

Regional Climate Week

Asia-Pacific

Johor, Malaysia – 13-17 November 2023



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Session 1b: Authorization of ITMOs



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Understanding cooperative approaches under Article 6

Creation of carbon units
(e.g. carbon credits):

“Authorized*” units?:

Type of units:

Requirements:

Use:

Own approach *

OR

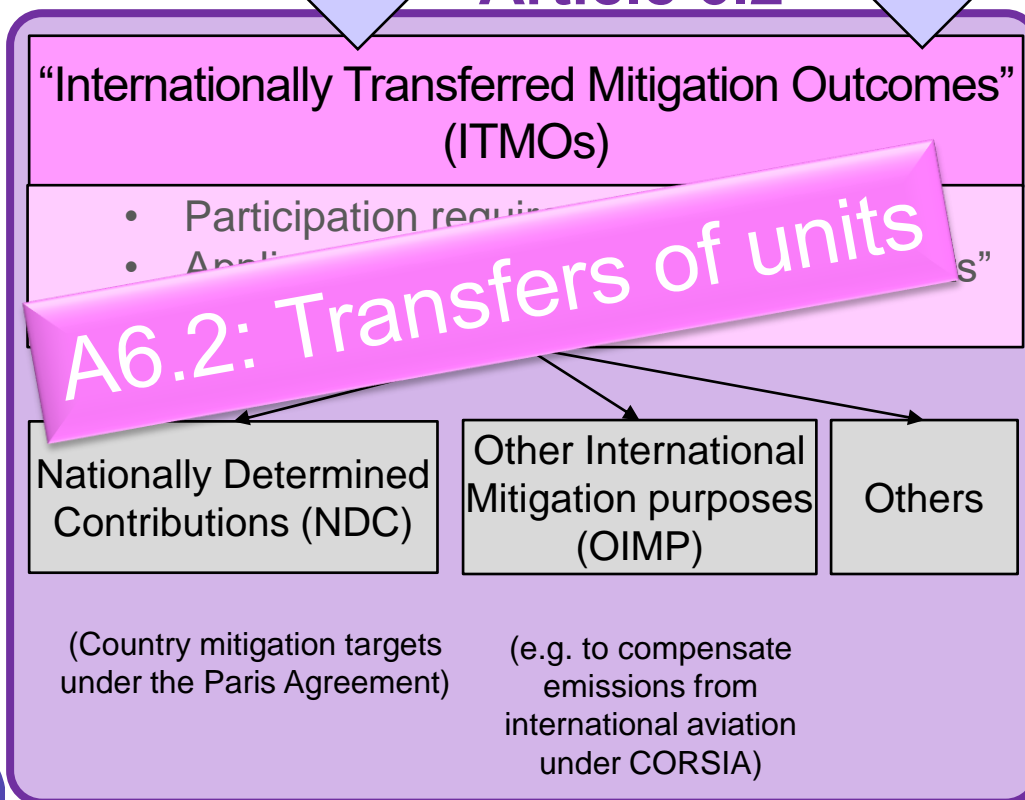
A6.4: Creation of units

YES

Article 6.2

YES

NO



“Mitigation Contribution Units”

A6.4 Participation requirements

Other purposes

- Result-based climate finance
- Voluntary climate action
- Domestic carbon pricing compliance



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* Authorization of units under Article 6.2 of the Paris Agreement opens the right to transfer units from Party A to Party B for NDC use or for “other international mitigation purposes” – but it also creates obligations in terms of participation requirements, the application of “corresponding adjustments” and reporting obligations

Authorization (What, who and how)

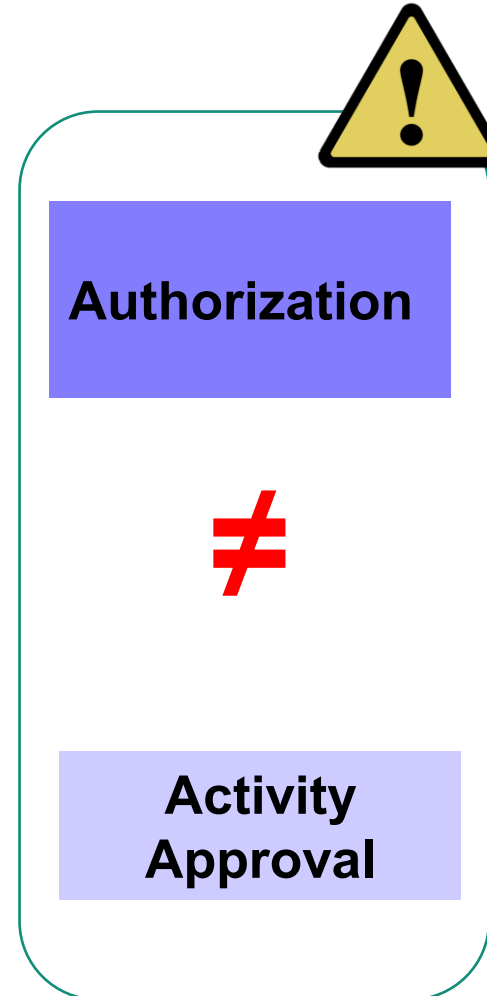
Article 6.3 provides the concept of authorization, whereby “**the use of internationally transferred mitigation outcomes** to achieve nationally determined contributions [...] shall be voluntary and **authorized by participating Parties.**”

- Article 6.2 – Para 4 (c) of the Annex of Decision 2/CMA.3 states that each participating Party “shall ensure that it has arrangements in place for authorizing the use of ITMOs towards the achievement of NDCs”.
- Article 6.4 Mechanism – Annex of Decision 3/CMA.3 refers that authorized Article 6.4 Emission Reductions (A6.4ERs) are subject to Article 6.2 guidance on cooperative approaches for authorized ITMOs.

Authorization is, therefore, a **country-driven process**, and countries can establish their own **legal and institutional frameworks** for the authorization process.

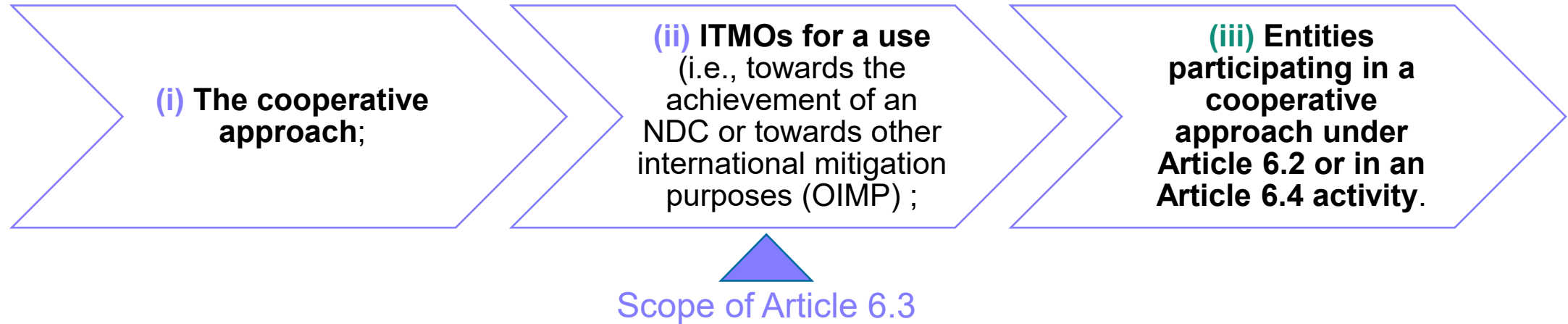


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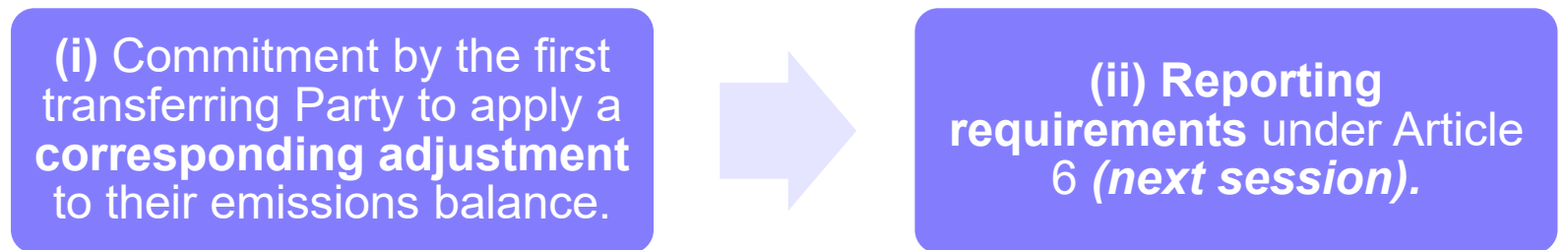


Authorization (what)

- Decisions 2/CMA.3 & 3/CMA.3, authorization is applied to at least the following three elements:



- Implications - authorization triggers:



Authorization under Article 6.2 (Who and How)

- **Article 6.2 Cooperative Approaches** - Cooperation scenarios (who cooperates with whom?): **(i)** Party vs Party **(ii)** Party vs Non-Party **(iii)** Multilateral cooperation.
- **Participating Parties** need to **authorize** the cooperative approach
- Parties need to have **domestic arrangements** to **authorize** the use of ITMOs towards the achievement of NDCs or OIMP;

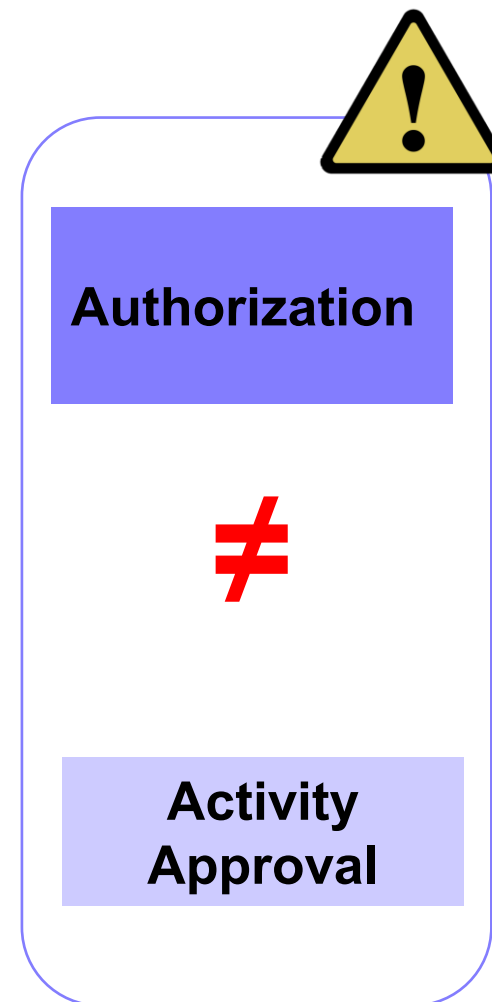


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Activity Approval under Article 6.2

- ✓ Parties may establish as part of the Activity cycle a step for an Art. 6.2 activity approval, also called pre-authorization or ex-ante authorization.
- ✓ Parties may require an internal review of design documentation before approval or even an independent validation of the design by an independent entity.
- ✓ Different from activity approval, the ITMO transfer authorization can only happen when the emission reduction unit or mitigation outcome has already happened and has been verified i.e., after project implementation.



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Activity Approval under Article 6.2

Party A
(Transferring)



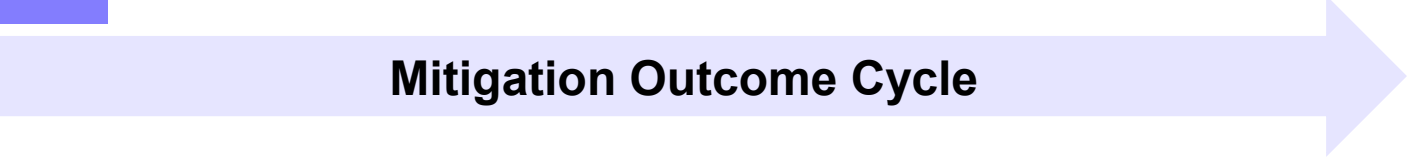
Party B
(Acquiring)

Approval

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Authorization

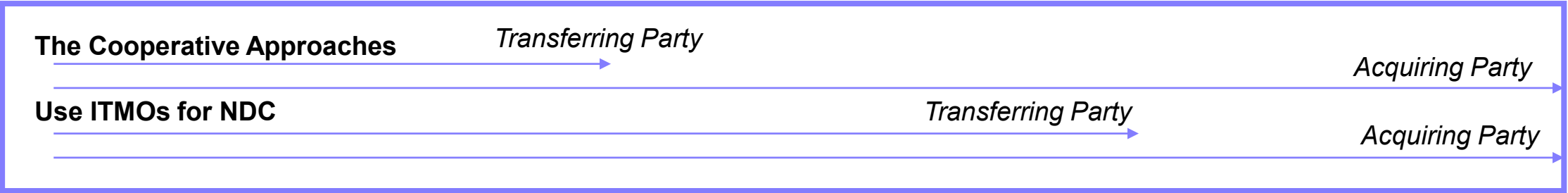
Activity Cycle



Occurrence of MO

ITMO Transfer

ITMO Use



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Source: OECD (2022), The birth of an ITMO Authorization under Article 6 of the Paris Agreement. ADAPTED

THANK YOU FOR ATTENDING!



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