

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**

Third iteration, 12 November 2017

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, discussions in the round table and during this session. These elements are preliminary, should not be considered as final or exhaustive 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, including headers, 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. PREAMBLE*Possible further elements*

- (i) Article 2
- (ii) Decision 1/CP.21 paragraph 1
- (iii) Article 2 chapeau

2. PRINCIPLES

Potential element a: List of principles

Potential element b: Preambular paragraphs

Potential element c: No principles

Possible further elements

- (i) Voluntary participation
- (ii) Environmental integrity (i.e. not increase global emissions)
- (iii) Sustainable development
- (iv) Adaptation ambition
- (v) Maintaining national prerogative through bottom-up approaches
- (vi) Addressing negative social and economic impacts, Article 4.7 and 4.15
- (vii) Prioritize NDC implementation, while avoiding extraneous influences
- (viii) Avoid unilateral measures and employ non-discriminatory practices
- (ix) Accommodation of all NDC types
- (x) Need to maintain and enhance ambition
- (xi) Need to secure incentives for progression
- (xii) Need for comprehensive accounting between Article 6.2 and Article 6.4
- (xiii) Need to reflect mitigation objectives of participating Parties

- (xiv) Allow for higher ambition in mitigation actions
- (xv) Multilateral rules-based system

3. SCOPE AND PURPOSE

Possible further elements

- (i) Article 2
- (ii) Article 6.1
- (iii) Scope of Article 6.2
- (iv) Coverage of Article 6.4
- (v) Coverage in terms of gases
- (vi) Corresponding adjustment and the timing of corresponding adjustment
- (vii) Rules for ITMO generation if not from Article 6.4

4. SCOPE

Possible further elements

- (i) For transfers only

5. PURPOSE

6. DEFINITIONS

- (a) Acquiring Party**
- (b) Cooperative approaches**
- (c) Corresponding adjustment**
- (d) Creating/issuing Party**
- (e) Double counting**

Possible further elements

- (i) Double claiming
- (ii) Double issuance
- (iii) Double registration
- (iv) Double use

(f) Environmental integrity

Possible further elements

- (i) Not increasing global emissions
- (ii) Quality of units
- (iii) Accounting rules

(g) Internationally transferred mitigation outcome

Potential element a: Defined by the CMA

Potential sub-element (a): Measured in tonnes of CO₂ eq

Potential sub-element (b): Net flows between Parties measured in tonnes of CO₂ eq

Potential sub-element (c): Open definition including tonnes of CO₂ eq and other

Potential sub-element (d): Full spectrum of mitigation outcomes tonnes of CO₂ eq and other metrics

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
- (v) Emission reductions and/or avoidance under Article 6.4 mechanism when internationally transferred
- (vi) Others as determined by the CMA
- (vii) Others as determined by Parties implementing a cooperative approach
- (viii) Net absolute national reductions by the issuing Party used by the using Party towards its NDC
- (ix) Define ITMOs used towards NDC
- (x) CER under the SDM, CER under the CDM, ERU under JI
- (xi) CER under the SDM, CER under the CDM
- (xii) Emission reductions and/or avoidance from the Article 6.4 mechanism
- (xiii) Consistency between transferring and acquiring Parties

(h) Overall mitigation of global emissions

(i) Transferring Party

(j) Using Party

7. GOVERNANCE

A. Role of CMA

Possible further elements

- (i) Periodic review of guidance
- (ii) Process for review of guidance
- (iii) Multilateral issuance of units

B. Oversight arrangements

Potential element a: Article 6.2 body

Possible further elements

- (i) Confirmation of Party's preparedness to create/issue/transfer/acquire/use 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) Ensuring that standards and methodologies developed in all cooperative approaches follow the guidance of the CMA, as appropriate
- (v) Third party technical review of the environmental integrity of ITMOs created/approval of ITMOs
- (vi) Correction of accounting errors
- (vii) Multilateral issuance of units

Potential element b: No Article 6.2 body

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

Possible further elements

- (i) Reporting and review under Article 13
- (ii) Additional infrastructure as referred to under Part 8, Section C(a), Part 10, Section D(a), Part 11 of this informal note

C. Role of secretariat

Possible further elements

- (i) Checking submitted information on corresponding adjustment
- (ii) Compiling and cross-checking information
- (iii) Maintaining centralized accounting database
- (iv) Administering the international transaction log
- (v) Reporting on share of proceeds collected
- (vi) Reporting on overall mitigation of global emissions delivered through cancellation / discounting

8. GUIDANCE FOR A PARTY USING ITMOs TOWARDS ITS NDC / GUIDANCE FOR A PARTY TRANSFERRING IN ITMOs

A. Participation requirements

Possible further elements

- (i) Be a Party to the Paris Agreement
- (ii) Have communicated and be currently maintaining an NDC
- (iii) Have declared that use of ITMOs is voluntary
- (iv) Have a designated national authority/ focal point
- (v) Have authorized the use of ITMOs from the cooperative approach towards own NDC through Article 6.3 and have made that authorization public
- (vi) Have submitted a national inventory report, including a time series of emissions, at least biennially/annually
- (vii) Have fulfilled the requirements on reporting agreed under the transparency framework
- (viii) Have quantified its NDC and identified the relevant sectors and gases covered / annually
- (ix) Have quantified its NDC in absolute emissions
- (x) Have economy wide target, absolute emissions, multi-year
- (xi) Have economy wide long term low emissions strategy
- (xii) Biennial inventories consistent with long term trajectories

- (xiii) Have submitted an indicative emissions trajectory consistent with its long-term goals under its low emissions development strategy
- (xiv) Have a system for identifying the origin of ITMOs/tracking the acquisition of ITMOs/tracking the international transfer and/or have access to a system for recording the use of ITMOs
- (xv) Have a system for recording the use of ITMOs and/or have access to a system for recording the use of ITMOs
- (xvi) Have a system for establishing a balance of ITMOs/accounting balance and/or have access to a system for recording the use of ITMOs
- (xvii) Special circumstances of LDCs and SIDs
- (xviii) ITMOs that have been generated post 2020 only
- (xix) ITMOs that do not result in environmental harm
- (xx) ITMOs that do not adversely affect human rights
- (xxi) National prerogative
- (xxii) Check that the Party has achieved the relevant requirements

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

Possible further element

- (i) Except for LDCs

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 using ITMOs towards its NDC

(a) Basis for accounting

Potential element a: Target/budget-based accounting approach (i.e. calculation of and adjustment to a 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 emissions and removals covered by the NDC over the NDC period e.g. "accounting balance", "tracking and accounting balance")

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

Potential element d: Emission reduction-based accounting approach (i.e. calculation of the quantity of emission reductions required for NDC achievement)

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

(b) Method 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

Potential element d: In an emission reductions-based approach, effecting an addition

(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) Application of the corresponding adjustment

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

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

Potential element c: If mitigation outcomes under the Kyoto mechanisms prior to 2021, corresponding adjustment at the time of NDC accounting

(e) Corresponding adjustment to implement overall mitigation of global emissions

Potential element a: Full accounting of the emission reductions by host Party, with X percentage cancellation of units at point of use by Party using ITMOs towards achievement of its NDC

Potential element b: Full accounting of the emission reductions by host Party/transferring Party, with X percentage discount of units applied at point of use by Party using ITMOs towards achievement of its NDC

Potential element c: Not applicable to Article 6.2

(f) 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) Limits on use of vintages
- (iv) Limits on the percentage of NDC compliance that can be achieved through the use of ITMOs
- (v) Have economy wide target, absolute emissions, multi-year
- (vi) Have economy wide long term low emissions strategy
- (vii) Have consistent inventories

Potential element b: No limits

(g) ITMOs used for other purposes

Possible further elements

- (i) Not to be used for NDC if used for non-UNFCCC purposes (e.g. ICAO)
- (ii) Corresponding adjustment where required

D. 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, including information on Party of origin of ITMOs, characteristics of units, originating programmes plus central database where additions and subtractions are recorded after review

Potential element c: National registry plus a standard reporting table/format, including information on Party of origin of ITMOs, characteristics of units, originating programmes

Potential element d: National buffer registry

Potential element e: Standard reporting table/format, including information on Party of origin of ITMOs, characteristics of units, originating programmes

Potential element f: National registry connected to a centrally accessible distributed ledger

(b) Timing of reporting

Potential element a: At the time of submitting each report under 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

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

Potential element a: Subsections (a) to (d) below

Potential element b: Forward to Article 4.13

- (a) **Provision of evidence of cancellation (other than voluntary)/retirement/use towards NDC**
- (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) Evidence that the use of ITMOs has been authorised by the creating/issuing Party
 - (viii) How the use of ITMOs towards the NDC has environmental integrity
 - (ix) How the use of ITMOs towards the NDC does not erode the environmental integrity of the using Party's NDC
 - (x) How the cooperative approach is consistent with the Party's long-term strategy
 - (xi) Evidence that the activity resulting in ITMOs fosters the transition of the using Party to a low carbon economy
 - (xii) How the use of ITMOs is consistent with progression over time
 - (xiii) Information on characteristics of units
 - (xiv) Information on originating programmes
 - (xv) Information on source (sector and scope) of ITMOs
 - (xvi) Information on vintage/time period of ITMOs
 - (xvii) 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
 - In the context of the using Party, in the creating/issuing Party
- (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 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 average ITMO acquisitions/average ITMO use over the period of the activity accounted in the NDC target year (e.g. ITMO use in target

year equals ITMO generated by the activity divided by number of years in period of the activity)

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

Potential element g: Representative transfer of ITMOs over the NDC implementation period accounted in the NDC target year

Potential element h: No specific guidance for single year targets

(d) Specific guidance for multi-year NDCs

Potential element a: Cumulative ITMO acquisition/transfer/use throughout the NDC implementation period

**9. GUIDANCE FOR A PARTY CREATING/ISSUING ITMOs /
GUIDANCE FOR A PARTY TRANSFERRING OUT ITMOs**

Potential element a: Include the sections A to E below

Potential element b: No need for sections A to E below

A. Participation requirements

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/focal point
- (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 fulfilled the requirements on reporting agreed under the transparency framework
- (vii) Have quantified its NDC and identified the relevant sectors and gases covered / annually
- (viii) Have quantified its NDC in absolute emissions
- (ix) Have submitted an indicative emissions trajectory consistent with its long-term goals under its low emissions development strategy
- (x) Have economy wide target, absolute emissions, multi-year
- (xi) Have economy wide long term low emissions strategy
- (xii) Biennial inventories consistent with long term trajectories
- (xiii) Have a system for setting a baseline in respect of the activity from which the mitigation outcome is issued/created
- (xiv) Have a system for verifying that mitigation outcomes (that may be transferred) have been achieved and/or have access to a system for recording the use of ITMOs
- (xv) Have a system for identifying the origin of ITMOs/tracking the creation/issuance of ITMOs/tracking the international transfer and/or have access to a system for recording the use of ITMOs
- (xvi) Have a system for establishing a balance of ITMOs transferred and/or have access to a system for recording the use of ITMOs
- (xvii) Special circumstances of LDCs and SIDs
- (xviii) ITMOs that have been generated post 2020 only

- (xix) ITMOs that do not result in environmental harm
- (xx) ITMOs that do not adversely affect human rights
- (xxi) Has quantified its NDC in absolute emission caps
- (xxii) Have requirements to mitigate leakage risk
- (xxiii) Have systems to ensure permanence, including systems to address reversal
- (xxiv) Checks that the Party has achieved the relevant requirements
- (xxv) System for determining sustainable development in accordance with national prerogative

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

(c) Sector

Potential element a: Only from a sector inside the NDC

Possible further element

- (i) Except for LDCs

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

(d) 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) Basis for accounting

Potential element a: Target/budget-based accounting approach (i.e. calculation of and adjustment to a 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 emissions and removals covered by the NDC over the NDC period e.g. “tracking and accounting balance”, “accounting balance”)

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

Potential element d: Emission reduction-based accounting approach (i.e. calculation of quantity of emission reductions required for NDC achievement)

Potential element e: 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

Potential element d: In an emission reductions-based approach, effecting a subtraction

(c) Timing of the corresponding adjustment

Potential element a: At creation/issuance 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) Application of the corresponding adjustment

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

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

Potential element c: If mitigation outcomes under the Kyoto mechanisms prior to 2021, at the time of NDC accounting

(e) Corresponding adjustment to implement overall mitigation of global emissions

Potential element a: Full accounting of the emission reductions by host Party, with X percentage cancellation of units at point of issuance/transfer

Potential element b: Full accounting of the emission reductions by host Party, with X percentage discount applied at point of issuance/transfer

Potential element c: Not applicable to Article 6.2

(f) ITMOs used for other purposes

Possible further elements

(i) Not to be used for NDC if used for non-UNFCCC purposes (e.g. ICAO)

(ii) Corresponding adjustment where required

(g) 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)
- (iii) Restrictions on types of transfers
- (iv) Quantitative restrictions on carry-over
- (v) Restrictions in sectors with high degree of uncertainty in emission estimates
- (vi) No use of pre-2020 units post 2020

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/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

Potential element f: National registry connected to a centrally accessible distributed ledger

(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

Potential element d: For units under the Kyoto mechanisms prior to 2021, at the time of NDC accounting

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

Potential element a: Subsections (a) to (c) below

Potential element b: Forward to Article 4.13

(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 the international transfer of ITMOs has been authorised by the creating/issuing Party
- (vi) Evidence that ITMO is real, permanent, additional and verified
- (vii) How the transfer of ITMOs has environmental integrity
- (viii) How the transfer of ITMOs does not erode the environmental integrity of the host Party's NDC
- (ix) Have submitted an indicative emissions trajectory consistent with its long-term goals under its low emissions development strategy
- (x) Evidence that the activity resulting in ITMOs fosters the transition of the host Party to a low carbon economy
- (xi) How the transfer of ITMOs is consistent with progression over time
- (xii) Information on characteristics of units
- (xiii) Information on originating programmes
- (xiv) Information on source (sector and scope) of ITMOs
- (xv) Information on vintage/time period of ITMOs
- (xvi) 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: Use of average ITMOs created/issued/transferred over the period of the activity accounted in the NDC target year (e.g. ITMO accounted in target year equals ITMO generated by the activity divided by number of years in period of the activity)

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

Potential element g: Representative transfer of ITMOs over the NDC implementation period accounted in the NDC target year

Potential element h: No specific guidance for single year targets

(c) Specific guidance for multi-year NDCs

Potential element a: Cumulative ITMO acquisition/transfer/use throughout the NDC implementation period

10. INFRASTRUCTURE

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

Potential element b: A standard reporting table/format, including information on Party of origin of ITMOs, characteristics of units, originating programmes plus central database where additions and subtractions are recorded after review

Potential element c: National registry plus standard reporting table, including information on Party of origin of ITMOs, characteristics of units, originating programmes

Potential element d: National buffer registry

Potential element e: Standard reporting table, including information on Party of origin of ITMOs, characteristics of units, originating programmes

Potential element f: National registry connected to a centrally accessible distributed ledger

Potential element g: Some or all the above depending on nature of participation (e.g. only creation/issuance/transfer)

Possible further elements

- (i) Blockchain

11. PARTICIPATION REQUIREMENTS**A. Requirements for all participating Parties**

Possible further elements

- (i) Be a Party to the Paris Agreement
- (ii) Have communicated and be currently maintaining an NDC
- (iii) Have a designated national authority/focal point
- (iv) Have submitted a national inventory report, including a time series of emissions, at least biennially/annually
- (v) Have fulfilled the requirements on reporting agreed under the transparency framework
- (vi) Have quantified its NDC and identified the relevant sectors and gases covered / annually
- (vii) Have quantified its NDC in absolute emissions
- (viii) Have submitted an indicative emissions trajectory consistent with its long-term goals under its low emissions development strategy
- (ix) Have economy wide target, absolute emissions, multi-year
- (x) Have economy wide long term low emissions strategy
- (xi) Biennial inventories consistent with long term trajectories
- (xii) Have a system for identifying the origin of ITMOs/tracking the creation/issuance of ITMOs/tracking the international transfer and/or have access to a system for recording the use of ITMOs

- (xiii) Have a system for establishing a balance of ITMOs/accounting balance and/or have access to a system for recording the use of ITMOs
- (xiv) Special circumstances of LDCs and SIDs
- (xv) ITMOs that have been generated post 2020
- (xvi) ITMOs do not result in environmental harm or adversely affect human rights
- (xvii) National prerogative
- (xviii) Check that the Party has achieved the relevant requirements

B. Further requirements for a Party creating/issuing ITMOs

Possible further elements

- (i) Have authorized the international transfer of mitigation outcomes from the cooperative approach under Article 6.3 and have made that authorization public
- (ii) Have a system for setting a baseline in respect of the activity from which the mitigation outcome is issued/created
- (iii) Have a system for verifying that mitigation outcomes (that may be transferred) have been achieved and/or have access to a system for recording the use of ITMOs
- (iv) Have provided a quantification report that has been assessed by a reviewer

C. Further requirements for a Party transferring ITMOs

Possible further elements

- (i) Have authorized the international transfer of mitigation outcomes from the cooperative approach under Article 6.3 and have made that authorization public
- (ii) Have a system for recording the transfer of ITMOs and/or have access to a system for recording the use of ITMOs

D. Further requirements for a Party using ITMOs towards NDCs

Possible further elements

- (i) Have authorized the use of ITMOs from the cooperative approach towards own NDC through Article 6.3 and have made that authorization public
- (ii) Have a system for recording the use of ITMOs and/or have access to a system for recording the use of ITMOs

12. ACCOUNTING

A. Basis for accounting

(a) Accounting approaches

Potential element a: Target/budget-based accounting approach (i.e. calculation of and adjustment to a 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 emissions and removals covered by the NDC over the NDC period e.g. “tracking and accounting balance”, “accounting balance”)

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

Potential element d: Emission reduction-based accounting approach (i.e. calculation of quantity of emission reductions required for NDC achievement)

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

(b) Source of ITMOs that may be internationally transferred, and used towards a NDC

○ **Sector**

Potential element a: Only from a sector inside the NDC

Possible further elements

(i) Except for LDCs

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

○ **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) Application of the corresponding adjustment in relation to source of ITMOs

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

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

Potential element c: If mitigation outcomes under the Kyoto mechanisms prior to 2021, corresponding adjustment at the time of NDC accounting

**B. Specific guidance for Parties creating/issuing ITMOs /
Specific guidance for Parties transferring out**

(a) Method of the corresponding adjustment for Parties creating/issuing ITMOs

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

Potential element d: In an emission reductions-based approach, effecting a subtraction

(b) Specific guidance single year NDCs for Parties creating/issuing ITMOs

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: Use of average ITMOs created/issued/transferred over the period of the activity accounted in the NDC target year (e.g. ITMO accounted in target year equals ITMO generated by the activity divided by number of years in period of the activity)

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

Potential element g: Representative transfer of ITMOs over the NDC implementation period accounted in the NDC target year

Potential element h: No specific guidance for single year targets

(c) Specific guidance for multi-year NDCs for Parties creating/issuing ITMOs

Potential element a: Cumulative ITMO acquisition/transfer/use throughout the NDC implementation period

C. Specific guidance for Parties transferring ITMOs**(a) Method of the corresponding adjustment for Parties transferring ITMOs**

Potential element a: In a target-based approach, effecting a subtraction and/or an addition

Potential element b: In an emissions-based approach, effecting an addition and/or subtraction

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

Potential element d: In an emission reductions-based approach, effecting a subtraction and/or an addition

D. Specific guidance for Parties using ITMOs towards NDC / Specific guidance for Parties transferring in**(a) Method of the corresponding adjustment for Parties using ITMOs towards NDC**

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

Potential element d: In an emission reductions-based approach, effecting an addition

(b) Specific guidance for single year NDCs for Parties using ITMOs towards NDC

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 average ITMO acquisitions/average ITMO use over the period of the activity accounted in the NDC target year (e.g. ITMO use in target year equals ITMO generated by the activity divided by number of years in period of the activity)

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

Potential element g: Representative transfer of ITMOs over the NDC implementation period accounted in the NDC target year

Potential element h: No specific guidance for single year targets

(c) Specific guidance for multi-year NDCs for Parties using ITMOs towards NDC

Potential element a: Cumulative ITMO acquisition/transfer/use throughout the NDC implementation period

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

E. Specific guidance for the implementation of a delivery of an overall mitigation of global emissions

(a) Overall mitigation of global emissions for Parties creating/issuing ITMOS

Potential element a: Full accounting of the emission reductions by host Party, with X percentage cancellation of units at point of issuance/transfer

Potential element b: Full accounting of the emission reductions by host Party, with X percentage discount applied at point of issuance/transfer

Potential element c: Not applicable to Article 6.2

(b) Overall mitigation of global emissions for Parties using ITMOS towards NDC

Potential element a: Full accounting of the emission reductions by host Party, with X percentage cancellation of units at point of use

Potential element b: Full accounting of the emission reductions by host Party/transferring Party, with X percentage discount of units applied at point of use

Potential element c: Not applicable to Article 6.2

F. Timing of the corresponding adjustment

Potential element a: At creation/issuance of the ITMO

Potential element b: At transfer of the ITMO

Potential element c: At acquisition of the ITMO

Potential element d: At use of the ITMO towards NDC

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

Potential element f: All/some of above

G. ITMOs used for other purposes

Possible further elements

- (i) Not to be used for NDC if used for non-UNFCCC purposes (e.g. ICAO)
- (ii) Corresponding adjustment where required

H. Limits

(a) 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)
- (iii) Restrictions on types of transfers
- (iv) Quantitative restrictions on carry-over
- (v) Restrictions in sectors with high degree of uncertainty in emission estimates
- (vi) No use of pre-2020 units post 2020

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

(b) 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) Limits on use of vintages
- (iv) Limits on the percentage of NDC compliance that can be achieved through the use of ITMOs
- (v) Have economy wide target, absolute emissions, multi-year
- (vi) Have economy wide long term low emissions strategy
- (vii) Have consistent inventories

Potential element b: No limits

13. REPORTING

A. Reporting for all participating Parties

Possible further elements

- (i) Initial calculation of emission allowance
- (ii) Actual cumulative emissions over the NDC implementation period / according to national inventory report
- (iii) Adjusted emissions-balance/budget over the NDC implementation period
- (iv) Corresponding adjustments
- (v) Accounting report on expiration of NDC
- (vi) Demonstration of the environmental integrity of the ITMOs transferred (i.e. does not increase global emissions)
- (vii) Evidence that ITMO is real, permanent, additional and verified
- (viii) How the cooperative approach is consistent with the Party's long-term strategy
- (ix) How the creation/issuance/transfer/use of ITMOs is consistent with progression over time
- (x) Establishment of accounting approach
- (xi) Contribution of cooperative approach, mechanism to achievement of NDC
- (xii) Contribution of cooperative approach, mechanism to mitigation of emissions
- (xiii) Updating of accounting approach (NDC, emissions-based, buffer registry)
- (xiv) Demonstration of achievement of NDC (under different approaches)
- (xv) Information on Party of origin of ITMOs
- (xvi) Information on characteristics of units, Information on originating programmes
- (xvii) Information on source (sector and scope) of ITMOs
- (xviii) Information on vintage/time period of ITMOs

B. Further reporting requirements for a creating/issuing/transferring Party

Possible further elements

- (i) Cumulative creation/issuance/transfer of ITMOs throughout the NDC implementation period

- (ii) Evidence that the use of ITMOs has been authorised by the creating/issuing Party
- (iii) How the creation/transfer 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. Further reporting requirements for a transferring Party

Possible further elements

- (i) Evidence that the international transfer of ITMOs has been authorised by the creating/issuing Party
- (ii) How the transfer of ITMOs has environmental integrity

D. Further reporting requirements for a Party using ITMOs towards its NDC

Possible further elements

- (i) How the use of ITMOs is consistent with progression over time
- (ii) That use of ITMOs is authorised in accordance with Article 6.3
- (iii) Environmental integrity of the ITMO used towards the NDC
- (iv) How the use of ITMOs towards the NDC has environmental integrity
- (v) 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
 - In the context of the using Party, in the creating/issuing Party

E. Timing of reporting

Potential element a: Upfront/ex-ante

Potential element b: Periodically (i.e. for each biennial report)

Potential element a: At the time of submitting each report under 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

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

(a) Oversight arrangements

Potential element a: Article 6.2 body

Possible further elements

- (i) Confirmation of Party's preparedness to create/issue/transfer/acquire/use 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) Correction of accounting errors
- (vi) Multilateral issuance of units

Potential element b: No Article 6.2 body

Potential element b: Specific compliance procedures

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

Possible further elements

- (i) Confirmation of Party's preparedness to create/issue/transfer/acquire/use ITMOs
- (ii) Checking that Party's creation/issuance/transfer/acquisition/use of ITMOs conforms with Article 6.2 guidance
- (iii) Checking conformity of Party's implementation of Article 6.2 guidance
- (iv) Checking submitted information on corresponding adjustment, compiling cross-checking information
- (v) Initial calculation of emission allowance/quantification report
- (vi) Accounting report on expiration of NDC
- (vii) Approving the methodologies and baseline approaches for crediting-type systems – no less rigorous than Article 6.4
- (viii) Third party technical review of the environmental integrity of ITMOs created/approval of ITMOs
- (ix) Correction of accounting errors

Potential element d: No review

(b) Timing of review

Potential element a: Upfront/ex-ante

Potential element b: Periodically (i.e. for each biennial report)

Potential element c: At the time of final NDC accounting

Potential element d: All of the above

15. APPLICATION OF SHARE OF PROCEEDS FOR ADAPTATION

Potential element a: Share of proceeds on Article 6.2

Possible further elements

- (i) X percentage collected
- (ii) 5 percentage collected, consistent with Article 6.4
- (iii) Collected at first international transfer of mitigation outcomes
- (iv) Collected at a diminishing/increasing rate
- (v) From crediting approaches implemented by Parties

- (vi) Applied to activities similar to Article 6.4 activities
- (vii) Sent to Adaptation Fund
- (viii) Applied progressively with an increasing rate with each transfer

Potential element b: No share of proceeds on Article 6.2

16. OVERALL MITIGATION OF GLOBAL EMISSIONS IN CONTEXT OF ARTICLE 6.2

Potential element a: Overall mitigation of global emissions on Article 6.2

Possible further elements

- (i) X percentage cancelled/discounted
- (ii) Application to crediting approaches under Article 6.2
- (iii) Application to transfers of ITMOs towards achievement of NDCs under Article 6.2
- (iv) Application to Article 6.2

Potential element b: Not applicable to Article 6.2

17. ENVIRONMENTAL INTEGRITY

Possible further elements

- (i) Demonstrate that ITMOs have not resulted in environmental harm

18. SOCIAL INTEGRITY

Possible further elements

- (i) Demonstrate that ITMOs have not resulted in violation of human rights

19. SUSTAINABLE DEVELOPMENT

20. ADAPTATION AMBITION

Possible further elements

- (i) Mitigation co-benefits of adaptation action, including economic diversification

21. ADDRESSING NEGATIVE SOCIAL AND ECONOMIC IMPACTS

22. MITIGATION CO-BENEFITS RESULTING FROM PARTIES' ADAPTATION ACTIONS AND/OR ECONOMIC DIVERSIFICATION PLANS

23. MULTILATERAL GOVERNANCE AND RULES-BASED SYSTEM

Potential element a: National systems, registries, international transaction log, national accounts

Potential element b: Quantification of NDC-permitted emissions, including common metrics, calculation report of permitted emissions, technical expert review of the calculation report

Potential element c: Issuance of NDC permitted emission units

Potential element d: Compulsory limitation of tradeable units, within NDC timeframe reserve, permitted emission units to be exclusively used for retirement or cancellation purposes.

Potential element e: Separate section on international transfers between national accounts; additions and subtractions from NDC permitted emissions, CERs under the KP CDM, CERs under the 6.4 mechanism

Potential element f: Need for an accounting system; public information, progress made in implementing and achieving NDCs, compilation and accounting databases for progress made, compilation and accounting reports

24. GUIDANCE FOR TRANSFERS

A. Eligibility requirements for Article 6.2

Potential element a: Party to the Paris Agreement

Potential element b: Type of NDC

Possible further elements

- (i) Any type

Potential element c: Regulatory requirement

Possible further elements

- (i) National regulator

Potential element d: Registry requirement

Possible further elements

- (i) Need for a national registry

Potential element e: Tracking transfers

Possible further elements

- (i) Tracking each transfer through an ITL

B. What can be transferred

Potential element a: Mitigation outcome in metric agreed by Parties

C. Accounting

Potential element a: What gets adjusted

Possible further elements

- (i) An in/out account, with zero as the starting balance

Potential element b: When it gets adjusted

Possible further elements

- (i) At the time of transfer

Potential element c: Transfer from inside/outside of the NDC

Possible further elements

- (i) Transfers from only inside an NDC

D. Environmental integrity

Potential element a: Governance of environmental integrity

Possible further elements

- (i) Transparency and reporting
- (ii) Guidance on environmental integrity

E. Sustainable development

25. GUIDANCE FOR PARTICIPATION OF OTHER ACTORS

Potential element a: Addressing issues arising from participation of non-state actors

26. GUIDANCE FOR AVOIDING USE OF ITMOs/EMISSION REDUCTIONS FOR MORE THAN ONE PURPOSE

Potential element a: ITMOs/emission reductions applied other than towards NDCs

Possible further elements

- (i) Towards other international mitigation actions
- (ii) Towards voluntary climate action
- (iii) Towards climate finance

Potential element b: ITMOs/emission reductions applied other than towards NDCs

Possible further elements

- (i) Issuance in a manner that avoids market fluctuations
- (ii) Use of emission reductions must be supplemental to domestic action
- (iii) No secondary trading
- (iv) No speculative trading
- (v) No limits to trading
- (vi) No limits to use

27. AVOIDING USE OF EMISSIONS REDUCTIONS RESULTING FROM MITIGATION ACTIVITIES BY MORE THAN ONE PARTY

Potential element a: All emission reductions, consistent with Article 6.2 guidance.

Potential element b: Corresponding adjustment for emission reductions with transfer of national allowances for Parties with absolute national emission caps

Potential element c: Inside the host Party's NDC, consistent with Article 6.2 guidance, outside the host Party's NDC, no application of Article 6.2 guidance

Potential element d: Article 6.2 guidance does not apply to Article 6.4 initial transfer (forwarding) from the central registry to national registry. Article 6.2 guidance only applies to second and subsequent international transfers.

Potential element e: Corresponding adjustment for all emission reductions, consistent with Article 6.2 guidance, at the point of international transfer.

Potential element f: Corresponding adjustment for emission reductions inside the host Party's NDC, consistent with Article 6.2 guidance at the point of international transfer, no corresponding adjustment for emission reductions outside the host Party's NDC.

Potential element g: Article 6.2 guidance applies to units issued under the Kyoto Protocol after 2021

Potential element h: The potential elements above are not applicable to LDCs and SIDs

28. EMISSIONS REDUCTIONS APPLIED TO PURPOSES OTHER THAN TOWARDS ACHIEVEMENT OF NDCs

Possible further elements

- (i) Towards other international mitigation action
- (ii) Towards voluntary climate actions, climate finance
- (iii) May require accounting in accordance with Article 6.2 guidance if used for non-UNFCCC purposes if created/issued from within the scope of a host Party's NDC.
- (iv) Require accounting in accordance with Article 6.2 guidance if used for non-UNFCCC purposes

Co-chairs' further considerations about the structure of this informal note.

In relation to the second iteration of the informal note, discussions highlighted that the structure still had duplication. In order to reflect input from Parties about addressing duplication, while ensuring that the structure from the first iteration remains visible in this third iteration, the co-chairs left duplication in this third iteration of the informal note but also reflected input about alternative structuring arrangements. With this third iteration, the co-chairs consider that duplication could be further addressed while retaining necessary distinction. The issue of logical ordering also still remains to be resolved.