

DRAFT TEXT
from

Presidency consultations on cooperative implementation under Article 6 of the Paris Agreement (Art 6.2, Art 6.4 and Art 6.8)

Version 3 of 11 December 20:00 hrs

Draft CMA decision on guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

[The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling Article 2 of the Paris Agreement and decision 1/CP.21.

Recalling Article 6 of the Paris Agreement and decision 1/CP.21, paragraph 36.

1. *Adopts* the [initial] guidance for cooperative approaches referred to in Article 6, paragraph 2 as contained in the annex to this decision;
2. *Requests* the SBSTA to undertake the following work, on the basis of the annex, to develop a draft decision on the [remaining] guidance on cooperative approaches referred to in Article 6, paragraph 2, for consideration and adoption by the CMA at its second session, as an integral part of the guidance:
 - (a) Further elaboration, if required, of the special circumstances of least developed countries and small island developing States;
 - (b) Considerations for the estimation of the greenhouse gas impacts of ITMOs measured in metrics other than carbon dioxide equivalent;
 - (c) Elaboration of how corresponding adjustments may be applied in metrics other than CO₂ equivalent determined by participating Parties;
 - (d) Consideration of methods applied between participating Parties and how they make the corresponding adjustments representative of NDC implementation and achievement with regard to multi-year and single-year nationally determined contributions, as referred to in the annex, section V (Multi-year and single-year nationally determined contributions);
 - (e) Further elaboration of the information to be reported by participating Parties, as referred to in the annex, section VII (Reporting), including the tabular format referred to in annex, section VII (Reporting) and the electronic format referred to in section IX (Recording of corresponding adjustments);
 - (f) Elaboration of guidance for the Article 6 technical expert review;
 - (g) Elaboration of the requirements relating to tracking, recording and the Article 6 database;
 - (h) Safeguards and limits, including the following indicative list:
 - (i) [Transfer limits;]
 - (ii) [Minimum holding requirements;]
 - (iii) [Use of ITMOs towards achievement of its NDC being supplemental to domestic action such that domestic action constitutes a significant element of the effort made by each Party towards achievement of its NDC;]
 - (iv) [Maximum limits on the use of ITMOs towards an NDC;]
 - (v) [Requirements relating to carry over of ITMOs from one NDC period to the next;]
 - (vi) [Limits relating to the use by a Party of ITMOs from emissions and removals not covered by the sectors and gases included in its NDC towards achievement of its own NDC, including the use of cancellation and locked credits;]
 - (vii) [Creation and first transfer of ITMOs in a manner that avoids significant fluctuations in the prices and quantities available in the international market for ITMOs;]

- (viii) [Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty;]
 - (ix) [Requirements relating to avoid unilateral measures and discriminatory practices in cooperative approaches;]
3. *Decides* to review the guidance periodically, and for the first time by no later than the end of 2024, on the basis of recommendations from the SBSTA and the SBI;
 4. [*Decides also* that Parties voluntarily participating in cooperative approaches referred to Article 6, paragraph 2, shall apply the guidance relating to Article 4, paragraph 13 to their first NDCs];
 5. *Further affirms* that all Parties participating in cooperative approaches shall apply the guidance on cooperative approaches referred to in Article 6, paragraph 2, to the entire period for NDC implementation, from the start of the participation;
 6. *Affirms* that pursuant to the modalities, procedures and guidelines for the enhanced transparency framework under Article 13, for Parties participating in cooperative approaches referred to in Article 6, paragraph 2, the technical expert review referred to in Article 13, paragraph 11 shall refer to this guidance when reviewing that participation, including when reviewing biennial transparency reports;
 7. *Requests* the secretariat to undertake technical preparatory work, including technical papers and financial and technical feasibility studies, as required, for the consideration of the SBSTA at its fiftieth session, on the following {*potential list below*}:
 - (a) The technical aspects relating to infrastructure;
 - (b) The processes required to support reporting and review of participation by Parties in cooperative approaches;
 8. [*Activities of secretariat subject to financial resources, invitation for voluntary contributions*].]

Annex

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

I. Definitions

1. The following definitions apply to this guidance:
 - (a) **“Internationally transferred mitigation outcomes (ITMOs)”** are to:
 - (i) Be [real] [verified] [additional] [and permanent];
 - (ii) Be in the form of anthropogenic emissions by sources, [removals by sinks] [and avoidance], including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans, or the means to achieve them;
 - (iii) Be measured in metric tonnes of carbon dioxide equivalent (CO₂e) in accordance with the methodologies and common metrics assessed by the IPCC and adopted by the CMA and/or in other metrics determined by the participating Parties [consistent with the (national determined contributions (NDCs) of the participating Parties];
 - (iv) [Include emission reductions under the Article 6.4 mechanism;]
 - (b) **“First transfer”** means the first international transfer of one or more mitigation outcomes that has been authorised by the participating Party, which may be the only transfer of those mitigation outcomes and may include the transfer of claim;
 - (c) [**“Overall mitigation in global emissions”** is achieved when, through the operation of Article 6, a fixed percentage of ITMOs, duly recorded, are not used by any Party or entity to implement or achieve its nationally determined contribution (NDC) or used for any other compliance purposes outside Article 6];
 - (d) **“Transfer”** means an international transfer of one or more mitigation outcomes that has been authorized by the participating Party, which may be the only transfer of those mitigation outcomes and may include the transfer of a claim to the mitigation outcome;
 - (e) **“Vintage”** means the year in which the mitigation took place.

II. Governance

2. The CMA may adopt further guidance pursuant to Article 6, paragraph 2.
3. Each Party participating in a cooperative approach that involves the use of ITMOs towards NDCs, as referred to in Article 6, paragraph 2, (“participating Party”) shall ensure its participation in the cooperative approach and its transfers and use of ITMOs towards NDCs is consistent with this guidance and further guidance as referred to in paragraph 2.
4. An Article 6 technical expert review shall review the application of this guidance by participating Parties and forward its recommendations to the technical expert review process under Article 13, paragraph 11. The review shall be conducted on the basis of information provide by each participating Party pursuant to section IX (Reporting) and section IX (Recording of corresponding adjustments), and pursuant to further guidance to be adopted by the CMA.
5. The secretariat, pursuant to Article 17, shall carry out the activities relating to it set out in this guidance.

III. Participation responsibilities

6. Each participating Party shall ensure that:
 - (a) It is a Party to the Paris Agreement;

- (b) It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraphs 2 and 6;
- (c) It has authorized the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3, and has made that authorization public;
- (d) It ensures tracking of ITMOs pursuant to section X (Tracking internationally transferred mitigation outcomes);
- (e) It has provided the most recently required national inventory report in accordance with the modalities procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13;

IV. Tracking internationally transferred mitigation outcomes

7. Each participating Party shall ensure the tracking and identification of ITMOs through a registry pursuant to section X (Infrastructure), including the:
 - (a) Creation of ITMOs;
 - (b) First transfer of ITMOs;
 - (c) Transfer of ITMOs;
 - (d) Acquisition of ITMOs;
 - (e) Holding of ITMOs;
 - (f) Cancellation of ITMOs;
 - (g) [Transfer of ITMOs for the share of proceeds for adaptation;]
 - (h) [Cancellation of ITMOs for overall mitigation in global emissions].

V. Corresponding adjustments

A. Basis for corresponding adjustments

Option A

8. For ITMOs measured in a metric determined by participating Parties, each participating Party shall consistently apply its corresponding adjustments by effecting an addition or subtraction from a starting point of a zero balance, with a resulting balance that reflects net transfers and acquisitions and is applied to the NDC in accordance with guidance under Article 4, paragraph 13, and Article 13, paragraph 7(b). The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired.
9. For ITMOs measured in tonnes of CO₂e, each participating Party shall consistently apply its corresponding adjustments by effecting an addition or subtraction to the emissions and removals covered by its NDC, as derived from its national inventory report for that year, and reported as annual information in paragraph VII.B.25(a), resulting in an adjusted balance. The corresponding adjustment shall be effected through [either]:
 - (a) [An addition for ITMOs first transferred and a subtraction for ITMOs used;]
 - (b) [An addition for ITMOs transferred and a subtraction for ITMOs acquired].

Option B

10. Each participating Party shall consistently apply its corresponding adjustments by effecting an addition or subtraction to its quantification of the greenhouse gas emissions level corresponding to its NDC, as reported in paragraph VII.A.20(d). The corresponding adjustment shall be effected through a subtraction for ITMOs transferred and an addition for ITMOs acquired.

Option C

11. Each participating Party shall consistently apply its corresponding adjustments by effecting an addition or subtraction to the total quantity of emission reductions achieved. The corresponding adjustment shall be effected through a subtraction for ITMOs transferred and an addition for ITMOs acquired.

B. Multi-year and single-year nationally determined contributions

12. Each participating Party that has a multi-year NDC shall apply one of the following methods consistently throughout its period for NDC implementation:
 - (a) Calculating a multi-year emissions trajectory for the period for NDC implementation which is consistent with the NDC and applying a corresponding adjustment for each year covered by this emissions trajectory;
 - (b) Applying a corresponding adjustment for each year in the period for NDC implementation;
 - (c) Applying a corresponding adjustment at the end of NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation.
13. Each participating Party that has a single year NDC shall apply, in order to make the corresponding adjustments in that year representative of NDC implementation and achievement, one of the following methods consistently throughout the period for NDC implementation:
 - (a) The method referred to in paragraph 12(a) above;
 - (b) The method referred to in paragraph 12(b) above;
 - (c) [The method referred to in paragraph 12(c) above;]
 - (d) Calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the relevant period and applying a corresponding adjustment equal to this average amount for the NDC year.
 - (e) The Party may only first transfer or transfer consistent with section V (Corresponding adjustments), ITMOs that are of the same vintage as the Party's single year NDC and/or only acquire or use ITMOs that are of the same vintage as the Party's single-year NDC.
14. Each participating Party shall report its corresponding adjustments pursuant to section VII (Reporting) and record the corresponding adjustments in the Article 6 database pursuant to section IX (Recording of corresponding adjustments).

VI. Application of guidance

A. ITMOs from sectors and greenhouse gases covered by NDCs

15. A Party may transfer ITMOs for emission reductions and removals from sectors and greenhouse gases covered by the NDC of the Party, subject to the application of corresponding adjustments pursuant to section V (Corresponding adjustments).

Option A

16. In addition, a Party may transfer ITMOs for emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party, [without being] subject to the application of corresponding adjustments pursuant to section V (Corresponding adjustments) [from X onwards] [from the subsequent NDC].

Option B {no text required}

B. Purposes other than towards nationally determined contributions

Option A

17. Parties shall make adjustments, pursuant to section V (Corresponding adjustments), for mitigation outcomes they authorize for use towards purposes other than NDCs, irrespective of whether they are internationally transferred[, where the mitigation outcomes are from sectors and greenhouse gases covered by the NDC of the Party].

Option B

18. ITMOs cannot be used for purposes other than towards NDCs.

Option C {no text required}

C. Special circumstances of least developed countries and small island developing States

19. In relation to the least developed countries and small island developing States, pursuant to Article 4, paragraph 6, their special circumstances shall be recognized where the guidance relates to nationally determined contributions (NDCs) and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to that guidance.

VII. Reporting

A. Initial report

20. Each participating Party shall, for each NDC communicated or updated, and [prior to] [the year following] [the first transfer and use, or transfer and acquisition], submit an initial report containing information to:
- (a) Demonstrate that it fulfils the participation responsibilities referred to in section III (Participation responsibilities);
 - (b) Communicate its period for NDC implementation, including the start and end date;
 - (c) Communicate its basis for corresponding adjustments pursuant to section V.A (Corresponding Adjustment) and its method pursuant to section V.B (Multi-year and single-year nationally determined contributions) to be applied consistently throughout its period for NDC implementation.
 - (d) [Quantify its NDC in tonnes of CO₂e, including the sectors, sources, greenhouse gases and time periods covered by its NDC, the reference level of emissions and removals for the relevant year or period, and the target level for its NDC; where this is not possible, the methodology for the quantification of its NDC in tonnes of CO₂e.]
 - (e) Quantify its NDC, or that portion of its NDC, in a metric determined by each participating Party applying corresponding adjustments in metrics other than greenhouse gases pursuant to section V (Corresponding adjustments).
21. [Each participating Party applying the budget basis shall, for each NDC communicated or updated, include in its initial report information on the quantification of allowable emissions, in accordance with the following steps:
- (a) Quantification of allowable emissions through calculating how many tonnes of CO₂e could be emitted while achieving its NDC;
 - (b) Multiplied by the number of years in the NDC, converted into a number of units, each corresponding to one tonne of CO₂e;
 - (c) Where that number exceeds the average annual emissions for the years preceding the NDC, as per the last three national inventories, the difference, multiplied by the number of years in the NDC to be reserved for domestic use only;
 - (d) The resulting figure represents the quantified NDC.]
22. The initial report shall also include the information referred to in paragraphs B.23 and B.24, as applicable.

B. Regular information

23. Each participating Party shall submit, in [an Article 6 report] [its biennial transparency report pursuant to Article 13, paragraph 7], the following information about its participation:
- (a) How it fulfils its participation responsibilities referred to in section III (Participation responsibilities);
 - (b) Its institutional arrangements for authorization;
 - (c) Authorization of the use of ITMOs pursuant to Article 6, paragraph 3, and how that authorization is made public;
 - (d) How it has ensured that the ITMOs used towards achievement of its NDC will not be further transferred, acquired, cancelled or used;
 - (e) Each participating Party shall also submit the following information in relation to how the cooperative approaches in which it participates:
 - (i) Support the mitigation of greenhouse gas emissions and the implementation of its NDC;
 - (ii) Ensure environmental integrity, such that there is no increase in global emissions, through robust, transparent governance and the quality of mitigation outcomes, including through stringent reference levels, baselines set in a conservative way and below business-as-usual emission projections (including by taking into account all existing policies and addressing potential leakage) and ensuring the compensation of any material reversals in emission removals;
 - (iii) Support the mitigation of greenhouse gas emissions and the implementation of its NDC;
 - (iv) Apply safeguards pursuant to section XIII (Safeguards and limits);
 - (v) Do not result in environmental harm;
 - (vi) Address any risks of conflict with other environment-related aspects;
 - (vii) Are consistent with sustainable development in the host Party, noting national prerogatives;
 - (viii) Avoid unilateral measures and discriminatory practices in cooperative approaches;
 - (ix) [Are consistent with the respect of and does not represent a threat to human rights]
 - (x) Avoid causing negative social or economic impacts to any Party.
24. Each participating Party should also submit information on its long-term low emission development strategy pursuant to Article 4, paragraph 19, if available.
25. Each participating Party shall submit annually the following quantitative information pursuant to section IX (Recording of corresponding adjustments), as part of its [Article 6 reports] [biennial transparency reports pursuant to Article 13, paragraph 7], in an agreed tabular format:
- (a) Annual and cumulative emissions and removals in relation to the sectors, sources, greenhouse gases and time periods covered by its NDC;
 - (b) Annual and cumulative ITMOs first transferred, transferred, acquired, held, cancelled and/or used by participating Parties, [distinguishing ITMOs from sectors, sources and greenhouse gases that are covered and not covered by the NDC of the Party and] including information on the other participating Party transferring, acquiring and/or using the ITMOs, the originating cooperative approach, sector, vintage and metric used;
 - (c) Annual and cumulative corresponding adjustments applied pursuant to section V (Corresponding adjustments), including information on the other participating Parties and the metric used;
 - (d) Adjusted balances, as applicable, after applying corresponding adjustments for the annual period and/or the full NDC period pursuant to section V (Corresponding adjustments);
 - (e) [Annual and cumulative ITMOs cancelled in accordance with section XII (Overall mitigation in global emissions);]

- (f) [Annual and cumulative ITMOs transferred in accordance with section XIII (Share of proceeds for adaptation).]
26. Participating Parties shall publish and keep up-to-date, through the UNFCCC website, all publicly available information on cooperative approaches in which they participate.

VIII. Review

27. The Article 6 technical expert review pursuant to section II (Governance) shall review the information contained in the initial report of the Party pursuant to section VII.A (Initial report) for consistency with this guidance.
28. The Article 6 technical expert review shall also review information reported pursuant to section VII.B (Regular information) and information recorded in section IX (Recording of corresponding adjustments) for consistency with this guidance.
29. The Article 6 technical expert review may make recommendations to the participating Party on how to improve its consistency with this guidance, including how to address inconsistencies and quantified information. The Article 6 technical expert review shall forward its reports for consideration by the technical expert review process under Article 13, paragraph 11.

IX. Recording of corresponding adjustments

30. The secretariat shall, upon submission by participating Parties, record information contained in initial reports pursuant to section VII (Reporting), in the Article 6 database pursuant to section X (Infrastructure).
31. Each participating Party shall, on an annual basis and in the agreed electronic format, submit the quantitative information pursuant to section VII (Reporting), including information on corresponding adjustments pursuant to section V (Corresponding adjustments) to the secretariat for recording in the Article 6 database.
32. The secretariat shall compile the information submitted by participating Parties in the Article 6 database and it shall:
- (a) Perform a consistency check including on the information on the corresponding adjustments submitted by participating Parties;
 - (b) Notify any inconsistencies to the participating Parties.
33. [Any amendments to the information recorded in the Article 6 database including as a result recommendations from the Article 6 technical expert review may also be submitted by the participating Party concerned for recording in the Article 6 database].
34. [At the end of the NDC implementation period, each participating Party applying corresponding adjustments to its quantification of the greenhouse gas emissions level corresponding to its NDC pursuant to paragraph V.A.10 shall retire the number of units equal to the emissions and removals covered by its NDC. Such retirement shall be made in the international registry pursuant to section X (Infrastructure).]

X. Infrastructure

35. Each participating Party shall have, or have access to, a registry for tracking ITMO information. Each registry shall be able to perform the functions referred to in section IV (Tracking internationally transferred mitigation outcomes) and shall have the necessary accounts.
36. The secretariat shall implement an international registry for participating Parties that do not have such a registry or access to such a registry.
37. The secretariat shall implement an Article 6 database to record and compile information pursuant to section IX (Recording of corresponding adjustments). Non-confidential information recorded in the internationally database shall be publicly accessible.

XI. Safeguards and limits

38. Each participating Party shall apply, as appropriate, any safeguards and limits adopted by the CMA in relation to cooperative approaches referred to in Article 6, paragraph 2.

XII. Overall mitigation in global emissions

Option A

39. Overall mitigation in global emissions [shall][should] be implemented in the context of Article 6, paragraph 2, as follows.

(a) [On the basis of an automatic cancellation as follows:

- (i) Overall mitigation in global emissions [shall][should] be achieved by ensuring some ITMOs are not used by either creating or acquiring Party towards achievement of its NDC;
- (ii) At the time of issuance/first transfer of ITMOs, registry [shall][should] transfer [X/10/20/30] per cent of ITMOs to the cancellation account for overall mitigation consistent with section X (Infrastructure);
- (iii) Transferring Party [shall][should] make a corresponding adjustment for the full amount of ITMOs created/issued/supplied for first transfer;
- (iv) Acquiring/using Party [shall][should] make a corresponding adjustment for the amount of ITMOs acquired/used;
- (v) The cancelled ITMOs [shall][should] not be used for any further transfer or purpose, including use by any Party towards achievement of its NDC or voluntary cancellation;]

(b) [On the basis of a discounting by Parties as follows:

- (i) Overall mitigation in global emissions [shall][should] be achieved by ensuring some ITMOs are not used by either creating or acquiring Party towards achievement of its NDC;
- (ii) Prior to first transfer, creating Party [shall][should] make a corresponding adjustment for the full amount of ITMOs to be first transferred;
- (iii) Acquiring/using Party [shall][should] make a corresponding adjustment for the full amount of ITMOs acquired/used, discounted by [X/10/20/30] percent.
- (iv) The discounted volume of ITMOs [shall][should] be transferred to the cancellation account for the overall mitigation of global emissions by the acquiring/using Party.
- (v) The discounted volume of ITMOs [shall][should] not be used for any further transfer or purpose, including use by any Party towards achievement of its NDC.]

Option B

{no text required}

XIII. Share of proceeds for adaptation

Option A

40. Cooperative approaches [shall][should] deliver a share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.
41. The share of proceeds [shall][should] be collected in respect of [cooperative approaches that are baseline and crediting approaches that are similar to mitigation activities under the mechanism established by Article 6 paragraph 4] [crediting approaches implemented by Parties] [all cooperative approaches] [all acquisition of ITMOs].

42. The share of proceeds [shall][should] be set at and levied at [X per cent / 5 per cent / an increasing per cent / a diminishing per cent of the amount of ITMOs transferred / used towards achievement of an NDC] [X percent at first transfer, increasing by Y percent at each subsequent transfer] [consistent with the share of proceeds pursuant to Article 6, paragraph 6, for the mechanism established by Article 6, paragraph 4].
43. The share of proceeds [shall][should] be [collected by the creating/issuing Party at the first transfer of ITMOs and/or collected by a Party using ITMOs towards achievement of its NDC] [transferred by the creating/issuing Party to the Adaptation Fund] [collected by the acquiring Party at each ITMO transfer and transferred to the Adaptation Fund].

Option B

{no text required}

XIV. Addressing negative social and economic impacts, Article 4, paragraph 15

44. The secretariat shall collaborate with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of Decision 1/CP.21) to address negative social and economic impacts, especially those impacting developing countries, resulting from activities related to Article 6, paragraph 2, by the undertaking the following actions:
- (a) Assessing and identifying the negative social and economic impacts resulting from activities related to Article 6, paragraph 2, including the cumulative impact of these activities;
 - (b) Developing, implementing and regularly updating measures to address the negative social and economic impacts resulting from activities related to Article 6, paragraph 2, including the cumulative impact of these activities;
 - (c) Regular sharing of information with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of Decision 1/CP.21) to support the above activities.]
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