

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 1 of 5 December 11:00 hrs

Draft CMA decision containing draft guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement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:
 - (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 implementation 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 {*timed to coincide with the global stocktake*}, 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 NDC implementation period, 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. [*Activities of secretariat subject to financial resources, invitation for voluntary contributions*]

Annex I

Draft guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

I. Principles *{this section to be considered when the content of this annex is more settled}*

II. Definitions *{at SBSTA 48.1 Parties agreed to return to definitions section when the content of this annex is more settled}*

1. The following definitions apply to this guidance:

- (a) **“Double counting”** means the use of a mitigation outcome, including emission reductions reflected in national inventory reports, by more than one Party towards the achievement of an NDC or towards any international mitigation action outside the UNFCCC;
- (b) **“Internationally transferred mitigation outcome (ITMO)”** means a [real] [verified] [additional] [permanent] mitigation outcome in the form of emission reductions, removals[and avoidance], 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, or the full spectrum of mitigation outcomes, including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans measured in metrics [determined by the participating Parties] [consistent with the NDCs of the participating Parties];

2. **“First transfer”** means:

Option A *{first international transfer}*

- (i) The first international transfer of one or more mitigation outcomes that has been authorised by the transferring Party;

Option B *{first and only international transfer}*

- (ii) 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.

- (b) **“Transfer”** means an international transfer of one or more mitigation outcomes, that has been authorized by the transferring Party,

Option A *{additional wording}*

- (i) And includes transfer of a claim;

Option B *{no additional wording}*

{no text required}

- (c) **“Vintage”** means the year in which the mitigation outcome took place.

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

3. 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

4. The CMA may adopt further guidance pursuant to Article 6, paragraph 2.
5. Each participating Party shall ensure its participation in cooperative approaches and its use of ITMOs towards achievement of its NDC is consistent with this guidance and further guidance as referred to in paragraph 4.

Option A {Article 6 body}

6. The body established pursuant to Article 6, paragraph 4, shall supervise the application of this guidance by Parties participating in cooperative approaches under Article 6, paragraph 2 (hereafter referred to as the Article 6 body).

Option B {Article 6 technical expert review}

7. An Article 6 technical expert review shall review the application of this guidance by Parties participating in cooperative approaches under Article 6, paragraph 2. The competencies of the technical expert review team shall additionally include those relevant to cooperative approaches that involve the use of ITMOs towards NDCs.

Option C {Article 13 technical expert review}

8. The technical expert review pursuant to Article 13, paragraph 11, shall review the application of this guidance by Parties participating in cooperative approaches under Article 6, paragraph 2. 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}

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.
10. The secretariat, pursuant to Article 17, shall carry out the activities relating to it set out in this guidance.

V. Initial arrangements

11. Each participating Party shall submit, prior to [its participation in cooperative approaches] [transferring and/or using ITMOs towards the achievement of its NDC] [applying a corresponding adjustment for use of ITMOs towards its NDC] in relation to its first NDC period, [an Article 6 report] to demonstrate that it fulfils the participation responsibilities referred to in section VI (Participation responsibilities).

Option A {review}

12. [The Article 6 body] [The Article 6 technical expert review] shall review the information for consistency with the participation responsibilities referred to in section VI (Participation responsibilities) prior to a Party [participating in cooperative approaches] [transferring and/or using ITMOs towards the achievement of its NDC] [applying a corresponding adjustment for use of ITMOs towards its NDC]. {Outcome of the review may require further consideration}

Option B {no review}

{No text required}

VI. Participation responsibilities

13. Each Party participating in cooperative approaches involving the use of ITMOs towards NDCs shall demonstrate:
 - (a) It is a Party to the Paris Agreement;
 - (b) It has prepared, communicated and is maintaining successive NDCs in accordance with Article 4, paragraphs 2 and 6;

- (c) It has authorized the use of ITMOs 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 XI.A (Tracking ITMO data);
- (f) It has provided the most recently required inventory report pursuant to Article 13, paragraph 7(a);
- (g) [It has an absolute-emission, multi-year, economy-wide NDC];
- (h) How participation in cooperative approaches supports the implementation of NDCs.

VII. Corresponding adjustments

A. Basis for corresponding adjustments

14. Each participating Party shall calculate corresponding adjustments for ITMOs as

Option A {*first transfer and use towards achievement of NDC*}

- (a) The first international transfer of ITMOs generated in the Party (“first transfer”) and the use of ITMOs towards the achievement of NDCs (“use”).

Option B {*transfers and acquisitions*}

- (b) The international transfer of ITMOs (“transfer”) and acquisition of ITMOs (“acquisition”).

15. Each participating Party shall [apply a corresponding adjustment] [consistently apply its corresponding adjustments] to

Option A {*budget-based corresponding adjustment*}

- (a) A budget-based basis, by applying the corresponding adjustment through effecting an addition or subtraction to its quantification of the GHG emissions level corresponding to its NDC. The corresponding adjustment shall be effected through [a subtraction for ITMOs first transferred and an addition for ITMOs used towards its NDC] [a subtraction for ITMOs transferred and an addition for ITMOs acquired].

Option B {*emissions-based corresponding adjustment*}

- (b) An emissions basis, by applying the corresponding adjustment through effecting an addition or subtraction to the emissions and removals covered by its NDC, as derived from its national inventory report. The corresponding adjustment shall be effected through [an addition for ITMOs first transferred and a subtraction for ITMOs used towards of its NDC] [an addition for ITMOs transferred and a subtraction for ITMOs acquired].

Option C {*buffer registry-based corresponding adjustment*}

- (c) A buffer-registry basis:
 - (i) [For ITMOs measured in tonnes of CO₂e, applying the emissions basis];
 - (ii) [For ITMOs measured in other metrics,] applying the corresponding adjustment through 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.
- (d) The corresponding adjustment shall be effected through [an addition for ITMOs first transferred and a subtraction for ITMOs used] [an addition for ITMOs transferred and a subtraction for all ITMOs acquired].

Option D {emissions reductions-based corresponding adjustment}

- (e) An emission reduction basis, by applying the corresponding adjustment through effecting an addition or subtraction to the total quantity of emission reductions achieved. The corresponding adjustment shall be effected through [a subtraction for ITMOs first transferred and an addition for ITMOs used towards of its NDC] [a subtraction for ITMOs transferred and an addition for ITMOs acquired].

B. Single-year nationally determined contributions

- 16. [Each participating Party that has] [Participating Parties that have] a single year NDC shall calculate and apply corresponding adjustments through one of the following alternatives [in a consistent manner]:
 - (a) The transferring Party only first transfers ITMOs and/or transfers that are of the same vintage as the Party's single year NDC, and applies a corresponding adjustment in respect of ITMOs first transferred and/or transferred in that year; and the acquiring or using Party applies a corresponding adjustment for ITMOs acquired and/or used that are of the same vintage as the Party's single-year NDC.
 - (b) The Party applies a corresponding adjustment for the same year as the single year NDC, that is representative of the first transfer, transfer, acquisition and/or use of ITMOs by that Party over the NDC implementation period by:
 - (i) Calculating a multi-year emissions trajectory for the NDC implementation period consistent with the achievement of its NDC and applying a corresponding adjustment for each year covered by this emissions trajectory
 - (ii) Calculating an average amount of ITMOs first transferred, transferred, acquired and/or used over the NDC implementation period and applying a corresponding adjustment equal to this average amount for the same year as the single year NDC;
 - (iii) Applying corresponding adjustments, for ITMOs used towards its NDCs, in the single year of its NDC, on the basis of ITMOs it has transferred and acquired in that year, but also applies corresponding adjustments to the same basis for the preceding years of the period over which the NDC is implemented.

VIII. Application of guidance

A. Coverage of nationally determined contributions

- 17. A Party may transfer ITMOs for emissions 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).
- 18. The corresponding adjustment by the acquiring Party shall be made pursuant to section VII (Corresponding adjustments).

Option A {not covered by NDC, with corresponding adjustment}

- 19. In addition, a Party may transfer ITMOs for emissions 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 {outside NDC, with corresponding adjustment after X date}

- 20. In addition, a Party may transfer ITMOs for emissions 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 {outside NDC, with no corresponding adjustment}

21. In addition, a Party may transfer ITMOs for emissions 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).

Option D {only covered by NDC}

{no text required} {end of option D}

B. Pre-[2020][2021] internationally transferred mitigation outcomes

22. In respect of ITMOs created prior to [2020] [2021] and used towards the achievement of NDCs, participating Parties shall make corresponding adjustments pursuant to section VII (Corresponding adjustments).

C. Purposes other than the achievement of nationally determined contributions

Option A {no NDC use if use for non-NDC}

23. A Party shall not use a ITMO towards the achievement of its NDC where it has been, or is intended to be, used for purposes other than towards the achievement of 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.
24. Parties shall make adjustments, pursuant to section VII (Corresponding adjustments), for mitigation outcomes authorized by Parties for use towards purposes other than the achievement of NDCs, irrespective of whether or not internationally transferred[, where the mitigation outcomes are from sectors and greenhouse gases covered by the NDC of the Party].

Option B {no non-NDC use}

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

IX. Reporting

A. Quantification for the purpose of Article 6, paragraph 2

Option A {budget based}

26. Each participating Party shall, for each NDC communicated or updated, include in [an 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 {emissions based}

27. Each participating Party shall, for each NDC communicated or updated, include in [an Article 6 report] [its first relevant biennial transparency report] the following information to enable the quantification of its NDC in tonnes of CO₂e for the application of the emissions-based basis:
- (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;
28. **Option C** {no text required}

B. Regular information

29. Each participating Party shall submit, as part of [an Article 6 report] [the biennial transparency report pursuant to Article 13, paragraph 7], information on:
- (a) How it demonstrates its participation responsibilities referred to in section VI (Participation responsibilities).
 - (b) Authorization of the use of ITMOs pursuant to Article 6, paragraph 3, and making that authorization public;
 - (c) The Party origin and the originating cooperative approach of the ITMOs
 - (d) The characteristics of the ITMOs (e.g. the metric, sector, vintage);
 - (e) 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);
 - (f) How the cooperative approach supports the implementation of its NDC;
 - (g) How the cooperative approach supports the mitigation of greenhouse gas emissions;
 - (h) Economy-wide long-term low-emission development strategy pursuant to Article 4, paragraph 19;
 - (i) Avoidance of unilateral measures and discriminatory practices in cooperative approaches;
 - (j) Ensuring that cooperative approaches and ITMOs created and transferred and/or used do not result in environmental harm;
 - (k) Ensuring that it has applied safeguards pursuant to section XII (Safeguards and limits).
 - (l) Ensuring 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;
 - (m) Ensuring that cooperative approaches in which it participates:
 - (i) Contribute to the transition in the host Party to a low carbon development economy;
 - (ii) Do not lead to an increase in global emissions;
 - (iii) 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;
 - (iv) 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;
 - (v) Are consistent with the Sustainable Development Goals and the sustainable development objectives of the host Party, noting national prerogative;

- (vi) Are consistent with the respect of and does not represent a threat to human rights;
 - (vii) Avoid causing negative social or economic impacts to any Party.
30. Each participating Party shall submit the following quantitative information, as part of its [Article 6 report] [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 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) Accounting balances, as applicable, after applying corresponding adjustments for the annual period pursuant to section VII (Corresponding adjustments);
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 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 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.
- Option A {additional text}**
34. The [Article 6 body] [Article 6 technical expert review] [Article 13 technical expert review] shall also assess if the participation requirements have been demonstrated by the Party. *{Result of the review requires further implementation}*
- Option B {no additional text required}**
{end of option B}
- Option A {After review, submit to Article 15 Committee}**
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 {no review by Article 15 Committee}**

XI. Tracking, recording, compiling [and reconciling] ITMO data

A. Tracking ITMO data

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

- (g) [Cancelling ITMOs for overall mitigation in global emissions].

B. Recording corresponding adjustments

37. Each participating Party shall 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].

C. Compiling ITMO and corresponding adjustment data

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).

D. Use of ITMOs towards NDCs

Option A {*budget-based corresponding adjustment*}

39. Each participating Party shall calculate the quantified NDC consistent with section IX.A (Quantification for the purpose of Article 6.2 participation).
40. Each participating Party shall issue units into the registry/holding account in the international registry.
41. Each participating Party shall make a corresponding adjustment consistent with section VII (Corresponding adjustments).
42. At the end of the NDC implementation period, each participating Party 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 {*emissions-based corresponding adjustment*}

43. Each participating Party shall provide quantified information on its NDC reference and target level emissions, consistent with section IX.A (Quantification for the purpose of Article 6.2 participation).
44. Each participating Party shall make a corresponding adjustment consistent with this section VII (Corresponding adjustments).
45. At the end of the NDC implementation period, each participating Party shall submit information on the accounting balance for each year covered by its NDC; consistent with section VIII.A (ITMO information), and, to enable comparison, the information contained in this section and consistent with further decisions of the CMA relating to this guidance {*see work plan for 2019*}.
46. The secretariat shall consolidate the information submitted by each Party pursuant to this section and further decisions of the CMA relating to this guidance into the database referred to in section X.C (Database) {*see work plan for 2019*}.

Option C {*buffer registry-based corresponding adjustment*}

47. 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 {*emissions reductions-based corresponding adjustment*}

48. At the end of the NDC implementation period, each participating Party shall calculate the total quantity of emission reductions achieved within its jurisdiction during the NDC implementation period.

49. Each participating Party shall make a corresponding adjustment to the total quantity of emission reductions referred to in paragraph 48 above consistent with section VII (Corresponding adjustments).
50. Each participating Party shall provide information on the adjusted quantity of emission reductions referred to in paragraph 49 above as part of the information necessary to track progress made in implementing and achieving its NDC as per Article 13.7(b).

XII. Infrastructure

A. Registries

51. A registry is a system for tracking ITMO data.
52. 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.]
53. The secretariat shall implement an international registry consistent with requirement in paragraph XI.36 for [all participating Parties] [for participating Parties that do not have such a system or access to such a system].
54. 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.]
55. A buffer registry is a registry used for the buffer registry basis.

B. International transaction log

Option A {*international transaction log*}

56. 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.
57. Each participating Party [shall][should] ensure that its registry is capable of connection to the international transaction log.

Option B {*no ITL required as reporting is the basis for tracking ITMOs/units*}

{*no text required*}

C. Database

Option A {*database*}

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

Option B {*no database required as reporting is the basis for tracking ITMOs*}

{*no text required*}

XIII. Safeguards and limits

59. 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 {overall mitigation in global emissions requirement}

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

Option A1 {automatic cancellation}

- (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 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 {discounting by Parties}

- (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 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 overall mitigation in global mitigation requirement}

{no text required}

XV. Share of proceeds for adaptation

Option A {share of proceeds}

61. 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.
62. The share of proceeds [shall][should] be collected in respect of:

Option A1 {where activities are similar to Article 6, paragraph 4 mitigation activities}

- (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 {crediting approaches}

- (b) crediting approaches implemented by Parties.

Option A3 {all approaches}

- (c) all cooperative approaches;

Option A4 {ITMO acquisitions}

- (d) all acquisition of ITMOs

{end of Option A4}

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

Option A1 {varying rates of SOP}

- (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 {increasing rate over time at transfer}

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

Option A3 {consistent with Article 6, paragraph 6, for the mechanism established by Article 6, paragraph 4}

- (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}

64. 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 share of proceeds}

{no text required}

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

65. 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.