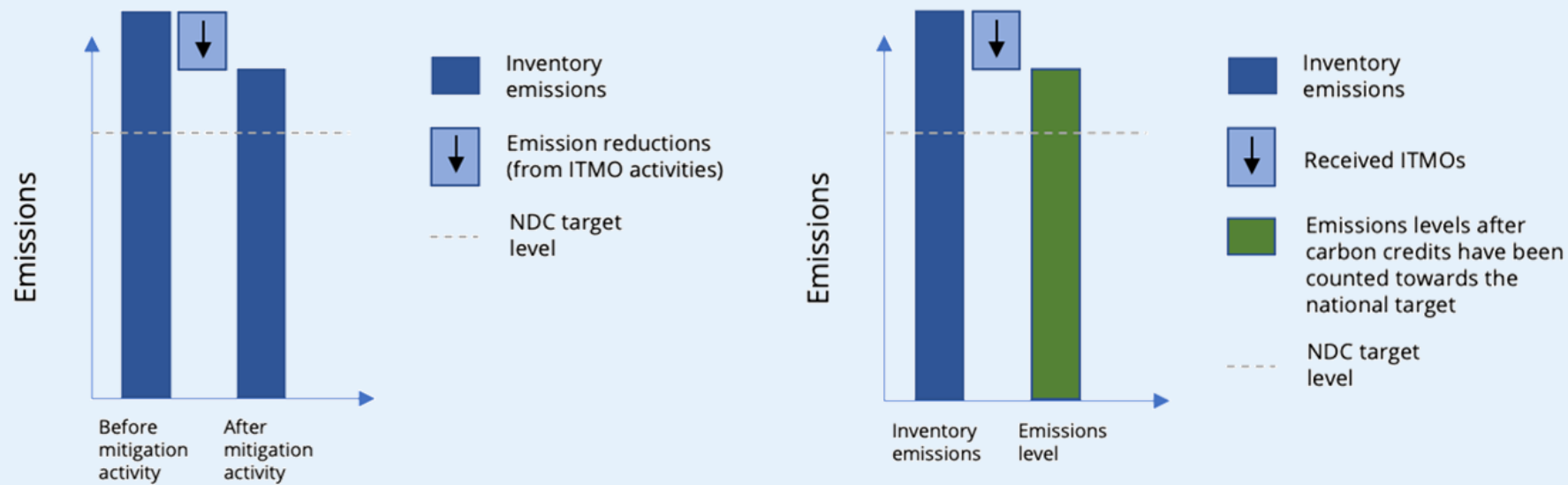
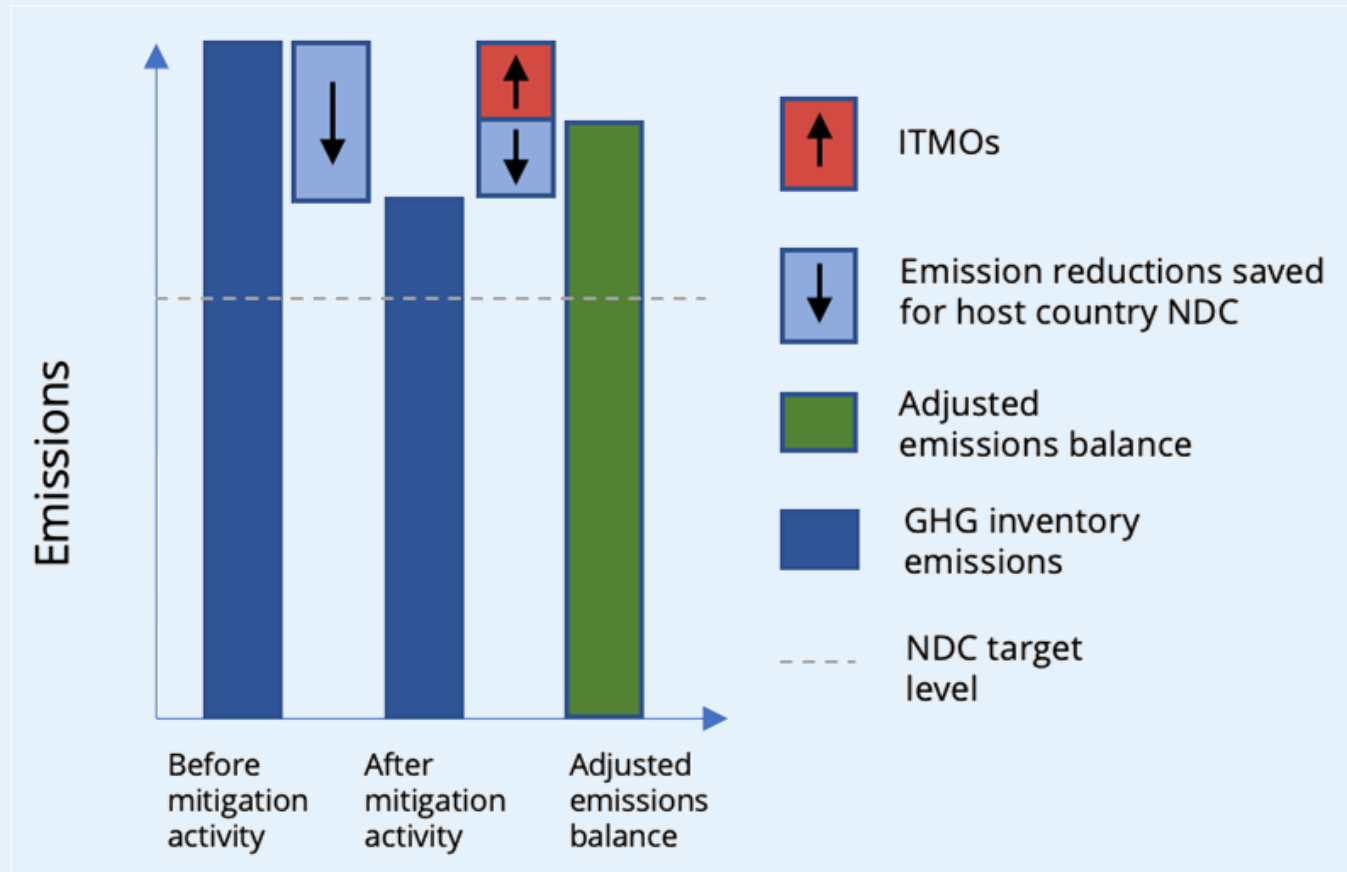


Figure 4. Double counting illustration



# Sharing Mitigation Outcomes



- A country does not have to transfer all mitigation outcomes from a mitigation activity. It can keep a share for its own NDC achievement. Such sharing should be considered in the cooperative agreement.



Figure 5. Sharing Mitigation Outcomes

# ITMOs set aside to support adaptation or overall mitigation of global emissions

- The transferring country may want to cancel mitigation outcomes for achieving net mitigation, or to support adaptation or the countries that are most vulnerable to climate change.
- The concept of Overall Mitigation in Global Emissions (OMGE) has emerged to ensure that carbon crediting goes beyond pure offsetting, i.e., that some of the emission reductions are counted solely towards the benefit of the atmosphere.
- Contributing to the overall mitigation of global emissions and to support adaptation are mandatory under Article 6.4, but not mandatory under Article 6.2.
- However, a participating country may still want to contribute to OMGE and adaptation. The share of ITMOs, including any contribution to OMGE or adaptation, can be decided in the cooperative agreement between participating countries.



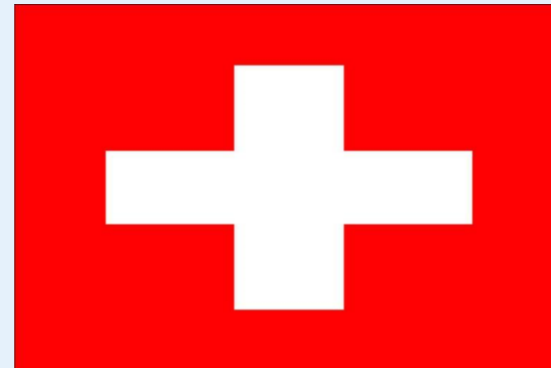
# Bilateral or Cooperative Agreement under Article 6.2

- Bilateral or Cooperative Agreement - Cooperation under Article 6.2 must comply with the guidance adopted at the UN-level, but also bilateral agreements between governments. As well as providing a legal framework for cooperation, these bilateral agreements provide an opportunity for governments to set a higher bar for activities generating mitigation outcomes. Cooperation could also be multilateral.



# Example: Ghana & Switzerland Bilateral Agreement

- Cooperation agreements between two Parties serve to formalize the decision to cooperate in the achievement of NDCs pursuant to Article 6.2 towards a higher ambition.
- The agreement begins with a description of the terms that both Parties are agreeing to the objective of becoming collaborators under Article 6.2, operationalizing that cooperation, and setting out Switzerland as the receiver of ITMOs and Ghana as the transferor.





# Example: Ghana & Switzerland Bilateral Agreement

## Article 1 General Definitions

For instance, mitigation Outcomes (MOs) are defined as a ton of emission reductions or removals measured in CO<sub>2</sub>e

## Article 2 Objectives

Including, framework for Commercial Agreements between both Parties.

## Article 3 Environmental Integrity

For instance, identifies the **requirements of MOs**, which must be:

- Real
- Verified
- Additional
- Permanent or assuring permanence.

Another example is that ITMOs that may be transferred to Switzerland cannot be based on nuclear energy and must avoid locking in carbon-intensive technologies.



# Example: Ghana & Switzerland Bilateral Agreement

## Article 4 Sustainable Development

- Sets out **requirements for ensuring that sustainable development is achieved** or supported through the activities that will result in MOs that will eventually be transferred to Switzerland.

## Article 5 Authorization & Article 6 Authorization Form

- Article 5 highlights specific **requirements for the authorization of units under the cooperation**. It identifies that authorization must take place, clarifying the processes and technical requirements that these must fulfil. These include specifications on the general process and timing of authorization, as well as other requirements such as the need to publish the authorization statement in their registry.
- Article 6 further identifies the key information that both Parties have determined shall be included in the Authorization Form, such as identifying the mitigation activity, details about the applied standard or baseline methodology, crediting period, etc.



# Example: Ghana & Switzerland Bilateral Agreement

## Article 7 Monitoring, Verification, and Examination

In this example, sets out **how the transferring party must carry out Monitoring, Verification, and Examination** of the MOs that it generates under the collaboration. In the context of the bottom-up approach of the Paris Agreement, and particularly of Article 6, Parties can decide how they engage in cooperative approaches. In this case, this is showcased by the choice of the Parties to engage independent verifiers to produce a Verification and Monitoring Report, which must then be assessed and approved nationally.

## Article 8 Recognition of Transfer

Sets out the **process that the Parties must follow to recognize an authorized transfer of an MO**, composed of three steps:

- The transferring party shall ensure the receiver is notified of the transfer, through a predetermined process.
- The transferring party must record the transfer in their registry.
- The receiver shall recognize the transfer in their registry.



# Example: Ghana & Switzerland Bilateral Agreement

## Article 9 Registry

Sets out the **key requirements that both Parties have agreed on for their registries to track ITMOs**. In this instance, the text notes that the registry must be publicly available, include unique identifiers for ITMOs, and that the Parties may decide on the use of a shared registry between them.

## Article 10 Corresponding Adjustment

Identifies the **process and conditions under which corresponding adjustments are to be made** relative to the MOs that are used toward an NDC.

## Article 11 Annual Reporting

The **requirements for Annual Reporting as set out in the Paris Agreement**. It highlights that both Parties must make an annual submission to the Secretariat of the Paris Agreement to report the number of ITMOs that were transacted, generated, cancelled, used, or held.



# Example: Ghana & Switzerland Bilateral Agreement

## Article 12 Biennial Reporting

Requirements for the Parties developing and submitting Biennial Update Reports (BUR), as well as the application of corresponding adjustments within the context of accounting, and whether the Parties have achieved the NDC targets.

## Article 13 No Double Counting with International Climate Finance

The resources transacted in the carrying out of cooperation must not be reported under other forms of support in the Paris Agreement, such as Articles 9, 10, or 11.

## Article 14 Competent Authorities

Identifies the competent authorities for both Parties, specifying the ministry responsible for the management of activities under the agreement.

## Article 15 to 24 Other Requirements

Sets out other requirements, such as entry into force, amendments, duration, or termination, among others. From 2024, this will be Biennial Transparency Reports (BTRs)



# Q&A



Federal Republic of Nigeria



# Session 2: Article 6 Activity Cycle

Speaker: Johan Nylander – Neyen Consulting



Federal Republic of Nigeria



# Content of the session

- Benefits and risks of participating in cooperative approaches.
- What is an Article 6.2 project / activity?
- The activity cycle
- Identifying high-impact projects
- Transfer authorization, registration, and corresponding adjustments.





# ENGAGEMENT DECISIONS AND IMPLICATIONS OF PARTICIPATION UNDER ARTICLE 6.2

Reasons and risks for participating in Article 6.2

# Reasons for Participating in Art. 6.2

Host countries may have several reasons to engage in cooperative approaches under Article 6.2 as a complement to other sources of climate finance. These include:

**REVENUES TO THE  
NATIONAL BUDGET**

**SUPPORT TO NDC  
IMPLEMENTATION**

**SUPPORT FOR HIGHER  
COST MITIGATION  
MEASURES**

**SUSTAINABLE DEVELOPMENT CO-BENEFITS**

# Risks of Participating in Art. 6.2

Beyond the risk of double counting, countries should consider risks associated with transferring units that may be needed to achieve their NDC, the opportunity costs, and the resources associated with participation.

**AVOIDING OVER-SELLING  
MITIGATION OUTCOMES**

**OPPORTUNITY COST**

**MANAGEMENT AND INFRASTRUCTURE COSTS**

# Implications of Participation in Art. 6.2

Participation in Article 6.2 implies the following:

## Reporting obligations

The guidance for Article 6.2 introduces specific reporting requirements for Parties participating in cooperative approaches. These specifically refer to the Article 6.2 Initial Report, annual information to be submitted to the future Article 6 Database, and information to be included in the biennial transparency reports (BTRs). In general, Parties participating in 6.2 are required to report on the following:

- Their compliance with Cooperative Approaches participatory requirements.
- How corresponding adjustments have been done.
- Specific details on the cooperative approaches the Party participates.
- Data on the ITMOS authorized and transferred.

## Infrastructure for registration, ITMO tracking, and integration with the system for tracking progress

Tracking of ITMOs in a registry is necessary to comply with the requirements for robust accounting and avoidance of double counting. In the absence of centralized rules and systems, Parties are discussing common formats to document international transfers and work together in one or several electronic tracking systems. Decision -/CMA.4 on Article 6.2 highlights the need for "interoperability" and a common nomenclature to harmonize registries.

## Institutional and regulatory development

Participation in Article 6.2 implies the development of an Article 6.2 framework and its integration into the regulatory provisions of the country. As part of this framework, a country must establish institutional arrangements managing Article 6.2.



# ARTICLE 6.2 ACTIVITY CYCLE

# ARTICLE 6.2 ACTIVITY CYCLE

Once a bilateral agreement is in place, both the transferring and receiving Parties need to define the requirements for an Art. 6.2 Activity design, implementation and verification to ensure environmental integrity at the activity level is preserved.

The requirements for Art. 6.2 activities for international transfer are to be established by the participating countries within the framework of the Article 6.2 guidance (Decision 2/CMA.3 and future CMA decisions). The approach, standard, or mechanism used is, therefore, to be determined by the countries in the cooperative agreement.

The process or cycle an Art. 6.2 activity goes through from early design to ITMO authorization is often called activity cycle.

# ARTICLE 6.2 ACTIVITIES - DEFINITION

- Article 6 promotes voluntary cooperation among Parties to increase ambition and achieve their NDCs. Art 6.2 does not dictate what form of cooperation is eligible. Participating countries can determine the form of cooperation and the eligibility of mitigation activities as part of a cooperative agreement within the frame of Article 6.2 guidance.

**Article 6.2 can be of any type or scale:**

- Emissions reduction or removals programs or projects that may result in the transfer of mitigation outcomes from a transferring (or host) country to a receiving country.

Emissions  
reductions/removals  
individual projects

Programs of  
Activities

Sectoral  
approaches

Policy  
crediting  
approaches



# ARTICLE 6.2 ACTIVITIES - PRIORITIZATION

Art 6.2 Activities shall strive for a higher level of ambition i.e. they must be additional to the NDCs commitments.

The process to identify those mitigation activities which go beyond the NDC and can be part of cooperative approaches agreement with other countries is complex and require a deep understanding of:

- NDC activities that are committed to being implemented domestically and are needed to achieve the NDC commitments (some countries refer to these activities in their NDCs as unconditional activities).
- Criteria for not over-transferring mitigation outcomes that may be needed for NDC compliance
- Climate actions that are already supported by international climate finance (other bilateral agreements, MDBs financing, etc.) and hence, do not require Article 6.2 support.
- NDC implementation status. How well is the country on track to meet the combined (unconditional and conditional) NDC targets





# ARTICLE 6.2 ACTIVITY CYCLE



# ARTICLE 6.2 ACTIVITY CYCLE – ENVIRONMENTAL INTEGRITY

- It is critical to ensure that activities implemented under any cooperative approach agreement preserve environmental integrity.
- Emissions reductions must be additional to what those countries could achieve without the support and therefore they shall contribute to a higher level of ambition compared to what countries have already committed in their NDCs.
- How individual activities contribute to a higher level of ambition is a complex process. A key component is the definition of the reference level or baseline.
  - The guidance for cooperative approaches state that reference levels and baselines should be set in a conservative way and below “business-as-usual” emissions projects (including by considering all existing policies and addressing uncertainties in quantification and potential leakage).
  - Considering “all existing policies” implies that the baseline is to be set to include the policies and measures implemented for achieving the NDC.



# Article 6.2 Activity cycle: bilateral agreement

- Both host countries and receiving countries may have different requirements for Art. 6.2 activities. Countries need to agree, among others, on:
- Emissions reduction accounting methodologies (baseline and actual emissions monitoring) accepted.
- The documentation required from each Art. 6.2 activity from preliminary design and detailed design to periodic reporting of emissions reductions.
- If and how the information in the documentation is to be validated before an activity registration and/or approval
- If there will be a formal approval or pre-authorization of the mitigation activity after validation of the required documents.
- A verification process for monitoring data that can form the basis for issuance and authorization of ITMO use and transfer.

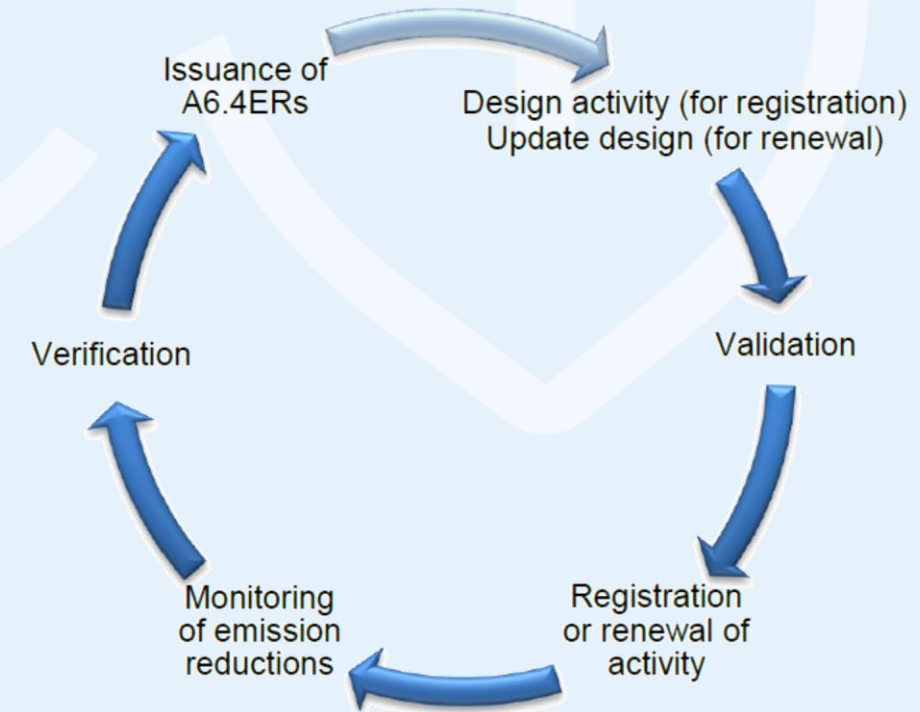
Example of activity cycle:

<https://www.energimyndigheten.se/globalassets/klimat--miljo/internationella-klimatinsatser/terms-of-reference.pdf>



# Article 6.4 Activity cycle

- Activity cycle: Drafting the design document with details of the project.
  - Key actor: Activity participant
- Host Country Approval: Approving the activity.
  - Key actor: Designated National Authority (DNA)
- Validation: Independent evaluation of activity design against
- Art 6.4 rules, modalities and procedures.
  - Key actor: Designated Operational entity (DOE)
- Registration: DOE submitting the request for registration to the SB and Share of Proceeds (SOP)
- Monitoring & Reporting: Monitoring and reporting of ongoing activity performance.
  - Key actor: Activity participant
- Verification & Certification: verifying the monitoring reports and claiming emission reduction.
  - Key actor: Designated Operational entity (DOE)
- Issuance of A6.4ERs: by Art 6.4 Parties & Supervisory body



# Group Exercise

Moderators: Matias Ryberg & Johan Nylander - Neyen Consulting



Federal Republic of Nigeria



# GROUP EXERCISE 1

- SPLIT INTO FOUR GROUPS. EACH GROUP WORKS ON ONE QUESTION.
  - 20 min to discuss in the group.
  - 20 min to share with the rest of the groups (5 min. each)

## GROUP 1

**WHAT ARE THE BENEFITS FOR NIGERIA TO PARTICIPATE IN ARTICLE 6?**

## GROUP 2

**WHAT SECTORS COULD BE TARGETED?**

## GROUP 3

**WHAT ARE THE RISKS?**

## GROUP 4

**HOW CAN OTHER COUNTRIES HELP NIGERIA'S RAISE ITS NDC LEVEL OF AMBITION?**

# Session 3: Governance and institutional framework for participation and fulfilling reporting requirements

Speakers: Matias Ryberg & Johan Nylander - Neyen Consulting



Federal Republic of Nigeria



# Content of the session

- Article 6 Institutional Framework Arrangements
- Article 6 Reporting Requirements to UNFCCC





# ARTICLE 6.2 INSTITUTIONAL FRAMEWORK

Speaker: Matias Ryberg – Neyen Consulting

# Article 6.2 framework

- AN ART. 6.2 FRAMEWORK IS THE BASIS FOR THE OPERATIONALIZATION OF ART. 6.2
- THE ART. 6.2 FRAMEWORK SUPPORTS THE STRATEGY IMPLEMENTATION AND INCLUDES:



INSTITUTIONAL  
ARRANGEMENTS FOR ART.  
6.2 OPERATIONALIZATION



IMPLEMENTATION  
PROCESSES



INTEGRATION IN THE  
COUNTRY REGULATORY  
FRAMEWORK

# Article 6 Implementation Processes

- The participation strategy is to be supported by the implementation of processes as part of the Art. 6.2 Framework
- The processes required for proper implementation may differ from country to country. In general, these may include:
  - Processes for determining **eligible** mitigation activities
  - Processes for **approval** of Art. 6.2 activities
  - Processes for **authorizations**, the issuance of ITMOs and for managing the infrastructure for **tracking** of ITMOs;
  - A process for the application of **corresponding adjustments**;
  - Processes for informing the policy process of Article 6 participation in view of **tracking progress towards the NDC** and wider policy objectives, and ensuring that overselling risks are addressed;
  - Integration of **Art. 6.2 reporting and accounting** in the national system for the UNFCCC reporting (fulfilling UNFCCC reporting requirements for cooperative approaches)
  - **Provisions for non-compliance** of different actors in the activity generation cycle.

# Processes for determining eligible mitigation activities



# Processes for approval and authorizations

The Art. 6.2 activity approval and authorization process should include **criteria to ensure that the activity will be adequate for approval and future authorization.**

This process should include

- **Steps and responsibilities** for authorizing participation in the cooperative approach.
- **Steps by Art. 6.2 activities proponents seeking approval.**
  - Independent review /validation requirements and possible outputs.
- **Requirements** for activity authorization
- **Steps for ITMOs authorizations**, including the requirements for activities verification and MO issuance.
- Responsibilities and authorities for **ITMO transfer authorization**
- **Process for disputes and resolution** of approvals and authorization decisions



# A process for the issuance of ITMOs

The Art. 6.2 framework processes should define, among others

## CLEAR CRITERIA FOR THE ACCOUNTING OF ER AT THE ACTIVITY LEVEL

- Accepted accounting methodologies
- Process for accepting deviations from those methodologies and their applicability criteria (call out, deviations can affect the level of assurance and conservativeness of the baselines and emissions reductions calculations)

## PROCESS FOR VERIFICATION AND ISSUANCE

- Eligible independent entities/verifiers.
- Verification technical requirements including level of assurance
  - Periodicity and possible outputs.
- Responsibilities for issuance and link to the registry and tracking system

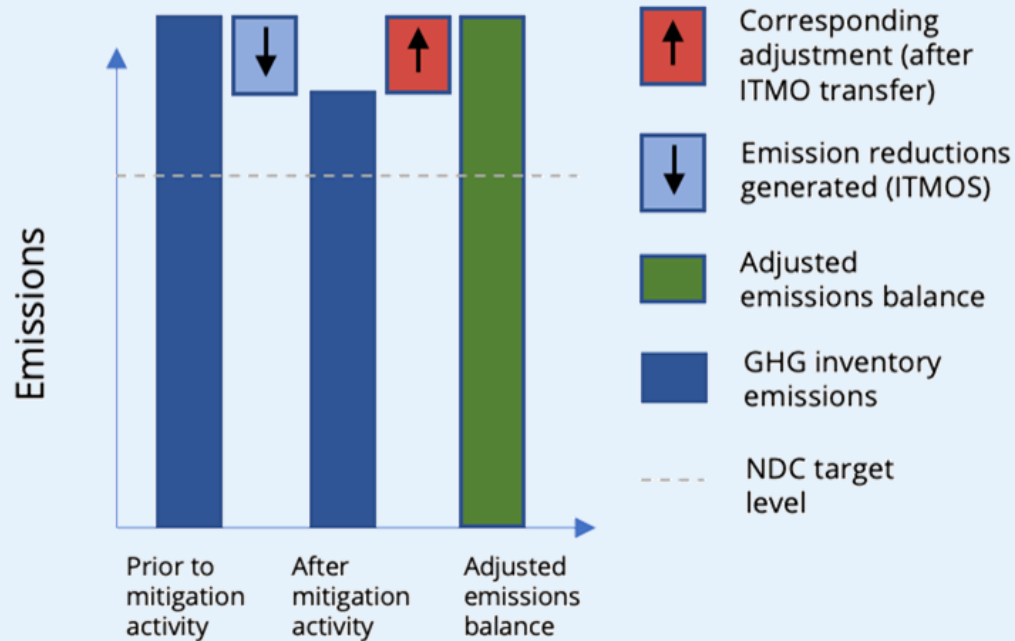
# A process for the application of corresponding adjustments

- In the process for the application of corresponding adjustments, a transferring country must **ensure that the issuance of ITMOs is reflected in the national inventory** (the emissions balance) for reporting and transparency purposes.
- Otherwise, double counting events may occur, which negatively affects environmental integrity criteria

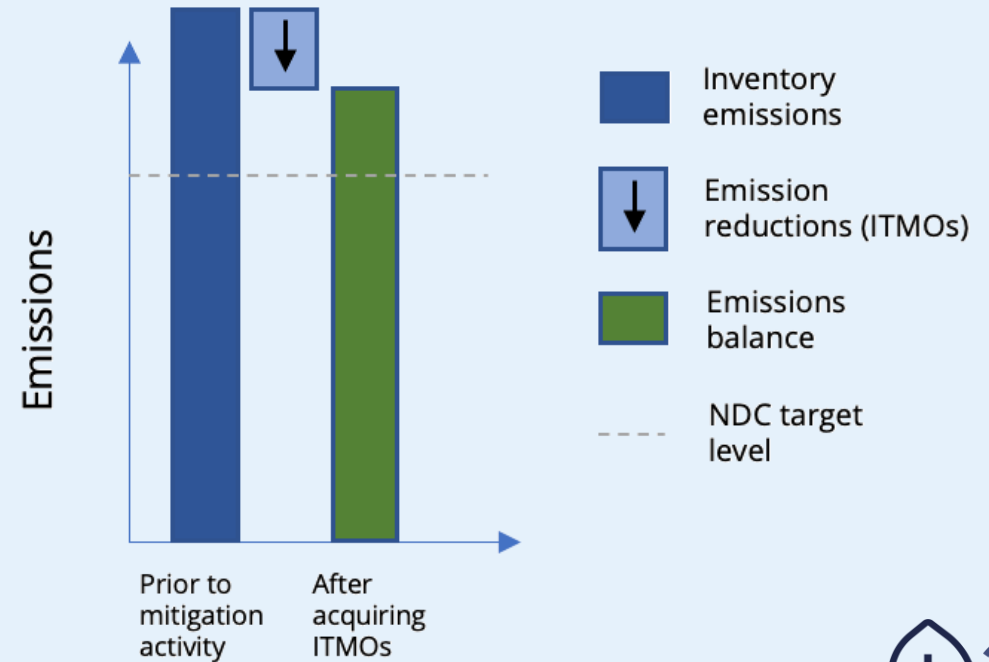


# DEEP DIVE: CORRESPONDING ADJUSTMENTS

## Transferring Country (T)

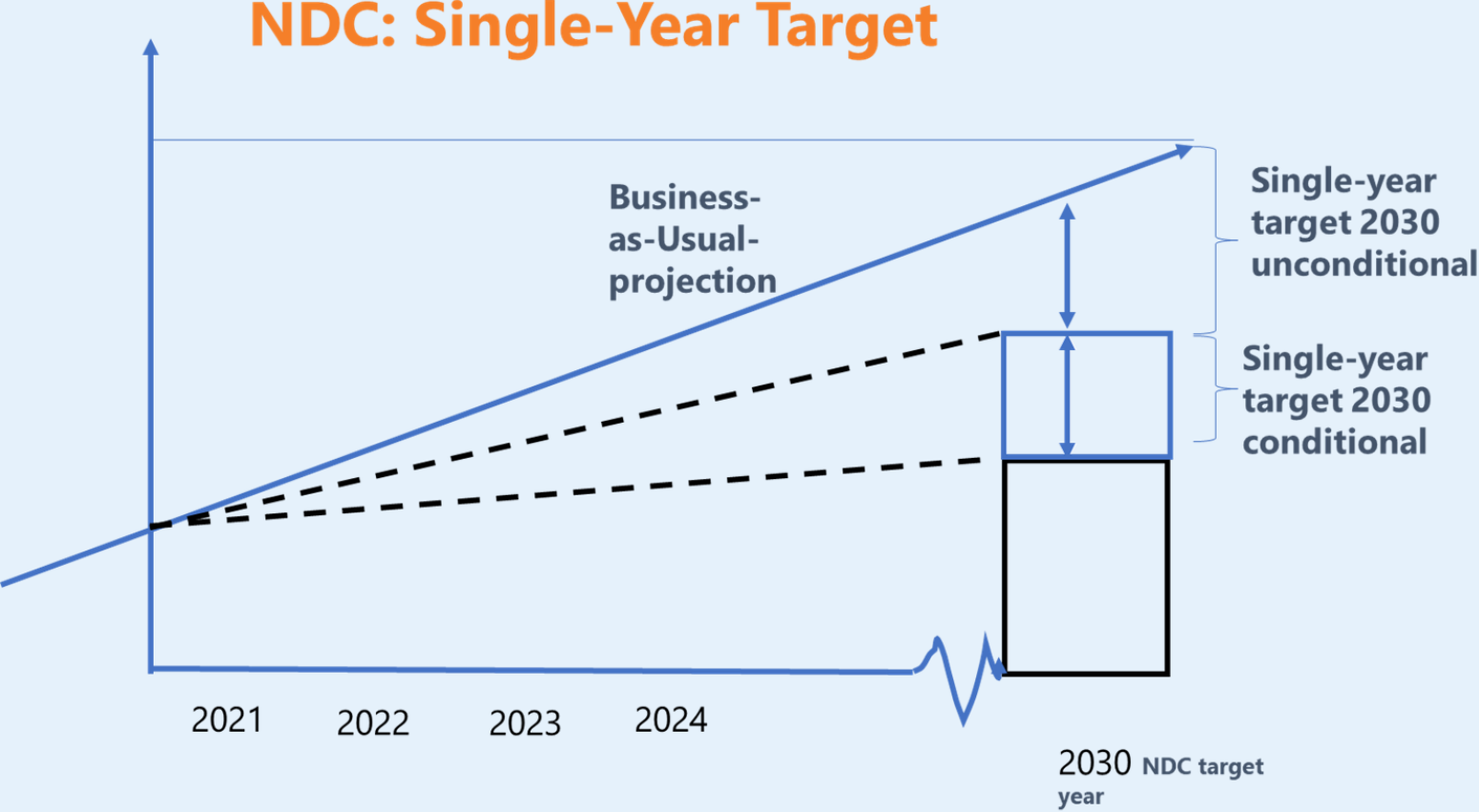


## Receiving Country (R)





# DEEP DIVE: CORRESPONDING ADJUSTMENTS – SINGLE YEAR NDC TARGET





# DEEP DIVE: CORRESPONDING ADJUSTMENTS – AVERAGING METHOD

	Unit	Reporting Year: 2022	Reporting Year: 2024	Reporting Year: 2026	Cumulative
A) Emissions and removals from sectors and GHGs covered by the NDC (E.g., use past data from GHG inventories)	tCO <sub>2</sub> eq	XXX	XXX	XXX	
B) ITMOs first transferred	tCO <sub>2</sub> eq	73	141	24,468	24,682
C) Mitigation outcomes authorized for OIMP	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 7*	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 + 8,227.33	XXX + 8,227.33	XXX + 8,227.33	XXX + 24,682

# Processes related to infrastructure for tracking of ITMOs

- Article 6.2 participating countries are required to have access to a **registry to track ITMOs**.
- International accounting is especially challenging under the decentralized architecture of the Paris Agreement.
- **Each country needs to assess the best alternative to register and track ITMOs** and try to minimize the time and financial investment to develop this infrastructure. There are multiple options:

International registry  
from UNFCCC

Nationally-developed  
registry



# Provisions for the non-compliance of different actors in the activity generation cycle

- Provisions for non-compliance of different participants in the activity generation cycle should be determined and implemented by the transferring country.
- This process entails establishing a set of criteria for non-compliance — fees and provisions— at different stages of the activity cycle, and a protocol or procedure to follow when non-compliance occurs.

Criteria for  
non-  
compliance

Fees and  
provisions

Protocol for  
non-  
compliance



# Integration into national regulatory framework

- The processes previously described **need to be incorporated into national policies and regulatory frameworks**. Countries are to decide the most appropriate instrument(s) to integrate Art. 6.2 related matters into the national legislative framework.
- Operationalization of the Art. 6.2 framework processes **needs to reflect the requirements of the Art. 6.2 guidance for cooperative approaches**, as well as the **national objectives**. Thus, the processes and structures established need to be bespoke to the country, and there will be **no one solution for all countries**.
- In the incorporation of Art. 6.2 processes into the regulatory framework, there are several alternatives that a government may address. **The choices can be informed by consultation processes, parliamentary-led assessments and analyses, as well as external analyses.**



# How to fund national processes?

How will the entity responsible for carrying out the processes be funded?

How will funding for the entity will ensure sustainability into the future?

- Countries are establishing as part of the cooperative approaches agreements the contribution to the initial set up of the Art. 6.2 framework, capacity and infrastructure.
- Also, Art. 6.2 Activities approval and authorization processes may incorporate the need to contribute with an **administrative fees for process management**.

→ Important consideration: Regulatory provisions for the proper use of funds



# Article 6.2 institutional arrangements

- The proposal for the institutional framework needs to address the roles of involved ministries, agencies and other bodies, their responsibilities, and tasks.
- The proposal also needs to address the capacity required and how implementing the tasks are budgeted.
- The institutional framework needs to be codified in the legal framework.



# Institutional arrangements: Oversight Body

- It could be useful to appoint a body with a responsibility for a **longer-term oversight**, to support the process of adopting the necessary legislation and institutional mandates and to oversee that the processes, once established, work as intended.
- Art 6.2 requires the **coordination among multiple ministries**. This body should be responsible for this coordination and being formed by representatives from more than one ministry.

## **IMPORTANT: BUILD ON THE EXISTENT!**

Many countries will already have a body that can be adapted to perform these functions.

### The oversight body will:

- Advise on Article 6 participation strategy at the highest level of the government
- Monitor the implementation of the Article 6 framework
- Coordinate with other climate and sectoral initiatives
  - Ensure sustainability of Article 6 institutional arrangements

# Institutional arrangements: Article 6 Unit

- The **day-to-day operation** of Art. 6.2 activities and related processes may be handled by a different entity to the Oversight and long-term political guidance body previously described.
- This Art. 6.2 unit, **normally part of a Ministry**, should be the liaison with that higher level body.
- This unit should also **coordinate with UNFCCC reporting units** and those responsible for the enhanced transparency framework (ETF) implementation if not under its responsibilities and authority

## The Article 6 unit will:

- Define and implement the Article 6 Framework
- Manage the administration of share of proceeds
- Provide technical support, ensuring Article 6 activities developers can develop and operate projects
  - Manage or supervise transparency and accounting requirements: recording, reporting, the emissions balance, corresponding adjustments



# ARTICLE 6 REPORTING TO UNFCCC

Speaker: Johan Nylander – Neyen Consulting

# The Enhanced Transparency Framework and Article 6.2

Article 13 of the Paris Agreement introduces an Enhanced Transparency Framework (ETF) to  
“Build mutual trust and confidence and to promote effective implementation”.

**Two key reporting components of the ETF are**

- The national GHG inventory report and
- information necessary to track progress made in implementing and achieving the NDCs.

**The main reporting instrument is the Biannual Transparency Report**

**Countries engaged in Article 6.2 have additional reporting requirements**

- Initial report
- Regular information to be included in the BTRs
- Annual information to be submitted to the Article 6 Database



# Biennial Transparency Report (BTR) and Article 6

Parties involved in Article 6.2 are expected to report on:

- Their compliance with Article 6.2 guidance (participatory requirements);
- How corresponding adjustments have been done;
- Specific details on the cooperative approaches in which the Party participates; including how the cooperative approach
  - (a) Contributes to the mitigation of GHGs and the implementation of its NDC;
  - (b) Ensures environmental integrity



# Annual Reporting

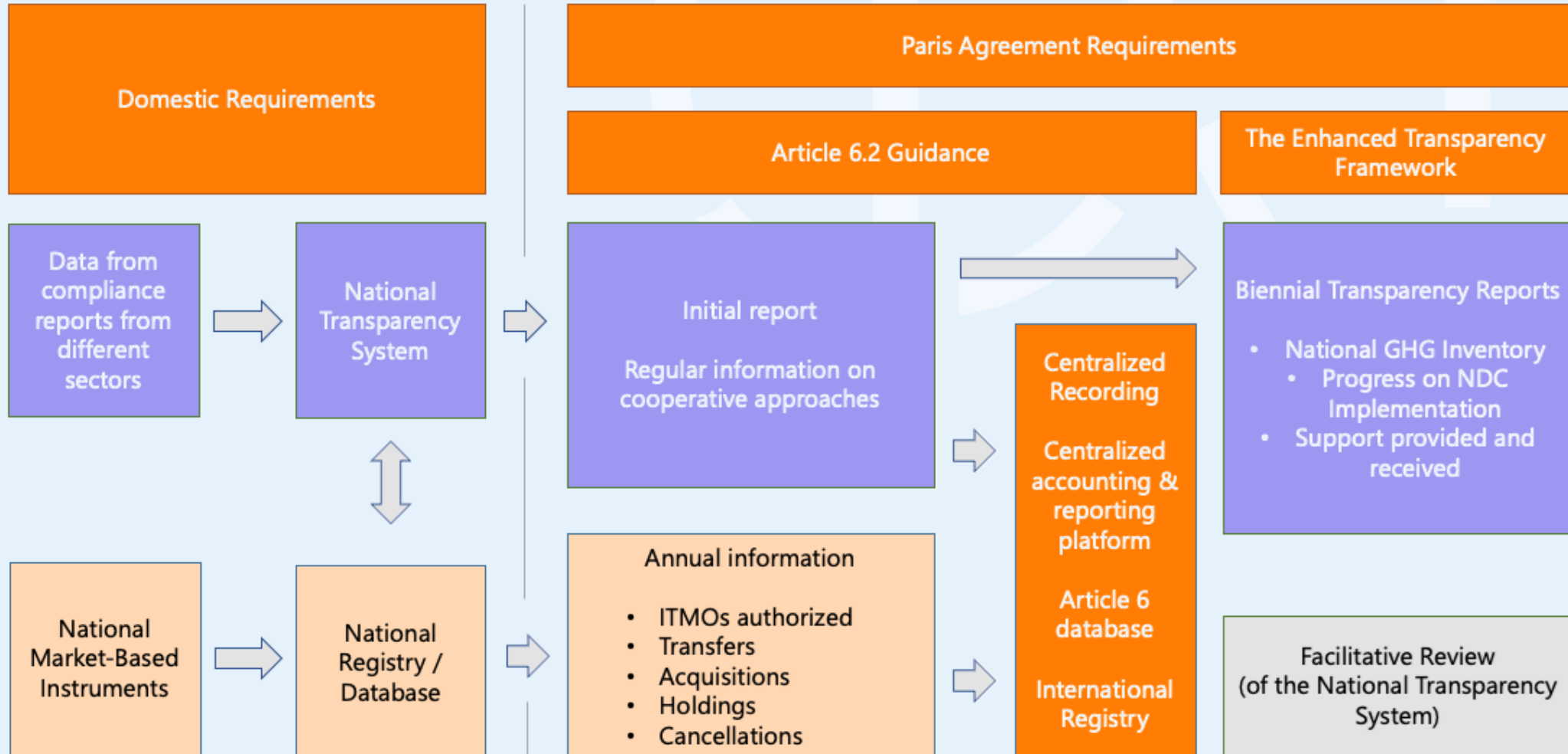
The annual information is to be reported electronically to the Article 6 Database UNFCCC is to establish.

Annual information to report:

- Annual information on authorization of ITMOs and detailed information on any transactions of ITMOs.
- For each ITMOs authorization:
  - cooperative approach or other international mitigation purpose authorized by Party
  - first transferring participating Party and using participating Party or authorized entity(ies),
  - year of mitigation, sector(s) and activity type(s), and
  - unique identifiers.



# Article 6 in the national MRV system



# Tracking NDC Progress

Transparency in the status of implementation of NDCs is key to understand how aligned the international community is to achieve the Paris Agreement goals and to build trust among Parties. Transparency will surely foster international cooperation

Tracking NDC implementation is to be done based on a number of key indicators, both for GHG targets and other targets included in the NDC.

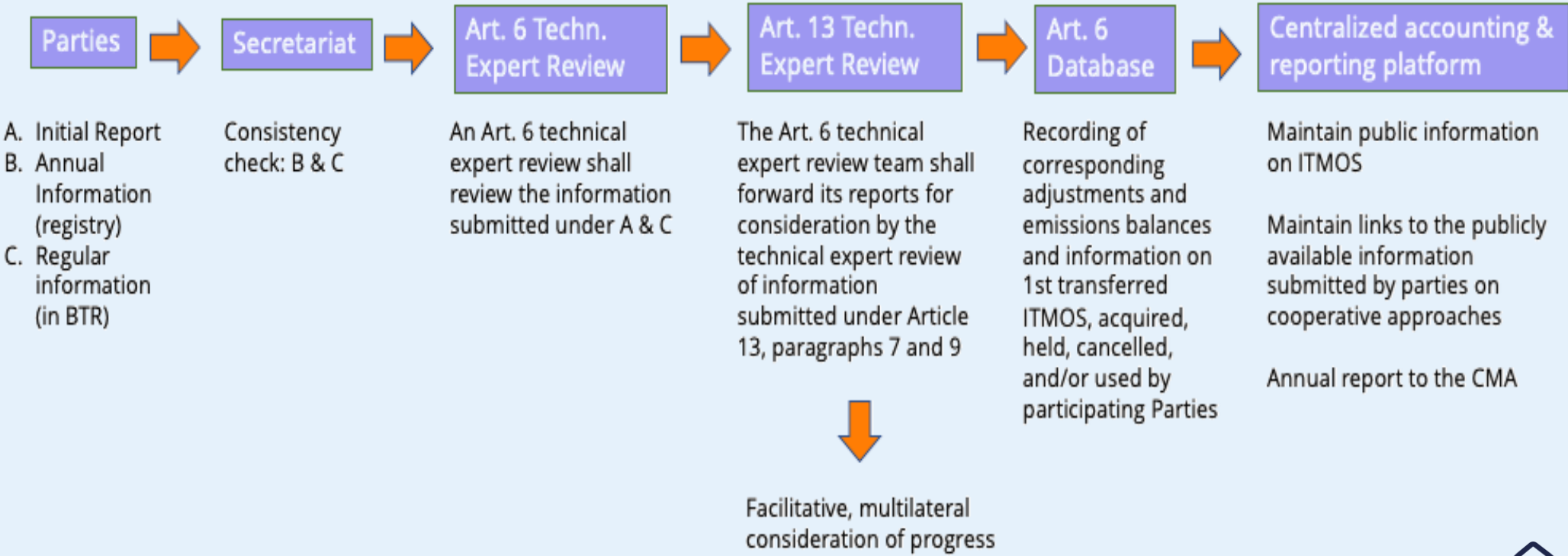
Tracking progress should include:

1. Identify the **indicators**;
2. Provide information on each identified indicator for the **reference point(s), level(s), baseline(s), base year(s) or starting point(s)** (must be updated if there is any recalculation of the GHG inventory);
3. Provide the **most recent information for each identified indicator** for each reporting year during the implementation period of its NDC
4. **Compare steps 2 and 3 to track progress** made in implementing its NDC





# Article 6 in the national MRV system



# Scope of Article 6 review (1/2)

## Guidelines for the Article 6 technical expert review pursuant to decision 2/CMA.3, annex, chapter V

A review of the consistency of the information, including on each cooperative approach, submitted by the participating Party in its initial report

A consideration of the results of the consistency check performed by the secretariat on the information submitted by the participating Party for recording in the Article 6 database

Information submitted by a participating Party is consistent with these guidelines when all the following requirements are met:

- The information is complete, transparent and consistent with Article 6
- The information is consistent across the different reporting requirements, namely the initial report, updated initial report, and annual information and regular information annexes to the biennial transparency report, as well as the structured, as part of the biennial transparency report.
- The information is consistent across all Parties participating in the same cooperative approach, as relevant and to the extent possible.



# Scope of Article 6 review (1/2)



An Article 6 technical expert review shall specify recommended actions to be taken by the participating Party, including recommendations on:

- How to improve consistency with the requirements of the annex to decision 2/CMA.3 and any future relevant decisions of the CMA;
- How to address identified inconsistencies in quantified information that is reported under chapter IV.B–C (Reporting) of the annex to decision 2/CMA.3 and/or identified by the secretariat as part of the consistency check.
- An Article 6 technical expert review team may identify capacity-building needs and areas for improvement in consultation with the participating Party.

The Article 6 technical expert review teams shall not:

- Make political judgments;
- Review the adequacy or appropriateness of a Party's NDC under Article 4 of the Paris Agreement;
- Review the adequacy or appropriateness of the cooperative approach

# Group exercise

Moderators: Matias Ryberg & Johan Nylander - Neyen Consulting



Federal Republic of Nigeria



# GROUP EXERCISE 2

- SPLIT INTO TWO GROUPS. EACH GROUP WORKS ON ONE QUESTION.
  - 30 min to discuss in the group.
  - 20 min to share with the rest of the groups (10 min. each)

## GROUP 1

**Which options does Nigeria have to ensure participation in cooperative approaches (Art. 6.2) without compromising its NDC target achievement.**

## GROUP 2

**Which criteria for determining eligible Article 6.2 activities for Nigeria?**

# Q&A AND GROUP DISCUSSION



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# CLOSING REMARKS



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