2.2. Authorization/ First transfer

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Manual contents and capacity-building related to "first-transfer" could support informed AEF use.

<u>Example of a key question from COP27</u>: What if a Party wishes to authorize ITMOs for either purpose and specifies that first transfers will be applied where MOs are used toward OIMP?

- <u>Suggested solution</u>: The first-transfer should be the amount(s) of issued underlying MOs that undergo the earlier of…

  a) the first transfer to a relevant cooperative approach registry account of a participating Party

  OR

  a) the use or cancellation toward an authorized other international mitigation purpose {also occurring in a relevant cooperative approach registry account}.

Manual contents and capacity-building related to "first-transfer" could support informed AEF use.

Q: Why refer to "issued underlying mitigation outcomes" in "a relevant cooperative approach registry account"?

A: If authorizing use toward OIMP, the cooperative approach necessarily involves a mechanism that certifies and issued carbon credits.

Q: What if an underlying credit is transferred to a Party and, rather than use the MO toward its NDC, the Party transfers the MO to a user under OIMP? How would the first-transferring Party keep track of that use?

A: If the previous slide's clarification were provided, the first-transferring Party would apply adjustments <u>at the point that the MOs are issued and move to a Party's registry account</u>. Period. That means adjustments are applied—once that occurs, the first-transferring Party has fulfilled its A6 obligations.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

The suggested clarification assumes…

- That in the AEF, Parties identify—by, e.g., copying => pasting weblink—**(1)** <u>the relevant cooperative approach registry</u> and **(2)** <u>the start and end of a given block of unique identifiers</u> associated with such MOs in that underlying registry.

- There seems to be clear demand for (1).
  - This should be reported at the authorization-level in the AEF, i.e., with general information on a cooperative approach. Preferably in a standalone, distinct authorization table.
  - This is NOT the registry a Party has or has access to (i.e., a Party's national ITMO tracking system or A6.2 international registry account).

- The AEF already addresses (2) as "Underlying unit block start ID" in **Table 2: Actions.**
  - (2) should be reported on transfer-by-transfer basis; no change from current draft.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

2.2.4: How an increase in the scope of authorization of ITMOs towards use impacts the specification of the first transfer, and how such impacts should be handled?

- In the next AEF a Party submits (annually, by April 15 of each year after the first first-transfer occurs), it would specify the OIMP "trigger" as "use or cancellation" in the relevant *Actions* column.

2.2.5: Can authorization of ITMOs towards use happen or change after the first transfer and, if yes, what are the implications for the AEF entries?

- The authorization procedures should be flexible enough to allow for their expansion. If that occurs, the subsequent AEF would be updated to reflect, e.g., additional authorized entities or purposes.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

2.2.6: How does a change in authorization of ITMOs towards use impact previously reported information on the ITMOs, and how should such impacts be handled?

- First-transferring Parties report on a vintage basis. This means that previously reported AEF data in prior years will be continuously updated in any case- including this one.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

Key to our understanding…

- **There is no <u>second</u> first-transfer**. If a Party acquires and uses an ITMO, it cannot be further transferred.

- If the ITMO is acquired but NOT used, it can be transferred on.
  - Any *subsequent* transfers of an ITMO are not a first-transferring Party's primary concern.
  - <u>All of this is accommodated in the AEF and existing A6.2 guidance</u>.

- The trigger for applying an adjustment for first-transfers is very early-stage.
  - It is among the first actions that bring ITMOs into the Art 6 universe.
  - The first-transferring Party fulfills its obligation in respect of reporting and accounting by:
    - Reporting the amount for first-transfers
    - Indicatively annually adjusting its GHG balance in respect of the amount(s), including in final year of NDC implementation.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

CORSIA's reporting and tracking requirements are multi-faceted…

- **Emissions unit programmes *and* their registry administrators** must adhere to a binding Registry Attestation, as well as commit to Terms of Eligibility that involve maintaining the registry in the state that was evaluated, approved. They must also label ERs as CORSIA-eligible only once they are authorized, including according to *additional* CORSIA requirements for *administering* authorizations.

- **Aeroplane operators** must publicly cancel ERs toward CORSIA, which must reflect all the highlighted information on following slide. Those cancellations and, in some cases, their underlying contracts must be third-party verified.

- **Administering States** compile and submit this information to ICAO, and ICAO will publish ALL of it in a downloadable, searchable, sortable electronic format.
  - Down to the serial number batch.

Most scenarios are addressed through existing guidance but would benefit from worked examples.

For each "batch" of cancelled units, airlines shall report:

Quantity of units cancelled

Start of serial number range

End of serial number range

Date of cancellation

Eligible emissions unit program

Unit type

Host country

Methodology (*reference #*)

Demonstration of unit date eligibility (*vintage; crediting period start date*)

Program registry name

Initiating registry account identifier

Registry cancellation account identifier

Name of operator cancelling units