



Potential considerations in the preparation of the reporting on elements listed in the initial report

Technical paper by the secretariat

Summary

This technical paper provides information on potential considerations in the preparation by Parties participating in cooperative approaches of the reporting on elements listed in the initial report thereon on the basis of issues identified at the relevant intersessional workshops with a view to supporting identification of capacity-building needs and informing preparation of the manual for the initial report.



Abbreviations and acronyms

AEF	agreed electronic format
Article 6.2 guidance	guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement
Article 6.4 mechanism	mechanism established by Article 6, paragraph 4, of the Paris Agreement
BTR	biennial transparency report
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
GHG	greenhouse gas
ITMO	internationally transferred mitigation outcome
LT-LEDS	long-term low-emission development strategy(ies)
NDC	nationally determined contribution
REDD+	reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks (decision 1/CP.16, para. 70)
SBSTA	Subsidiary Body for Scientific and Technological Advice

I. Introduction

A. Mandate

1. CMA 4 requested the secretariat to prepare a technical paper on potential considerations in the preparation of the reporting on elements listed in the initial report¹ on the basis of issues identified at the workshop referred to in paragraph 2 below and the relevant Party submissions.²
2. CMA 4 also requested the secretariat to hold a workshop, with broad participation, to enable the participatory sharing of views on potential challenges that Parties participating in cooperative approaches may face in addressing different elements of the initial report and to support the identification of capacity-building needs.³
3. CMA 4 further requested the secretariat to hold at least one virtual workshop, as part of the capacity-building programme⁴ for assisting Parties intending to participate in cooperative approaches, on using the relevant reporting outlines and tables, particularly in relation to completing and submitting the initial report.⁵

B. Background

4. The workshop referred to in paragraph 2 above was conducted on 24 April 2023 in Bonn in hybrid format, back-to-back with a hybrid workshop on the draft version of the AEF for reporting annual information,⁶ held from 25 to 26 April 2023.⁷
5. The workshop was attended in person by 30 participants and virtually by around 80 participants, representing some 70 countries. Observers were able to follow the proceedings via webcast. The workshop was conducted with the assistance of two co-facilitators under the responsibility of the SBSTA Chair, who prepared the agenda and guiding questions, which were circulated to participants and posted on the UNFCCC website before the workshop.⁸
6. The workshop focused on responsibilities for participation in cooperative approaches; provision of information on each cooperative approach; and other elements of the initial report. Upon request by participants, an additional session on other issues identified during the back-to-back workshops was held on 26 April, where participants discussed the sequencing and timing of the submission of the initial report, the completion of the Article 6 technical expert review of that report and the submission of the AEF.
7. In response to the mandate referred to in paragraph 3 above, the secretariat organized a virtual workshop on the completion and submission of the initial report, which was held in two identical sessions for different time zones on 17 and 18 May 2023. The workshop was overseen by the SBSTA Chair assisted by the same two co-facilitators referred to in paragraph 5 above. It focused on the suggested illustrative elements of information for the

¹ Referred to in decision 2/CMA.3, annex, chap. IV.A.

² Decision 6/CMA.4, paras. 19–20.

³ Decision 6/CMA.4, para. 18.

⁴ Referred to in decision 2/CMA.3, para. 12.

⁵ Decision 6/CMA.4, para. 23.

⁶ Referred to in decision 2/CMA.3, annex, chap. IV.B, and contained in decision 6/CMA.4, annex VII.

⁷ As per decision 6/CMA.4, para. 3.

⁸ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/technical-workshops-article-62-of-the-paris-agreement#Hybrid-workshops-on-the-draft-discussed-electronic-format-and-on-the-initial-report>. The presentation slides from the workshop can also be found here.

initial report.⁹ The agenda and discussion questions were circulated to participants and posted on the UNFCCC website before the workshop.¹⁰

8. It should be noted that the workshop mentioned in paragraph 2 above and this technical paper are linked to the CMA request to the secretariat to develop and regularly update a manual containing illustrative elements of information for the initial report, updated initial report and annex 4 to the BTR to facilitate Parties' understanding of how to report information pertaining to decision 2/CMA.3, annex, paragraphs 18–22, taking into account the outcomes of the workshop (which are captured in this technical paper).¹¹

C. Structure and approach

9. This technical paper has been prepared, with a view to supporting identification of capacity-building needs and informing preparation of the manual for the initial report, as an input to SBSTA 58 alongside any Party submissions as referred to in paragraph 1 above received prior to that session.

10. No such Party submissions had been received by the time of the preparation of this technical paper. Therefore, the paper captures the discussions held and issues raised by participants during the intersessional workshops mentioned above. Elements of technical analysis are also included.

11. Chapter II below presents principles relevant to the preparation of the initial report, while chapter III below details considerations relating to the four chapters of the initial report outline¹² adopted at CMA 4. Chapter III.E below captures the discussions at the additional session on other issues identified during the back-to-back workshops. Comments and inputs of participants on needs for capacity-building, including in relation to tools that could aid the preparation of the initial report, are included in chapter IV below.

12. Understanding this technical paper requires familiarity with decisions 2/CMA.3 and 6/CMA.4 relating to the Article 6.2 guidance.¹³ In addition, some of the information relates to decisions 3/CMA.3 and 7/CMA.4 concerning the rules, modalities and procedures for and guidance on the Article 6.4 mechanism.

II. Principles

13. Participants at the workshops discussed that transparency is a key element of the Paris Agreement and crucial for establishing cooperative approaches between Parties. The principle is applicable not only to reporting but to all areas of the Article 6.2 guidance. More broadly, they noted that the principles of transparency, accuracy, completeness, consistency and comparability are relevant to achieving the Paris Agreement goals, and will be key in preparing the initial report and guide the level of detail to be provided therein.

14. Participants discussed the need for consistency and comparability between the reporting of cooperating Parties regarding the general elements on participation and the common features of cooperative approaches. This is necessary to ensure uniformity of reporting and to avoid confusing information. The need for consistent reporting across multiple cooperative approaches by the participating Party was highlighted, and for inconsistencies in the initial report and updated initial report to be addressed, especially when it comes to the environmental integrity aspects of cooperation. One participant highlighted

⁹ Referred to in decision 6/CMA.4, para. 22. A list of the suggested illustrative elements of information is available at <https://unfccc.int/documents/624401>.

¹⁰ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/technical-workshops-article-62-of-the-paris-agreement#Virtual-workshop-on-the-use-of-the-reporting-outlines-and-tables>.

¹¹ Decision 6/CMA.4, para. 22.

¹² Contained in decision 6/CMA.4, annex V.

¹³ Contained in decision 2/CMA.3, annex.

the need for a participating Party to follow a consistent method for applying corresponding adjustments across its cooperative approaches.

15. Some participants were of the view that consistency across Parties' reporting is not always necessary, especially on elements such as authorization and tracking, and in relation to alignment with NDCs and LT-LEDS. Furthermore, cooperating Parties may be using different accounting methods, which will necessitate careful treatment to ensure that quantitative reporting under Article 6 can be reconciled. Overall, it was acknowledged that significant coordination between cooperating Parties will be required in the course of implementing and reporting on cooperation.

16. Participants noted that there are close links between Articles¹⁴ 6 and 13. They discussed that the Article 6 technical expert review guidelines¹⁵ could support participating Parties in preparing their initial report by promoting consistency across reporting and facilitating comparability. Participants recalled that the review process presents an opportunity for a participating Party to improve its reporting by providing any necessary additional information.

17. Some participants suggested considering the stability of the information submitted in accordance with the requirements of the Article 6.2 guidance, especially if attachments, or weblinks or external references that can change over time are provided. Sufficient backups and safeguards are necessary to ensure that the information is archived and can continue to be used to understand the basis for decision-making and assumptions that underpin cooperative approaches.

18. Regarding updates to previously reported information included in subsequent BTRs, participants identified the need for clear cross-referencing to that information to enhance efficiency and avoid confusion in reviewing information.

III. Considerations in the preparation of the reporting on elements listed in the initial report

A. Participation responsibilities¹⁶

19. This section focuses on the discussions and inputs of participants regarding potential challenges that participating Parties may face in addressing participation responsibilities as per chapter I of the initial report outline.

1. General considerations

20. Participants acknowledged that a participating Party needs to report on various elements related to institutional arrangements, strategy, governance, procedures, assessment of mitigation projects, validation and verification processes, linkages between emissions trading schemes, allocation of emission reductions, shared proceeds, and overall mitigation in global emissions, noting that the diversity of reporting requirements presents a challenge in itself.

21. One participant suggested that the types of challenge that may be faced can be categorized as relating to:

(a) Determining the level of detail to be reported, especially in relation to arrangements for authorizing use of and tracking ITMOs, because providing exhaustive information on all arrangements could be effort-intensive;

(b) Establishing suitable institutional and governance arrangements for engaging in and reporting on cooperative approaches.

¹⁴ Articles referred to in this paper are Articles of the Paris Agreement.

¹⁵ Contained in decision 6/CMA.4, annex II.

¹⁶ As per para. 18(a) of the Article 6.2 guidance.

22. Participants discussed that the preparation of the initial report is linked to the processes for other documents such as the BTR and the national GHG inventory, as well as the submission of the AEF, particularly in relation to information on authorization. In this context, they suggested that it would be useful to clarify the level of detail of such information that is expected in the initial report and in the AEF. This will ensure consistency between the information provided by host Parties and that by acquiring Parties, as both Parties are accountable for the same mitigation outcomes.

23. Many participants suggested that, in developing institutional arrangements for cooperation, Parties should consider the legal, regulatory, technical and policy frameworks needed for reporting on all aspects of the processes related to participation responsibilities. They identified the need to delegate responsibilities across different government ministries or authorities, ensuring that all stakeholders are aware of their roles and responsibilities, including regarding reporting obligations.

24. In particular, participants discussed that developing legal and policy frameworks and establishing coordination within government and with partner countries to obtain information for reporting can be challenging. It was noted that efforts to obtain the information required for reporting will vary from Party to Party, depending on how the Party's institutional arrangements are set up and how that Party engages in Article 6 activities through the existing governance structure.

25. For many participants it was clear that there are several institutional, legal and technical issues that need to be addressed in order to ensure that a Party can effectively participate in Article 6 activities and fulfil its reporting obligations. Therefore, they agreed that establishing robust institutional arrangements and legal frameworks and ensuring coordination with other participating Parties are crucial for participation and ensuring that reporting is transparent, accurate, complete, consistent and comparable over time.

26. In order to prepare the initial report, participating Parties are required to have made substantial efforts beforehand in relation to establishing decision-making processes among different ministries, designing regulatory and institutional frameworks and establishing:

- (a) Arrangements for authorizing use of ITMOs;
- (b) Arrangements for tracking ITMOs;
- (c) Methods for applying corresponding adjustments.

27. Some participants acknowledged that implementing the relevant CMA decisions may require revision of existing national legislation that may have implications for private actors engaging in Article 6 markets.

28. It was noted that overcoming the above-mentioned challenges would benefit national Governments as enhancing internal coordination and decision-making and market access strategies could help Parties to decide whether and how to engage in Article 6 activities. In particular, a host Party would be able to decide which abatement to achieve domestically and which to achieve using cooperative approaches.

29. The importance of recognizing the diversity of Parties and their varying capacities and circumstances was highlighted, as well as the need for flexibility and support to ensure that all Parties can effectively participate in Article 6 activities and fulfil their reporting obligations.

2. Considerations specific to participation responsibilities

30. Regarding the information required on the Party's fulfilment of its responsibility to ensure that it has prepared, communicated and is maintaining an NDC (chap. I.B¹⁷), one participant made a link to the suggested illustrative elements of information and raised concerns about the purpose and usefulness of a Party providing in the initial report an extract of the NDC and a link to the most recent NDC as well as declaring that it is maintaining an NDC. If an extract is to be included, the key elements that should be included must be

¹⁷ References in parentheses in this section are to chapters of the initial report outline.

defined, bearing in mind that information on how the Party's participation in Article 6 activities contributes to the implementation of the NDC is already required (chap. I.F).

31. Regarding reporting on arrangements for authorizing use of ITMOs (chap. I.C), a link was made to the requirement for information on the authorization and description of each cooperative approach (chap. IV). Participants suggested that letters or statements of authorization of use of ITMOs should include much of the information required on authorization of each cooperative approach. Even if this is not done in the authorization document for ITMOs, a description of each cooperative approach is provided in the initial report, and in every updated initial report, and therefore the authorization processes need to be synchronized. As information on authorization is to be included or updated with the regular information on cooperative approaches as an annex to the BTR, it is necessary to ensure consistency between the reporting of elements of information on authorization.

32. With regard to information on the institutional arrangements for authorizing use of ITMOs, a question was raised regarding the level of detail required and whether it would be sufficient to report on the authorities that will issue authorizations or whether the processes and procedures for authorization should also be described. Furthermore, it was noted that the processes for issuing other types of authorization, namely authorization of a cooperative approach and authorization of entities (chaps. IV.A and IV.F respectively) will likely be implemented under the same institutional arrangements.

33. With regard to authorization of entities, it was noted that a participating Party may issue broader authorizations in which specific entities are not named but the authorization is open, for example referring to a class of entities described on the basis of their characteristics. This stems from paragraph 18(g) of the Article 6.2 guidance, where entities are referred to in plural. Clarity is required in terms of how information should be presented in the authorization in such cases.

34. The need for clarification of any confidentiality aspects related to authorization was highlighted, noting the importance of information disclosure but also that partner countries may have their own approaches to making information publicly available.

35. Regarding reporting on establishing arrangements for tracking ITMOs (chap. I.D), some participants identified challenges stemming from a potential reliance on future CMA decisions related to the authorization and tracking of ITMOs, as per the CMA requests to the SBSTA in decision 6/CMA.4 to develop recommendations on such matters. They noted that a valid approach would be to acknowledge the dependency of tracking arrangements on such future decisions and update the information on tracking over time, as appropriate.

36. The requirement of the Article 6.2 guidance for a participating Party to have a registry, or access to a registry, was identified as needing clarification, particularly where one Party is using multiple registries serving the different cooperative approaches that it engages in. It is necessary to clarify that such Party needs a consolidated national system – one registry, which could also be the international registry – to track all ITMOs from its multiple cooperative approaches.

37. Furthermore, it was noted that a Party can provide in its reporting information on any underlying cooperative approach registries and systems for tracking provided this does not replace information on its registry as per paragraph 29 of the Article 6.2 guidance.

38. Some participants suggested following a holistic approach to addressing the issues related to reporting on authorization and tracking of ITMOs, noting that authorization is required from both acquiring and transferring Parties.

39. Several participants stressed the importance of Parties developing and strengthening their national GHG inventories and LT-LEDS as they are crucial for preparing the initial report (chaps. I.E–I.F), especially in relation to the requirements for a monitoring, reporting and verification system. A national Article 6 implementation strategy is needed for a Party to determine which sectors can be used to contribute to meeting its NDC targets and to ensure that activities are additional to the NDC. Participants identified the challenge of analysing the different sectors of the economy to assess where cooperative approaches could be applied.

40. Some participants highlighted that Parties may have different ideas about what alignment of their participation with the NDC means. Therefore, guidance on how to describe this alignment, as well as how to evaluate it, is required. Participants requested clarification of how to meet the initial reporting requirements without having all the necessary participation arrangements in place, how to prioritize NDC achievement over additionality, and how Article 6 activities could result in the implementation of new technologies that are aligned with the objectives of NDCs and/or LT-LEDS.

41. One participant mentioned the need for relevant national authorities to understand the NDC and relate it to the cooperative approach before moving forward with the preparation of the initial report. Another participant suggested that a Party should conduct an analysis and policy assessment to establish whether cooperation with another Party is in its interest. Although such analysis and policy assessment may differ in depth and technical complexity from Party to Party, they should identify the existing procedural and institutional gaps, for example in relation to the preparation of the national GHG inventory, and indicate if cooperation with another Party could be part of the solution to addressing such gaps.

42. Participants discussed the importance of accurately estimating and reporting the mitigation outcomes that would be generated annually under a cooperative approach in relation to considering how the cooperative approach relates to achieving the NDC and the goals of the Paris Agreement. This will give a sense of the order of magnitude of the cooperation and the impact that it might have on the achievement of any of the participating Parties' NDCs, particularly if the mitigation outcomes were to be claimed in full, and whether or not it could lead to a net increase in global emissions or to an increase in emissions above their current level for any of the participating Parties.

43. Overall, participants shared the view that achieving the Paris Agreement goals will require a concerted effort from all Parties in all sectors of the economy, noting the significant potential for cooperation in this regard under Article 6.

3. Other considerations

44. Participants recalled that, under the Article 6.2 guidance, the special circumstances of the least developed countries and small island developing States shall be recognized where the guidance relates to NDCs. However, there is no clear guidance on how to reflect these special circumstances in relation to the preparation and submission of the initial report. The need for clear guidance on the special circumstances of the least developed countries and small island developing States in relation to compliance with the rules and requirements under Article 6 was identified as important for successful implementation of the Paris Agreement.

45. One participant discussed the potential challenges in addressing elements of the initial report related to participation responsibilities by referring to the approach used for REDD+, whereby GHG inventory reference levels are used to demonstrate real and additional emission reductions or removals. It was not clear to the participant how to treat reference levels that are subject to technical assessment under Article 5. The participants stressed that a robust information system must be prepared by the Party before it can participate and any outcomes can be credited.

B. Description of the participating Party's nationally determined contribution where the Party has not yet submitted a biennial transparency report¹⁸

46. Guiding questions for chapter II of the initial report outline were not provided. The requirements mirror Article 13 reporting requirements and were included in the Article 6.2 guidance for the event that the participating Party submits the initial report before a BTR. The absence of this information would hinder understanding of the participating Party's position with regard to the accounting requirements of Article 6, which feed back into overall

¹⁸ As per para. 18(b) of the Article 6.2 guidance.

accounting under Article 13 and reporting on progress towards implementation and achievement of its NDC.

47. Regarding the information to be provided in the initial report, one participant highlighted the overlap with the information to be provided in the BTR, particularly when the reports are submitted together, and pointed to the need to clarify the approach in such case in order to avoid duplication of efforts.

48. The requirement for the Party to report on its intention to use cooperative approaches that involve the use of ITMOs under Article 6 towards NDCs under Article 4 was addressed, specifically as to whether indication of other intended uses (other than towards the NDC) should also be included.

49. Potential considerations relevant to this chapter of the initial report outline should also take into account the equivalent reporting requirements under Article 13.

C. Metrics for internationally transferred mitigation outcomes, method for applying corresponding adjustments and method for quantifying the NDC¹⁹

1. Considerations specific to metrics for internationally transferred mitigation outcomes and methods for corresponding adjustments

50. Regarding linking Article 6 activities with other elements of the Paris Agreement, such as transparency and corresponding adjustments, participants discussed the importance of emphasizing the need for coherence across the different elements of the Paris Agreement.

51. The ITMO metrics and methods for applying corresponding adjustments are being developed and finalized, and it will be important for Parties to work together to ensure that the metrics and methods are transparent, robust and aligned with the goals of the Paris Agreement. There is a need for consistency between the metrics, particularly non-GHG metrics, and the methods for applying corresponding adjustments, taking into account safeguards and limits.

52. It was pointed out that there is a link between the requirement for information in the initial report on the non-GHG metrics used and the requirement for regular information in the BTR on the methods used for converting non-GHG metrics to carbon dioxide equivalent, and that therefore there is a need for consistency between the information reported as per chapter III of the initial report outline and the information reported as per chapter VI.D of the outline for annex 4 to the BTR on regular information.²⁰

53. Participants discussed the need for clarity of accounting methods, namely whether the accounting methods:

- (a) Should be chosen upfront (in the initial report);
- (b) Should be the same for all cooperative approaches and used by both participating Parties, noting that use of different accounting methods by participating Parties may have implications for environmental integrity;
- (c) May affect the presentation of annual information and in which regard.

54. The view was expressed that for consistency it may be better for participating Parties to have a common accounting method for the cooperative approach. However, this may lead to competition in the regulatory arena, with consequences depending on which Party is able to decide on the accounting method first or enforce their own approach.

55. One participant expressed concerns about the implications of authorizing the use of ITMOs for corresponding adjustments, highlighting the need for a holistic review of the method applied for calculating corresponding adjustments, including how Parties communicate corresponding adjustments and the need for further reporting on potential

¹⁹ As per para. 18(c–f) of the Article 6.2 guidance.

²⁰ Contained in decision 6/CMA.4, annex VI.

consequences. Another participant suggested that the method (for applying corresponding adjustments) that the Party chooses to use should be incorporated into its institutional arrangements.

56. The implications of using different global warming potentials in assessing mitigation outcomes and different methods in projecting the emission levels on the basis of NDCs, which may lead to different outcomes globally and issues of comparability, were highlighted as requiring further consideration in the context of reporting.

57. These areas for further work may be resolved through CMA decisions and wider capacity-building (through non-secretariat initiatives), and may also be addressed in the manual referred to in paragraph 8 above.

2. Considerations specific to methods for quantifying nationally determined contributions

58. It was highlighted that, in order to quantify the NDC portion that will be correspondingly adjusted, it will be necessary to have accurate and reliable data on emission reductions or removals achieved through the cooperative approach as well as a clear understanding of how those emission reductions or removals align with the NDC targets. This will require a robust tracking and reporting system that ensures consistency and quality control of the data being reported.

59. One participant raised concerns about potential complications in the methods for quantifying NDCs, in relation to quantifying reference and target levels, noting that guidance is required because not every Party has quantified reference and target levels before.

60. Furthermore, one participant suggested allowing flexibility with regard to quantification where quantifying the target level of an NDC is not possible and may require an alternative approach to quantification. For example, additional guidance on the quantification approach if using non-GHG metrics is needed, and in the case of quantification related to policies and measures more substantial information is required to understand the approach.

61. One participant highlighted the importance of the methods used to quantify emission reductions or removals under the cooperative approach being consistent with the methods used by the participating Parties in their national reporting systems and for their national GHG inventories. This would help to avoid double counting or overestimating the emission reductions achieved through the cooperative approach.

62. Regarding the application of corresponding adjustments for REDD+ activities, participants discussed that Parties should develop action plans and implement a national forest monitoring system and update them on the basis of gathered information, with the most important step being preparing the forest reference levels on the basis of the national GHG inventory and in accordance with the principles of transparency, accuracy, completeness, consistency and comparability.

D. Information on each cooperative approach²¹

1. Considerations on the nature of cooperative approaches

63. With regard to the common understanding of what a cooperative approach is, which can have implications for reporting and institutional arrangements, one participant defined a cooperative approach as a set of standards, procedures and governance for the transfer of ITMOs for use towards NDCs and other uses. Participants agreed that further consideration of this matter would be helpful.

64. Many participants pointed out the need for clarification of whether the Article 6.4 mechanism is a cooperative approach or if individual projects are each a cooperative approach, as this has implications for reporting. It was noted that clarifying this issue would inform the establishment of criteria for crediting under other Article 6, paragraph 2,

²¹ As per paras. 18(g–i) and 19 of the Article 6.2 guidance.

cooperative approaches. Some participants suggested that the Article 6.4 mechanism corresponds to a cooperative approach because environmental integrity will be assessed at the level of the Article 6.4 mechanism, ensuring that the mechanism can deliver quality units meeting the required standards. Others indicated that assessment of environmental integrity could be at the activity level or even at the unit level, depending on the level at which authorization is issued (i.e. for the activity or for ITMOs). One participant suggested that authorization-related decisions could be taken at the cooperative approach level and others at the activity level.

65. Considering the level of ambition needed to achieve the goals of the Paris Agreement, each cooperative approach should be sustainable. One participant raised concerns about the potential for ‘cherry-picking’ of mitigation activities and uncoordinated authorization processes if each cooperative approach is assessed fragmentedly at different levels (such as for activities or units) rather than holistically within a common framework. Participants also raised concerns about potential ‘clogging’ of the Article 6 technical expert review system with the reviews of initial reports based on individual activities, and called for better solutions in this regard.

66. Many participants questioned how the initial report should be prepared by Parties without a partnering Party, such as those participating in CORSIA or authorizing and cancelling units for voluntary purposes. In this context, participants discussed that not all information about a cooperative approach may be directly maintained by the Party itself, as Parties may apply measures not controlled by them or use independent voluntary market mechanisms.

67. Participants highlighted that, where information must be sought from organizations administrating independent voluntary market schemes that are not part of the Paris Agreement, the reporting might not be in accordance with the Article 6.2 guidance. Some participants questioned how using units from independent voluntary schemes fits with the concept of cooperation between Parties as such schemes are not part of the Paris Agreement, and suggested that their authorization be considered unilateral.

2. Considerations specific to information on cooperative approaches

68. One participant highlighted the need for guidance on elements of reporting on each cooperative approach, including:

(a) Benefits from allocation of mitigation outcomes for the host country and the buyer country in the context of NDC implementation;

(b) Consistency in applying requirements for cooperative approaches to each further cooperative approach and cumulatively for all cooperative approaches of the participating Party to enable understanding of the implications the multiple approaches for, and their contributions to the NDC, especially if the requirements are applied differently to the individual cooperative approaches;

(c) Due diligence required prior to authorization of the use of ITMOs.

69. Another participant highlighted three key challenges related to the process, format and level of detail for reporting the information requested in paragraph 18(g–i) of the Article 6.2 guidance, namely describing each cooperative approach and how it ensures environmental integrity and sustainable development.

70. Many participants underscored that coordination between Parties may not always be possible, and Parties may not submit consistent information on cooperative approaches. However, they acknowledged that the information should be comparable, which will help to address the challenge of variation in authorization level and formats²² and the frequency and specificity of authorization, depending on the range of measures that underpin cooperative approaches.

²² There may be approach-, activity- or ITMO-level authorizations, but not every Party may be authorizing at all levels and in real time.

71. Participants discussed different authorization scenarios and possible formats for authorization, such as conveying authorization in letters, published online. Authorizations in the form of letters could include general information about authorized mitigation outcomes. It was suggested that the AEF could be used to communicate which specific activities or units have been authorized.

72. In terms of authorization of a cooperative approach, one participant stressed the importance of an explicit document authorizing the cooperative approach to be submitted by the Party, mentioning clearly the duration, expected level of mitigation, participants and authorized entities, considering the link to the participation requirements. A question was raised as to whether this authorization is where the use of ITMOs for CORSIA is authorized, noting that clarifying expectations for authorization of ITMOs for use for CORSIA would be useful.

73. It was pointed out that Parties will need to consider how much and what information to summarize and include in general authorizations of use of ITMOs²³ and how this relates to the level of detail of the information in the initial report. With regard to authorization of entities, it was pointed out that general authorization may be provided for multiple entities for a specific purpose.

74. Some participants emphasized the need for clarification of the type of information to be provided on environmental integrity and the implications of using different methods for applying corresponding adjustments for environmental integrity.

75. Further elaboration of the reporting requirements for a cooperative approach would be beneficial for enhancing understanding of:

(a) The scope of assessment of the impact of mitigation outcomes on emissions at the level of the cooperative approach or participating Party;

(b) Reporting on governance, including different governance arrangements for offset systems and emissions trading systems;

(c) The drivers for demand and supply of ITMOs;

(d) How a cooperative approach addresses reversals of removals in full;

(e) How a cooperative approach relates to national targets and plans;

(f) Common features of cooperative approaches to be implemented by multiple participating Parties.

76. The need for clarification with regard to the following aspects of cooperative approaches was also identified:

(a) Whether each cooperative approach should deliver adaptation and overall mitigation in global emissions and whether the initial report should include information on the expected level of such delivery;

(b) Whether the same approach for delivering adaptation and overall mitigation in global emissions should apply to all cooperative approaches, as well as participating Parties' responsibilities in this regard;

(c) Assessment of opportunities and impacts in relation to the goals of cooperation, and upfront decision-making on key cooperation elements.

77. One participant highlighted that existing reporting requirements do not address all the elements related to governance and allocation of cooperative approaches, and suggested, and a few others agreed, that the governance of the cooperative approach should be robust and transparent. The link between the method for quantifying NDCs and the method for applying corresponding adjustments was highlighted, as was the need for clear procedures for approval of methodological standards and for validating and verifying mitigation outcomes by an accredited third party, following a validation and verification standard. The report by the third party should be assessed before the units are authorized and included in the initial report.

²³ Such authorizations could include parameters that cover general, rather than specific, elements of a cooperative approach (e.g. parameters referring to all ITMOs generated from a cooperative approach).

This would safeguard the environmental integrity and transparency of the process and help towards achieving the goals of the Paris Agreement.

78. Regarding the information on each cooperative approach, participants discussed the need for further clarification of the:

- (a) Specific rules, guidelines and methodologies for implementing Article 6 activities, ensuring these are as commonly applicable as possible while reflecting each country's circumstances;
- (b) Requirements for undertaking local stakeholder consultation on proposed mitigation activities;
- (c) Rules for assessing contributions that are sector-specific;
- (d) Steps for harmonizing the reporting requirements on cooperative approaches set out in the Article 6.2 guidance for cooperative approach with those under the Article 6.4 mechanism;
- (e) Carry-over of emissions to subsequent NDC periods;
- (f) Specific reporting requirements for Article 6, paragraph 2, activities, including on consistency between methodologies and the achievement of NDCs, LT-LEDS and the long-term goals of the Paris Agreement.

3. Other considerations

79. Participants discussed the need to ensure that the reported information remains accessible and understandable in the future. It was suggested that Parties may need to capture screenshots from, copy or download information published online and submit it along with the initial report. It was proposed that the initial report include a summary of the cooperative approach and its procedures and elements in a standard way, accompanied by weblinks to where the full set of procedures, methods and standards can be found.

80. One participant recognized that challenges related to the preparation of the initial report are to be expected and learning and adapting over time will be essential, noting that capacity-building initiatives and sharing experience should help in addressing the challenges that stem from the reporting requirements.

E. Sequencing and timing of the submission of the initial report, completion of the Article 6 technical expert review of that report and submission of the agreed electronic format

1. General considerations

81. Participants discussed the sequencing and timing of the submission of the initial report, the completion of the Article 6 technical expert review of that report and the submission of the AEF and broadly supported one of the following:

- (a) The need to establish through further guidance clear sequencing with regard to the submission of the initial report and completion of its review before annual or regular information can be reported;
- (b) The view that such further guidance is not necessary as the existing guidance already clarifies the steps in the reporting and review cycle.

82. One participant recalled that the initial report will be made public to ensure transparency and environmental integrity and that the review process should promote refining and improving cooperation between Parties. This is because the public disclosure of information about cooperation may impact the decision-making of other Parties, in particular whether to choose to cooperate with a Party in the future, in the light of any outcomes of the review process in relation to the reporting of that Party.

83. Another participant stated their preference for the review of the initial report to take place prior to the automatic prefilling of the AEF since they consider the initial report to

underpin the quality of subsequent reporting under Article 6, paragraph 2, and see value in verifying the consistency of the cooperative approach with the Article 6.2 guidance and issues such as assessing NDC contributions, and in ensuring that potential risks to participation, such as overselling, have been mitigated. This is necessary to ensure that the institutional arrangements and systems being developed adhere to the Article 6.2 guidance.

84. In response, other participants raised concerns about the implications of potentially delaying reporting as a result of the suggested sequencing, including for the review process in general and specifically when the initial report is submitted together with the BTR.

85. Concerns were also raised about the objective of such sequencing, considering that the Article 6 technical expert review will be undertaken without delay, and questioned if additional assurance of compliance with the Article 6.2 guidance is sought through the sequencing with regard to the participation requirements or the information in relation to each cooperative approach, or both, noting that further cooperative approaches could be reported after submission of the initial report.

86. It was underscored that the reporting obligations are already defined in the Article 6.2 guidance and that it is important for Parties to be able to reconcile them with the proposed sequencing arrangements without this resulting in the breach of existing reporting requirements. While the proposed sequencing responds to a desire for increased oversight, fact-checking and quality assurance, it is important to assess the sequencing and its potential implications in the light of the existing reporting requirements before conclusions can be drawn on the best way forward.

2. Process-related considerations²⁴

(a) Provisions relevant to sequencing

87. According to paragraph 18 of the Article 6.2 guidance, the initial report can be submitted:

(a) As a stand-alone document no later than authorization of ITMOs from a cooperative approach (i.e. any time before such authorization but no earlier than authorization of the cooperative approach);

(b) Where practical (in the view of the participating Party) in conjunction with the next BTR.

88. The submission of the initial report, which is the first reporting requirement listed in the Article 6.2 guidance, marks the start of the Article 6.2 reporting cycle, during which Parties are also required to submit an AEF on an annual basis.

89. The initial report will be scheduled for Article 6 technical expert review as per the guidelines for that review, which state that the secretariat shall commence preparation of the review process immediately following the submission of information (such as the initial report). The outcome of the review, including any recommendations, will be shared with the Party under review and forwarded for Article 13 technical expert review.

90. The timeline for the Article 6 technical expert review ensures its completion and the publication of the report thereon as early as possible and prior to the Article 13 technical expert review week.²⁵ Furthermore, the review of the initial report shall be completed in advance of the review of any other information submitted by the Party under review.²⁶ This could be interpreted to mean that, if an initial report is submitted with a BTR, the initial report and annex 4 to the BTR could be reviewed simultaneously but the review of the initial report has to be completed before the review of any Article 6 information submitted with the BTR.

91. In this context, questions arise regarding:

²⁴ Owing to the ongoing work of the CMA in the area of authorization, certain assumptions in this section may not be confirmed (e.g. that the authorization of a cooperative approach is the first authorization that a Party issues with respect to its participation).

²⁵ As per decision 18/CMA.1, annex, para. 162.

²⁶ As per decision 6/CMA.4, annex II, para. 21(i).

(a) What is considered to be a completion of a review;

(b) Whether simultaneous completion of the review of the initial report and any other information reported with the next BTR satisfies the requirement for the review of the initial report to be completed in advance of the completion of the review of any other information submitted by the Party under review (e.g. by the Article 6 technical expert review team issuing a report on the two sets of information on the same date).

92. Clarification of both issues would help to avoid ambiguity in the implementation of the Article 6 technical expert review process.

(b) Possible implications of establishing sequencing

93. Some participants were of the view that the review of the initial report has to be completed before a Party can submit any further information as per the Article 6.2 guidance, including the AEF. This gives rise to the following questions and possible further implications for the review process:

(a) For an initial report submitted with a BTR, what does such sequencing imply (e.g. if the BTR includes annual information as per para. 23 of the Article 6.2 guidance)?

(b) What would be the processes for dealing with any recommendations arising from the review of the initial report?

(i) Initial report submitted as a stand-alone document

94. Considering that the shortest possible timeline for conducting an Article 6 technical expert review is about three and a half months,²⁷ it would be prudent for Parties to ensure submission of the initial report four months before the deadline for submission of annual information in the AEF, which is no later than 15 April of the following year for a given annual information set. This will ensure that the Article 6 technical expert review can be completed before the AEF is due.

95. The question of how to treat any recommendations arising from the review of the initial report and whether any such recommendations have implications for the submission of the AEF is a matter for further consideration, with the following options:

(a) Developing guidance that establishes a process for addressing any recommendations from the review of the initial report before the AEF can be submitted;

(b) If finalization of the Article 6 technical expert review report is considered to be the completion of the Article 6 technical expert review process, clarifying that the AEF can be submitted as soon as the report has been made public;

(c) Taking another approach that may be identified by the SBSTA.

96. A process for addressing any recommendations before submission of the AEF could potentially delay the latter with possible knock-on effects on the inclusion of annual information in the regular information to be reported with the next BTR. Whether all or only certain recommendations should be addressed before submission of the AEF also requires further consideration.

97. If the AEF may be submitted immediately after publication of the Article 6 technical expert review report, the added value of the sequencing appears to be the enhanced transparency vis-à-vis the Article 6 technical expert review outcome for the initial report. How or whether a Party may wish to address any recommendations arising from the review and the impact of the Party not accepting them should also be considered.

(ii) Initial report submitted in conjunction with the next biennial transparency report

98. Regarding a Party choosing to submit the initial report with its next BTR, it should be considered whether the BTR may contain annual information as part of the regular

²⁷ Decision 6/CMA.4, annex II, para. 21.

information and, if so, what any implications would be for the Article 6 technical expert review of the regular information.

99. The following hypothetical scenario may be considered. A Party participates in a cooperative approach by authorizing ITMOs for use towards other international mitigation purposes, whereby first transfer is specified to be the time of use or cancellation and the authorization happens simultaneously. In such case, the Party would have generated the first set of data to be included in the AEF at the time of authorization of the ITMOs for use. For the purpose of the scenario, an authorization of one ITMO for use towards other international mitigation purposes is made on 30 December 2023 for a mitigation outcome achieved in 2022, specifying use or cancellation to be the first transfer.

100. In the scenario outlined above, if the initial report and the BTR are submitted together on 30 May 2024, the BTR would have to include annual information as part of the regular information, giving rise to the following considerations:

(a) What should be the timing for submitting the AEF that includes information on the one ITMO (since the data in the AEF are the basis for the annual information reported with the BTR)?

(b) How should the annual information as per paragraph 23 of the Article 6.2 guidance be treated in the absence of the AEF, if such situation may arise?

3. Other process-related considerations

101. Linked to the topic of sequencing is the question of whether the AEF may include information on ITMOs from any further cooperative approach(es) before the updated initial report for such further cooperative approach(es) has been submitted. Considering that the updated initial report is included in the BTR, it is worth considering whether a participating Party can include data on ITMOs from a further cooperative approach in the AEF before it has announced its participation in the cooperative approach through the updated initial report.

102. Another consideration would be whether the review of the updated initial report should be completed before a participating Party is permitted to include in its AEF data on ITMOs from the cooperative approaches reported in the updated initial report.

103. Other considerations relate more broadly to the possible implications of sequencing for the Article 13 technical expert review process and, more specifically, to how recommendations pertaining to regular information arising from the Article 6 technical expert review should be treated if the Article 13 technical expert review of the BTR that includes the regular information has already been completed. In addition, it is important to consider how the Article 13 technical expert review of the structured summary can be finalized if the outcome of the Article 6 technical expert review on annual information included in the regular information is not available at the time of the former.

4. Possible way forward

104. Establishing the sequencing of the submission of the initial report, completion of the Article 6 technical expert review of that report and submission of the AEF appears to require some level of clarification or possibly further guidance. The CMA has already agreed to consider this matter.²⁸

105. Any sequencing that departs from the existing provisions of the Article 6.2 guidance may make the process more complex with potential spill-over effects on the Article 13 technical expert review process. The challenge in this early stage of the Article 6 process relates to the lack of accumulation of experience and best practices in general, and to the conduct of Article 6 technical expert review in particular, but the process for the initial report must be defined early on as it sets in motion the Article 6, paragraph 2, reporting and review cycle for the full NDC implementation period.

106. SBSTA 58 will consider this matter and Parties may hopefully also clarify their expectations for an outcome in relation to decision 6/CMA.4, paragraph 17(a). Any progress

²⁸ See decision 6/CMA.4, para. 17(a).

at SBSTA 58 will inform if and what intersessional work may be needed prior to SBSTA 59. For example, inputs through Party submissions and the preparation by the secretariat of a technical paper on the matter on the basis of the submissions and progress at SBSTA 58 may be considered during the intersessional period, with the Article 13 technical expert review process to be taken into account.

IV. Capacity-building needs

A. General considerations

107. Several participants acknowledged that many developing country Parties are not yet ready to prepare the initial report. They highlighted the importance of capacity-building and sharing experience for overcoming common challenges in preparing the initial report, such as:

(a) General readiness-related challenges, including lack of clarity of specific requirements and the roles and responsibilities under the governance arrangements for cooperative approaches and difficulties understanding the authorization process;

(b) Country-specific challenges, such as lack of institutional arrangements, legal frameworks and infrastructure availability, as well as challenges associated with coordinating with the institutions responsible for the enhanced transparency framework for obtaining the necessary information related to tracking, accounting and reporting of ITMOs.

108. Participants discussed that providing support for designing reporting processes and institutional arrangements and procedures is relevant for the capacity-building programme. Capacity-building workshops could be conducted to assist Parties in understanding what is required for reporting, including what legal, policy and regulatory architecture could support it.

109. Furthermore, capacity-building workshops could help Parties to:

(a) Work through the necessary national processes and understand how to map stakeholders, identify responsible government actors and source required information from them;

(b) Determine the level of coordination needed between responsible agencies and partnering Parties and understand what framework is needed for coordination;

(c) Exchange knowledge and experience relating to the preparation of the initial report.

110. In addition, participants expressed views on the nature of the capacity-building workshops, indicating the need to tailor them according to country-specific challenges and existing governance arrangements in order to provide country- and region-specific support, noting that a ‘one size fits all’ approach is not suitable and complex processing systems may not be useful for some Parties.

111. One participant suggested that Parties should coordinate with existing regional bodies and institutions for capacity-building that have a thorough understanding of institutional arrangements and the approach to coordination, and that such regional bodies and institutions could be usefully involved in the capacity-building programme.

112. It was also suggested to use existing partnerships and initiatives such as the Article 6 implementation partnership to boost the capacity-building programme. Overall, the need for mainstreaming capacity-building initiatives in the implementation of cooperative approaches in order to strengthen institutional arrangements and support ambition was underscored.

113. Some participants suggested that Parties requesting capacity-building support should map their needs, including in relation to national GHG inventories and NDCs, to existing capacity-building initiatives with Article 6 components, thus avoiding duplication of capacity-building efforts.

114. Participants discussed that building capacity in many developing countries could take several years and should be done in two phases, with phase one about readiness and phase two involving implementation and demonstration of national policies and strategies that may also include piloting activities.

115. Many participants highlighted the need to provide adequate financial support for capacity-building and technical assistance to help Parties to develop and implement cooperative approaches that align with their NDCs and contribute to their overall climate goals.

B. Specific capacity-building interventions

116. In the context of capacity-building, participants discussed possible bottlenecks in the preparation of initial reports and the need for capacity-building for developing international transparency arrangements, specifically for establishing a national GHG inventory. The relevance of GHG inventory systems to Article 6 was underscored.

117. It was also underscored that capacity-building should focus not only on information and awareness but also on specific measures and support, particularly for developing country Parties, for implementing the NDC and setting up a national GHG inventory system. The GHG inventory, including the challenge of reconciling and presenting updated information therein that is relevant to the NDC implementation period, is a particular concern for many developing country Parties.

118. It was noted that Parties would benefit from capacity-building for assessing how cooperation contributes towards NDC and LT-LEDS implementation, particularly in the context of engagement in several potentially overlapping cooperative approaches. Parties need a clear understanding of how engagement in multiple cooperative approaches across many sectors of the economy aligns in order to assess the implications for corresponding adjustments and manage the risks of individual activities for which crediting may be sought under more than one approach.

119. The choice of method for applying corresponding adjustments has links to many aspects of the Article 6.2 guidance and has significant reporting implications. It is a technical area that requires comprehensive technical assistance and capacity-building interventions to ensure that Parties with limited capacity can make an informed choice of method and apply that method consistently over the NDC implementation period.

120. Participants discussed enhancing capacity-building by providing direct support to developing country Parties on other aspects of the institutional arrangements for Article 6 with an emphasis on the national monitoring, reporting and verification system, project approval and authorization cycle, NDC-related matters and broader domestic mitigation strategies, economic price setting and achieving net zero emissions.

C. Tools for supporting preparation of the initial report

121. Many participants stated that preparing the initial report should involve a high level of coordination between participating Parties. In this regard, they acknowledged the usefulness of the list of suggested illustrative elements of information and discussed their application.

122. On the one hand, it was recommended that the illustrative elements of information not be too prescriptive, while on the other some participants mentioned the need to elaborate them in detail to provide Parties with comprehensive information on how to engage in Article 6 activities and meet the relevant reporting obligations.

123. One participant recalled that the illustrative elements of information will be used as a basis for the secretariat to prepare the initial report manual. It was suggested, and widely supported, that the secretariat should include in the manual case studies of best practice examples. It was also suggested that the manual not overcomplicate or introduce any

obligations beyond the requirements of the Article 6.2 guidance and be respectful of national prerogatives in meeting reporting obligations.

124. One participant suggested that the illustrative elements of information should provide clarity and promote consistency with regard to reporting on programmes such as CORSIA, any voluntary market programme or any cooperative approach.

125. Many participants discussed that further elaboration of the illustrative elements of information is needed related to uniformity, consistency and comparability, specifically for Parties that may be both a host and a user of the ITMOs under a cooperative approach. The need to separate the reporting elements for such scenarios was identified by one participant.

126. With regard to the manual, one participant mentioned that it should be prepared in consultation with Parties in order to provide country-specific, robust and streamlined best practice examples and arrangements for reporting, and to facilitate alignment with the principles of transparency, accuracy, completeness, consistency and comparability.

127. Participants agreed that the following elements of the initial report are particularly challenging to report on and would benefit from elaboration of guidance in the manual:

- (a) Arrangements in place for authorizing use of ITMOs;
- (b) Arrangements in place that are consistent with the guidance for tracking ITMOs;
- (c) How participation in cooperation contributes to the implementation of the Party's NDC and LT-LEDS.

128. Furthermore, the role of the manual in assisting Parties in meeting their obligations for reporting on a cooperative approach was emphasized (e.g. reporting on its duration, expected mitigation outcome and environmental integrity, including conservative reference levels, and how it addresses social and environmental impacts).

129. It was stated that the manual should be developed as a tool for practitioners that includes:

- (a) Suggestions on how to gather all required information, including practical tips on how a Party can manage attachments and weblinks with information and in which format to present different kinds of quantified information;
- (b) Examples of the depth and detail of the information to be included in the initial report and how to balance this with references to external sources (of information not included in the initial report);
- (c) Ways to demonstrate and enhance the relevance of the information provided over time;
- (d) Definitions or simple explanations of concepts, particularly those that may have implications for accounting and reporting, like authorization or the most recent national inventory report;
- (e) Hypothetical case studies and examples;
- (f) Protocols and guidelines enabling activity developers to comply with the principles of transparency, accuracy, completeness, consistency and comparability and align activities with NDCs, LT-LEDS and the goals of the Paris Agreement.

130. Participants discussed the need to maintain the relevance of and update the manual over time on the basis of lessons learned and the outcomes of the Article 6 technical expert review. It was suggested to complement the manual with online resources, like answers to frequently asked questions provided by the secretariat.

131. Some participants suggested having a platform for exchanging views on and sharing experience of difficulties in preparing the initial report, noting that Parties may need to adjust their reporting over time on the basis of experience and feedback from Parties and that cases studies and examples will help Parties to understand how others are reporting.

132. One participant suggested using digital infrastructure such as well-functioning monitoring, reporting and verification systems to support the preparation of the initial report, and highlighted that developing such systems will require significant coordination between different agencies or levels of government and between the host Party and participating Parties to ensure alignment of reporting.

133. Some participants suggested that the centralized accounting and reporting platform to be developed by the secretariat²⁹ should help to consolidate the data from the initial reports and provide Parties with tools for understanding their emission profile and how mitigation outcomes can support enhanced ambition and complement existing policies. Such tools would promote comparability among the reports, helping Parties to learn from each other. It was highlighted that approaches to consolidating data would support assessment of the impact of cooperative approaches over the course of NDC implementation.

²⁹ As per decision 6/CMA.4, para. 25.