

DRAFT TEXT

on

SBSTA 49 agenda item 11(a) Matters relating to Article 6 of the Paris Agreement: Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

Version 2 of 8 December 10:00 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) Implementation, where necessary, of the provisions relating to Governance;
 - (c) Further elaboration of the information to be reported by participating Parties [, including the form of the agreed tabular format];
 - (d) The implementation of the application of the corresponding adjustment, including in relation to:
 - (i) Single year NDCs;
 - (ii) The coverage of nationally determined contributions;
 - (e) Elaboration of the requirements relating to data on tracking, recording, compiling and use;
 - (f) Elaboration of the requirements relating to infrastructure;
 - (g) 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;]
 - (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. *Further requests* the SBSTA to consider the following matters, and, where appropriate, make recommendations for consideration and adoption by the CMA at its second session, including, where appropriate, for inclusion as an integral part of the guidance:
 - (a) [Avoidance of double counting with international mitigation action outside the UNFCCC;]
 - (b) Corresponding adjustment requirements where certified emission reductions and emission reduction units under the Kyoto Protocol are used towards nationally determined contributions;
4. *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;
5. [*Recognizes* that some Parties have first NDCs that start in 2020 and others have NDCs that start in 2021;]
6. [[*Decides*][*Affirms 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 and all subsequent NDCs];
7. [*Requests* the SBSTA to make recommendations, if required, in relation to the implementation of paragraph 6 above to communicated first NDCs, for consideration and adoption by the CMA at its second session];
8. *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;
9. *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;
10. *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;
11. *Decides* that the costs of the [international registry] [and] [the international transaction log] shall be borne by the users of [this system] [these systems];
12. [*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. Principles

II. 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 [and removals by sinks] [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 transferring Party, [being the only transfer of those mitigation outcomes];
 - (c) [**“Overall mitigation in global emissions”** is achieved when, through the operation of Article 6, a fixed percentage of ITMOs, duly reported, 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 transferring Party, [and includes transfer of a claim];
 - (e) **“Vintage”** means the year in which the mitigation outcome took place.

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

2. 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.

IV. Governance

3. The CMA may adopt further guidance pursuant to Article 6, paragraph 2.
4. 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 use of ITMOs towards NDCs is consistent with this guidance and further guidance as referred to in paragraph 3.

Option A

5. The Supervisory Body established pursuant to Article 6, paragraph 4, [shall perform functions in relation to cooperative approaches referred to in Article 6, paragraph 2, including the development of reporting templates and the elaboration of further guidance for the implementation of corresponding adjustments.]

Option B

6. An Article 6 technical expert review shall review the application of this guidance by participating Parties. [It shall further perform functions in relation to cooperative approaches referred to in Article 6, paragraph 2, including the development of reporting templates and the elaboration of further guidance for the implementation of corresponding adjustments.] The competencies of the technical expert review team shall include those relevant to cooperative approaches that involve the use of ITMOs towards NDCs.

Option C

7. The technical expert review pursuant to Article 13, paragraph 11, shall review the application of this guidance by participating Parties. The competencies of the technical expert review team shall additionally include those relevant to cooperative approaches that involve the use of ITMOs towards NDCs.

{end of Option C}

8. The secretariat, pursuant to Article 17, shall carry out the activities relating to it set out in this guidance.
9. [Each participating Party may authorize non-Party actors to participate in cooperative approaches, transfer and acquire ITMOs, and use ITMOs for purposes other than towards achievement of an NDC. A Party that authorizes a non-Party actor to participate in cooperative approaches shall remain responsible for the fulfilment of its obligations under the Paris Agreement.]

V. Participation responsibilities

10. 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 by other participating Parties pursuant to Article 6, paragraph 3, and has made that authorization public;
 - (d) It has obtained authorization for its use of ITMOs pursuant to Article 6, paragraph 3, and has made that authorization public;
 - (e) It ensures tracking through a [system] [buffer registry] [registry] [central registry] that is consistent with section XII (Tracking ITMO data);
 - (f) It has provided the most recently required inventory report pursuant to Article 13, paragraph 7(a), [including a consistent time series back to the base year];
 - (g) Participation in cooperative approaches supports the implementation of NDCs.

VI. Tracking internationally transferred mitigation outcomes

11. To ensure transparency, each participating Party shall ensure the [real-time] tracking of ITMOs through a [system] [buffer registry] [international registry] [registry], including the:
 - (a) Creation of ITMOs [, including with a unique serial number for each ITMO];
 - (b) First transfer of ITMOs;
 - (c) Transfer of ITMOs;
 - (d) Acquisition of ITMOs;
 - (e) Holding of ITMOs;
 - (f) Cancelling ITMOs;

- (g) [Transfer of ITMOs for the share of proceeds for adaptation;]
- (h) [Cancelling ITMOs for overall mitigation in global emissions].

VII. Corresponding adjustments

A. Corresponding adjustments

12. Each participating Party shall consistently apply its corresponding adjustments to

Option A

- (a) A budget basis, by effecting an addition or subtraction to its quantification of the greenhouse gas emissions level corresponding to its NDC. The corresponding adjustment shall be effected through a subtraction for ITMOs transferred and an addition for ITMOs acquired.

Option B

- (b) An emissions basis, by effecting an addition or subtraction to the emissions and removals covered by its NDC, as derived from its national inventory report [and reported as annual information in paragraph IX.B.30(a)], resulting in an adjusted balance. The corresponding adjustment shall be effected through an addition for ITMOs first transferred and a subtraction for ITMOs used towards of its NDC.

Option C

- (c) A buffer-registry basis:
 - (i) For ITMOs measured in any metric determined by participating Parties, 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 13.7(b) purposes;
 - (ii) For ITMOs measured in tonnes of CO₂e, the emissions basis may be applied;
- (d) The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired.

Option D

- (e) An emission reduction basis, 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

13. Each participating Party that has a multi-year NDC shall apply [the following method] [one of the following methods] consistently throughout its period for NDC implementation:

- (a) [Emissions trajectory: Calculating a multi-year emissions trajectory for the period for NDC implementation consistent with the NDC and applying a corresponding adjustment for each year covered by this emissions trajectory;]
- (b) [Annual adjustments: Applying a corresponding adjustment for each year in the period for NDC implementation.]
- (c) [Budget: Applying a corresponding adjustment for the total amount of ITMOs [first transferred and used][transferred and acquired] over the period of the NDC implementation.

14. Each participating Party that has a single year NDC shall apply [the above method] [one of the above methods] or [the following method] [one of the following methods] consistently throughout the period for NDC implementation:

- (a) The method referred to in paragraph 13(a) above;

- (b) The method referred to in paragraph 13(b) above;
 - (c) [Averaging: Calculating the average annual amount of ITMOs [first transferred and used] [transferred and acquired] over the number of years in the period for NDC implementation and applying a corresponding adjustment equal to this average amount for the same year as the single year NDC;]
 - (d) [NDC vintage: The Party may only [first transfer] [transfer] ITMOs that are of the same vintage as the Party's single year NDC and/or only [acquire] [use] ITMOs that are of the same vintage as the Party's single-year NDC.]
15. [Participating Parties shall apply a common method consistently throughout the period for NDC implementation] [Participating Parties may apply different methods, provided that each Party applies the method consistently throughout the period for NDC implementation].

VIII. Application of guidance

A. Emissions and removals from sectors and greenhouse gases

16. 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 VII (Corresponding adjustments).

Option A

17. 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, subject to the application of corresponding adjustments pursuant to section VII (Corresponding adjustments).

Option B

18. 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, subject to the application of corresponding adjustments pursuant to section VII (Corresponding adjustments) [from 2026 onwards] [from 2031 onwards] [from the subsequent NDC period].

Option C

19. In addition, a Party may transfer ITMOs for emission reductions and removals from sectors, sources 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 VII (Corresponding adjustments).

B. Purposes other than the achievement of nationally determined contributions

Option A

20. A Party shall not use a ITMO towards its NDC where it has been, or is intended to be, used for purposes other than towards NDCs, including:
- (a) [Use towards international mitigation action outside the UNFCCC;]
 - (b) [Use towards voluntary climate action that is not mandatory in the relevant jurisdiction;]
 - (c) [As a means of demonstrating mitigation results of climate finance provided pursuant to Article 9].
21. Parties shall make adjustments, pursuant to section VII (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, sources and greenhouse gases covered by the NDC of the Party].

Option B

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

IX. Reporting

A. [Initial report] [Article 6 report]

23. Each participating Party shall, prior to [its participation in cooperative approaches] [transferring and/or using ITMOs towards its NDC] [applying a corresponding adjustment for the use of ITMOs towards its NDC] for each period for NDC implementation, submit an [initial report] [Article 6 report] containing information to:
- (a) Demonstrate that it fulfils the participation responsibilities referred to in section V (Participation responsibilities);
 - (b) Communicate its period for NDC implementation, including start and end date, consistent with any further relevant decision adopted by the CMA;
 - (c) Communicate [its basis of corresponding adjustment pursuant to section VII.A (Corresponding Adjustment) and] its method pursuant to section VII.B (Multi-year and single-year nationally determined contributions) to be applied consistently throughout its period for NDC implementation.

Option A

24. Each participating Party applying the budget basis shall, for each NDC communicated or updated, include in its [initial report] [Article 6 report] [its first relevant biennial transparency 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.

Option B

25. Each participating Party applying the emissions basis shall, for each NDC communicated or updated, include in its [initial report] [Article 6 report] [its first relevant biennial transparency report] the quantification of its NDC in tonnes of CO₂e for the application of the emissions basis, including:
- (a) The sectors, sources, greenhouse gases and time periods covered by its NDC;
 - (b) The information on the reference level of emissions and removals for the relevant year or period;
 - (c) The information on the target level for its NDC;

Option C

26. Each participating Party applying the buffer registry basis shall quantify in metrics determined by the participating Parties.

B. Regular information

27. Each participating Party shall submit, as part of [an Article 6 report] [the 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 V (Participation responsibilities);
 - (b) Institutional arrangements for authorization;

- (c) Authorization of the use of ITMOs by other participating Parties pursuant to Article 6, paragraph 3, and making that authorization public;
 - (d) Authorization for its use of ITMOs pursuant to Article 6, paragraph 3, and making that authorization public;
 - (e) The characteristics of the ITMOs, including its Party origin, the originating cooperative approach, the metric, sector and vintage;
 - (f) How it has ensured that the ITMOs used towards achievement of its NDC will not be further transferred, acquired or used (e.g. through cancellation, retirement of such ITMOs);
28. Each participating Party shall also submit the following information about cooperative approaches in which it cooperates:
- (a) How the cooperative approach supports the implementation of its NDC;
 - (b) How the cooperative approach supports the mitigation of greenhouse gas emissions;
 - (c) How it avoids unilateral measures and discriminatory practices in cooperative approaches;
 - (d) How it ensures that cooperative approaches and ITMOs do not result in environmental harm;
 - (e) How it applies safeguards pursuant to section XIII (Safeguards and limits);
 - (f) How it ensures environmental integrity through quality of the mitigation outcome;
 - (g) Robust governance;
 - (h) How it ensures environmental integrity through:
 - (i) [Baselines set in a conservative way and below business-as-usual for the emissions in relation to the activity and in a transparent manner;]
 - (ii) [Taking into account all existing policies when setting baselines;]
 - (iii) [Having requirements to mitigate leakage risk;]
 - (iv) [Having a system to ensure permanence, including to address reversals;]
 - (i) How it ensures that cooperative approaches in which it participates:
 - (i) Do not lead to an increase in global emissions;
 - (ii) Do not impede the formulation of an NDC by the host Party that reflects the highest possible ambition and a progression over time of the NDC;
 - (iii) Do not imply risks of conflicts with other environment-related aspects. In case of environment-related conflicts, measures to mitigate any negative trade-offs [shall][should] be taken;
 - (iv) Are consistent with the [Sustainable Development Goals] and the sustainable development objectives of the host Party, noting national prerogatives;
 - (v) [Are consistent with the respect of and does not represent a threat to human rights;]
 - (vi) Avoid causing negative social or economic impacts to any Party.
29. Each participating Party shall also submit information on its economy-wide long-term low-emission development strategy pursuant to Article 4, paragraph 19, if available.
30. Each participating Party shall submit the following quantitative information, 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, including information on the other participating Party transferring or acquiring the ITMOs;
 - (c) Annual and cumulative corresponding adjustments applied pursuant to section VII (Corresponding adjustments);

- (d) Adjusted balances, as applicable, after applying corresponding adjustments for the annual period pursuant to section VII (Corresponding adjustments);
 - (e) [Annual and cumulative ITMOs cancelled in accordance with section XIV (Overall mitigation in global emissions);]
 - (f) [Annual and cumulative ITMOs transferred in accordance with section XV (Share of proceeds for adaptation).]
31. Participating Parties shall publish and keep up-to-date, through the UNFCCC website, all publicly available information on cooperative approaches in which they participate.

X. Review

32. The [Article 6.4 Supervisory Body] [Article 6 technical expert review] [Article 13 technical expert review] shall review the information reported pursuant to section IX (Reporting) for consistency with this guidance. *{Result of the review requires further implementation}*
33. The [Article 6.4 Supervisory Body] [Article 6 technical expert review] [Article 13 technical expert review] may make recommendations to the participating Party on how to improve its consistency with this guidance.
34. [The Article 6.4 Supervisory Body] [The Article 6 technical expert review] shall, prior to a Party [participating in cooperative approaches] [transferring and/or using ITMOs towards its NDC] [applying a corresponding adjustment for the use of ITMOs towards its NDC], review the information contained in the [initial report] [Article 6 report] of the Party and the participation responsibilities referred to in section V (Participation responsibilities) for consistency with this guidance. [The Article 6.4 Supervisory Body] [The Article 6 technical expert review] [may make adjustments to the information contained in the initial report]. *{Outcome of the review may require further consideration}*

Option A

35. [Following the review, the committee referred to in Article 15, paragraph 2 shall consider the review in accordance with its modalities and procedures.]

Option B

XI. Recording of corresponding adjustments

36. Each participating Party shall, [annually] [biennially] [at the end of the period for NDC implementation] [annually and at the end of the NDC implementation period, record corresponding adjustments, consistent with section VII (Corresponding adjustments), [and information on ITMOs for the share of proceeds] [and information on ITMOs cancelled for overall mitigation in global emissions] in the [international transaction log] [database] [international registry] [buffer registry] [through the provision of information pursuant to paragraph 29 to the secretariat].
37. Corresponding adjustments pursuant to section VII (Corresponding adjustments) shall be effected by their recording in the [international transaction log] [database] [international registry] [buffer registry].
38. The secretariat shall compile the information provided by each Party pursuant to paragraph 29 and [information provided by each Party pursuant to section IX.A (Quantification for the purpose of Article 6.2 participation), consistent with section VII (Corresponding adjustments)] [and information on ITMOs for the share of proceeds] [and information on ITMOs cancelled for overall mitigation in global emissions] into a database referred to in section XII.

Option A

39. At the end of the NDC implementation period, each participating Party applying the budget basis 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 XII (Infrastructure).

Option B

40. At the end of the NDC implementation period, each participating Party applying the emissions basis shall submit information on the adjusted balance for each year covered by its NDC; consistent with section IX.B (Regular information), and, to enable comparison, the information contained in this section and consistent with further decisions of the CMA relating to this guidance.

Option C

41. Each participating Party applying the buffer-registry basis shall forward the amount in the buffer registry resulting from corresponding adjustments, consistent with section VII (Corresponding adjustments), to Article 4, paragraph 13 for NDC accounting.

Option D

42. Each participating Party applying the emission reductions basis shall provide information on the adjusted quantity of emission reductions achieved within its jurisdiction during the NDC period as part of the information necessary to track progress made in implementing and achieving its NDC as per Article 13.7(b).

{end of Option D}

43. Each participating Party shall only use ITMOs towards its NDC that are achieved within the period for NDC implementation.

XII. Infrastructure

A. Registries

44. [A registry is a system for tracking ITMO data.]
45. [Each registry shall have the following national accounts: issuance, holding, transfer, acquisition, cancellation, retirement [share of proceeds], [and a maintained link to the mechanism registry.] [Additionally, each registry shall have a cancellation account for overall mitigation in global emissions.]]
46. The secretariat shall implement an [international] [central] registry consistent with paragraph 45 for [all participating Parties] [participating Parties that do not have such a system or access to such a system]. The [international] [central] registry shall have the following functions:
 - (a) [Checking the consistency of ITMOs reported by participating Parties with requirements for corresponding adjustment and avoiding double counting;]
 - (b) [Identifying inconsistencies to the participating Parties;]
 - (c) [Checking the authorization by participating Parties;]
 - (d) [Prefilling common tabular formats.]
47. The secretariat shall ensure the international registry has the following national accounts: issuance, holding, transfer, acquisition, cancellation, retirement, and [share of proceeds.] [Additionally, the international registry shall have a cancellation account for overall mitigation in global emissions.]
48. [A buffer registry is a registry used for the buffer registry basis.]

B. International transaction log

49. [The secretariat shall establish and maintain an international transaction log capable of recording the information set out in this section X (Infrastructure) and further decisions of the CMA relating to this guidance.]
50. [Each participating Party shall ensure that its registry is capable of connection to the international transaction log.]

C. Database

51. [The secretariat shall establish and maintain a database to record data consistent with this guidance.]

XIII. Safeguards and limits

52. Each participating Party shall apply the safeguards and limits on the creation, transfer and use of ITMOs adopted by the CMA in relation to cooperative approaches referred to in Article 6, paragraph 2.

XIV. Overall mitigation in global emissions

Option A

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

Option A1

(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 XII (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;

Option A2

(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}

XV. Share of proceeds for adaptation

Option A

54. 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.

55. The share of proceeds [shall][should] be collected in respect of:

Option A1

(a) cooperative approaches that are baseline and crediting approaches that are similar to mitigation activities under the mechanism established by Article 6 paragraph 4;

Option A2

(b) crediting approaches implemented by Parties.

Option A3

(c) all cooperative approaches;

Option A4

(d) all acquisition of ITMOs

{end of Option A4}

56. The share of proceeds [shall][should] be set at and levied at {potential list below}:

Option A1

(a) 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;

Option A2

(b) X percent at first transfer, increasing by Y percent at each subsequent transfer;

Option A3

(c) Consistent with the share of proceeds pursuant to Article 6, paragraph 6, for the mechanism established by Article 6, paragraph 4.

{end of Option A3}

57. The share of proceeds [shall][should] be {potential list below}:

(a) 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;

(b) Transferred by the creating/issuing Party to the Adaptation Fund;

(c) Collected by the acquiring Party at each ITMO transfer and transferred to the Adaptation Fund.

Option B

{no text required}

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

58. 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.]
-