



Carbon Market Watch's COP28 recommendations to SBSTA on key Article 6 topics

The below table provides CMW's recommendations concerning key Article 6 topics on which [SBSTA](#) is mandated to provide recommendations/guidance for adoption by the [CMA](#) at COP28. These recommendations build on a [previous set of recommendations CMW had prepared ahead of SB 58](#).

To summarise, for Article 6.2:

- Sequencing: The 6.2 process should have clearly separated, consecutive procedural steps with implications not just for reporting, but also for issuance and transfer.
- Authorization: Authorization statements should be given prior to issuance, and should contain a minimum level of information for transparency. No revocations or revisions to the authorization should be allowed after transfer of ITMOs.
- Agreed Electronic Format: The AEF should contain publicly accessible and clearly structured information. Inconsistencies and other important information such as non-permanence risk should be flagged on the CARP.
- Registry: Unauthorized mitigation outcomes cannot be recorded in the international registry or AEF. Authorization is not optional in Article 6.2, and the reporting/review/tracking cycles concern ITMOs which must always be authorized.
- Inconsistencies: Inconsistencies should be flagged publicly, and corrective actions must be required based on their potential impact on environmental integrity and on accurate reporting. Parties should also further define inconsistencies (e.g. material vs non-material) and what qualifies as a persistent inconsistency (unaddressed after two reviews).
- Confidential information: There is no compelling reason for invoking confidentiality and it should be avoided or at the very least (publicly) justified. Unjustified confidentiality should have consequences and be deemed an inconsistency.

To summarise, for Article 6.4:

- Emission avoidance: Emission avoidance activities should not be considered under Article 6.4.
- Authorization statement: Authorization statements should be given prior to issuance to avoid double counting risks and reporting errors. The statement should also contain a minimum level of information for transparency.

For more details, please see the below table.

<i>Topic/mandate</i>	Carbon Market Watch's recommendation
<p><i>Sequencing (Art 6.2)</i></p> <p>6/CMA.4</p> <p>17 (a) The sequencing and timing of the submission of the initial report, the completion of the Article 6 technical expert review of that report and the submission of the agreed electronic format;</p>	<p>Parties need to define what constitutes a cooperative approach, since this has implications for many reporting elements in 6.2, including further operationalisation of sequencing. Using the term to interchangeably refer to both the overarching agreements as well as their activities creates confusion, because the definition of reporting requirements depends on which interpretation of a cooperative approach is chosen. There should therefore be a clear and unambiguous definition of a cooperative approach.</p> <p>A sequencing approach with clearly separated, consecutive procedural steps is essential for the transparency and credibility of reporting under 6.2. In this vein, just labelling the status of completion of the review process is not enough. Proper sequencing entails not just putting a halt on the information reported about the transfer of ITMOs, but also putting a halt on the actual transfer of ITMOs until the review is complete. When sequencing applies to reporting only and has no implication for the transfer of ITMOs, the result is that ITMOs can already be transferred before the technical expert review team (TERT) reviews the initial report (which could reveal material</p>

	<p>inconsistencies), thereby seriously undermining the environmental integrity of said ITMOs, of the credibility of the host Party, and of the broader 6.2 market.</p> <p>Therefore, Parties should agree to provisions that would not allow for issuance or first transfer of ITMOs until the initial report (or updated initial report) for the underlying cooperative approach has been reviewed.</p> <p>If actions are ultimately reported to the AEF in the absence of a completed review, then such actions must be automatically tagged as "materially inconsistent (pending review)" and recorded as such in both the Article 6 database and CARP until the review has been completed (if inconsistencies are found in the completed review, the tag would need to be changed accordingly).</p>
<p><i>Authorization (Art 6.2)</i></p> <p>6/CMA.4</p> <p>17(b) The process of authorization pursuant to decision 2/CMA.3, annex, paragraphs 2, 18(g) and 21(c), notably the scope of changes to authorization of internationally transferred mitigation outcomes towards use(s), and the process for managing them and for authorization of entities and cooperative approaches with a view</p>	<p>Parties should not allow revisions or revocations to authorization for any ITMOs that have already been transferred, whether to another Party or to an authorized entity. Otherwise, there is a risk of double counting of ITMOs, as well as a risk that OMGE would not properly be delivered for any cooperative approaches involving the cancellation of ITMOs for OMGE purposes.</p> <p>Authorization should certainly be provided prior to issuance, and ideally upon or prior to registration of the activity. It should contain all relevant information pertaining to the authorization.</p> <p>At a minimum, the authorization for cooperative approaches should contain the following information:</p> <ul style="list-style-type: none"> • Date of the statement as well as name of host Party responsible for the statement and name of any other participating Party or entity;

<p>to ensuring transparency and consistency;</p>	<ul style="list-style-type: none"> ● Details of cooperative approach: name of activity, sector, crediting methodology (if relevant), estimated average annual emission reductions/removals, estimated annual volume of ITMOs being authorized (including expected volume of authorizations per year as well as vintage years of the underlying ITMOs), and authorization use case (NDC/OIMP); <p>At a minimum, the authorization for ITMOs should contain the following information:</p> <ul style="list-style-type: none"> ● Use case of authorization: <ul style="list-style-type: none"> ○ for NDC use: specification of total authorized ITMOs as well as further information where relevant, such as acquiring Party and related cooperative approach; ○ for OIMP use: specification of total authorized ITMOs and possible specifications or conditions, e.g. if authorized for IMP only or OP only; ● Definition of “first transfer”, if authorized for OIMP; ● Further specifications or conditions: for example, amount of ITMOs cancelled for OMGE or contributions to the Adaptation Fund.
<p><i>AEF (Art 6.2)</i> 6/CMA.4</p> <p>4. Also requests the Subsidiary Body for Scientific and Technological Advice to continue its work on the draft version of the agreed electronic format referred to in paragraph 2 above, taking</p>	<p>The AEF should facilitate transparency first and foremost, providing accessible and clearly structured information made publicly available.</p> <p>The AEF should include separate tables (or columns, depending on the final design) to account for reporting on voluntary cancellation of ITMOs for OMGE and SOP for adaptation purposes. The AEF should also allow for specifying voluntary OMGE separately from mandatory OMGE, as cooperative approaches can involve voluntarily cancelling ITMOs for OMGE purposes but can also involve A6.4ERs that face mandatory OMGE.</p>

<p>into consideration the submissions from Parties on this matter also referred to in that paragraph and the workshop referred to in paragraph 3 above, with a view to finalizing a recommendation on the agreed electronic format for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023);"</p>	<p>As brought forward by several Parties, ITMOs that have a non-permanence risk, which Parties must report on per decision 2/CMA.3, Annex IV, para 18(h)(iii), should be flagged as such within the AEF, and a tag containing information about their expected durability should be recorded in the Article 6 database and displayed on the CARP.</p>
<p><i>International registry (Art 6.2)</i> 6/CMA.4 17 (g) (h) (i)</p>	<p>Authorization is needed before anything can be tracked in the registry. Authorization, as many Parties have alluded to, is the 'birth of an ITMO'. Before authorization, there is nothing; therefore, tracking before authorization, or speaking of unauthorized mitigation outcomes (as per the technical paper prepared by the Secretariat) is lending legitimacy to the existence of mitigation outcomes that are not authorized. This is inappropriate, because we cannot have a system where authorization is optional under Article 6.2.</p> <p>In addition, the international registry should be designed in a way that ensures transparency: i.e. disclosure of account holders, holdings, actions (including forwards/transfers, change in holdings), final retirement/cancellation beneficiary and purpose, among other areas.</p>

<p><i>Inconsistencies (Art 6.2)</i></p> <p>6/CMA.4</p> <p>16 a (iii) The reviews specifying recommended action to be taken when inconsistencies are identified, and provisions on how a Party should respond to those recommendations and the implications of non-responsiveness, if any;</p> <p>17 (f) The process of identifying, notifying and correcting inconsistencies in data on internationally transferred mitigation outcomes in the Article 6 database, in accordance with decision 2/CMA.3, annex, paragraph 33, and its dependence on the agreed electronic format;</p>	<p>As we have stated in previous submissions, as long as the review process cannot ensure that inconsistencies are addressed, it is not a quality control mechanism. Allowing cooperative approaches with (grave) inconsistencies to proceed and be transferred will undermine not only the credibility of the cooperative approach in question, but the 6.2 market more broadly.</p> <p>Parties must ensure that “persistent inconsistencies” – unresolved inconsistencies after two reviews – are reported in the technical expert review team’s report and recommendations and on the CARP, and may require the involvement of the Paris Agreement Implementation and Compliance Committee, depending on the nature and severity of the inconsistency. “Material” inconsistencies, described below, should always be made public, even if they are not “persistent”. Inconsistencies may concern information reported as part of the initial report, annual information, or regular information.</p> <p>The term ‘inconsistency’ should be defined and also used in clear circumstances:</p> <ul style="list-style-type: none"> • Regarding the definition, we support the classification of inconsistencies based on their potential impact on environmental integrity. The classification of “material” or “immaterial” inconsistencies as per paragraph 118 of the Secretariat’s technical paper is a good starting point, which Parties should discuss and further elaborate and disaggregate at COP28. Such a classification should be formally recognized and integrated into the review process. The classification should also be applied when flagging inconsistencies publicly on the CARP. “Material inconsistencies” should always be flagged on the CARP, even if they are not yet a persistent inconsistency.
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- Regarding clear use of the term inconsistency, this is important, since it is one of the few flags that can be used to indicate an issue in reporting. Using it more broadly can conflate its meaning as well as diminish its significance. It should therefore be reserved for matters related to content and accuracy of reporting, rather than timing (an untimely submission can be categorised differently, either as a separate type of inconsistency distinct from “material”/ “immaterial” or perhaps as a new category such as “temporal inconsistency”).

Parties must ensure that the review process has some teeth, including by defining corrective actions for inconsistencies found in reporting. Such measures can be based on the nature of the inconsistency: certain non-material inconsistencies may be simply resolved through dialogue between the Party and the TERT, whereas material inconsistencies may have consequences for the integrity of the cooperative approach or for proper accounting, and require additional commensurate actions to remedy them.

For example, for more serious inconsistencies, such as failing to report on key elements of the 6.2 Guidance concerning environmental integrity (18.h) or human rights (18.i.i, 18.i.ii, 22.f, 22.g), or revelations that the cooperative approach does not uphold these elements, corrective measures are needed that could include: freezing the Party’s existing ITMOs (no further transfers/retirements) or halting any future issuance of ITMOs to the Party (including from other cooperative approaches, depending on the severity of the inconsistency or non-responsiveness), or cancelling and replacing ITMOs (e.g. in case of over-issuance or violation of human rights of an activity). In particular, if any such inconsistencies are persistent, then it is necessary to involve the Paris Agreement Implementation and Compliance Committee, as mentioned above.

<p><i>Confidential information (Art 6.2)</i></p> <p>6/CMA.4</p> <p>16 a (ii) The modalities for reviewing information that is confidential;</p>	<p>We reiterate our previous point that transparency of cooperative approaches and their ITMOs is vital to ensure a minimum level of trust in Article 6.2. For this reason, confidentiality of information should be avoided entirely (to date, no Parties have provided a compelling explanation for circumstances under which confidentiality might be invoked).</p> <p>If information is nevertheless designated as confidential, then for the bare minimum of transparency, the justifications for this designation must be disclosed on the CARP. A full disclosure of the justification would be preferable. If this is not workable, the Secretariat could opt for a drop down list of common justifications, with the option to complement with additional text.</p> <p>Confidential information itself will be checked for inconsistencies as per decision 6/CMA.4, Annex II, paragraph 23, the outcome of which will be in the TER report. Similar to inconsistencies found in non-confidential information, they should be flagged and made publicly available on the CARP, which can be done in a manner that does not compromise the confidentiality of the information, including by tagging the type of inconsistency as material or immaterial with a further level of disaggregation appropriate to the nature of the confidentiality.</p> <p>Moreover, we would support option 1 in para 17 of the SBSTA co-facilitators' informal note on 6.2 (version 14/06/2023, 16:15), specifically the proposal to develop a code of conduct including a potential requirement for Parties to justify reasons for confidentiality for the TERT to assess. If the justification has not been provided or if the TERT finds the justification to be “not clear or questionable”, then the TERT should recommend the Party to justify or remove the designation of confidentiality; if the Party ignores this recommendation or fails to provide a valid justification for</p>
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	<p>the designation of confidentiality, then the TERT should categorise this as an inconsistency that will be made publicly available in the TERT report and CARP.</p>
<p><i>Emission avoidance (Art 6.4)</i> 7/CMA.4 9. (a) Consideration of whether Article 6, paragraph 4, activities could include emission avoidance and conservation enhancement activities;</p>	<p>Parties must decide to definitively exclude emissions avoidance activities from being eligible for crediting, rather than postponing this decision yet again.</p>
<p><i>Authorization statement (Art 6.4)</i> 7/CMA.4 9. (c) Provision of a statement by the host Party to the Supervisory Body specifying whether it authorizes Article 6, paragraph 4, emission reductions issued for an Article 6, paragraph 4, activity for use towards achievement of nationally determined contributions and/or for other international mitigation purposes, as defined in decision 2/CMA.3, in</p>	<p>A host Party's statement authorizing A6.4ERs for NDC or OIMP must be provided prior to issuance, and ideally upon or prior to registration of the activity.</p> <p>The statement should mandatorily contain all relevant information pertaining to the authorization including, but not limited to:</p> <ul style="list-style-type: none"> ● Date of the statement as well as name of host Party and entity responsible for the statement; ● Details of A6.4 activity and proponent: name of activity, sector, estimated average annual emission reductions/removals, annual volume of A6.4ERs that are being authorized for each year, name and contact details of proponent; ● Use case of authorization:

<p>accordance with paragraph 42 of the rules, modalities and procedures, including its timing, relevant information on the authorization and any revisions;</p>	<ul style="list-style-type: none"> ○ for NDC use: specification of total authorized A6.4ERs as well as further information where relevant, such as acquiring Party and related cooperative approach; ○ for OIMP use: specification of total authorized A6.4ERs and possible specifications or conditions, e.g. if authorized for IMP only or OP only; ● Definition of “first transfer”, if authorized for OIMP; ● Further specifications or conditions: for example, if partial authorization will be applied or if host Party requires OMGE and SOP rates that go beyond the minimum 2% and 5% respectively required under Article 6.4. <p>We strongly caution against the possibility of authorization after A6.4ERs are issued, which would risk undermining the integrity of the 6.4 mechanism. Since the definition of ‘first transfer’ is flexible for OIMP and can be interpreted differently by involved Parties, it may lead to accounting mismatches where A6.4ERs are not correspondingly adjusted for when authorized after issuance, meaning they are double counted. Aside from the double counting implications regarding the timing of the authorization statement, it also has consequences for transparent reporting, because authorizing A6.4ERs post-issuance will mean that the related reporting will also have to occur ex-post and/or imply retroactive changes to previous reporting.</p>
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