

## SBSTA 48

Agenda item 12 (a)

### Revised draft elements of guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

Version @ 17:00 of 8 May 2018

*Parties focused their work on identifying omissions, mistakes and misrepresentations as compared to Party submissions and the co-chairs sought to reflect these in these revised draft elements. General comments relating to structuring or phrasing that did not fall within omissions, mistakes and misrepresentations are not included at this stage. In relation to all the draft elements there is an implicit “no” option, and so “no” options are not reproduced in all places. Some terms are used to help make the draft elements more succinct; further explanation may be found in paragraphs 8-12 and 16 of document SBSTA48.Informal.2. These revised draft elements. They are offered by the Co-Chairs as an informal note to support Parties on their work in relation to this SBSTA agenda sub-item. These revised draft elements are a work in progress and do not represent a consensus. They are offered by the Co-Chairs as an informal note to support Parties on their work in relation to this SBSTA agenda sub-item.*

#### I. Preamble *{potential list below}*

##### Option A *{preamble}* *{potential list below}*

*Pp1* Recalling Article 2 of the Paris Agreement.

*Pp2* Recalling Article 2 of the Paris Agreement and decision 1/CP.21, paragraph 1.

*Pp3* Recalling Article 2 of the Paris Agreement and its paragraph 1.

##### Option B *{list of preambular paragraphs, including principles}* *{potential list below in section II}*

##### **Option B1 *{principles only from Article 6, paragraphs 1-3}***

##### **Option B2 *{principles from Article 6, paragraph 1-3 and others}* *{further development may be required for implementation}***

##### Option C *{no preamble}*

*{no text required}*

#### II. Principles

##### Option A *{list of principles}* *{potential list below}*

1. Parties engaging in cooperative approaches under/referred to in Article 6, paragraph 2, of the Paris Agreement<sup>1</sup> (hereinafter referred to as cooperative approaches) that involve the use of internationally transferred mitigation outcomes (ITMOs) towards achievement of nationally determined contributions (NDCs) to be guided by the following principles *{further potential list below}*:

- (a) In accordance with Article 6, paragraph 1, participation in cooperative approaches is voluntary;
- (b) Pursuant to Article 6, paragraph 1, cooperative approaches allow Parties to maintain current ambition} in their NDC and allow for higher mitigation and adaptation ambition;
- (c) In accordance with Article 6, paragraph 2, cooperative approaches to promote sustainable development;

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<sup>1</sup> References to “Article” are to articles of the Paris Agreement, unless otherwise specified.

- (d) In accordance with Article 6, paragraph 2, cooperative approaches to ensure environmental integrity (Ensuring environmental integrity includes ensuring that such cooperative approaches do not lead to an overall increase in global greenhouse gas emissions);
  - (e) In accordance with Article 6, paragraph 2, Parties to ensure transparency, including in governance;
  - (f) In accordance with Article 6, paragraph 2, Parties to apply robust accounting and ensure the avoidance of double counting;
  - (g) Pursuant to Article 4, paragraph 3, cooperative approaches to be consistent with the participating Parties' NDC and be designed and implemented in a manner that supports progression beyond the participating Parties' current NDC;
  - (h) The nature type of its NDC not to exclude any Party from participating in cooperative approaches;
  - (i) Cooperative approaches to "be bottom up" and to maintain national prerogatives by ensuring that such cooperative approaches are led by participating Parties;
  - (j) Cooperative approaches to prioritize implementation of the participating Parties' NDC, and avoid extraneous influences;
  - (k) Cooperative approaches to take into consideration/address Article 4, paragraphs 7 and 15;
  - (l) Participating Parties to avoid unilateral measures and discriminatory practices in such cooperative approaches;
  - (m) Cooperative approaches to be implemented through a multilateral rules-based system;
  - (n) The special circumstances of least developing countries and small island developing States to be reflected;
2. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) to ensure consistency between this guidance and the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, in relation to the use of emission reductions under that mechanism towards achievement of NDCs.

**Option B {no list of principles}**

{no text required}

### III. Scope

3. This guidance to apply to {potential list below}:
- (a) Parties engaging in cooperative approaches on a voluntary basis;
  - (b) Creation, transfer, acquisition, use of ITMOs towards achievement of an NDC;
  - (c) Creation/transfer/acquisition/use of ITMOs towards achievement of an NDC;
  - (d) Transfer and acquisition of ITMOs;
  - (e) Use of ITMOs towards an NDC;
  - (f) The following greenhouse gases {further development may be required for implementation, including, for example, reference to IPCC/NDCs of participating Parties};
  - (g) How Parties make a corresponding adjustment for both anthropogenic emissions by sources and removals by sinks covered by their NDC and the timing/frequency of that corresponding adjustment;
  - (h) Cooperative approaches under/referred to in Article 6, paragraph 2 and/including mitigation activities under the mechanism established by Article 6, paragraph 4
  - (i) Cooperative approaches under/referred to in Article 6, paragraph 2;
  - (j) Mitigation activities under the mechanism established by Article 6, paragraph 4 from which emission reductions/mitigation outcomes are internationally transferred and used toward NDCs;
  - (k) The creation of ITMOs under Article 6, paragraph 2, other than emission reductions certified and issued pursuant to the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4;
  - (l) Scope and purpose of Article 6, paragraph 2 activities and cooperative approaches; {further development may be required for implementation}

- (m) Cooperative approaches that involve transfers towards NDCs by Parties.

**Option A {special circumstances of LDCs and SIDs}**

4. In relation to least developed countries and small island developing States, the special circumstances of least developed countries and small island developing States as set out in Article 4, paragraph 6, to be recognized where this guidance relates to NDCs, for the purpose of this guidance, references to NDC means, for least developed countries and small island developing States, strategies, plans and actions for low greenhouse gas emissions development, reflecting their special circumstances.

**Option B {no special circumstances}**

{no text required}

## IV. Purpose

5. This guidance to {potential list below}

- (a) Ensure consistency of cooperative approaches with Article 2;
- (b) Ensure consistency of cooperative approaches with Article 6, paragraph 1;
- (c) Enable Parties to apply robust accounting, including the avoidance of double counting;
- (d) Scope and purpose of Article 6, paragraph 2 activities and cooperative approaches.

## V. Definitions {draft elements in this section to be made consistent after completion of the operative sections}

6. For the purposes of this guidance for cooperative approaches under/referred to in Article 6, paragraph 2, the definitions contained in Article 1 and the provisions of Article 17 to apply. Furthermore {potential list below}:

- (a) An “**acquiring Party**” is a Party to the Paris Agreement to which an ITMO is transferred;
- (b) A “**corresponding adjustment**” is an adjustment that is consistent with this guidance and made by a Party/the Parties participating in a cooperative approach;
- (c) A “**creating Party**” is a Party to the Paris Agreement that creates and/or issues an ITMO that may be/is to be used towards achievement of an NDC and is the Party that may make {potential list below}:
  - (i) a first/only international transfer (first/only transfer) of an ITMO;
  - (ii) a first/only transfer (first/only transfer) of an ITMO.
- (d) “**Double counting**”, as per Article 6, paragraph 2, means double claiming, double issuance, double registration or/and double use:
  - (i) “**Double claiming**” is any of the following: {potential further list below}
    - a. The use by more than one Party of an ITMO/mitigation outcome towards achievement of its NDC;
    - b. The use by one Party of an ITMO towards achievement of its NDC and the use by the same, or another, Party of the same ITMO/mitigation outcome for a purpose other than towards achievement of its NDC;
    - c. The use by one Party of an ITMO towards achievement of its NDC, or the claim of a mitigation outcome through the GHG inventory by the Party where the mitigation outcome occurs, and the use by the same, or another, Party or any stakeholder of the same ITMO/mitigation outcome for a purpose other than towards achievement of its NDC.
  - (ii) “**Double issuance**” is the issuance, by a Party, in the same or different metrics of two or more ITMOs for the same mitigation outcome;
  - (iii) “**Double registration**” means that the same activity and/or ITMO/mitigation outcome is registered or equivalent under two or more cooperative approaches/non-UNFCCC or other programmes/the mechanism established in Article 6, paragraph 4;
  - (iv) “**Double use**” is any of the following: {potential further list below}

- a. The use by one Party of an ITMO towards achievement of its NDC more than once;
  - b. The use by one Party of an ITMO towards achievement of its NDC and the use by the same or another Party of that ITMO for a purpose other than towards achievement of its NDC;
  - c. The use by one Party of an ITMO towards achievement of its NDC, or the use of a mitigation outcome through the GHG inventory by the Party where the mitigation outcome occurs, and the use by the same Party, or another Party or any stakeholder of the same ITMO/mitigation outcome for a purpose other than towards achievement of its NDC;
- (e) “**Environmental integrity**” in Article 6, paragraph 2, includes the following *{potential list below}*:
- (i) That cooperative approaches do not lead to an overall increase in global greenhouse gas emissions;
  - (ii) That participating Parties’ **creation, first/only transfer, transfer, acquisition** and use of ITMOs towards achievement of an NDC or transfer and acquisition of ITMOs does not lead to an overall increase in global greenhouse gas emissions *{linked to section X (Corresponding adjustment)}*;
  - (iii) That ITMOs created, transferred, acquired, or used towards achievement of NDCs are real, permanent, additional and verifiable;
  - (iv) That ITMOs created, transferred, acquired, or used towards achievement of NDCs are real, permanent and verifiable;
  - (v) **ITMOs that meet the following environmental integrity standards:**
    - a. **Parties to set baselines in a conservative way and below the BAU for the emissions in relation to the activity and in a transparent manner;**
    - b. **Parties to take into account all existing policies when setting baselines;**
    - c. **Cooperative approaches to contribute to the transition in the host Party to a low carbon development economy;**
    - d. **Cooperative approaches to not lead to an increase in global emissions;**
    - e. **Cooperative approaches to 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;**
    - f. **Cooperative approaches to not imply risks of conflicts with other environment-related aspects. In case of environment-related conflicts, measures to mitigate any negative trade-offs to be taken;**
    - g. **Cooperative approaches to be consistent with the Sustainable Development Goals and the sustainable development objectives of the host Party;**
    - h. **Cooperative approaches are to be consistent with respect of and do not represent a threat to human rights.**
- (f) An “**internationally transferred mitigation outcome/s**” and “**ITMO/s**” have the meaning given to it in section VI (Internationally transferred mitigation outcomes);
- (g) “**Overall mitigation in global emissions**” takes place when the mitigation resulting from a cooperative approach is delivered at a level that goes beyond what would be achieved through the delivery of NDCs of participating Parties in aggregate;
- (h) “**Registry**” means an electronic system that meets the requirements of section XIII.B (Registry) including a registry maintained by the secretariat;
- (i) A “**transferring Party**” is a Party to the Paris Agreement from which an ITMO is transferred;
- (j) A “**using Party**” is a Party to the Paris Agreement that uses ITMOs towards achievement of its NDC, including through retirement or cancellation;
- (k) “**Cancellation**” means *{further development may be required for implementation}*;
- (l) “**Cooperative approach**” means **voluntary cooperation between Parties to the Paris Agreement that is formalized through bilateral or multilateral agreements;**
- (m) “**Cooperative approach that involves the use of internationally transferred mitigation outcome**” means **for the purpose of the implementation of Article 6, paragraph 2, any cooperation through trading of**

greenhouse gas emission reduction levels that are consistent with the Paris Agreement including the associated accounting guidance;

- (n) **“Creation”** means further development may be required for implementation};
- (o) **“First transfer”** means {*further development may be required for implementation*};
- (p) **“Issuance”** means {*further development may be required for implementation*};
- (q) **“Retirement”** means {*further development may be required for implementation*};
- (r) **“Sustainable development”** means {*further development may be required for implementation*};
- (s) **“Transfer”** means {*further development may be required for implementation*};
- (t) **“Use towards NDC”** means {*further development may be required for implementation*};
- (u) **“Participating Parties”** are Parties that engage on a voluntary basis in cooperative approaches that involve the use of ITMOs towards NDCs;
- (v) **“Originating Party”** is the Party that issued credits/units under one of the cooperative approaches;
- (w) **“Supplier Party”** is a Party that authorizes ITMOs created within its country for use by other Parties toward their NDC;
- (x) **“First international transfer”** means {*further development may be required for implementation*};
- (y) **“Quantified contribution unit”** is a unit denominated in tonnes of CO<sub>2</sub>e that is equal to a Party’s NDCs each containing a unique serial number and other relevant information necessary for its identification and tracking.
- (z) A **“nationally determined contribution limitation quotient unit”** is a unit issued pursuant to the relevant provisions under this decision and is equal to one metric tonne of CO<sub>2</sub>e, calculated using approved global warming potentials;
- (aa) **“Buffer registry”** means a national account with a starting balance of zero providing information on the Party position with respect to transfers for the accounting function under Article 4, paragraph 13. The account is adjusted for ITMO transfers and acquisitions (addition/subtraction) between Parties engaging in a cooperative approach;

## VI. Internationally transferred mitigation outcomes

### A. Internationally transferred mitigation outcomes that may be/are used towards achievement of a nationally determined contribution

7. An ITMO/s to be consistent with the guidance in this section VI.

#### 1. Responsibility

8. The responsibility to elaborate what may be/is an ITMO that may be/is used towards achievement of an NDC to be with:

##### Option A {*the CMA*}

(a) the CMA;

##### Option B {*the 6.2 body*}

(b) the 6.2 body;

##### Option C {*participating Parties*}

(c) participating Parties implementing a cooperative approach.

#### 2. Measurement

##### Option A {*guidance on measurement*}

9. An ITMO to be {*potential list below*}:

- (a) Equal to one metric tonne of carbon dioxide equivalent (CO<sub>2</sub>e);
  - (b) Measured in a metric other than tonnes of CO<sub>2</sub>e;
  - (c) Measured in tonnes of CO<sub>2</sub>e and other metrics;
  - (d) Greenhouse gases and non-greenhouse gases;
10. An ITMO to be calculated *{potential list below}*:
- (a) In accordance with the methodologies and common metrics assessed by the IPCC and adopted by the COP/CMA;
  - (b) Using global warming potentials assessed/recommended by the IPCC and adopted by the COP/CMA;
  - (c) As determined by Parties implementing a cooperative approach.

**Option B {no guidance on measurement}**

*{no text required}*

**3. Form**

**Option A {guidance on form}**

11. An ITMO to be *{potential list below}*:
- (a) A unit;
  - (b) A net flow between participating Parties in a given period;
  - (c) Amounts, in CO<sub>2</sub>e, subject to a corresponding adjustment to be recorded in the accounting balance of the Parties involved and in a centralized accounting database;
  - (d) Not a freely tradable unit.

**Option B {no guidance on form}**

*{no text required}*

**4. Scope**

**Option A {guidance on scope}**

12. An ITMO may be created for *{potential list below}*:
- (a) Emission reductions;
  - (b) Emission removals;
  - (c) Emissions avoided;
  - (d) The full spectrum of mitigation outcomes, including mitigation co-benefits of adaptation actions and/or economic diversification plans;
  - (e) Net absolute national reductions;
  - (f) Emission reductions, emission removals, emissions avoided, the full spectrum of mitigation outcomes, including mitigation co-benefits of adaptation actions and/or economic diversification plans, and net absolute national reductions.

**Option B {no guidance on scope}**

*{no text required}*

**B. Characteristics of an internationally transferred mitigation outcome**

13. ITMOs to have the following characteristics *{potential list below}*:
- (a) Be *{further potential list below}*:

- (i) real, permanent, additional and verifiable;
- (ii) real, permanent and verifiable;
- (b) Units/If a units, has a unique serial number comprising the following elements *{further development may be required for implementation, for example Party of origin code}*;
- (c) To be consistently identified and defined by the participating Parties.

### C. Other internationally transferred mitigation outcomes

14. The following are also ITMOs *{potential list below}*:
- (a) Those emission reductions issued and subject to a corresponding adjustment under this guidance as per the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, if internationally transferred *{further development may be required for implementation}*;
  - (b) Certified emission reductions issued under Article 12 of the Kyoto Protocol that are used towards achievement of an NDC *{further development may be required for implementation}*;
  - (c) Emission reduction units determined under Article 6 of the Kyoto Protocol that are used towards achievement of an NDC *{further development may be required for implementation}*.

## VII. Governance

### A. Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

#### Option A *{CMA functions, including issuance process}*

15. The CMA to *{potential list below}*:
- (a) Approve creation of/issue ITMOs, in accordance with this guidance;
  - (b) Periodically review the participation of non-Party actors to provide further guidance, as necessary.

#### Option B *{no CMA functions}*

*{no text required} {end of Option B}*

16. The CMA to review this guidance periodically/by no later than *{X date}*, on the basis of recommendations from the committee referred to in Article 15, paragraph 2 *{further development may be required for implementation}*.

### B. Oversight arrangements *{further development may be required for implementation}*

#### Option A *{Article 6.2 body}*

17. A cooperative approaches body (hereinafter referred to as the “6.2 body”) to ensure consistency with this guidance *{further development may be required for implementation}* is established with the following composition and to *{potential list below}*:

- (a) Equal representation of developing country Parties and developed country Parties;
- (b) One member from the least developed countries;
- (c) One member from the small island developing States.

18. The 6.2 body to *{potential list below}*:

- (a) Review the information submitted by a Party in accordance with section IX.B (Ex-ante review);
- (b) Review the information submitted by a Party in accordance with section XI.B (Periodic and ex-post review);
- (c) Approve creation of/issue ITMOs from cooperative approaches consistent with this guidance *{further development may be required for implementation}*;



- (d) Oversee a third-party review of the environmental integrity of ITMOs at creation *{further development may be required for implementation}*;
- (e) **To develop rules and procedures that include a policy for addressing conflict of interest.**

**Option B** *{Article 13 ~~review or other expert review~~ to review for consistency with this guidance}*

19. Each participating Party to ensure its participation in cooperative approaches and its use of ITMOs towards achievement of its NDC is consistent with this guidance.

20. The expert review to review for consistency with this guidance and **consistency with the modalities, procedure and guidelines of Article 13,** and to *{potential list below}*:

- (a) Review the information submitted by a Party in accordance with section IX.B (Ex-ante review);
- (b) Review the information submitted by a Party in accordance with section XI.B (Periodic and ex-post review);
- (c) **Submit the review for consideration by the committee referred to in Article 15, paragraph 2.**

**Option C** *{other expert review to review for consistency with this guidance}*

21. **An expert review to review for consistency with this guidance and to** *{potential list from Option B above}*

**Option D** *{combination of Options A, B and C above}* *{potential list above in Options A and B}*

**Option E** *{no oversight arrangements}*

*{No text required}*

**C. Role of the secretariat** *{further development may be required for implementation}*

22. Pursuant to Article 17, and consistent with this guidance, the secretariat to *{potential list below}*:

- (a) Maintain a centralized accounting database **as outlined in section XIV. Infrastructure below;**
- (b) Maintain a multilateral registry for Parties that do not wish to have their own registry;
- (c) Administer an international transaction log to record, validate and verify transactions, including creation and first/only transfers, transfers, acquisition, and use towards achievement of an NDC of ITMOs;
- (d) **Administer an international transaction log to record, validate and verify transactions, including transfers and acquisitions;**
- (e) Compile and cross-reference information and check information submitted on corresponding adjustments;
- (f) Make available information to the public on *{further development may be required for implementation}*;
- (g) **Provide capacity-building to Parties to facilitate their participation in cooperative approaches.**

23. The secretariat to report *{further development may be required for implementation}* *{potential list below}*:

- (a) Annually to the CMA on the share of proceeds collected pursuant to section XVI (Share of proceeds);
- (b) Annually to the CMA on the overall mitigation in global emissions achieved pursuant to section XV.A (Overall mitigation in global emissions);
- (c) On progress made by Parties in implementing and achieving NDCs, based on the information contained in the centralized accounting database;
- (d) **On progress made by Parties in implementing and achieving NDCs, based on the information contained in the national registries or multilateral registry and the international transaction log.**

**D. Role of other actors** *{further development may be required for implementation}*

24. Non-Party actors may, where applicable subject to authorization by a participating Party: *{potential list below}*:

- (a) Participate in cooperative approaches;
- (b) Transfer and acquire ITMOs;
- (c) Use ITMOs for purposes other than towards achievement of an NDC.



## VIII. Participation requirements/responsibilities

25. A Party may participate on a voluntary basis in cooperative approaches if the Party meets the following requirements *{potential list below}*:

- (a) It is a Party to the Paris Agreement;
- (b) It has prepared, communicated and is currently maintaining an NDC in accordance with Article 4, paragraph 2;
- (c) It has prepared, communicated and is currently maintaining an NDC in accordance with Article 4, paragraph 2. In this context, references to NDCs means, for least developing countries and small island developing States, strategies, plans and actions for low greenhouse gas emissions development reflecting their special circumstances;
- (d) It has authorized the use of ITMOs pursuant to Article 6, paragraph 3 and has made that authorization public *{further development may be required for implementation}*;
- (e) It has obtained the authorization for the use of ITMOs pursuant to Article 6, paragraph 3 and has made that authorization public *{further development may be required for implementation}*;
- (f) It has designated a national authority/focal point and has communicated that designation to the secretariat;
- (g) It has a registry or access to a registry that meets the requirements of section XIV.A (Registry) below;
- (h) It has a system or access to a system for recording the origin, creation, transfer, acquisition and use towards achievement of its NDC of ITMOs;
- (i) It has provided the most recently required inventory report in accordance with the modalities, procedures and guidelines relating to Article 13, paragraph 7, including a consistent time series of inventory emissions submitted no less than annually/biennially, taking into account flexibility for inventories for least developed countries and small island developing States;
- (j) It has formulated and communicated an economy-wide long-term low-emission development strategy pursuant to Article 4, paragraph 19;
- (k) In relation to quantification of its current NDC, it has done the following for the purposes of participating in cooperative approaches *{further potential list below}*:
  - (i) Quantified the mitigation into an amount of tonnes of CO<sub>2</sub>e;
  - (ii) Quantified the NDC into a pool of quantified contribution units;
  - (iii) Identified the sectors and greenhouse gases covered by its NDC;
  - (iv) Identified the time period for its NDC (e.g. multi-year or single year);
  - (v) Calculated an absolute-emissions, multi-year, economy-wide target;
  - (vi) Identified an indicative emissions trajectory consistent with its long-term low greenhouse gas emission development strategy pursuant to Article 4, paragraph 19;
- (l) In relation to each cooperative approach *{further potential list below}*:
  - (i) It has a process to set a baseline;
  - (ii) It has requirements to mitigate leakage risk;
  - (iii) It has systems to ensure permanence, including to address reversals;
- (m) In relation to ITMOs *{further potential list below}*:
  - (i) It has a process to verify ITMOs created and first/only transferred;
  - (ii) It has a process to ensure that ITMOs created and first/only transferred and/or used do not result in environmental harm *{further development may be required for implementation}*;
  - (iii) It has a process to ensure that ITMOs created and first/only transferred and/or used do not adversely affect human rights *{further development may be required for implementation}*;
  - (iv) It has a process to ensure that ITMOs created and first/only transferred and/or used do not have negative social or economic impacts on any Party.

## IX. Ex-ante Party reporting and review

### A. Ex-ante reporting

#### Option A {*ex-ante reporting contains information required in Participation requirements*}

26. Each Party intending to participate in cooperative approaches to provide, prior to its participation in cooperative approaches, the information required in section VIII (Participation requirements) to demonstrate that it meets the participation requirements {*further development may be required for implementation*}.

#### Option B {*ex-ante reporting contains all the following steps for budget-based*}

27. Each Party intending to participate in cooperative approaches to provide the following information in the following steps:

- (a) Quantification of allowable emissions through calculating how many tonnes of CO<sub>2</sub>e 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 CO<sub>2</sub>e;
- (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 C {*ex-ante reporting contains all the following for emissions-based*}

28. Each Party intending to participate in cooperative approaches to provide the following information:

- (a) The information on the scope and quantification of its NDC in tonnes of CO<sub>2</sub> equivalent (i.e. its “NDC quantity”);
- (b) The information on the level of emissions and removals for the relevant year or period;
- (c) The Party’s accounting balance for the relevant year or period, comprising emissions and removals also covered by its NDC;
- (d) The information on transfers and use of ITMOs by Party and by year;
- (e) Other relevant information (i.e. on registry systems where required).

#### Option C {*no ex-ante reporting*}

{*No text required*}

### B. Ex-ante review

#### Option A {*ex-ante review by the 6.2 body*} {*potential list below*}

29. Following submission by a Party of the information contained in section IX.A above, the 6.2 body to review the information for consistency with the participation requirements.

30. A Party may participate where the ex-ante review determines that it meets the participation requirements {*further development may be required for implementation*}.

#### Option B {*ex ante review by expert review*} {*potential list below*}

31. Following submission by a Party of the information contained in section IX.A above, the expert review to review the information for consistency with this guidance.

32. A Party may participate where the ex-ante review determines that it meets the participation requirements {*further development may be required for implementation*}.

33. Where relevant, a Party to issue units up to the allowable emissions, following the technical expert review {*relates to budget-based below and Option B in section IX. A (Ex-ante reporting)*}.

#### Option C {*no ex-ante review*}

{*No text required*}

## X. Corresponding adjustment

### A. Article 6, paragraph 2, corresponding adjustment

#### 1. General

##### Option A {all Parties use the same basis for corresponding adjustment}

34. A Party to apply the basis for corresponding adjustment set out in section X.2 below consistently throughout the NDC implementation period {further development may be required for implementation}.

##### Option B {a Party chooses which basis for corresponding adjustment and applies it consistently}

35. A Party to select one of the bases for corresponding adjustment set out in section X.2 below and apply it consistently throughout the NDC implementation period {further development may be required for implementation}.

#### 2. Basis for Article 6, paragraph 2, corresponding adjustment

##### Option A {budget-based} {see Option B in section IX.A (Ex ante reporting) and section XII.A (Specific guidance for budget-based)}

36. Budget-based, where a Party applies the corresponding adjustment to a quantified budget of allowable emissions based on its quantified NDC.

##### Option B {emissions-based}

37. Emissions-based, where a Party applies the corresponding adjustment to relevant emissions derived from greenhouse gas emissions totals in its national inventory, with a resulting balance (e.g. accounting balance/tracking and accounting balance/real-time balance)

##### Option C {buffer registry based}

38. A buffer registry where a Party applies the corresponding adjustment for each transfer and acquisition from a starting point of a zero balance, with a resulting balance that reflects net transfers and acquisitions.

##### Option D {emission reductions based}

39. Emission reductions based, where a the Party calculates the total quantity of emission reductions required in order for it to achieve its NDC and applies a corresponding adjustment to that the total quantity of emissions reduction achieved during the NDC implementation period {further development required for implementation}.

### B. Application of corresponding adjustment

#### Option A {Parties make a corresponding adjustment for first/only transfer and for use towards achievement of .

##### Option A1 {budget-based}

40. Party to effect a subtraction for all ITMOs/ITMOs created and transferred for the first/only time.

41. Party to effect an addition for all ITMOs/ITMOs used towards achievement of its NDC.

##### Option A2 {emissions-based}

42. Party to effect an addition for all ITMOs/ITMOs created and transferred for the first/only time.

43. Party to effect a subtraction for all ITMOs/ITMOs used towards achievement of its NDC.

##### Option A3 {buffer registry based}

{not applicable to buffer registry based, no text required}

44. Party to effect an addition for all ITMOs/ITMOs created and transferred for the first/only time through accounting under Article 4, paragraph 13;

45. Party to effect a subtraction for all ITMOs/ITMOs used towards achievement of its NDC through accounting under Article 4, paragraph 13.

##### Option A4 {emission reductions based}

46. Party to effect an addition subtraction for all ITMOs/ITMOs created and transferred for the first/only time.

47. Party to effect a ~~subtraction~~ addition for all ITMOs/ITMOs used towards achievement of its NDC.

**Option B {Parties make a corresponding adjustment for transfers and acquisitions}**

**Option B1 {budget-based}**

48. Party to effect a subtraction for all ITMOs/ITMOs transferred.

49. Party to effect an addition for all ITMOs/ITMOs acquired.

**Option B2 {emissions-based}**

50. Party to effect an addition for all ITMOs/ITMOs transferred.

51. Party to effect a subtraction for all ITMOs/ITMOs acquired.

**Option B3 {buffer registry-based}**

52. Party to effect an addition for all ITMOs/ITMOs transferred.

53. Party to effect a subtraction for all ITMOs/ITMOs acquired.

**Option B4 {emission reductions based}**

54. Party to effect an ~~addition~~ subtraction for all ITMOs/ITMOs transferred.

55. Party to effect a ~~subtraction~~ addition for all ITMOs/ITMOs acquired.

**C. Frequency/timing of the corresponding adjustment** {further development may be required for implementation}

**Option A {real-time}**

56. Parties to make the corresponding adjustment at the time of each of:

**Option A1 {where the corresponding adjustment is for creation, first transfer and use; at the time of creation, first transfer and use}**

(a) First/only transfer and use {where the corresponding adjustment is for creation, first transfer and use};

**Option A2 {where the corresponding adjustment is for transfer and acquisition; at the time of transfer and acquisition}**

(b) Transfer and acquisition {where the corresponding adjustment is for transfer and acquisition};

**Option A3 {All transactions}**

(c) Creation and first/only transfer, transfer, acquisition and use towards an NDC.

**Option B {periodic, e.g. annually, biennially, matching reporting period}**

57. Parties to make the corresponding adjustment periodically and/or reflect the corresponding adjustment in the reporting referred to in this guidance.

**Option C {when demonstrating achievement of NDC}**

58. Parties to make the corresponding adjustment when demonstrating use of ITMOs towards achievement of its NDC.

**Option D {when recorded in the centralized accounting database}**

59. The corresponding adjustment occurs when it is duly recorded, following reporting and review, in the accounts of the relevant Parties, in a centralized accounting database.

## XI. Periodic and ex-post Party reporting and review

### A. Periodic and ex-post Party reporting

Option A {*periodic: annually, biennially, matching reporting period*} ~~and~~

~~Option B {*when demonstrating achievement of NDC*}~~

60. Each participating Party to provide, at the end of the reporting period/~~NDC implementation period~~, the following information {*potential list below*}:
- (a) In relation to tracking ITMOs {*further potential list below*):
    - (i) ~~Total~~/Total cumulative NDC relevant emissions over the reporting period/~~NDC implementation period~~;
    - (ii) ~~Total~~/Total cumulative ITMOs created and first/~~only~~ transferred, transferred and acquired, ~~held~~, and used towards achievement of its NDC and over the reporting period/~~NDC implementation period~~;
    - (iii) The balance for the reporting period/~~NDC implementation period~~;
    - (iv) How it has used ITMOs towards achievement of its NDC;
  - (b) In relation to the ITMOs/~~Alongside the volumes of ITMOs reported~~ {*potential list below*):
    - (i) ~~Volume of ITMOs used towards the NDC~~;
    - (ii) Evidence of authorization pursuant to Article 6, paragraph 3;
    - (iii) The Party origin and the originating cooperative approach of the ITMOs;
    - (iv) The characteristics of the ITMOs (e.g. the metric, sector, vintage);
    - (v) How it has ensured the ITMOs are real, permanent, additional and verified;
    - (vi) ~~How it has ensured the ITMOs are real, permanent and verified~~;
    - (vii) How it has ensured the environmental integrity of the ITMOs (including that transfers have not increased global emissions, that use does not erode the using Party's NDC);
    - (viii) ~~How it has ensured the requirements set out in the definition of environmental integrity have been met~~;
    - (ix) How it has ensured that ITMOs used towards achievement of its NDC will not be further transferred, acquired or used (e.g. through cancellation, retirement of such ITMOs);
    - (x) Provision of information in a standard reporting table/format {*further development may be required for implementation*};
    - (xi) ~~Provision of information in a national certificate~~.
  - (c) How the registry in section XIV.A (Registry) meets the requirements of this guidance;
  - (d) In relation to cooperative approaches and use of ITMOs towards achievement of the NDC of the Party {*potential list below*):
    - (i) How it has ensured the environmental integrity of cooperative approaches;
    - (ii) How the cooperative approaches support implementation of its NDC and/or the mitigation of greenhouse gas emissions;
    - (iii) How any participation by the Party in the mechanism established under Article 6, paragraph 4, supports implementation of its NDC and/or the mitigation of greenhouse gas emissions;
    - (iv) How the cooperative approaches are consistent with its long-term low greenhouse gas emission development strategy pursuant to Article 4, paragraph 19 and foster transition to a low emissions economy;
    - (v) How the creation, first/~~only~~ transfer and use and/or the transfer and acquisition of ITMOs is consistent with Article 3 in relation to progression over time;
    - (vi) How the use of ITMOs promotes sustainable development in the creating Party;

- (vii) How the creation, first/only transfer and use and/or transfer and acquisition of ITMOs promotes sustainable development within the context of the national prerogatives of that Party and/or within the context of its implementation of the Sustainable Development Goals;
- (viii) How the creation, first/only transfer and use and/or transfer and acquisition of ITMOs avoided environmental harm;
- (ix) How the creation, first/only transfer and use and/or transfer and acquisition of ITMOs avoided a violation of human rights;
- (x) Any updates to its methods for accounting for progress pursuant to the modalities, procedures and guidelines relating to Article 13, paragraph 7;
- (xi) How the creation, first/only transfer and use and/or transfer and acquisition of ITMOs avoided negative social or economic impacts on any Party.

**Option B {when demonstrating achievement of NDC}**

61. Each participating Party to provide, at the end of the NDC implementation period, the following information {same potential list as reporting period (Option A) above}:

**Option C {both Option A and Option B}**

{No text required}

**Option D {real-time reporting} {further development may be required for implementation}; (LDCs)**

## B. Periodic and ex-post review

**Option A {periodic and/or ex-post review}**

**Option A1 {review by the 6.2 body} {potential list below}**

62. Following submission by a Party of the information under section XI.A (Periodic and ex-post Party reporting), the 6.2 body to review the information for consistency with this guidance, including {potential list below}:

- (a) Standards and methodologies used in the cooperative approach;
- (b) Whether the Party has used approved methodologies and baseline approaches for cooperative approaches that are no less rigorous than similar methodologies and baseline approaches approved under the mechanism established by Article 6, paragraph 4;
- (c) Review the information submitted by the Party through comparison and cross-checking of information submitted.

63. The 6.2 body to oversee the correction of accounting/corresponding adjustment errors identified with regard to ITMOs used towards achievement of its NDC.

64. Following its review, the 6.2 body to determine whether the Party's participation in cooperative approaches is consistent with this guidance.

**Option A2 {review conducted by technical expert review} {potential list below}**

65. Following submission by a Party of the information under section XI.A (Periodic and ex-post Party reporting), the technical expert review to review the information for consistency with this guidance and consistency with the modalities, procedure and guidelines of Article 13, including {further development may be required for implementation}.

66. Following its review, the technical expert review to provide assurance {further development may be required for implementation};

67. The technical expert review to submit its review for consideration by the committee referred to in Article 15, paragraph 2.

**Option A3 {combination of Option A1 and Option A2} {potential list above in Option A1 and Option A2}**

**Option B {no review}**

{No text required}

## **XII. Specific guidance**

### **A. Budget-based corresponding adjustment**

#### **Option A {specific multilateral rules-based guidance for budget-based}**

68. Party to calculate the quantified NDC in accordance with section IX.A (Ex-ante reporting) {requires Option B of that section}.
69. Party to issue units in accordance with section XI.B (Ex-ante review) {requires Option B of that section}.
70. Party to make corresponding adjustment in accordance with section X above (Corresponding adjustment).
71. Party to identify the difference between allowable emissions and average actual reported emissions in the three years preceding the NDC period and any positive difference to be transferred into an NDC time frame reserve and used only for meeting its own NDC.
72. At end of NDC implementation period, the Party to retire the number of units equal to NDC relevant emissions.

#### **Option B {no specific guidance}**

{no text required}

### **B. Sectors/greenhouse gases etc.**

#### **1. General**

73. A creating Party may create and first/only transfer, transfer an ITMO that is achieved in its jurisdiction:

##### **Option A {only inside NDC}**

- (a) in sectors/greenhouse gases covered by that Party's NDC;

##### **Option B {sectors inside and outside NDC}**

- (b) in any sector/greenhouse gases, whether or not they are covered by that Party's NDC.

#### **2. Sectors/greenhouse gases covered by the nationally determined contribution**

74. For ITMOs that are created and first/only transferred by a Party and achieved in sectors/greenhouse gases covered by that Party's NDC, each participating Party to make a corresponding adjustment in accordance with section X (Corresponding adjustment).

75. Least developed country Parties and small island developing States to report their transfers annually.

#### **3. Sectors/greenhouse gases not covered by the nationally determined contribution {this section is dependent on section XII.B.1 above and applies only for Option B}**

76. For ITMOs that are created and first/only transferred by a Party and achieved outside the sectors/greenhouse gases covered by that Party's NDC:

- (a) The using Party to make a corresponding adjustment in accordance with section X (Corresponding adjustment);
- (b) The creating Party to:



**Option A {make a corresponding adjustment}**

- (i) *make a corresponding adjustment in accordance with section X (Corresponding adjustment);*

**Option B {no corresponding adjustment, reporting only}**

- (ii) *report in accordance with this guidance {further development may be required for implementation};*

**Option C {not use ITMOS from outside the sectors/greenhouse gases not covered by the NDC}**

- (iii) *not use ITMOS from outside the scope of its NDC in order to achieve its own NDC;*

**Option D {may use ITMOS from outside the sectors/greenhouse gases not covered by the NDC}**

- (iv) *use ITMOS from outside the scope of its NDC towards achievement of its NDCs only if the Party will bring this sector/greenhouse gases into the scope of its next NDC and if it makes a corresponding adjustment (as an addition to the inventory emissions).*

**Option E {no action required}**

{no text required}

## **C. Single-year nationally determined contributions**

77. A Party that has a single-year NDC to apply the guidance in this section.

**Option A {single-year vintage creation and transfer only}**

**Option A1 {where the corresponding adjustment is for creation, first/only transfer and use}**

78. A Party to only create, first/only transfer and use towards achievement of its NDC ITMOs that were achieved in the same year as its single-year NDC.

**Option A2 {where the corresponding adjustment is for transfer and acquisition}**

79. A Party to only transfer and acquire ITMOs that were achieved in the same year as its single-year NDC.

**Option B {cumulative corresponding adjustments}**

**Option B1 {where the corresponding adjustment is for creation, first/only transfer and use}**

80. A Party that creates and first/only transfers ITMOs to make a corresponding adjustment in the single year for the total amount of ITMOs created and first/only transferred over the NDC implementation period and a Party that uses ITMOs towards achievement of its NDC to make corresponding adjustment in the single year for the total amount of ITMOs used over the NDC implementation period.

**Option B2 {where the corresponding adjustment is for transfer and acquisition}**

81. A Party that transfers and acquires ITMOs achieved in the years of its NDC implementation period to make a corresponding adjustment in the single year of its NDC for the total amount of ITMOs transferred/acquired over the entire NDC implementation period.

**Option C {comparison to a trend that would be consistent with NDC achievement}**

**Option C1 {where the corresponding adjustment is for creation, first/only transfer and use}**

82. A Party to calculate a trajectory in relation to emissions for the NDC implementation period that is consistent with the achievement of its NDC in the single year and to make a corresponding adjustment for each year of the NDC implementation period equal to the total amount of ITMOs that it creates and first/only transfers and/or uses towards achievement of its NDC.

**Option C2 {where the corresponding adjustment is for transfer and acquisition}**

83. A Party to calculate a trajectory in relation to emissions for the NDC implementation period that is consistent with the achievement of its NDC in the single year and to make a corresponding adjustment for each year of the NDC implementation period equal to the total amount of ITMOs that it transfers and acquires in each year of the NDC implementation period.

**Option D {averaging, including average per cooperative approach}**

**Option D1 {where the corresponding adjustment is for creation, first/only transfer and use}**

84. A Party to calculate the average quantity of ITMOs that it creates, first/only transfers and uses towards achievement of its NDC by dividing the total ITMOs by the number of years of the NDC implementation period, including after averaging per cooperative approach, if applicable. The Party to then make a corresponding adjustment for the average amount of ITMOs in the single year of its NDC.

**Option D2 {where the corresponding adjustment is for transfer and acquisition}**

85. A Party to calculate the average quantity of ITMOs that it transfers and acquires by dividing the total ITMOs by the number of years of the NDC implementation period, including after averaging per cooperative approach, if applicable. The Party to then make a corresponding adjustment for the average amount of ITMOs in the single year of its NDC.

**Option E {representative corresponding adjustments}**

**Option E1 {where the corresponding adjustment is for creation, first/only transfer and use}**

86. A Party to identify all ITMOs that it creates, first/only transfers and uses towards achievement of its NDC and make a corresponding adjustment in the single year for an amount that is representative of the amount of ITMOs created, first/only transferred and used towards achievement of its NDC.

**Option E2 {where the corresponding adjustment is for transfer and acquisition}**

87. A Party to identify all ITMOs that it transfers and acquires in each year of its NDC implementation period and make a corresponding adjustment in the single year for an amount that is representative of the amount of ITMOs that it transfers and acquires in each year of its NDC implementation period.

**Option F {reporting in accordance with this guidance, periodically}**

**Option F1 {where the corresponding adjustment is for creation, first/only transfer and use}**

88. A Party to make a corresponding adjustment for all ITMOs that it creates, first/only transfers and uses towards achievement of its NDC in accordance with the reporting requirements in this guidance.

**Option F2 {where the corresponding adjustment is for transfer and acquisition}**

89. A Party to make a corresponding adjustment for all ITMOs that it transfers and acquires in accordance with the reporting requirements of this guidance.

**Option G {no specific guidance}**

{no text required}

**D. Multi-year nationally determined contributions**

**Option A {specific guidance on multi-year NDC}**

90. A Party with a multi-year NDC to make a corresponding adjustment for the total amount of ITMOs:

**Option A1 {where the corresponding adjustment is for creation, first/only transfer and use}**

(a) Created, first/only transferred and used towards achievement of its NDC over the NDC period {where the corresponding adjustment is for creation, first transfer and use};

**Option A2 {where the corresponding adjustment is for transfer and acquisition}**

(b) Transferred and acquired over the NDC period {where the corresponding adjustment is for transfer and acquisition}.

**Option B {no specific guidance}**

{no text required}

**E. Pre-2020/2021 units/internationally transferred mitigation outcomes {further development may be required for implementation} {potential list below}**

91. In respect of pre-2020/2021 units/ITMOs:

**Option A {use of pre-2020/2021 units/ITMOs, corresponding adjustment for creating and using Party}**

- (a) where a Party is using pre-2020/2021 units/ITMOs towards achievement of its NDC, both the creating Party and the using Party to make a corresponding adjustment in accordance with section X (Corresponding adjustment) {further development may be required for implementation}.

**Option B {use of pre-2020/2021 units/ITMOs, corresponding adjustment only for using Party}**

- (b) the Party using pre-2020/2021 units/ITMOs towards achievement of its NDC to make a corresponding adjustment in accordance with section X (Corresponding adjustment).

**Option C {no use of pre-2020/2021 units}**

- (c) no Party to use pre-2020/2021 units/ITMOs towards achievement of its NDC.

{end of Option C}

92. Implementation of the corresponding adjustment through the international transaction log.

**F. Buffer registry**

93. Forward the amount in the buffer registry resulting from corresponding adjustments to Article 4, paragraph 13 for NDC accounting.

{end of section F}

### **XIII. Application of this guidance to emission reductions certified under the mechanism established by Article 6, paragraph 4**

**Option A {guidance applicable to all emission reductions transferred internationally}**

94. Section X (Corresponding adjustment) of this guidance/this guidance applies to all emissions reductions under the mechanism established by Article 6, paragraph 4, when transferred internationally and used towards the achievement of an NDC.

**Option B {guidance applicable where emission reductions from sectors/greenhouse gases are covered by the NDC}**

95. Section X (Corresponding adjustment) of this guidance/this guidance applies to emission reductions under the mechanism established by Article 6, paragraph 4, that result from a mitigation activity that is included in the sectors/greenhouse gases covered by the host Party's NDC, when those emission reductions are transferred internationally.

96. This guidance not to apply to emission reductions under the mechanism established by Article 6, paragraph 4, if the mitigation activity is not included in the sectors/greenhouse gases covered by the host Party's NDC.

**Option C {guidance applicable where emission reductions are covered by the NDC}**

97. Section X of this guidance/this guidance applies to emission reductions under the mechanism established by 6.4, that result from a mitigation activity that is included in the host Party's NDC, when those emission reductions are transferred internationally to be used in the acquiring Party's NDC.

98. This guidance not to apply to emission reductions under the mechanism established by the Article 6, paragraph 4, if the mitigation activity is not included in the host Party's NDC.

**Option D {forwarding based}**

99. This guidance is not applicable to the initial forwarding of certified emission reductions from the Article 6, paragraph 4, mechanism registry.

100. Section X (Corresponding adjustment) of this guidance/this guidance to apply to any subsequent international transfer of certified emission reductions between registries/national accounts in the multilateral registry through the international transaction log.

**Option E {underlying emission reduction based}**

101. Section X (Corresponding adjustment) of this guidance/this guidance applies to the use by one Party of an emission reduction from the mechanism established in Article 6, paragraph 4 for the achievement of its NDC and the use of the underlying emission reduction by the host Party reflected in the calculation of its GHG inventory.

### **Option F {national allowances-based}**

102. This guidance to apply to emission reductions issued under the mechanism established by Article 6, paragraph 4. A Party with an absolute emission limitation or reduction target in its NDC may then transfer an equivalent quantity of national allowances {further development may be required for implementation}.

## **XIV. Infrastructure**

### **A. Registry requirements**

#### **Option A {registries} {further development may be required for implementation} {potential list below}**

103. Each participating Party to have or have access to a registry that meets the requirements of this guidance.

104. Each participating Party to ensure that its registry is capable of {further potential list below}:

- (a) Creating and, where applicable, issuing ITMOs/units;
- (b) Determining a unique serial number for each ITMO/unit;
- (c) First/only transfer of ITMOs/units;
- (d) Subsequent transfer of ITMOs/units;
- (e) Acquiring ITMO/units;
- (f) Demonstrating that ITMOs/units have been used towards achievement of an NDC (e.g. through cancelling or retiring ITMOs);
- (g) Ensuring the avoidance of double counting.

#### **Option A1 {no further requirements in relation to registry beyond Option A}**

{no further text required}

#### **Option A2 {all potential elements of Option A, plus all further elements below}**

105. Each registry to have the following national accounts: issuance, holding, transfer, acquisition, cancellation, retirement, and share of proceeds, and maintains a link to the mechanism registry.

106. The secretariat to maintain a multilateral registry for Parties that do not have a registry or do not have access to a registry, that has the functionality and range of account types listed above.

107. The secretariat to ensure the multilateral registry is capable of providing national accounts for issuance, holding, transfer, acquisition, cancellation, retirement, and share of proceeds.

#### **Option A3 {all potential elements of Option A and A2, plus further element below}**

108. A cancellation account for overall mitigation in global emissions.

#### **Option B {distributed ledger}**

109. Each participating Party to have or have access to a distributed ledger that meets the requirements of this guidance.

#### **Option C {no guidance required as no registry/registries or distributed ledger required as reporting is the basis for tracking ITMOs/units}**

{no text required}

### **B. International transaction log/centralized accounting database/distributed ledger**

#### **Option A {international transaction log}**

110. The secretariat to establish and maintain an international transaction log capable of recording the following {further development may be required for implementation}.

111. Each participating Party to ensure that its registry is capable of connection to the international transaction log.

### **Option B {centralized accounting database}**

112. The secretariat to establish and maintain a centralized accounting database to record summaries of transfers, acquisitions and holdings ~~{further development may be required for implementation}~~, including:

- (a) The information on the scope and 'NDC quantity' in CO2 equivalent;
- (b) The information on its current level of emissions and removals covered by its NDC;
- (c) The accounting balance determined in accordance with guidance on the basis of reported emission and removals covered by each participating Parties NDC;
- (d) The corresponding adjustments to the accounting balances of participating parties in accordance with guidance on corresponding adjustment, in respect of emissions and removals covered by the NDCs of the participating Parties, and based on reported ITMOs by those Parties.

### **Option C {distributed ledger}**

113. The secretariat/X to establish and maintain a distributed ledger that is accessible to all participating Parties ~~{further development may be required for implementation}~~.

### **Option D {no guidance required as no such infrastructure required, as reporting required}**

~~{no text required}~~

## **XV. Safeguards**

### **A. Overall mitigation in global emissions in context of Article 6, paragraph 2**

#### **Option A {overall mitigation in global mitigation requirement}**

114. Overall mitigation to be implemented as follows:

##### **Option A1 {automatic cancellation}**

- (a) Overall mitigation in global emissions to be achieved by ensuring some ITMOs are not used by either creating or acquiring Party towards achievement of its NDC;
- (b) At the time of issuance/first transfer of ITMOs, registry to transfer X per cent of ITMOs to the cancellation account for overall mitigation in accordance with section X above;
- (c) Transferring Party to make a corresponding adjustment for the full amount of ITMOs created/issued/supplied for first transfer/only transfer;
- (d) Acquiring/using Party to make a corresponding adjustment for the amount of ITMOs acquired/used;
- (e) The cancelled ITMOs not to 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}**

- (f) Overall mitigation in global emissions achieved by ensuring some ITMOs are not used by either creating or acquiring Party towards achievement of its NDC;
- (g) Prior to first international transfer, creating Party to make a corresponding adjustment for the full amount of ITMOs to be first transferred;
- (h) Acquiring/using Party to make a corresponding adjustment for the full amount of ITMOs acquired/used, discounted by X percent.
- (i) The discounted volume of ITMOs to be transferred to the cancellation account for the overall mitigation of global emissions by the acquiring/using Party.
- (j) The discounted volume of ITMOs not to be used for any further transfer or purpose, including use by any Party towards achievement of its NDC.

**Option A3 {using Party to discount prior to use towards achievement of its NDCs}**

115. The using Party to discount by X per cent the total quantity of ITMOs acquired prior to use towards achievement of its NDC.

The creating Party to make a corresponding adjustment for the full amount of ITMOs to be first transferred and the creating Party to cancel X per cent of the total amount of ITMOs prior to the first/only transfer and/or the using Party to cancel X per cent of the acquired ITMOs before use. The cancelled ITMOs not to be used by any Party towards achievement of its NDC.

**Option B {discounting-based}** The creating Party to make a corresponding adjustment for the full amount of ITMOs to be first transferred and the creating Party to discount by X per cent at the point of first transfer. The using Party to discount by X per cent the total quantity of ITMOs acquired prior to use towards achievement of its NDC. The discounted ITMOs not to be used by any Party towards achievement of its NDC.

**Option B {no overall mitigation in global mitigation requirement}**

{no text required}

**B. Uses for purposes other than towards achievement of nationally determined contributions**

116. An ITMO:

**Option A {allow non-NDC uses}**

(a) Can be used for purposes other than used towards the towards achievement of NDCs;

**Option B {not allow non-NDC uses}**

(b) Cannot be used for purposes other than towards achievement of NDCs;

117. An ITMO not to be used towards achievement of an NDC where it has been or is intended to be used {potential list below}:

- (a) Towards international mitigation action outside the UNFCCC;
- (b) Towards voluntary climate actions that are not mandatory in the relevant jurisdiction;
- (c) As a means of demonstrating climate finance provided pursuant to Article 9.

118. Parties to make a corresponding adjustment for ITMOs used for purposes other than towards achievement of NDCs consistent with:

**Option A {make a corresponding adjustment for all as per this guidance}**

(a) section X (Corresponding adjustment) {further development may be required for implementation};

**Option B {only make a corresponding adjustment where from within NDC}**

(b) section X (Corresponding adjustment), where the ITMOs are from the sectors/greenhouse gases covered by the NDC.

{further development may be required for implementation, for example, reference to double counting}

**C. Limits**

**1. Limits on creation and first/only transfer**

**Option A {limits on creation, transfer and acquisition} {potential list below}**

119. A Party to create and first/only transfer ITMOs in a manner that avoids fluctuations in the prices and quantities available in the international market for ITMOs {further development may be required for implementation}.

120. Compulsory limitation of tradable units to be exclusively used for retirement purposes.

121. A Party not to create or first/only transfer ITMOs where the ITMOs have been achieved in sectors that have a high degree of uncertainty {further development may be required for implementation}.



122. A Party not to first/only transfer any quantity of ITMOs over the reporting period/NDC implementation period that is greater than *X* per cent of its quantified budget of allowable emissions for that reporting period/NDC implementation period.

123. A Party to maintain a holding balance equal to *X* per cent of its mitigation target for that reporting period/NDC implementation period throughout the reporting period/NDC implementation period.

124. A Party to maintain a minimum level of allowable emissions in the NDC time frame reserve.

125. A Party's balance for the reporting period/NDC implementation period to not exceed *X* per cent of its actual emissions and to not exceed emission levels for the reporting period/NDC implementation period that are consistent with NDC achievement.

126. A Party to not participate in the following types of transfers: *{further development may be required for implementation}*.

127. An ITMO may be transferred only once.

128. A Party to ensure that there is no secondary trading of ITMOs and that speculative trading is avoided *{further development may be required for implementation}*.

**Option B {no limits on creation, transfer or acquisition}**

*{no text required}*

**2. Limits on use towards achievement of nationally determined contributions**

**Option A {limits on use} {potential list below}**

129. A Party's use of ITMOs towards achievement of its NDC to be supplemental to domestic action and domestic action to constitute a significant element of the effort made by each Party towards achievement of its NDC.

130. A Party not to use any quantity of ITMOs towards achievement of its NDC that is greater than *X* per cent of the actual emissions of that Party calculated for the reporting period/NDC implementation period.

131. A Party not to use towards achievement of its NDC any ITMOs that were achieved in the period *X* *{further development may be needed for implementation, including specifying the years}*.

132. A Party not to use pre-2020 units/ITMOs towards achievement of its NDC *{further development may be required for implementation}*.

133. A Party not to bank/carry over ITMOs exceeding *X* from one reporting period/NDC implementation period to a subsequent reporting period/NDC implementation period *{further development may be required for implementation}*.

134. A Party may carry over a quantity of ITMOs achieved in one reporting period/NDC implementation period to a subsequent reporting period/NDC implementation period equal to a maximum of *X* per cent of the actual emissions calculated for the reporting period/NDC implementation period *{further development may be required for implementation}*.

135. An ITMO to only be used by a Party towards achievement of its NDC or voluntarily cancelled.

**Option B {no limits on use}**

*{no text required}*

**XVI. Share of proceeds for adaptation**

**Option A {share of proceeds}**

136. A share of proceeds from cooperative approaches 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.

137. The share of proceeds to 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 A3}

138. The share of proceeds to 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/only 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.

139. The share of proceeds to be {potential list below}:

- (a) Collected by the creating/issuing Party at the first/only international 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}

**XVII. Adaptation ambition** {further development may be required for implementation}

140. Mitigation co-benefits of adaptation action, including economic diversification {further development may be required for implementation}.

141. To allow for higher ambition in adaptation, participants are allowed to issue, transfer, acquire and use ITMOs resulting from the mitigation co-benefits resulting from Parties' adaptation actions and/or economic diversification plans.

**XVIII. Addressing negative social and economic impacts, Article 4, paragraph 15** {further development may be required for implementation}

142. 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 the negative social and economic impacts, especially those impacting developing countries, resulting from activities related to Article 6, paragraph 2 by, inter alia:

- (a) Assessing and identifying the negative social and economic impacts resulting from activities related to Article 6.2, 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.

**XIX. Mitigation co-benefits resulting from Parties' adaptation actions and/or economic diversification plans** *{further development may be required for implementation}*

**XX. Multilateral governance and rules-based system** *{further development may be required for implementation}*

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