

Authorization: Content and Format

Article 6 Workshops – Baku (October 2024)

Canada

Outline

- Recap: What we've already agreed to on authorization
- Guiding questions and options in the text
- Canada's views on way forward

Recap: Mandate

Mandate:

- Further guidance on: **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 ITMOs towards use(s), and the **process for managing them** and for authorization of entities and cooperative approaches with a view to ensuring transparency and consistency*

Discussion Questions:

Q1: Should the content of the 'copy of the authorization' be:

- (a) standardized mandatory form
- (b) standardized optional form and
- (c) no form/free-form?

Q2: How to avoid duplication of information and conflicting data in authorizations provided through various reporting instruments?

Recap: What is authorization?

- **Trigger** for the Initial Report (“no later than...”)
- **Signal** to other Parties, market participants to abide by Article 6 reporting and accounting obligations (e.g. corresponding adjustment)
- Policy/legal **decision** to engage in Article 6
- **Reporting requirement** across IR, AI (AEF), RI, A6DB

Recap: Existing Guidance on Authorization (COP26 & 27)

COP26 (2/CMA.3, Annex):

Initial Report

- 18(g): for each cooperative approach, a “**copy of the authorization**”

Annual Information (AEF)

- 12(a): “**annual information on authorization of ITMOs for use towards NDCs, authorization for use towards OIMP**”

Regular Information

- 21(c): “**authorizations and information on its authorization(s) of use of ITMOs towards NDCs and authorization for use towards OIMP, including any changes**”

Tracking

- 29: Each Party shall have, or have access to, a registry that shall record: ... “**authorization**”

COP27 (6/CMA.4, Annex(es))

Registry Guidance

- 7: Each Party shall ensure “**registry records information and data on authorization**”

Draft AEF Tables

- Table 2 (Actions), 3 (Holdings): Authorization: *Date, ID, Purposes, OIMP, Def of 1st transfer: ‘authorization’*

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Draft AEF Tables

- Table 2 (Actions), 3 (Holdings): Authorization: *Date, ID, Purposes, OIMP, Def of 1st transfer: ‘authorization’*

Format

Draft text (II.C) presents 4 options: mandatory form, voluntary form, no form, [no text]

*Q1: Should the content of the ‘**copy of the authorization**’ be:*

- (a) standardized mandatory form*
- (b) standardized optional form and*
- (c) no form/free-form?*

+Value of standardized form:

- Improve consistency across Parties
- Helpful tool to guide Party thinking around authorization

-Risks of standardized form:

- Complexity of national approaches to authorization
- Different understandings of types of authorization
- False sense of simplicity e.g. “all that’s required”

Standardized form must reflect:

- Different processes/approached to authorization
- Complexity of authorization (domestic policy/legal document)

Content

Draft text (II.B) presents two lists: “shall” (P.8) and “encourages” (P.9) for possible elements of authorization

Q2: How to avoid duplication of information and conflicting data in authorizations provided through various reporting instruments?

- Text presents significant duplication across existing reporting requirements
- Mischaracterizes existing ***mandatory*** reporting requirements as ***voluntary***

B. Content of the authorization

8. *Decides* that [each] participating Parties [Party] shall include in the authorizations [of the use of ITMOs from each cooperative approach] the following elements:

(a) [Unique identifier of the cooperative approach, as obtained from the centralized accounting and reporting platform[, where available]];

(b) [Name(s) of the first-transferring] Participating Party [or Parties] [and/or entities] [as per decision 2/CMA.3, annex, paragraph 20(b)];

(c) Date of authorization;

(d) [Definition of] [For the cooperative approach and if applicable, how the participating Party specifies] ‘first transfer’ [by the authorizing Party for the cooperative approach] [as (1) the authorization, (2) the issuance or (3) the use or cancellation of the mitigation outcome, as per decision 2/CMA.3, annex, paragraph 2];

(e) Arrangements for authorizing [using participating Parties or] entities, [as applicable];

(f) [Any applicable terms and conditions pertaining to changes to the authorization, as well as a description of the process for effecting and transparently communicating any changes];

(g) Arrangements for authorizing entities under the cooperative approach;

(h) [Information on how reversals [and leakage] are monitored and quantified, and when they occur, how they are addressed in full, including what methodological approaches are used to address reversals [and leakage] and how the responsibility for addressing reversals [and leakage] is assigned, the duration and frequency of monitoring for reversals [and leakage], and measures envisaged in case of failures in monitoring];

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(c) Date of authorization;

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(f) [Any applicable terms and conditions pertaining to changes to the authorization, as well as a description of the process for effecting and transparently communicating any changes];

Option 1

9. Encourages each participating Party to include, [at its discretion,] the following [elements] [information] in the authorization(s)[, as appropriate,] for each cooperative approach, as per decision 2/CMA.3, annex, paragraph 18(g–i):

{Information about the cooperative approach}

- (a) Name and [parameters] [description] of the cooperative approach [as per decision 2/CMA.3, annex, paragraphs 18(g) and 20(b)];
- (b) Type of carbon market instrument that will be used;
- (c) Duration of the cooperative approach [as per decision 2/CMA.3, annex, paragraph 18(g)];
- (d) Sector(s) [as per decision 2/CMA.3, annex, paragraph 20(b)];
- (e) Vintage(s) [of the underlying mitigation outcome] [as per decisions 2/CMA.3, annex, paragraphs 20(b) and 23(j), and decision 6/CMA.4, annex I, paragraph 5(e)];
- (f) [Activity(ies) and/or]Activity type(s) [as per decision 2/CMA.3, annex, paragraph 20(b)];
- (g) [Regulatory framework,] procedures[,] and [certification] standards [and/or methodology(ies)] [applied in] [underpinning] the [implementation of the] cooperative approach];
- (h) Metrics and [units of] [methods for its] measurement [or conversion and the greenhouse gases covered] [as per decision 2/CMA.3, annex, paragraph 22(c–d)];
- (i) [Activity(ies) and/or]Activity type(s) [as per decision 2/CMA.3, annex, paragraph 20(b)];
- (j) [Arrangements for change and revocation of authorization of the cooperative approach];

{Tracking arrangements}

- (k) [Identification of the authorizing Party’s] Registry [or registries involved in] [for the purpose of] tracking [that records internationally transferred mitigation outcomes] [internationally transferred mitigation outcomes] [as per decision 2/CMA.3, annex, chapter VI,] from the cooperative approach;
- (l) [Identification of any other registries involved in the cooperative approach for the purposes of tracking internationally transferred mitigation outcome, mitigation outcomes and activities underpinning the cooperative approach, as applicable];

Scope and parameters of authorization

- (m) Duration of authorization [as per decision 2/CMA.3, annex, paragraph 20(b)];
- (n) [For the cooperative approach, the use(s) authorized by the participating Party towards achievement of nationally determined contributions and/or for other international mitigation purposes consistent with decision 2/CMA.3, annex, paragraph 1(d) and (f);]
- (o) [For the cooperative approach, the name(s) of the authorized using participating Party or Parties or entity or entities, as applicable];
- (p) [Authorized entities;]

{Contributions for adaptation and overall mitigation in global emissions}

- (q) [Contribution of resources for adaptation [referred to in decision 2/CMA.3, annex, chapter VII] [as per decision 2/CMA.3, annex, [paragraph 22(j) and chapter VII] [paragraph 37]]];
- (r) [Contribution to overall mitigation in global emissions [referred to in decision 2/CMA.3, annex, chapter VII] as per decision 2/CMA.3, annex, [paragraph 22(k) and chapter VII] [paragraph 39]]];

{Other information}

- (s) Other information relevant to the authorization and[or] cooperative approach, [as per decision 2/CMA.3] [as per decision 3/CMA.3, annex, paragraph 42];
- (t) [Information on how participation in each cooperative approach and all cooperative approaches in which the Party participates combined 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];
- (u) [Information on how the mitigation outcomes from each cooperative approach are shared between the participating Parties involved];

{Elements of the initial report related to corresponding adjustments}

- (v) [Specification of the indicators to which corresponding adjustments will be applied];
- (w) [The methods used for establishing the indicative trajectory, trajectories or budgets and the resulting trajectory, trajectories or budget for each relevant indicator, where applicable];
- (x) [Information on how the method for applying corresponding adjustments ensures that the implementation of the cooperative approach(es) do(es) not lead to a net increase in emissions of participating Parties within and between NDC implementation periods and that corresponding adjustments are representative of and consistent with participating Parties’ NDC implementation and achievement];

{Elements of the initial report related to environmental integrity}

- (y) [Information on which methodological approaches are used for quantifying the mitigation outcomes derived from the cooperative approach];
- (z) [Information on how uncertainties in the quantification of mitigation outcomes are taken into account];
- (aa) [Information on how any baseline or reference levels have been established, including how it is ensured that the baseline or reference levels are conservative and below ‘business as usual’ emission projections, and information on what assumptions have been made, taking into account uncertainty];
- (bb) [Information on how policies such as relevant laws, regulations or targets have been taken into account in establishing baselines or references levels];
- (cc) [Information on how the cooperative approach facilitates the achievement of the long-term goals of the Paris Agreement and avoids locking in emission levels, technologies or practices that are inconsistent with achieving those goals];
- (dd) [Information on how the risk of non-permanence is assessed under the cooperative approach and minimized across more than one NDC period, including the frequency and timing of risk assessments, the methodological approaches used, and what types of risks are considered];
- (ee) [Information on how the risks of non-permanence are minimized across several NDC periods, including what measures have been taken to minimize risks and what time horizons have been considered];
- (ff) [Information on how reversals are monitored and quantified, including what methodological approaches are used, the duration and frequency of monitoring for reversals, and measures envisaged in case of failures in monitoring];

Option 2: {No text required}

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(c) Duration of the cooperative approach [as per decision 2/CMA.3, annex, paragraph 18(g)];

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(e) Vintage(s) [of the underlying mitigation outcome] [as per decisions 2/CMA.3, annex, paragraphs 20(b) and 23(j), and decision 6/CMA.4, annex I, paragraph 5(e)];

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(h) Metrics and [units of] [methods for its] measurement [or conversion and the greenhouse gases covered] [as per decision 2/CMA.3, annex, paragraph 22(c-d)];

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New elements

- **Date/duration** of authorization
- **Definition of first transfer** (specify trigger)
- Arrangements/applicable terms and conditions pertaining to **changes**
- **Type** of market instrument
- Regulatory **framework/procedures/standards**
- **Authorized uses**
- Information on how mitigation outcomes are **shared**
- **Other** information

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- **Other** information

Conclusions

- A template for authorization can be helpful, but should not be mandatory—authorization is complex and must reflect diversity of Parties' national and legal approaches
- Support the Secretariat in developing a template for authorization to be included in the 6.2 manual
- Support development of elements to be included in a copy of authorization—focus on what's useful and specific to authorization
 - Avoid duplicating or contradictory guidance
- Authorization is not a new reporting vehicle, but a policy/operational document