

**A6.4-SB002-AA-A09**

## Information note

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# Capacity-building work programme on Article 6.4

Version 01.1



## COVER NOTE

### 1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session (November 2021), adopted decision 3/CMA.3.<sup>1</sup> The decision contains, inter alia, the following provisions relating to capacity-building:
  - (a) Requests the secretariat, including through its Regional Collaboration Centres (RCCs) and in consultation with the Supervisory Body, to design and implement, in consultation with Parties, a capacity-building programme to assist Parties wishing to voluntarily participate in the mechanism to, inter alia:
    - (i) Establish the necessary institutional arrangements to implement the requirements contained in the annex;
    - (ii) Develop the technical capacity to design and set baselines for application in host Parties;
  - (b) Notes with appreciation decision 2/CMP.16, pursuant to which the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol allocated funds from the Trust Fund for the Clean Development Mechanism under Article 12 of the Kyoto Protocol to the Trust Fund for Supplementary Activities for the purpose of expediting implementation of the Article 6, paragraph 4, mechanism.
2. The CMP decided: “to authorize the transfer of USD 10 million from the Trust Fund for the Clean Development Mechanism to the Trust Fund for Supplementary Activities for the work of the Supervisory Body to provide, through the regional collaboration centres, capacity-building in developing countries for applying the Article 6, paragraph 4, mechanism, and support for the transition of clean development mechanism project activities and programmes of activities to the Article 6, paragraph 4, mechanism if they are eligible for transition;” (2/CMP.16, paragraph 19).
3. This information note is limited to the mandates specified in paragraph 1(a) above, and the secretariat will submit a separate concept note around the implementation of this paragraph in its future meeting.
4. At its first meeting, the Supervisory Body requested the secretariat to prepare an information note related to the secretariat’s work on capacity-building for members and alternate members for the Supervisory Body to provide feedback to the secretariat prior to the second meeting. The note should cover aspects related to the design and implementation of the capacity-building programme to assist Parties wishing to voluntarily participate in the mechanism to, inter alia:
  - (a) Establish the necessary institutional arrangements to implement the requirements contained in the rules, modalities and procedures;

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<sup>1</sup> See decision 3/CMA.3 contained in the document FCCC/PA/CMA/2021/10/Add.1 available at: <https://unfccc.int/documents/460950>.

- (b) Develop the technical capacity to design and set baselines for application in host Parties.

## **2. Purpose**

- 5. In order to accelerate the implementation of Article 6 (Paris Agreement), it is important to achieve a common understanding of the rules of Article 6 across all stakeholder groups in order to create an enabling environment for the development of emission reduction projects, and to assist in integrating Article 6 in the achievement of nationally determined contributions (NDCs).
- 6. The purpose of this information note is to provide an update on the status of the capacity-building work programme and the future plan of the secretariat to address the mandates cited above under paragraph 1(a), considering the feedback provided by stakeholders, through various channels as explained in paragraph 8 pertaining to capacity-building needs, priorities and challenges.

## **3. Key issues and proposed solutions**

### **3.1. Identifying the capacity-building needs**

- 7. To develop an efficient and effective capacity-building work programme, it is critical to conduct a thorough assessment of capacity-building needs, priorities and challenges of the countries and regions, through consultations with diverse stakeholders. To support the needs assessment, the secretariat completed three initiatives:
  - (a) Conducted three virtual regional dialogues on Article 6 organized by the UNFCCC secretariat through RCCs on 10 May (Africa), 11 May (Latin America and the Caribbean) and 12 May (Asia-Pacific and the Middle East) in 2022;
  - (b) Launched a survey on capacity-building needs on cooperative approaches referred to in Article 6 of the Paris Agreement that was rolled out to diverse stakeholders by the UNFCCC secretariat, including through RCCs;
  - (c) Presented the survey results and validated the status of the work plan with the Parties (e.g. SB 56 side event, designated national authorities (DNA) forum meeting at the margins of the Climate weeks in Latin America and Africa).
- 8. In addition, the secretariat has been looking at several initiatives and activities on capacity-building by Parties and development organizations in order to collaborate and jointly deliver an inclusive capacity-building programme while capitalizing on synergies and providing opportunities to stakeholders to participate in Article 6 capacity-building activities.

### **3.2. Approach to the capacity-building work programme**

- 9. Considering the inputs received through sources cited under section 3.1 above, the capacity-building work programme is being developed with the aim to:
  - (a) Identify the institutional aspects such as strengthening the infrastructure and knowledge base;
  - (b) Ensure the availability of well-structured information, which is easily understandable by all stakeholders,

- (c) Enhancement of technical capacity for determining baseline, monitoring and reporting, etc.
  - (d) Identify appropriate types and formats of capacity-building (e.g. workshops, knowledge products, knowledge-sharing platforms, frequently asked questions (FAQs), peer-to-peer learning).
10. It is envisaged that capacity-building will include a wide array of tools such as courses, training workshops, help desks, on-the-job trainings and direct technical assistance. It should also include resource materials such as guidance documents, videos and other materials. To avoid duplication of efforts and achieve efficiency gains on capacity development activities, the secretariat will enhance collaboration with development organizations.

### **3.2.1. Importance of capacity-building and aims of the work programme**

11. Under Article 6.4, the role, requirements and challenges of the host country are broader than those under the CDM. Host countries are at various stages of preparedness. Therefore, meaningful capacity-building activities would need to be identified and tailored to address the specific needs of each country, along with appropriate timelines. Further, addressing country-level needs might be considered through regional-level initiatives/platforms, where possible (e.g. East and West African Alliances, Carbon Pricing America). In this regard, the role of RCCs in implementing the capacity-building programme will be instrumental.
12. The overall feedback provided has highlighted the benefits of leveraging the experience, success stories and lessons learned when both designing and implementing the capacity-building programme. For example:
- (a) Capacity-building efforts should be country-driven, i.e. customization based on country needs and status of preparedness is of utmost importance;
  - (b) Public–private partnerships, including universities, think tanks and others, can play a key role in systematically training a critical mass of carbon-pricing experts and other stakeholders (with training programmes of various duration, ranging from a few hours to a few months) to ensure sustained capacity, avoid dependency on funds, and enhance local expertise;
  - (c) A holistic approach that covers the entire process is more effective, particularly when coupled with coordination between initiatives that allows each partner to focus on its specific expertise. Sustained and systematic coordination within and across countries, ministries and public and private stakeholders is one of most critical parameters for success;
  - (d) It is critical that measures be taken to improve investors' knowledge and perceptions regarding the investment climate in certain regions and sectors.

### 3.2.2. Priorities for the capacity-building work programme<sup>2</sup>

13. Based on the feedback received, priority areas for the capacity-building work programme are as follows:
- (a) **Baseline-setting: Development of technical capacity to design and set baselines for application in host Parties. Related capacity-building needs include:**
    - (i) Development of standard guidance, rules, modalities and procedures;
    - (ii) Process for development of the standardized baselines;
    - (iii) Development of baseline approaches and other methodological requirements to be applied to Article 6.4 activities, where necessary, in addition to the on top of guidance from the Article 6.4 Supervisory Body;
  - (b) **Institutional arrangements and reporting: Supporting Parties on the development of institutional arrangements, including in relation to reporting (e.g. authorization, data collection, corresponding adjustments). Related capacity-building needs could include, inter alia:**
    - (i) A handbook on institutional arrangements, alignment of existing national institutional mechanisms and reporting;
    - (ii) Assistance to develop soft and hard infrastructure for the reporting requirements, as well as assistance to develop national arrangements such as DNAs, roles and responsibilities, approval and authorization cycle, when requested by the Parties;
    - (iii) Assistance to transition CDM activities to the Article 6.4 mechanism;
    - (iv) Development of national arrangements for accreditation of designated operational entities for Article 6.4 mechanism;
    - (v) Templates of project idea notes, design documents, approval letters, authorization letters;
    - (vi) In many cases, Host Party governments function with limited budgets and are faced with the need to build new registries, strengthen monitoring/reporting and establish authorization policies. This calls for innovative approaches to ensure that governments can enable private sector participation without incurring additional costs, e.g. developing a one-stop shop that serves both the government and private sector in navigating the market and externalizing the costs to the service buyer;
  - (c) **Assistance to least developed countries (LDCs) and small island developing States (SIDS) in meeting the participation requirements:**
    - (i) Assistance in overcoming barriers to participation in the Article 6.4 mechanism (e.g. institutional capacity, scale of potential mitigation);

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<sup>2</sup> In addition to the survey results, other comprehensive reports published by Japan on outcomes of CB workshop, Perspectives, Climate focus are also used.

- (ii) Assistance in addressing asymmetry in power/information between buyer and seller countries and in ensuring that barriers to trading for seller countries (especially LDCs and SIDS) are reduced, and that informed Article 6.4 engagement occurs;
- (iii) Clear articulation of the benefits and risks (including how to manage risks), especially for LDCs, given the power/information asymmetries when engaging with buyer countries;
- (iv) Collaboration between LDCs and SIDS in achieving their NDC targets;
- (v) Establishment of focal points and provision of financial support;
- (vi) Access to and maintenance of registries;
- (vii) Targeted capacity-building and funding.

### **3.2.3. Priorities to support Article 6 implementation:**

- (d) Registry set-up:
  - (i) Common understanding of the need for data collection and corresponding adjustments, and development of the registry in the context of the implementation of Article 6;
  - (ii) Assessment of the required improvements to the national registry for tracking internationally transferred mitigation outcomes (ITMOs) in accordance with the guidance for registries (to be adopted by CMA 4) and for providing necessary information for annual reporting. Inputs received also mention that Parties understand that there are options for them to decide whether they would make use of the existing registry or access the international registry;
  - (iii) Further guidance on authorized vs non-authorized units;
- (e) Legal institutional arrangements, including reporting:
  - (i) Development and implementation of legal arrangements, including reporting and national capacity for rules and procedures under the convention; developing the monitoring, reporting and verification (MRV) systems for the mechanism, to avoid double-claiming from other national systems for mitigation; legal arrangement carbon rights, legality, and rights of transfer of units;
  - (ii) Support to understand linkages between Article 6 and carbon-pricing instruments;
- (f) System to avoid double-counting and ensure alignment with the long-term trajectory:
  - (i) Guidance on corresponding adjustment methodologies;
  - (ii) Managing potential double-counting amongst results-based finance, ITMOs, voluntary markets, and considering where corresponding adjustments will be made;
  - (iii) The decision-making process on the use of Article 6 for countries, infrastructure to design, report on Article 6.2 by national authorities; strategic level decision-

making process for implementation of carbon markets, i.e. it will be important to consider long-term trajectory and NDC trajectory, countries need modelling capacities to identify mitigation measures and marginal abatement costs to identify areas that should be eligible for article 6 mechanism;

- (g) Ambition:
- (i) Compliance of cooperative approaches with existing institutional and legal frameworks;
  - (ii) Assistance to Parties in understanding the benefits and risks of Article 6 approaches, which has been a challenge to date;
  - (iii) Linkage of Articles 6.2 and 6.4 implementation with Parties' NDCs, carbon neutrality and net zero pledges; how to ensure that Article 6 implementation is in addition to countries' pledges and addresses emission reductions that would otherwise not occur through the countries' pledges;
  - (iv) Linkages to NDCs and long-term low-emission strategies;
  - (v) Guidance on how to set and meet the ambition;
  - (vi) Proper operationalization of ambition requirements to ensure that cooperative approaches are credible and contribute to the goals of the Paris Agreement;
  - (vii) Understanding of how Article 6.4 can support ambition if Article 6.4 is to sell emission reductions;
  - (viii) Understanding the role and technical capacities that Parties (especially host Parties) must have in place to relate Article 6.4 credits to the NDC. Parties need to have a thorough understanding of the assumptions underlying their NDCs, thereby enabling them to determine how an Article 6.4 activity affects its NDC.

#### **4. Timeline**

14. The period of implementation for the capacity-building work programme is envisaged to be three to five years. Phase 1 of the programme would focus on creation of awareness and readiness of the host Parties for Article 6 implementation; it is proposed that Phase 1 of implementation be undertaken within the first year. Phase 2 would consist of continuous capacity-building activities and would run for two to four years after successful implementation of Phase 1.

#### **5. Envisaged impact**

15. The capacity-building work programme will assist Parties wishing to voluntarily participate in the mechanism to, inter alia: (a) establish the necessary institutional arrangements to implement the requirements contained in the rules, modalities and procedures; and (b) develop the technical capacity to design and set baselines for application in host Parties. The capacity building support makes sure that all parties are ready to participate in the 6.4 mechanism.

## **6. Subsequent work and next steps**

16. The secretariat is receiving inputs from the Parties and the 6.4 Supervisory Body and will finalize the capacity-building work programme and share it in a side event that would be organized in COP 27. The secretariat will scale up implementation including through the RCCs.

## **7. Recommendations to the Supervisory Body**

17. The secretariat recommends that the Supervisory Body take note of the information as contained in this information note and provide feedback, as appropriate.



## Appendix. Major activities, tasks and target groups in relation to the capacity-building programme for Article 6, paragraph 4 of the Paris Agreement

Art.6	Activity Group/ Cycle and Means of CB	Tasks/activities	Target group
<b>1. Article 6 Readiness</b>	Products: <b>1. Knowledge products (guidelines, charts, videos);</b> <b>2. Dedicated workshops;</b> <b>3. Side events (COP/SB/climate finance/carbon market forums)</b> <b>4. Certificates, on-site and online courses</b>	Support the integration of Article 6 into NDC implementation plans. Provide case studies/best practices for detailing the mitigation measures included in the NDCs in specific sectors from the perspective of Article 6, including approaches for modelling marginal abatement costs of mitigation measures, where feasible, with a view to strengthen the technical capacity of the host country in developing a carbon market strategy to identify sectors and mitigation measures suitable for international transfer vs use for domestic target, and considering any availability of climate finance (i.e. climate finance instruments, conditions, pre-requisites). Co-benefits of the activities for sustainable development priorities need to be identified and accounted for.	National authorities (for products 1,2 and 3) Product 4 for experts from developing countries, including master's students in related areas
<b>2. Article 6 Capacity- building Library</b>	All Article 6 activity cycles: <b>1. Knowledge products</b>	Create and maintain Article 6 library for capacity-building on the UNFCCC website, including published papers, policy briefs, guidebooks, toolkits and Excel or Word templates; include a flow chart for easy access based on activity cycle or target group.	All stakeholders
<b>3 Article 6 Guidance to Facilitate Parties' Institutional Arrangements for Article 6 Participation</b>	Article 6 consultation, validation, authorization, products include: <b>1. Workshops</b> <b>2. Side events</b> <b>3. Helpdesk</b>	National governance of Article 6, practical procedures for Article 6 governance:  a. governance structure to steer processes, assign responsibilities for strategic decision-making;  b. technical steering and oversight (e.g., a designated national authority;  c. inter-ministerial body), meeting participation requirements.	National policymakers (products 1-5), National experts (product 6)

Art.6	Activity Group/ Cycle and Means of CB	Tasks/activities	Target group
	<p>4. <b>Knowledge product - Guidelines</b></p> <p>5. <b>Knowledge product - Video tutorials</b></p> <p>6. <b>On-site and online courses</b></p>	<p>For the technical steering, for informed decision-making for Article 6 approvals and authorizations, including for baseline setting and additionality testing, approving crediting period lengths and renewals and developing national positive/negative lists for activities or methodological approaches.</p> <p>Design and maintain the helpdesk as a key activity under this theme.</p> <p>Leverage the experience gained by developing standardized baselines under the CDM where DNAs of countries took ownership.</p>	
<p>4. <b>Article 6 Capacity-building for the Private Sector, including Financial Institutions</b></p>	<p>Article 6, activity development/operation:</p> <p>1. <b>Online and on-site training courses</b></p> <p>2. <b>Helpdesk</b></p>	<p>Provide standardized and tailored hands-on training courses for the private sector in developing countries for project design, development and application of the methodology, monitoring and reporting, and including helpdesks that are available for access, with priority given to those sectors included in NDCs.</p> <p>Capacity Building should develop an understanding of the international and national rulemaking towards implementation of Article 6, develop and apply the appropriate approved baseline and monitoring methodology and standardized baseline, and understand the documentation that needs to be developed, including contracting for the sale of emission credits.</p> <p>Financial institutions (e.g. development and commercial banks, pension funds, crowdfunding platforms) are also targeted to evaluate potential and existing Article 6 mechanism projects to provide financial support for, inter alia, the elaboration of project information notes or project design documents, implementation of project activities and project refinancing.</p>	Private sector
<p>5. <b>Article 6 Awareness-raising on Article 6 Benefits</b></p>	<p>Article 6, all cycles:</p> <p>1. <b>Knowledge products: leaflets, brochures, guides, case studies</b></p> <p>2. <b>Webinars</b></p>	<p>Create awareness-raising knowledge products on the opportunities for and benefits of engaging in carbon market mechanisms in the context of NDC implementation, including supporting greater ambition for climate action.</p>	Private sector, national and subnational authorities

Art.6	Activity Group/ Cycle and Means of CB	Tasks/activities	Target group
	<b>3. Side events</b> <b>4. Regular information-sharing (e.g. newsletters)</b>		
<b>6. Article 6 Dialogues</b>	Article 6, all cycles: <b>1. Workshops</b>	Organize South-South dialogues with countries that have already engaged in a bilateral agreement under Article 6 and made progress; leverage the lessons learned through piloting.	National policymakers
<b>7. Article 6 Verification</b>	Article 6, verification: <b>1. Knowledge product-manuals</b> <b>2. Workshops Courses</b>	Article 6 activity assessment: Availability and capacities of national and regional designated operational entities to result in lower trans-action costs for regional project developers	Policymakers (products 1 and 2), auditors (product 3)
<b>8. Article 6 Registry</b>	Article 6, examination, creation and transfer: <b>1. Technical infrastructure</b> <b>2. Workshops, webinars, forums</b> <b>3. Knowledge products</b>	Countries will either need to have their own country registry or access to the international registry, providing required data in the right format to the international registry	National policymakers, in-country technical experts related to registries
<b>9. Article 6 Databases</b>	Article 6, cross-cutting: <b>1. Facilitate setting up/utilization of data collection systems</b> <b>2. Knowledge products</b>	Best practices for data collection for baselines, standardized baselines, where possible leveraging the use of digital technologies such as IOT, blockchain. Information collection from national surveys and/or data processing of information collected from surveys is also a key activity	National/regional experts, universities, research institutions
<b>10. Article 6 Sustainable Development Co-benefits</b>	Article 6, cross cutting, assessment of sustainable development: <b>1. Stakeholder engagement</b> <b>2. Knowledge product - guidelines</b> <b>3. Peer-to-peer learning</b>	DNAs may need support for systematic assessment of sustainable development in the context of national priorities; private sector should be made aware of how to evaluate the SD benefits and demonstrate them to buyers; Develop a SD toolbox compiling readily available tools that could be considered by the countries to evaluate SD con-benefits where necessary (should include examples, good practices)	DNAs Private sector

Art.6	Activity Group/ Cycle and Means of CB	Tasks/activities	Target group
<b>11. Article 6 Transparency- Corresponding Adjustment</b>	Article 6, reporting, corresponding adjustments:  <ol style="list-style-type: none"> <li>1. <b>Workshops</b></li> <li>2. <b>Side events</b></li> <li>3. <b>Helpdesk</b></li> <li>4. <b>Knowledge product - guidelines</b></li> <li>5. <b>Knowledge product - video tutorials</b></li> </ol>	Integration of Article 6 into the national reporting process for the enhanced transparency framework: biennial transparency report, national inventory report, MRV of mitigation outcomes at various levels (national, sectoral, activity level) and tracking progress towards NDC achievement. Additional reports for Article 6, tracking and reporting.	Policymakers in host countries
<b>12. Article 6 Action Hub</b>	Article 6, marketplace/bazaar	The Article 6 bazaar/marketplace could include an interactive map (Google Earth/map) for supply–demand information pertaining to Article 6.4 projects/units.	

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### Document information

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