

DRAFT TEXT

on

SBSTA 50 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 26 June 16:45:00 hrs (edited)

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.

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

1. *[Adopts the [initial] guidance on cooperative approaches referred to in Article¹ 6, paragraph 2 as contained in the annex;]*
2. *[Decides that this guidance supercedes decision 18/CMA.1, paragraph 77(d);]*
3. *[Requests the SBSTA to develop common tabular formats for the electronic reporting of information under this guidance;]*
4. *[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 third session, as an integral part of the guidance:*
 - (a) Further elaboration, if required, of the special circumstances of the least developed countries and small island developing States;
 - (b) Elaboration of how corresponding adjustments may be applied [in metrics other than CO₂ equivalent determined by participating Parties][to all metrics of participating Parties' **nationally determined contributions (NDCs)**];
 - (c) Consideration of methods applied between participating Parties to ensure corresponding adjustments are consistent and representative of NDC implementation and achievement with regard to multi-year and single-year **nationally determined contributions (NDCs)**, as referred to in the annex, [section V.B (Multi-year and single-year nationally determined contributions)] [section V (Corresponding adjustments)];
 - (d) Consideration of how the application of corresponding adjustments to the total quantity of emission reductions achieved may be incorporated into the approach of applying corresponding adjustments to emissions and removals covered by the NDC, as referred to in the annex, section V (Corresponding adjustments);
 - (e) Further elaboration of the information to be reported by participating Parties, as referred to in the annex, section VII (Reporting), including the agreed tabular format referred to in annex, section VII (Reporting) and the agreed 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 the recording of information in the Article 6 database;
 - (h) Elaboration of the requirements relating to the implementation of an international registry;
 - (i) [Elaboration of the requirements relating to the international transaction log;]
 - (j) [Elaboration of the requirements relating to the implementation of the centralized accounting and recording platform;]

¹ "Article" refers to an Article of the Paris Agreement, unless otherwise specified.

- (k) [Implementation of the share of proceeds referred to in section XII below including considering needs basis and distributing excess funds to adaptation;]

Option A {Section XI of the Annex text and maintaining safeguards and limits in the cover decision as a work programme }

- (l) [Safeguards and limits, including consideration of 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 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][Requirements to have a system to [address][ensure] permanence, including addressing reversals];]
 - (ix) [Requirements relating to avoiding unilateral measures and discriminatory practices in cooperative approaches];]
 - (x) —]
 - (xi) [Use of Article 6 shall aim to deliver an overall mitigation in global emissions and enhance mitigation and adaptation ambition;]
 - (xii) [Use of Article 6 should not lead to other environmental and social impacts, and should respect human rights in its application.]

Option B {See section XI in the Annex, where Option B sets out the safeguards and limits in the Annex }

Option C

- (xiii) [Use of Article 6 should not lead to an increase in emissions in and between NDC implementation periods.];]
5. [Requests the SBSTA to develop a work programme to assist Parties][Requests the secretariat to assist Parties, in particular developing country Parties, through a work programme]to incorporate sectors and/or gases into their NDC in order to enable participation in cooperative approaches referred to in Article 6 paragraph 2;]
 6. [Also requests the Subsidiary Body for Scientific and Technological Advice to undertake the first review of and update, as appropriate, the guidance no later than the end of 2024, on the basis of recommendations from the SBSTA and the SBI;]
 7. [Decides that Parties voluntarily participating in cooperative approaches referred to Article 6, paragraph 2, shall apply decision 4/CMA.1, to their first NDCs;]
 8. [Affirms that all Parties participating in cooperative approaches shall apply the guidance contained in the Annex, throughout the entire period for NDC implementation, from the start of their participation;]
 9. [Also affirms that, pursuant to the modalities, procedures and guidelines for the enhanced transparency framework under decision 18/CMA.1, for Parties participating in cooperative approaches referred to in Article 6, paragraph 2, the technical expert review referred to in decision 18/CMA.1, shall refer to this guidance when reviewing that participation, including when reviewing biennial transparency reports;]

-
10. [*Requests* the secretariat to collaborate with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) to consider ways to address any negative social and economic impacts, especially on developing country Parties, resulting from Article 6, paragraph 4, activities by, inter alia regularly sharing relevant information with the forum on the impact of the implementation of response measures in order to support the activities above.];]
 11. [*Requests* the secretariat to undertake preparatory technical work, including technical papers and financial and technical feasibility studies, as required, for consideration by the SBSTA at its fifty-second session (June 2020), on the elements referred to in paragraph 2 above.];]
 12. [*Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in this decision and *requests* that the actions called for in this decision be undertaken subject to the availability of financial resources.]

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] [and has a system to [ensure][address] permanence, including addressing reversals]{*based on text from 8 December SBSTA text, paragraph 28(h)(iv)*};
 - (ii) [[Be] in the form of anthropogenic emissions [and removals [by sinks]] [avoidance]] {*text from 8 December SBSTA text, start of paragraph 1(a)(ii)*}, 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 (tCO₂eq) in accordance with the methodologies and common metrics assessed by the IPCC and adopted by the CMA [and/or in other metrics determined by participating Parties [consistent with the (nationally determined contributions (NDCs) of the participating Parties]]];
 - (iv) [Be] [a unit held in a registry] [with a unique serial number][or][represent a net flow between participating Parties [or][an amount in tCO₂eq representing mitigation outcomes;]
 - (v) [[Be] from a cooperative approach between participating Parties that involve the authorized transfer of mitigation outcomes that are intended for use towards an NDC;]
 - (vi) [[Be] amounts denominated in tCO₂eq authorised for use towards NDCs, or authorised for use towards other international mitigation purposes, and representing transfers from a cooperative approach or the mechanism;]
 - (vii) [[Include] [emission reductions][, removals] [and avoidance]] under the mechanism established by Article² 6, paragraph 4, [when internationally transferred [and used towards an NDC][for use towards and NDC or for other international mitigation purposes]];]
- (b) [**“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;] {*text from 8 December SBSTA text, paragraph 1(c)*}
- (c) **“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] [means an international transfer of one or more mitigation outcomes, that has been authorized by the transferring Party, [and includes transfer of a claim;]] {*text from 8 December SBSTA text, paragraph 1(d)*} **“First transfer”** means the first such transfer of one or more mitigation outcomes;
- (d) **“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.

² “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

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 that 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 above.
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 decision 18/CMA.1. The review shall be conducted on the basis of information provided by each participating Party pursuant to section VII below (Reporting) and section IX below (Recording of corresponding adjustments), and pursuant to any 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.
6. The secretariat shall [periodically][at least [annually]] prepare a compilation and synthesis of the results of the Article 6 technical expert review, including identification of recurring themes and lessons learned, [and recommendations for improvements to the guidance] for consideration by the CMA.

III. Participation responsibilities

7. 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, and decision 4/CMA.1;
 - (c) It has authorized the use of ITMOs towards NDCs[, or for other international mitigation purposes] pursuant to Article 6, paragraph 3, and has made that authorization public;
 - (d) It ensures tracking of ITMOs pursuant to section IV (Tracking internationally transferred mitigation outcomes);
 - (e) It has provided the most recently required national inventory report in accordance with decision 18/CMA.1;
 - (f) [It has a national registry connected to the international transaction log pursuant to section X (Infrastructure) below.]
8. [Parties are encouraged to deliver an overall mitigation in global emissions in the context of Article 6, paragraph 2, through a voluntary cancellation or setting aside of ITMOs that are not used for any transfer or purpose, including use by any Party towards its NDC.] *{Parties may wish to refer to Section XIII}*

IV. Tracking internationally transferred mitigation outcomes

9. [Each participating Party][The Article 6 database]shall ensure the tracking and identification of ITMOs through a registry pursuant to section X below (Infrastructure), including *{Some Parties identified a need for refinement of the tracking requirements below}*:
 - (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) [Use of ITMOs;]
 - (h) [Voluntary cancellation of ITMOs;]

- (i) [Mandatory Cancellation of ITMOs for overall mitigation in global emissions;] *{based on text from 8 December SBSTA text, paragraph 11(h)}*
- (j) [Voluntary cancellation for an overall mitigation in global emissions;]
- ~~(k) [Additional voluntary cancellation for an overall mitigation in global emissions;]~~
- (l) [Transfer of ITMOs for the share of proceeds for adaptation.]

V. Corresponding adjustments *{Some Parties identified a need for refinement in Section V, inter alia: in sequencing of timing of recording of transfers and acquisitions, the availability of inventory data for applying corresponding adjustments, tracking structures for ITMOs}*

A. Basis for corresponding adjustments

Option A

- 10. [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, Article 6, paragraph 2, and Article 13, paragraph 13. The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired.]
- 11. 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, and reported pursuant to paragraph VII.B.42(a), resulting in an adjusted balance. The corresponding adjustment shall be effected through [either]:
 - (a) [An addition of the quantity of ITMOs first transferred and a subtraction of the quantity of ITMOs used;]
 - (b) [An addition of the quantity of ITMOs transferred and a subtraction of the quantity of ITMOs acquired].]

Option B

- 12. [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, Article 6, paragraph 2, and Article 13, paragraph 13. The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired.]
- 13. 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, and reported pursuant to paragraph VII.B.42(a), resulting in an adjusted balance. The corresponding adjustment shall be effected through [either]:
 - (a) [An addition of the quantity of ITMOs first transferred and a subtraction of the quantity of ITMOs used;]
 - (b) [An addition of the quantity of ITMOs transferred and a subtraction of the quantity of ITMOs acquired].]

Option C *{text from 8 December SBSTA text, paragraph 12(a)}*

- 14. [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 D *{text from 8th December SBSTA text, paragraph 12(c)-(d)}*

15. [A buffer-registry basis:
 - (a) 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;
 - (b) For ITMOs measured in tonnes of CO₂e, the emissions basis may be applied;
16. The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired.]

Option E

17. [For ITMOs measured in a metric consistent with the NDCs of the participating Parties, each participating Party shall have the same NDC metric and 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, Article 6, paragraph 2, and Article 13, paragraph 13. The corresponding adjustment shall be effected through an addition for ITMOs transferred and a subtraction for ITMOs acquired, applied to the NDC.]

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

Option A

18. [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 that 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 the NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation.
19. Each participating Party that has a single-year NDC shall apply, in order to make the corresponding adjustments in the NDC year consistent with and 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 18(a) above;
 - (b) The method referred to in paragraph 18(b) above;
 - (c) The method referred to in paragraph 18(c) above, where both participating Parties apply this method for the cooperative approach;
 - (d) Calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation, 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 this section, 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.
20. Participating Parties shall apply the same method consistently throughout the period for NDC implementation.
21. Each participating Party shall report its corresponding adjustments pursuant to section VII below (Reporting) and record the corresponding adjustments in the Article 6 database pursuant to section IX below (Recording of corresponding adjustments).]

Option B

22. 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 that is consistent with the NDC, and applying a corresponding adjustment for each year covered by this emissions trajectory [for the total amount of ITMOs first transferred and used, or transferred and acquired over the NDC implementation period];
 - (b) [Applying a corresponding adjustment for each year in the period for NDC implementation;]
 - (c) Applying a corresponding adjustment at the end of the NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation.
23. Each participating Party that has a single-year NDC shall apply, in order to make the corresponding adjustments in the NDC year consistent with and 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 22(a) above;] [[Calculating an indicative multi-year emissions trajectory for the period for NDC implementation that is consistent with the NDC, and] [a][A]pplying a corresponding adjustment for the [total] amount of ITMOs first transferred and used, or transferred and acquired,] for each year in the NDC implementation period;]
 - (b) [The method referred to in paragraph 22(b) above;]
 - (c) [The method referred to in paragraph 22(c) above, where both participating Parties apply this method for the cooperative approach;]
 - (d) [Calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation 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 this section, 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.]
24. [Participating Parties shall apply the same method consistently throughout the period for NDC implementation.]
25. Each participating Party shall report its corresponding adjustments pursuant to section VII below (Reporting) and record the corresponding adjustments in the Article 6 database pursuant to section IX below (Recording of corresponding adjustments).

Option C

26. [In its initial report pursuant to section VII.A (initial report), [in order to make corresponding adjustments in the NDC year consistent with and representative of NDC implementation and achievement,] a participating Party may identify its method for corresponding adjustments from [the methods in this section] to be applied consistently throughout the NDC implementation period. If a Party does not identify the method, the following default method applies:
- (a) For a multi-year NDC, [calculating a multi-year emissions trajectory for the period for NDC implementation that is consistent with the NDC, and] applying a corresponding adjustment for the total amount of ITMOs first transferred and used, or transferred and acquired, for each year in the NDC implementation period;
 - (b) For a single year NDC, calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation period and applying a corresponding adjustment equal to this average amount for the NDC year.]

Option D

27. [Each participating Party that has a multi-year or single-year NDC shall apply the following principles when selecting a method for corresponding adjustment [from the methods in this section]: that corresponding adjustments shall be consistent with and representative of the participating Party's NDC

implementation and achievement; that the use of Article 6 does not lead to an increase in emissions in or between the Participating Party's NDC implementation periods; that the Party ensures transparency, accuracy, completeness, consistency and comparability.]

Option E {based on the 8th December SBSTA text, paragraph 24}

28. [All Parties apply the following method consistently throughout its period for NDC implementation:
- (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.]

VI. [Application of guidance

A. Internationally transferred mitigation outcomes from sectors and greenhouse gases covered by nationally determined contributions

29. A Party that transfers ITMOs for emission reductions and removals from sectors and greenhouse gases covered by the NDC of the Party shall apply corresponding adjustments pursuant to section V above (Corresponding adjustments).

Option A

30. A Party that transfers ITMOs from emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party [shall apply corresponding adjustments pursuant to section V above (Corresponding adjustments)] [is not required to apply corresponding adjustments pursuant to section V above (Corresponding adjustments) [until 2031]].

Option B

31. [A Party that transfers ITMOs from emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party shall apply corresponding adjustments pursuant to section V above (Corresponding adjustments). A host Party is not required to apply corresponding adjustments for first transfers of units from the mechanism established in Article 6, paragraph 4, where they are achieved from activities not covered by the NDC of the host Party.]

{end of option CB}

32. [The crediting period for the activities not covered by the NDC of the host Party may be shorter than the crediting period for the activities covered by the NDC.]

Option C

33. [Parties may only transfer ITMOs from cooperative approaches and the mechanism, where those ITMOs resulted from emission reductions and removals from sectors and GHGs covered by the scope of Parties' NDC.]

Option D {no text required}

B. Purposes other than towards nationally determined contributions

Option A

34. [Pursuant to guidance relating to Article 4, paragraph 13,] where a Party expressly authorizes the use of mitigation outcomes, for a purpose other than towards an NDC, this guidance shall apply to such mitigation outcomes, whether or not they have been internationally transferred.

Option B

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

Option C

36. [Parties shall apply adjustments for the use of mitigation outcomes for an international mitigation purpose other than towards an NDC, whether or not they have been internationally transferred but a host Party is not required to apply adjustments for first transfers of units from the mechanism established in Article 6, paragraph 4, where the units are achieved from activities not covered by the NDC of the host Party.]

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

37. 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 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

38. For each NDC communicated or updated, each participating Party shall, [at the outset of the NDC implementation period][prior to or at the time of first transfer or acquisition of ITMOs[, including units from the mechanism established in Article 6, paragraph 4]], submit an initial report containing comprehensive information to:
- (a) Demonstrate that it fulfils the participation responsibilities referred to in section III above (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 above (Basis for corresponding adjustments) [and its method pursuant to section V.B above (Multi-year and single-year nationally determined contributions) to be applied consistently throughout its period for NDC implementation.] [and shall communicate its method pursuant to section V.B above (Multi-year and single-year nationally determined contributions) to be applied consistently throughout its period for NDC implementation or apply the default method in section V.B.26 above]] [Communicate its basis for corresponding adjustments pursuant to section V.B.28 above.] {this relates to Option E in that section}];
 - (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, provide 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 above (Corresponding adjustments)].

- (f) The initial report shall also include the information [[in relation to each cooperative approach] [that participating Parties intend to participate in] referred to in paragraphs B.39[, [B.40], B.41 [and B.42] below, as applicable. {Some Parties identified a need for refinement through incorporating elements from regular reporting}

B. Regular information {Some Parties identified a need for refinement to avoid duplication of information with other reporting obligations }

39. Each participating Party shall submit, in its biennial transparency report pursuant to decision 18/CMA.1, the following information in relation to 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;
 - (d) How it has ensured that the ITMOs used towards achievement of its NDC will not be further transferred, acquired, cancelled or used;
40. Each participating Party shall also submit[, as part of its biennial transparency reports pursuant to decision 18/CMA.1] the following [qualitative] information in relation to how the cooperative approaches in which it participates:
- (a) Support(s) the mitigation of greenhouse gas emissions and the implementation of its NDC;
 - (b) 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;
 - (c) Where a mitigation outcome is measured and transferred in tCO₂eq, provide for the measurement of mitigation outcomes in accordance with the methodologies and common metrics assessed by the IPCC and adopted by the CMA;
 - (d) [Where a mitigation outcome is measured and transferred in a metric other than CO₂eq determined by the participating Parties, provide for [consistency of the metric with the NDCs of the participating Parties;]]
 - (e) [Provide for, as applicable, the measurement of mitigation co-benefits resulting from adaptation actions and/or economic diversification plans;]
 - (f) Apply safeguards pursuant to section XI above (Safeguards and limits);
 - (g) [Do not result in environmental harm;]
 - (h) Address any risks of conflict with other environment-related aspects;
 - (i) [Are consistent with sustainable development in the host Party, noting national prerogatives] [Are consistent with the [Sustainable Development Goals] and the sustainable development objectives of the host Party, noting national prerogatives] *text from 8 December SBSTA text, paragraph 28(i)(iv)*;
 - (j) [Avoid unilateral measures and discriminatory practices in cooperative approaches;]
 - (k) [Are consistent with the Party’s respective obligations on human rights;]
 - (l) [Avoid causing negative social or economic impacts on any Party.]
41. Each participating Party should also submit information on its long-term low emission development strategy pursuant to Article 4, paragraph 19, if available.
42. Each participating Party shall submit the following quantitative information pursuant to section IX above (Recording of corresponding adjustments)[annually[from 202X]] [annually after it submits its initial

report] [, as part of its biennial transparency reports pursuant to decision 18/CMA.1], in an [agreed tabular format] {*Some Parties identified a need for refinement of the timing, format and destination of the information in this section*}:

- (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[, including indicative] corresponding adjustments applied pursuant to section V (Corresponding adjustments), including information on the other participating Parties[and the metric used];
 - (d) [Annual and cumulative ITMOs authorized for use for a purpose other than towards NDCs, including information, as applicable, on the transferrer, acquirer and/or user of the ITMOs;]
 - (e) Adjusted [indicative emissions] balances, as applicable, after applying corresponding adjustments for the annual period and/or the full NDC implementation period pursuant to section V above (Corresponding adjustments);
 - (f) [Annual and cumulative ITMOs transferred pursuant to section XII below (Share of proceeds for adaptation);]
 - (g) [Annual and cumulative ITMOs cancelled in accordance with section XIII below (Overall mitigation in global emissions); {*text from 8 December SBSTA text, paragraph 30(e)*}]
43. Participating Parties shall publish and keep up-to-date, through the [UNFCCC website][Article 6 database], all publicly available information on cooperative approaches in which they participate.

VIII. Review

44. 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.
45. The Article 6 technical expert review shall also review information reported pursuant to section VII.B (Regular information) [and][.] information recorded pursuant to section IX below (Recording of corresponding adjustments) [and information in the centralized recording and accounting platform] for consistency with this guidance. {*Some Parties identified a need for refinement and further elaboration of the process of the Article 6 technical expert review*}
46. 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 in quantified information. The Article 6 technical expert review shall forward its reports for consideration by the technical expert review process under decision 18/CMA.1.
47. [The Article 6 technical expert review may forward its report to the committee referred to in Article 15, paragraph 2, if the review reveals a [systemic issue][significant inconsistencies].] [Following the review, the committee referred to in Article 15, paragraph 2, shall consider the review in accordance with its modalities and procedures. {*second sentence is text from 8 December SBSTA text, paragraph 35*}]

IX. Recording{ [of corresponding adjustments]

48. The secretariat shall, upon submission by participating Parties, record information contained in initial reports pursuant to section VII above (Reporting), in the Article 6 database pursuant to section X (Infrastructure).

Option A

49. [Each participating Party shall, on an annual basis and in the agreed electronic format, submit the quantitative information pursuant to section VII above (Reporting), including information on corresponding adjustments pursuant to section V above (Corresponding adjustments) to the secretariat for recording in the Article 6 database.]

Option B

50. [Each participating Party shall, on an annual basis and in the agreed electronic format, submit the information on annual and cumulative ITMOs pursuant to VII.B.42(b) above to the secretariat for recording in the Article 6 database.]

{end of Option B}

51. 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 the participating Parties of any inconsistencies;
 - (c) [Make available to the Article 6 technical expert review the compiled information relevant to a participating Party's cooperative approach(es).]
52. Any amendments to the information recorded in the Article 6 database, including as a result of recommendations from the Article 6 technical expert review, may also be submitted by the participating Party concerned for recording in the Article 6 database.
53. [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).] *{text from 8th December SBSTA text, paragraph 39}*

X. Infrastructure

Option A

54. 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 above (Tracking internationally transferred mitigation outcomes) and shall have the necessary accounts.
55. The secretariat shall implement an international registry [in combination with the mechanism registry for the Article 6, paragraph 4 registry], for participating Parties that do not have such a registry or access to such a registry [as part of a centralized accounting and recording platform that also encompasses the Article 6 database. This publicly accessible platform shall provide oversight over tracking and identification under section IV above and support reviews under section VIII above].
56. The secretariat shall implement an Article 6 database[, as part of the centralized accounting and recording platform] to record and compile information pursuant to section IX (Recording of corresponding adjustments). Non-confidential information recorded in the Article 6 database shall be publicly accessible. The Article 6 database shall perform the following functions:
- (a) [Tracking ITMOs, first transferred, transferred, acquired, held, cancelled and/or used by participating Parties[through unique identifiers that include the identity of the underlying source Party, vintage or underlying reduction, activity type and sector];]
 - (b) [Maintain public information on transfers and acquisitions of ITMOs;]
 - (c) [Maintain links to the publicly available information submitted by participating Parties on the cooperative approaches in which they participate, pursuant to VII.B.43 above;]
 - (d) [Checking the consistency of ITMOs reported by participating Parties with requirements for corresponding adjustment and avoiding double counting;]

- (e) [Identifying inconsistencies to the participating Parties;]
- (f) [Checking the authorization by participating Parties;]
- (g) [Prefilling common tabular formats;] *{text from 8 December SBSTA text, paragraph 46(a)-(d)}*
- (h) [Provide an annual report including information on all ITMOs to [X]].

Option B

- 57. [The secretariat shall establish and maintain an international transaction log capable of recording the information set out in this section and any further decisions of the CMA relating to this guidance.] *{text from 8 December SBSTA text, paragraph 49}*
- 58. [Each participating Party shall ensure that its registry is capable of connection to the international transaction log.] *{text from 8 December SBSTA text, paragraph 50}*

XI. Safeguards and limits

Option A

- 59. Each participating Party shall apply, [as appropriate][as applicable], any safeguards and limits adopted by the CMA in relation to cooperative approaches referred to in Article 6, paragraph 2 *{See cover decision paragraph 2(j) for work programme on safeguards and limits}*.

Option B *{return of safeguards and limits under a work programme from the cover decision to the Annex}*

- 60. [Each participating Party shall apply[, as applicable,] the following safeguards and limits:
 - (a) [Transfer limits;]
 - (b) [Minimum holding requirements;]
 - (c) [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;]
 - (d) [Maximum limits on the use of ITMOs towards an NDC;]
 - (e) [Requirements relating to carry over of ITMOs from one NDC period to the next;]
 - (f) [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;]
 - (g) [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;]
 - (h) [Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty] [system to [address][ensure] permanence, including addressing reversals];
 - (i) [Requirements relating to avoiding unilateral measures and discriminatory practices in cooperative approaches;]
 - (j) [Use of Article 6 should not lead to an increase in emissions in and between NDC implementation periods;]
 - (k) [Use of Article 6 shall aim to deliver an overall mitigation in global emissions and enhance mitigation and adaptation ambition;]
 - (l) [Use of Article 6 should not lead to other environmental and social impacts, and should respect human rights in its application.]

Option C

- 61. [Each participating Party shall ensure that use of Article 6 should not lead to an increase in emissions in and between NDC implementation periods.];

XII. Share of proceeds for adaptation

Option A {text from 8 December SBSTA text, paragraphs 54-57}

62. 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.
63. 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}

64. The share of proceeds [shall][should] be set at and levied at:

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}

65. The share of proceeds [shall][should] be:

- (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 {text from 8 December SBSTA text, paragraphs 54-57}

{no text required}

Option C

66. 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.
67. 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].

68. 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].
69. 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].¹¹

Option D

70. [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, through a monetary levy of [X] per cent of the value of the ITMOs used towards an NDC.]

{end of Option D}

71. [Cooperative approaches [shall][should] deliver a share of proceeds to cover administrative expenses incurred by host Parties.]

XIII. Overall mitigation in global emissions

Option A {text from 8 December SBSTA text, paragraph 53}

72. 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, the 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.

{end of text from 8 December SBSTA text, paragraph 53}

Option CB

- (c) [In an manner consistent with the implementation of overall mitigation in global emissions in the mechanism established by Article 6, paragraph 4.]

Option BC

{no text required}

XIV. [Addressing negative social and economic impacts, Article 4, paragraph 15] *{text from 8 December SBSTA text, paragraph 58}*

73. 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][Annual] 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.]
-