

Regional Climate Week

Latin America and the Caribbean

Panama City, Panama – 23-27 October 2023



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DNAs under the CDM and the Article 6.4 mechanism



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Article 6 Participation Requirements



Mandatory	Requirement Description	
	Article 6.2	Article 6.4
✓	Must be a Party of the Paris Agreement. (196 Parties)	
✓	Has prepared, communicated and is maintaining an NDC.	
✓	Has arrangements in place for authorizing, tracking and reporting the use of ITMOs towards achievement of NDCs.	PRIOR TO PARTICIPATING Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and SB
✓	Submit most recent National Inventory Report - NIR (as part of BTR - Biennial Transparency Reports).	Has indicated publicly to the SB how participation in the mechanism contributes to Sustainable Development .
✓		Has indicated publicly to SB the type of Art 6.4 activities (Sectors) that it would consider approving
✓	Has to specify how this participation benefit and contribute to the implementation of its NDC and LT-LEDS (if submitted) and the long-term goals of the Paris Agreement.	
		May specify (more conservative) baseline approaches and crediting periods.



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Institutional arrangements for Article 6.2

General Considerations



ARTICLE 6.2 FOCAL POINT

Article 6.2 does not require the public designation of a National Authority however; it will be a good practice to use the A6.4 DNA as A6.2 focal point.

Article 6.2 of the Paris Agreement is designed to allow for international cooperation in carbon markets through **decentralized governance**.

Bilateral or multilateral cooperation between participating parties can be established through a mutually agreed governance framework and reflected in the agreement between the parties involved.

This **decentralized architecture** requires considerably **higher levels of engagement and oversight from participating parties**.

Countries intending to engage in cooperative activities will need their **own robust institutional and governance framework at domestic level** in order to systematically make informed decisions.



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Institutional arrangements for Article 6.2

Status	Requirement Description	
	Article 6.2	Article 6.4
✓	Has arrangements in place for authorizing, tracking and reporting the use of ITMOs towards achievement of NDCs.	Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and SB (as of September 2023, 55 Countries).

Authorization
Process for the use

Host countries must establish institutional arrangements and processes for authorizing mitigation outcomes for use as ITMOs. Under these processes, *the host country would define which body or institution, official or position* would have the final decision to authorize and transfer ITMOs. **These arrangements must be reported to the UNFCCC.**



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Institutional arrangements for Article 6.2

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	Article 6.2	Article 6.4
✓	Has arrangements in place for authorizing, tracking and reporting the use of ITMOs towards achievement of NDCs.	Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and SB (as of September 2023, 55 Countries).

Tracking the transfer and use of ITMOs

Tracking the transfer and use of ITMOs requires registry systems – **electronic databases that identify and track the status and ownership of ITMOs**. Countries should have access to a registry; for this they could choose to use the **UNFCCC international registry** platform, create their own **national registry**, or use the registry **of an existing independent or international crediting program**. The host country should report these arrangements to the UNFCCC.



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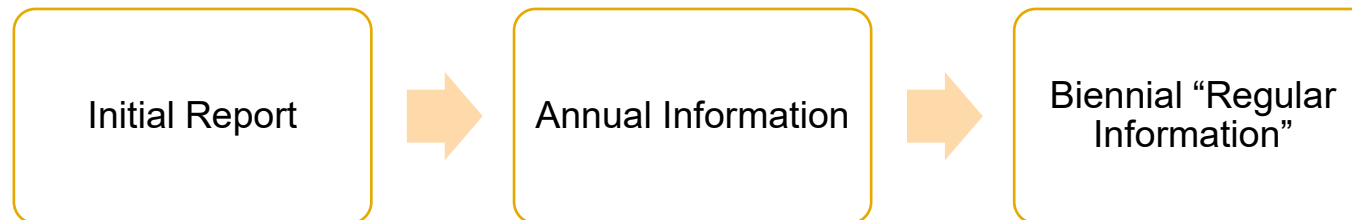


Institutional arrangements for Article 6.2

Status	Requirement Description	
	Article 6.2	Article 6.4
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Reporting the transfer and use of ITMOs

Reporting the transfer and use of ITMOs for host countries engaging Article 6 is **aligned** to the Article 13 ETF rules and Article 6 reporting requirements, including ITMOs authorizations and transfers and **corresponding adjustments and emissions balances**.



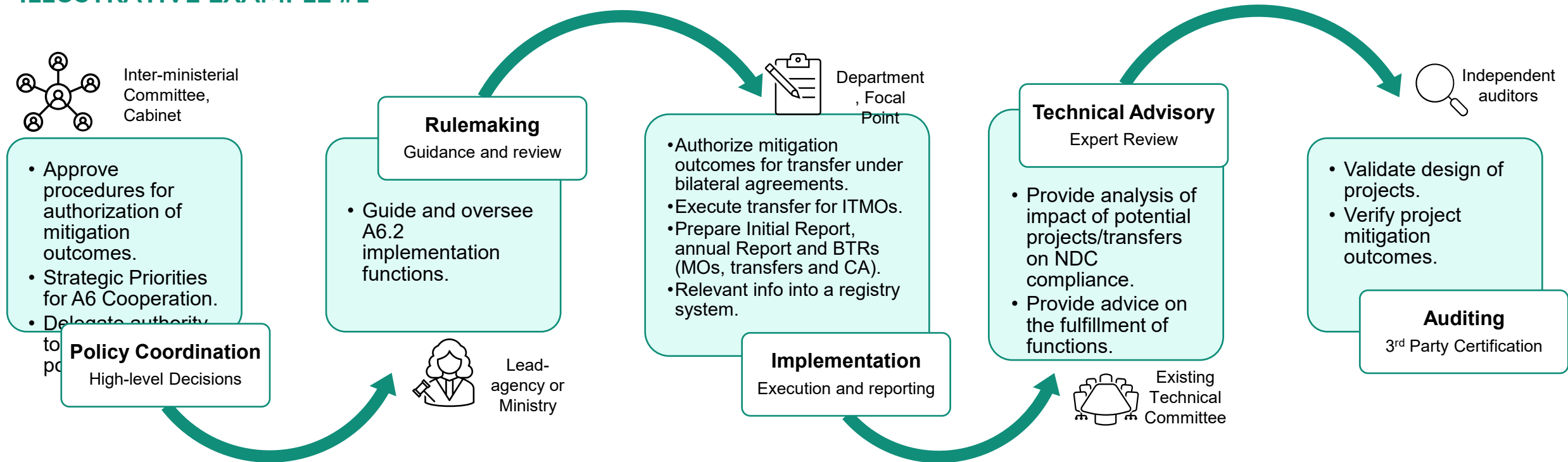
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Key Institutional Functions and Roles in A6.2 Engagement

Host countries will need to designate government institutions to perform specific functions related to Article 6.2:

ILLUSTRATIVE EXAMPLE #1



Source: Extracted from Guidance on Governance Models for Host Country Engagement in Article 6, Global Green Growth Institute (GGGI), 2022.



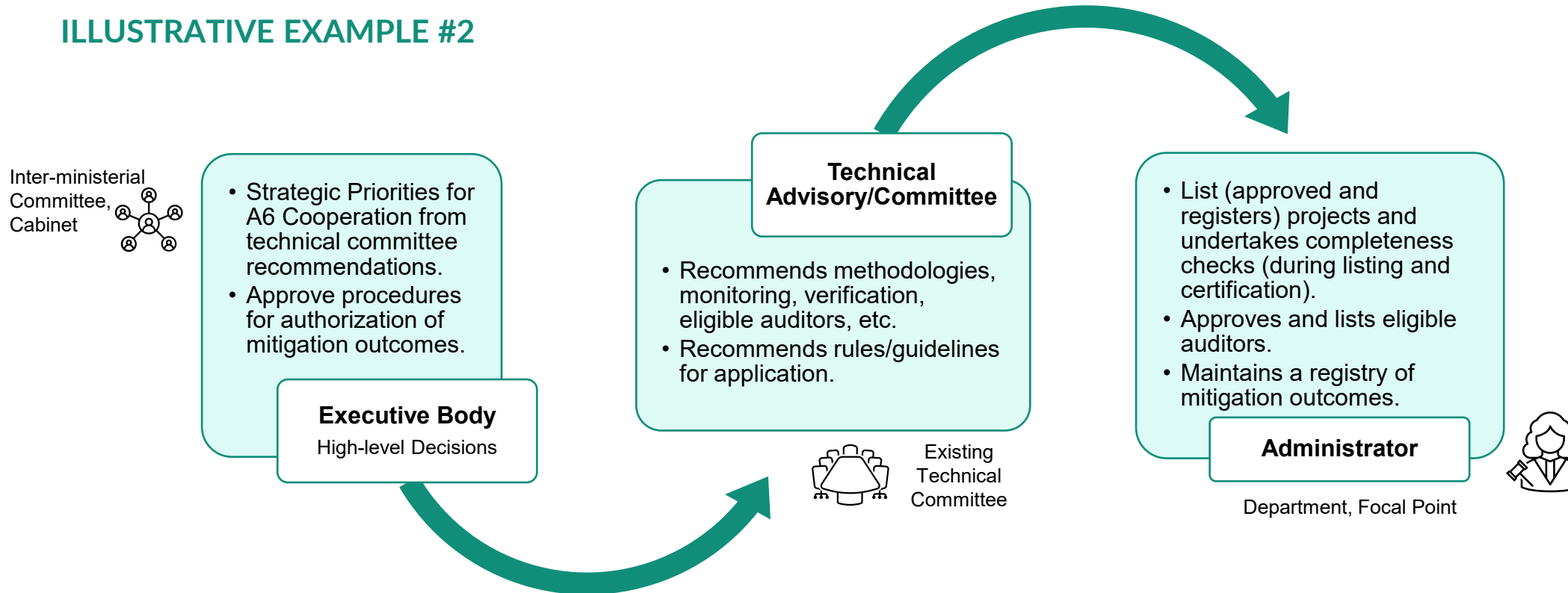
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Key Institutional Functions and Roles in A6.2 Engagement

Host countries will need to designate government institutions to perform specific functions related to Article 6.2:

ILLUSTRATIVE EXAMPLE #2



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Source: Extracted from Country processes and institutional arrangements for A6 transactions, World Bank, 2020.

Designation of National Authorities for A6.4 Engagement

Status	Requirement Description	
	Article 6.2	Article 6.4
✓	Has arrangements in place for authorizing, tracking and reporting the use of ITMOs towards achievement of NDCs.	Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and SB (as of September 2023, 55 Countries).

National Authority designated by the Host Country

Host countries play a much bigger role compared to the CDM to ensure that the trading does not compromise the environmental integrity and achievement of their NDC goals.

There are roles and responsibilities of host Parties during the activities cycle under the A6.4 Mechanism .



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DNAs – Host Country: Roles and Responsibilities

Approval of activity by the host Party

- Indicates publicly type of the Article 6.4 activities that it would consider approving to SB contribution to the sustainable development
- Host Party provides approval to the activity.
- Host Party receives request for transition.
- Host Party provides approval to transition activity.

Authorization of activity participants

- Host Party provides authorization of public or private entities to participate in the activity as activity participants under the 6.4 Mechanism.

Approval of the activity by host Party

(prior to a request for registration)

- Confirmation that and information on how the activity fosters sustainable development in the host Party.
- Approval of any potential renewal of the crediting period.
- Explanation of how the activity related to the implementation of its NDC (expected emission reductions or removals).

Authorization of A6.4ERs

- Statement to the SB on Authorize of Article 6.4 Ers for NDCs achievement/OIMP.
- Information on Authorization (applicable terms and conditions).
- Specific to OIMP how the host Party defined first transfer.



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DNAs – Host Country: Other responsibilities (“may”)

Methodologies

- Development of mechanism methodologies, including applying baseline and other
- methodological requirements, including additionality
- A host Party may determine a more ambitious level at its discretion.
- Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party.

Crediting periods

- Application of the crediting periods and renewal of crediting periods consistent with or more stringent than as set out in the RPMs.



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Thanks for attending!



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