

Draft elements for SBSTA agenda item 11 (a)

Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

Informal note by the co-chairs

These draft elements have been prepared by the co-chairs of the negotiations on this agenda item under their own responsibility, on the basis of the views that Parties have submitted and discussions in the round table. These elements are preliminary and should not be considered as final in any way; they are offered as a basis for work and do not prevent Parties from expressing their views at any time. For all draft elements, it is understood that there may be an alternative that there should be no such draft element. It is recognized that the outcome of deliberations on this item will form part of the overall outcome under the Paris Agreement work programme.

Elements of the guidance

1. PRINCIPLES

Potential element a: List of principles

Potential element b: No principles

2. DEFINITIONS

A. Definition of an internationally transferred mitigation outcome (ITMO)

Potential element a: Defined by the CMA

Potential sub-element (a): Measured in tonnes of CO₂e

Potential sub-element (b): Net flows between Parties measured in tonnes of CO₂e

Potential sub-element (c): Open definition including tonnes of CO₂e and other

Potential element b: Defined by Parties implementing a cooperative approach

Possible further elements (as applicable, depending on above)

- (i) That is real, permanent, additional and verifiable
- (ii) That is identified by a unique serial number
- (iii) Measured in GHG or non-GHG terms
- (iv) Does not create a freely tradeable unit

Potential element c: No definition

B. Definition of other units that may be treated as ITMOs

Potential element a: Include other units as ITMOs

Possible further elements

- (i) Emission reductions under Article 6.4 mechanism when internationally transferred

- (ii) Others as determined by the CMA
- (iii) Others as determined by Parties implementing a cooperative approach

Potential element b: No other units

3. GUIDANCE FOR A PARTY USING ITMOs TOWARDS ITS NDC

A. Party's preparedness for using ITMOs towards its NDC

Possible further elements

- (i) Be a Party to the Paris Agreement
- (ii) Have submitted and be currently maintaining an NDC
- (iii) Have a designated national authority
- (iv) Have authorized the use of ITMOs from the cooperative approach towards own NDC through Article 6.3 and have made that authorization public
- (v) Have submitted a national inventory report, including a time series of emissions, at least biennially/annually
- (vi) Have quantified its NDC and identified the relevant sectors and gases covered
- (vii) Have a system for identifying the origin of ITMOs/tracking the acquisition of ITMOs/tracking the international transfer
- (viii) Have a system for recording the use of ITMOs
- (ix) Have a system for establishing a balance of ITMOs/accounting balance

B. Accounting by a Party using ITMOs towards its NDC

(a) Accounting approaches

Potential element a: Target/budget-based accounting approach (i.e. calculation of and adjustment to a total budget of NDC-allowed emissions over the NDC period)

Potential element b: Emission-based accounting approach (i.e. calculation of and adjustment to emissions totals over the NDC period)

Potential element c: Buffer registry approach (i.e. add/subtract transfers and acquisitions from an established balance separate from emissions or NDC (e.g. starting balance of zero))

Potential element d: Parties choose from above potential elements and apply consistently

(b) Operation of the corresponding adjustment

Potential element a: In a target/budget-based approach, effecting an addition

Potential element b: In an emissions-based approach, effecting a subtraction

Potential element c: In a buffer registry approach, effecting an addition and/or subtraction

(c) Timing of the corresponding adjustment

Potential element a: At acquisition of the ITMO

Potential element b: At use of the ITMO towards NDC

Potential element c: At time of submitting information per Article 13.7

Potential element d: All/some of above

(d) Limits on use towards NDC

Potential element a: Limits

Possible further elements

- (i) Use by a Party towards NDC must be supplemental to domestic action
- (ii) Limits on banking/carrying-over
- (iii) Not to be used for NDC if used for non-UNFCCC purposes

Potential element b: No limits

C. Reporting by a Party using ITMOs towards its NDC

(a) Infrastructure for tracking acquisition and use of ITMOs towards NDC

Potential element a: National/central registry plus a connection to an international transaction log

Potential element b: A standard reporting table/format plus central database where additions and subtractions are recorded after review

Potential element c: National registry plus a standard reporting table/format

Potential element d: National buffer registry

Potential element e: Standard reporting table/format

(b) Timing of reporting

Potential element a: At the time of each report submitting Article 13.7

Potential element b: At the time of transfer

Potential element c: At the time of final NDC accounting

Potential element d: All/some of above

D. Demonstrating role of ITMOs in achieving NDC (final accounting)

(a) Provision of evidence of cancellation (other than voluntary)/retirement/use towards

(b) Reporting of the achievement of NDC through use of ITMOs

Possible further elements

- (i) Cumulative emissions throughout the NDC implementation period
- (ii) Cumulative use of ITMOs throughout the NDC implementation period

- (iii) Adjusted emissions-balance/budget throughout the NDC implementation period
- (iv) Corresponding adjustment by the transferring Party
- (v) Environmental integrity of the ITMOs used towards the NDC (i.e. does not increase global emissions)
- (vi) Evidence that ITMO is real, permanent, additional and verified
- (vii) How the use of ITMOs towards the NDC has environmental integrity
- (viii) How the cooperative approach is consistent with the Party's long-term strategy
- (ix) How the use of ITMOs is consistent with progression over time
- (x) How the use of ITMOs towards the NDC promotes sustainable development
 - In the context of the Party's national prerogative
 - In the context of the Party's implementation of the Sustainable Development Goals

(c) Specific guidance for single year NDCs

Potential element a: Use of ITMOs limited to those with same vintage as the NDC target year

Potential element b: Use of the cumulative ITMOs throughout the NDC implementation period towards the single-year NDC

Potential element c: Use of ITMOs compared to an emissions trajectory throughout the NDC implementation period (e.g. ITMO use is distributed throughout the NDC implementation period based on an emissions trajectory consistent with NDC achievement)

Potential element d: Use of average ITMO acquisitions/average ITMO use over the NDC implementation period in the NDC target year (e.g. ITMO use in target year equals ITMO use over period divided by number of years in period)

Potential element e: Use of ITMOs in each period reflected in the biennial reports under Article 13.7

Potential element f: No specific guidance for single year targets

4. GUIDANCE FOR A PARTY CREATING/ISSUING ITMOs

A. Party's preparedness to issue/create mitigation outcomes that are internationally transferred for use towards a NDC

Possible further elements

- (i) Be a Party to the Paris Agreement
- (ii) Have submitted and be currently maintaining an NDC
- (iii) Have a designated national authority
- (iv) Have authorized the international transfer of mitigation outcomes from the cooperative approach under Article 6.3 and have made that authorization public
- (v) Have submitted a national inventory report, including a time series of emissions, at least biennially/annually
- (vi) Have quantified its NDC and identified the relevant sectors and gases covered
- (vii) Have a system for setting a baseline in respect of the activity from which the mitigation outcome is issued/created
- (viii) Have a system for verifying that mitigation outcomes (that may be transferred) have been achieved

- (ix) Have a system for identifying the origin of ITMOs/tracking the creation/issuance of ITMOs/tracking the international transfer
- (x) Have a system for establishing a balance of ITMOs transferred

B. Source of ITMOs that may be internationally transferred, and used towards a NDC

(a) Sector

Potential element a: Only from a sector inside the NDC

Potential element b: From any sector, inside or outside the NDC

(b) GHG gas

Potential element a: Only from a GHG gas inside the NDC

Potential element b: From any GHG gas, inside or outside the NDC

C. Accounting by a Party transferring ITMOs

(a) Accounting approaches

Potential element a: Target/budget-based accounting approach (i.e. calculation of and adjustment to a total budget of NDC-allowed emissions over the whole NDC period)

Potential element b: Emission-based accounting approach (i.e. calculation of and adjustment to emissions totals over the NDC period)

Potential element c: Buffer registry approach (i.e. add/subtract transfers and acquisitions from an established balance separate from emissions or NDC (e.g. starting balance of zero))

Potential element d: Parties choose from above potential elements and apply consistently

(b) Method of the corresponding adjustment

Potential element a: In a target-based approach, effecting a subtraction

Potential element b: In an emissions-based approach, effecting an addition

Potential element c: In a buffer registry approach, effecting an addition and/or subtraction

(c) Application of the corresponding adjustment

Potential element a: If mitigation outcomes can be issued/created from outside the NDC, corresponding adjustment upon international transfer

Potential sub-element (a): for ITMOs issued/created from inside the NDC only

Potential sub-element (b): for all ITMOs created/issued inside and outside the NDC

Potential element b: If mitigation outcomes can only be issued/created from inside the NDC, corresponding adjustment upon international transfer for all ITMOs

(d) Limits on issuance/creation/transfer

Potential element a: Limits on issuance/creation/transfer

Possible further elements

- (i) Limit on the creation of tradable units based on a calculation: NDC target multiplied by the NDC period (e.g. 5 or 10 years), with downward adjustment based on the previous actual emissions trend
- (ii) Limits on transfers/overselling (e.g. may only transfer ITMOs up to a limit, calculated as a percentage of annual emissions or percentage of quantified NDC)

Potential element b: No limits on issuance/creation/transfer

D. Reporting by a Party issuing/creating mitigation outcomes

(a) Infrastructure for tracking issuance/creation of ITMOs

Potential element a: National registry connection to an international transaction log

Potential element b: National registry plus standard reporting table

Potential element c: Standard reporting table

(b) Timing of reporting

Potential element a: At issuance/creation of the mitigation outcome

Potential element b: At transfer of the mitigation outcome

Potential element c: At time of submitting information per Article 13.7

E. Application of share of proceeds for adaptation to Article 6.2 activities

Potential element a: Share of proceeds on Article 6.2

Possible further elements

- (i) X% collected
- (ii) Collected at first international transfer of mitigation outcomes
- (iii) Collected at a diminishing/increasing rate
- (iv) From crediting approaches implemented by Parties
- (v) Sent to Adaptation Fund

Potential element b: No share of proceeds on Article 6.2

F. Demonstrating role of ITMOs in achieving NDC (final accounting)

(a) Reporting of the achievement of NDC with the use of ITMOs

Possible further elements

- (i) Actual cumulative emissions over the NDC implementation period
- (ii) Cumulative creation/transfer of ITMOs throughout the NDC implementation period

- (iii) Adjusted emissions-balance/budget over the NDC implementation period
- (iv) Demonstration of the environmental integrity of the ITMOs transferred (i.e. does not increase global emissions)
- (v) Evidence that ITMO is real, permanent, additional and verified
- (vi) How the transfer of ITMOs has environmental integrity
- (vii) How the cooperative approach is consistent with the Party's long-term strategy
- (viii) How the transfer of ITMOs is consistent with progression over time
- (ix) Demonstration of how the use of ITMOs towards the NDC promotes sustainable development
 - In the context of the Party's national prerogative
 - In the context of the Party's implementation of the Sustainable Development Goals

(b) Specific guidance single year NDCs

Potential element a: International transfer of ITMOs limited to mitigation in the NDC target year (i.e. vintage limit)

Potential element b: International transfer of ITMOs outside the NDC target year, with no corresponding adjustment

Potential element c: International transfer of ITMOs compared to an emissions trajectory throughout the NDC implementation period (e.g. ITMO transfers distributed throughout the NDC implementation period based on an emissions trajectory consistent with NDC achievement)

Potential element d: Average international transfer of ITMOs over the NDC implementation period applied in the NDC target year (e.g. ITMOs accounted in target year equal ITMOs transferred over the NDC implementation period divided by number of years in the period)

Potential element e: ITMOs internationally transferred in each period are reflected in the biennial reports under Article 13.7

Potential element f: No specific guidance for single year targets

5. REVIEW OF CONSISTENCY WITH GUIDANCE ON THE CREATION AND USE OF ITMOs TOWARDS NDC

Potential element a: Review through Article 6 body

Possible further elements

- (i) Confirmation of Party's preparedness to use/create ITMOs
- (ii) Checking conformity of Party's implementation of Article 6. 2 guidance
- (iii) Approving the methodologies and baseline approaches for crediting-type systems – no less rigorous than Article 6.4
- (iv) Third party technical review of the environmental integrity of ITMOs created/approval of ITMOs
- (v) Checking submitted information on corresponding adjustment, compiling and cross-checking information
- (vi) Correction of accounting errors

Potential element b: Under other processes (e.g. Article 13, Article 4.13, Article 15)

Possible further elements

- (i) Confirmation of Party's preparedness to use/create ITMOs
- (ii) Checking that Party's use/creation of ITMOs conforms with 6.2 guidance
- (iii) Checking conformity of Parties implementation of 6.2 guidance