

Article 6 capacity building workshop:

JCM implementation in line with Article 6.2 including necessary arrangements

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Outline

1. Necessary arrangements under the JCM in the context of Article 6.2 implementation
 - Authorization of JCM credits
 - Corresponding adjustments
 - Registry
 - Reporting

2. IGES activities on Article 6.2 reporting
 - Mutual Learning Program for Enhanced Transparency
 - Asian Transparency Workshop

Disclaimer

This PowerPoint (PPT) is developed based on the author's understanding of the draft guidance of Article 6 paragraph 2 of the Paris Agreement (Article 6.2)*, based on the Mutual Learning Program for Enhanced Transparency using the JCM as an example. It does not represent the ideas of the Ministry of the Environment, Japan (MOEJ).

We expect discussions using this PPT will facilitate better understanding of the possible reporting under Article 6.

* DRAFT TEXT on Matters relating to Article 6 of the Paris Agreement: Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement Version 3 of 15 December 00:50 hrs. https://unfccc.int/sites/default/files/resource/DT.CMA2_i11a.v3_0.pdf

Participating in Article 6.2 mechanisms

Requirements to participate*:

- A party to the Paris Agreement
- Has prepared, communicated and maintaining NDC
- Has arrangements in place for authorizing and tracking the use of Internationally transferred mitigation outcomes (ITMOs) towards NDCs
- Has provided the most recent national inventory report

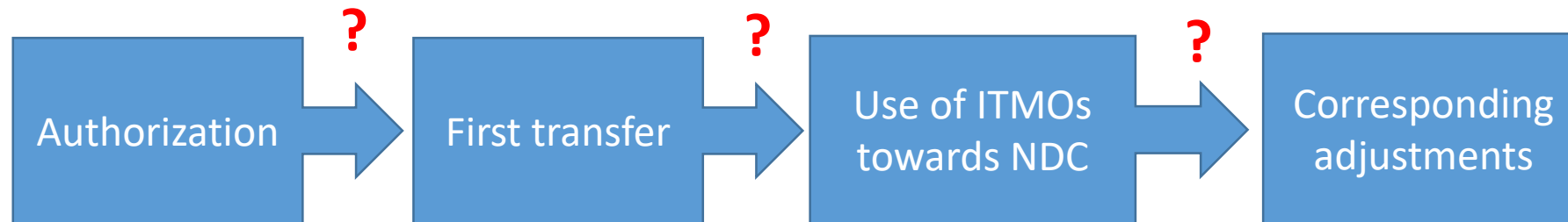
Participating Parties have to do the following action under Article 6.2*:

- Application of Corresponding Adjustment (CAs)
- Development of registry system for ITMOs recording and tracking
- Reporting ITMOs (Initial Report, Annual Information and Regular information as a part of Biennial Transparency Report)
- The review by Article 6 technical experts on information provided by parties

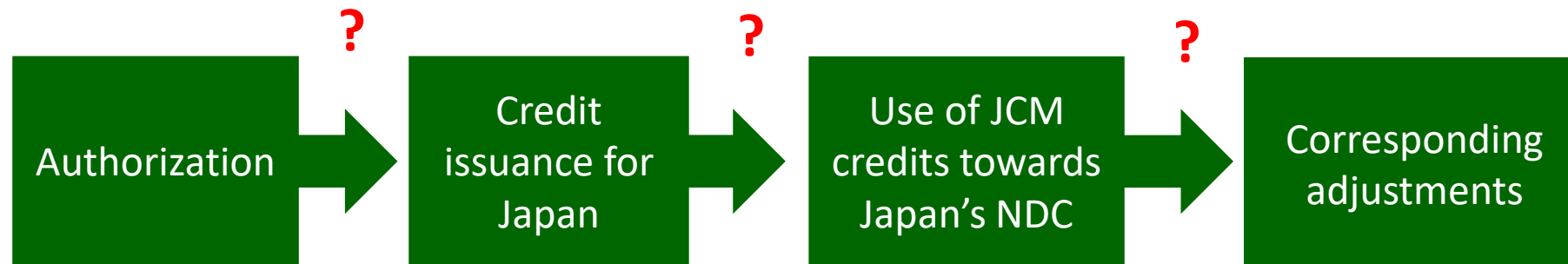
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JCM process in the context of Article 6 (simple)

Article 6

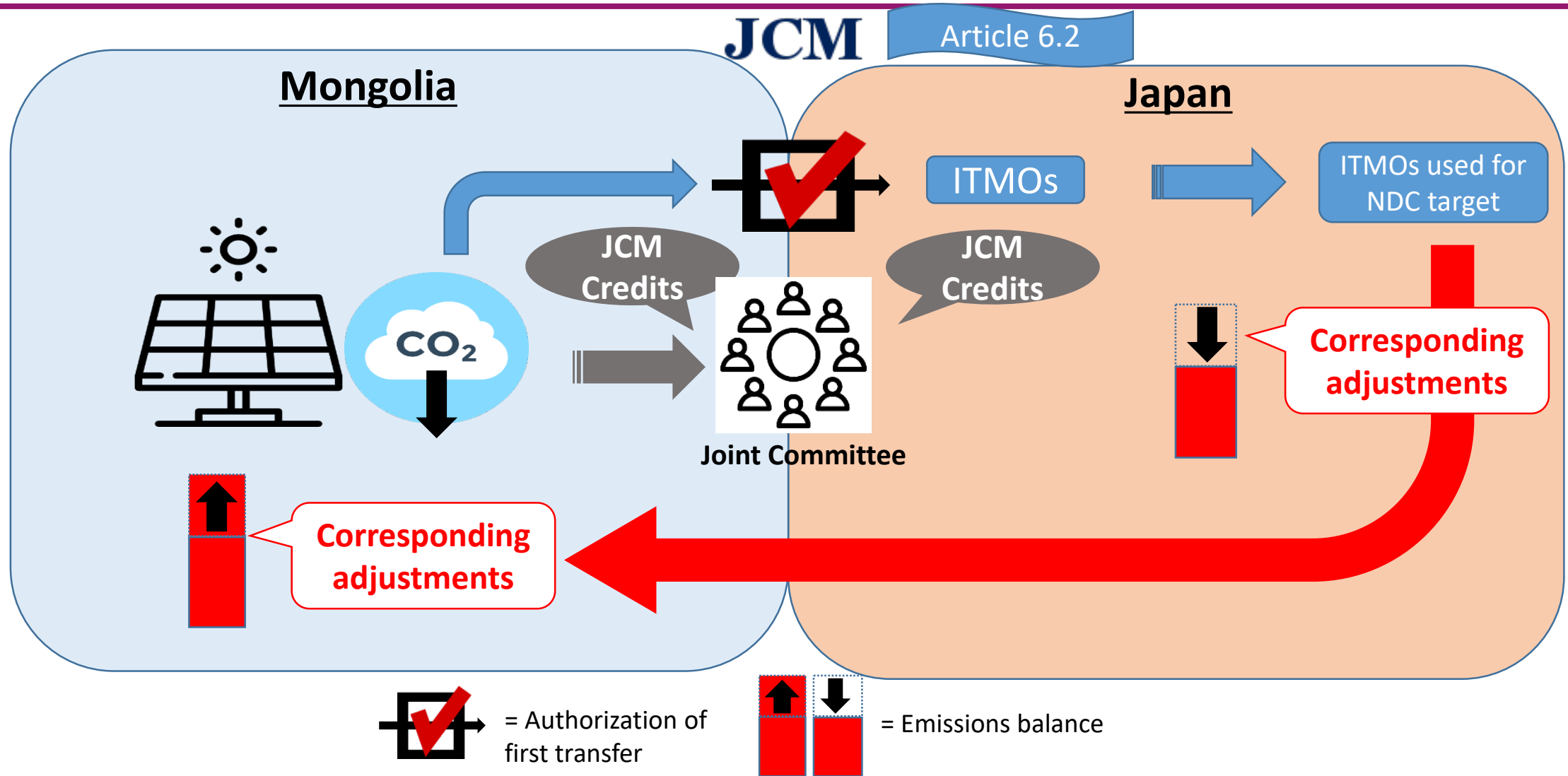


Ex. JCM



Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.

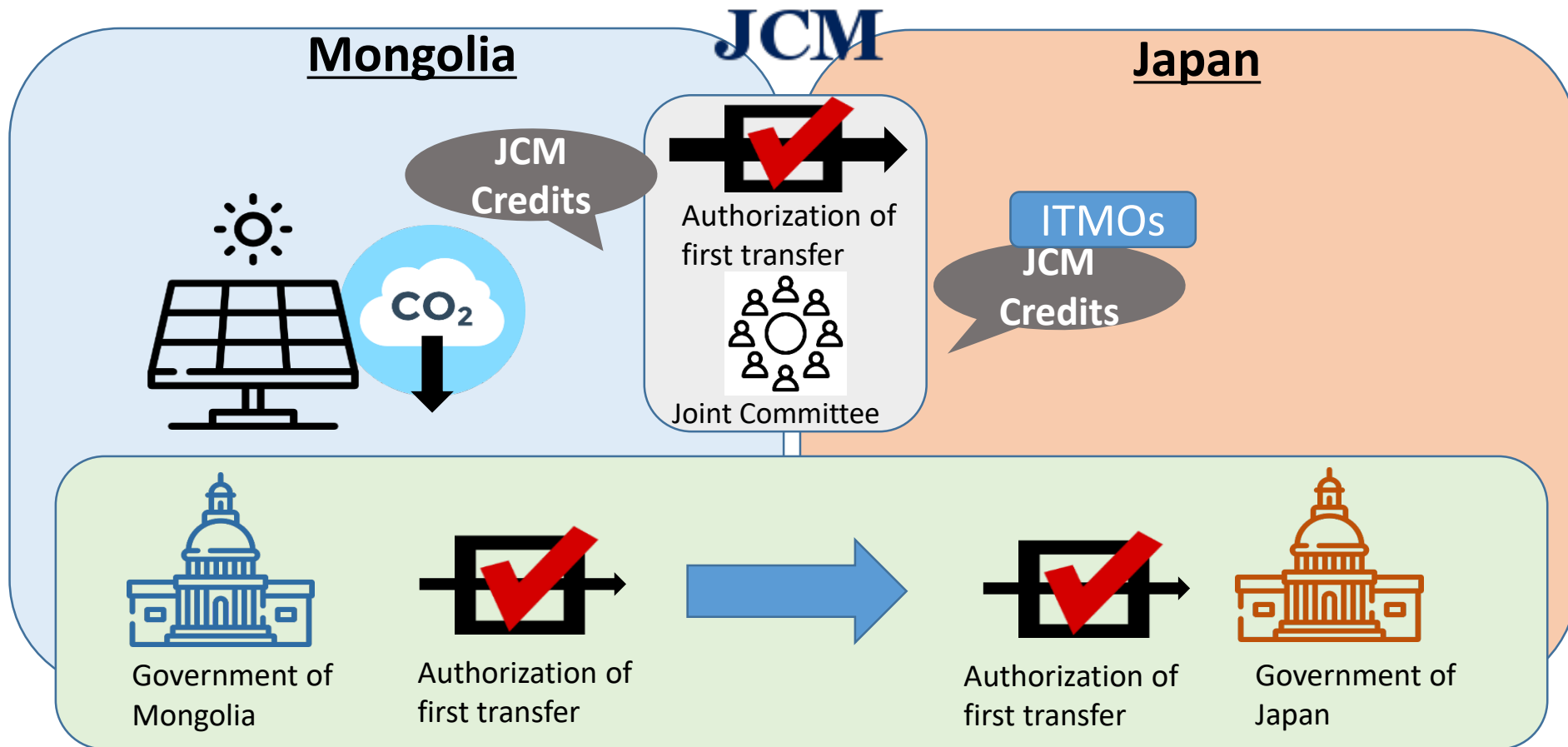
JCM process in the context of Article 6 (more detailed)



Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.

Possible options: governance of authorization

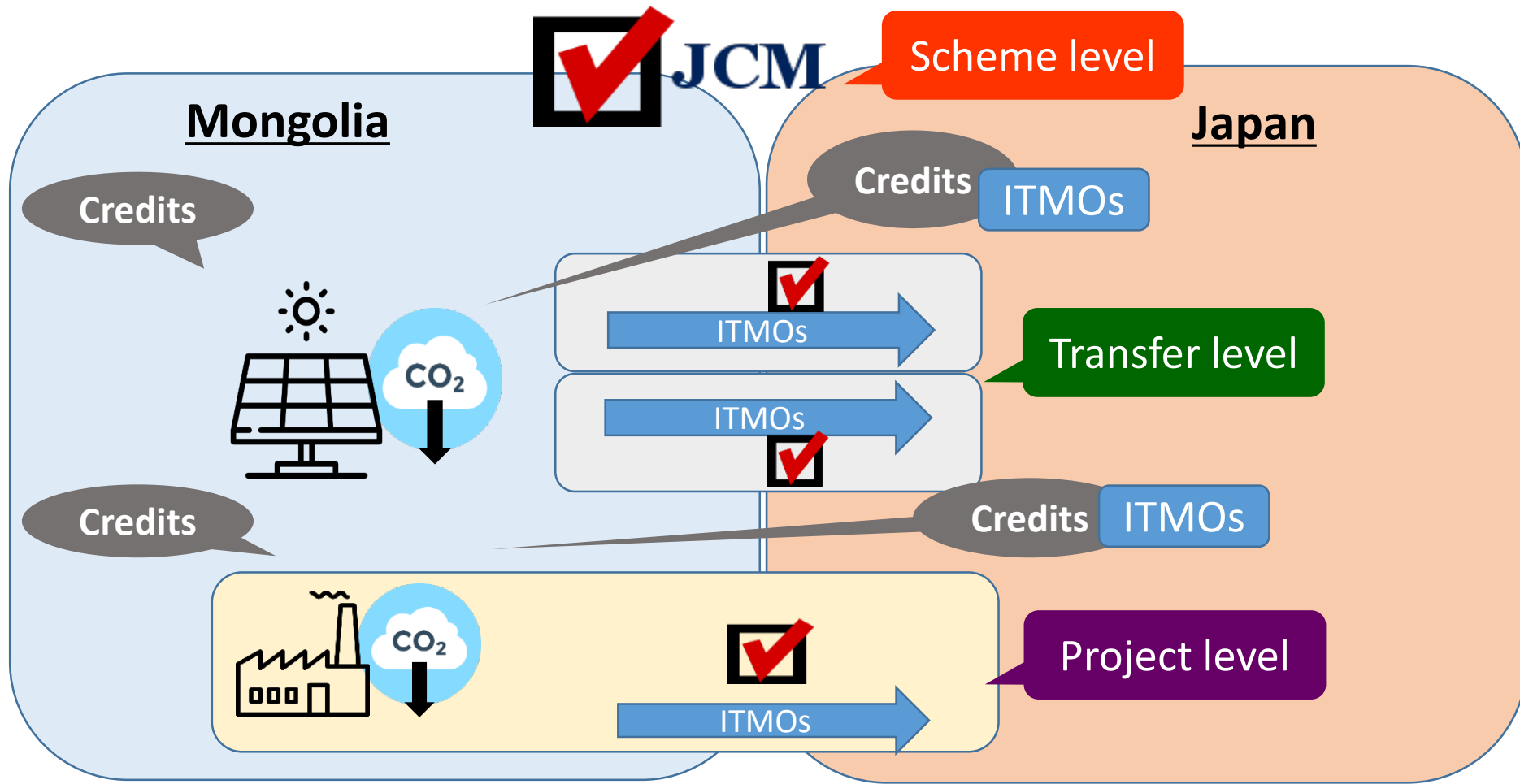
- Bilaterally by JCM Joint committee
- Unilaterally by each government



Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.

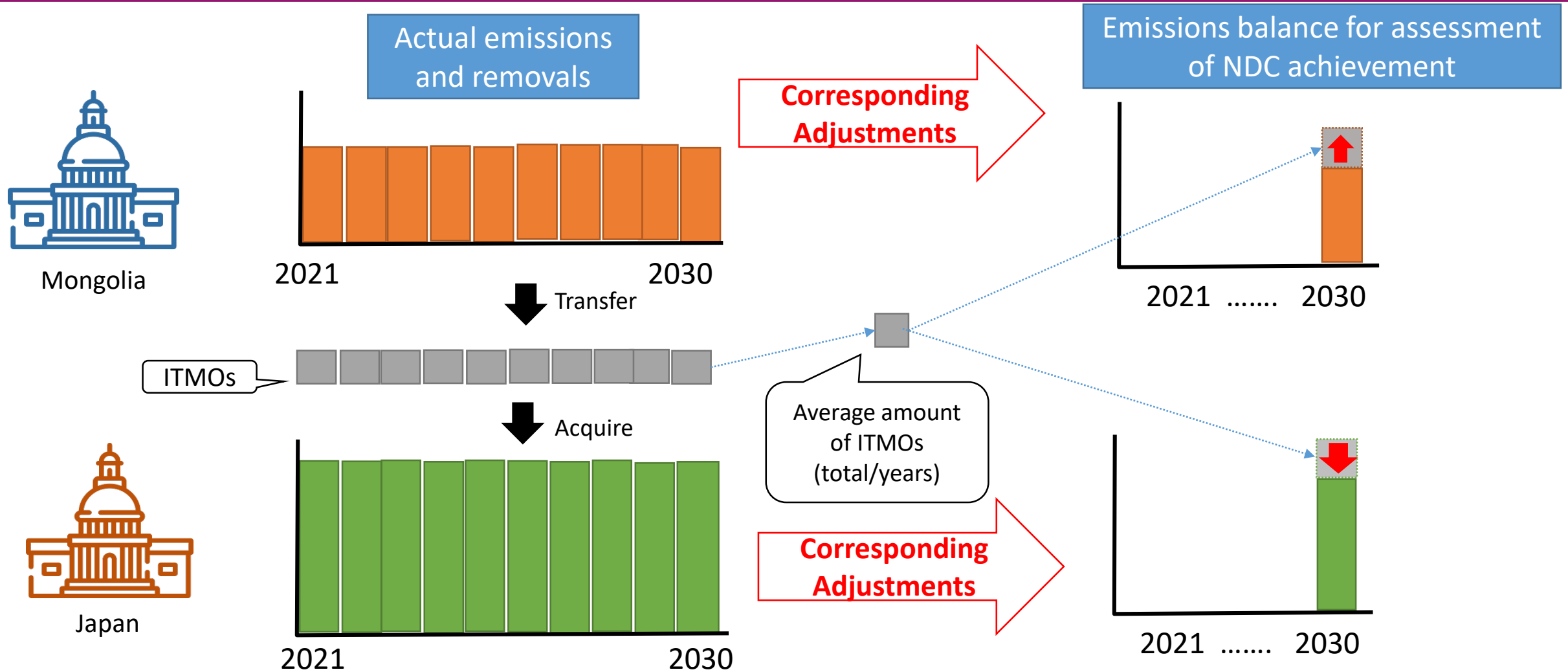
Possible options: levels of authorization

- Levels of authorization: Scheme level, Project level, Transfer level



Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.

Corresponding adjustments require Transferring party to add the quantity of ITMOs to its emissions balance, while Acquiring party subtracts the same quantity

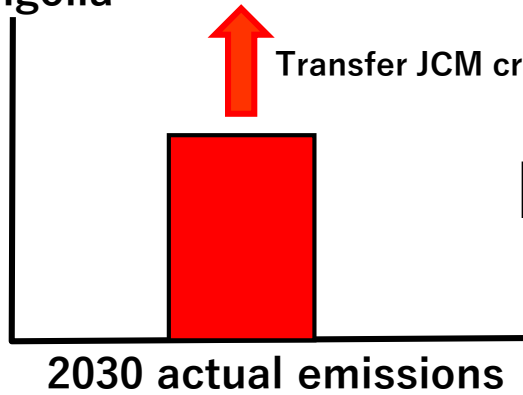


Assumption:

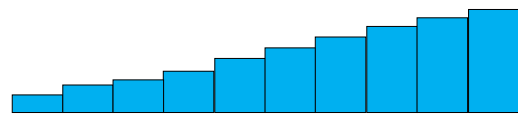
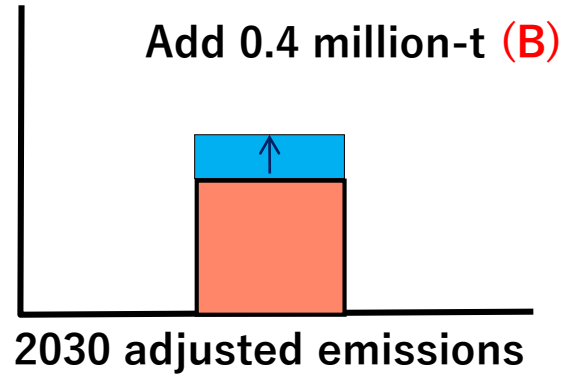
Both Parties have single year NDC target in 2030 with implementation period between 2021-2030 and use average method for CA.

Corresponding Adjustments (CAs): JCM as an example

Mongolia



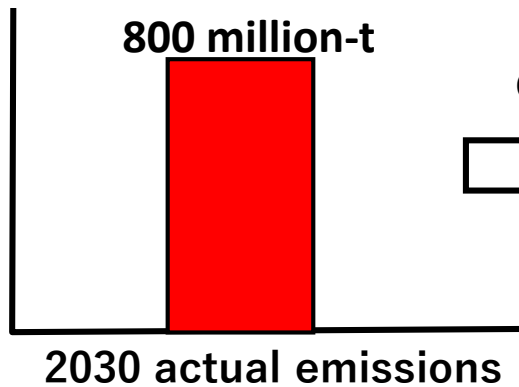
CAs



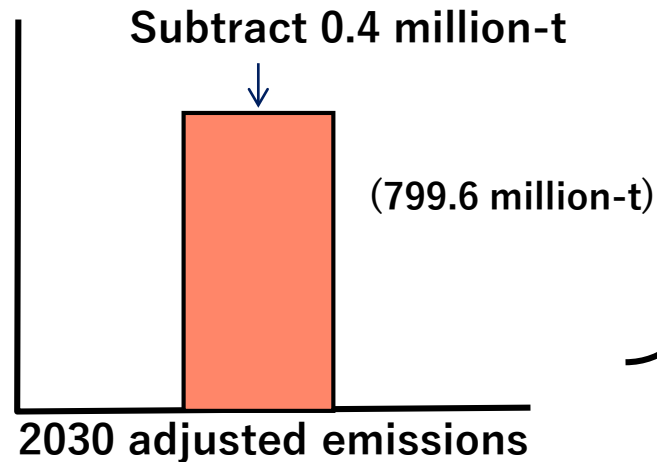
JCM credits in 2020-2030 (4 million-t) (A)
= CAs: 4 million-t/10 years



Japan



CAs



CAs under Article 6.2:

Average method is used for CAs

NDC implementation period: 10 years

- Calculate cumulative acquired amount of 1st transferred ITMOs which will be used for NDC achievement during NDC implementation period (A)
- Divide (A) by 10 years and Calculate average acquired amount of ITMOs during NDC implementation period
- Add emissions (B) to host party's emissions (corresponding adjustments)

Recording and tracking of information on ITMOs through registry system are required

- ✓ JCM registry
- ✓ National registry
- ✓ “International registry” by UNFCCC*

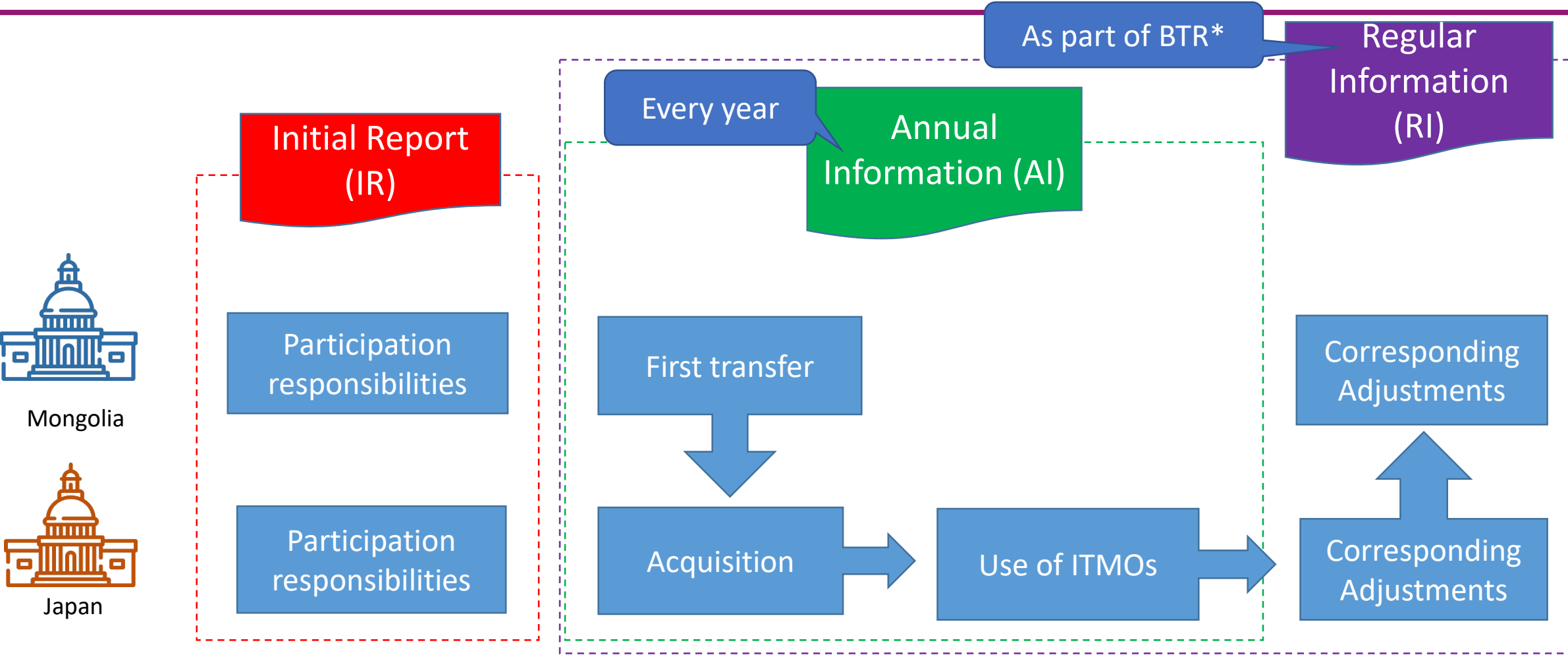
Registry							
Unique identifier	Authorization	First transfer	Transfer	Acquisition	Cancellation	Use towards NDCs	...
1							
2							
3							
...							



Reporting

**Draft Text. Para 30. The secretariat shall implement an international registry for participating Parties that do not have a registry or have access to a registry...*
https://unfccc.int/sites/default/files/resource/DT.CMA2_i11a.v3_0.pdf

Parties need to submit 3 types of reporting under Article 6



*BTR: Biennial Transparency Report

Initial report: - No later than initial authorization or first transfer (i.e. 2022-2023?); - In conjunction with next due BTR (i.e. 2024)

Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.

Possible reporting schedule (general)

Submission year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
IR	?	✓	?								
AI				✓	✓	✓	✓	✓	✓	✓	✓
RI			?		✓		✓		✓		✓
			BTR1		BTR2		BTR3		BTR4		BTR5

IR: Initial report
 AI: Annual information
 RI: Regular information

Assumptions:

- Initial first transfer is made in 2023.
- When submission year is X, information on ITMOs from X-2 years are reported in AI and RI.
- The first BTR is submitted in 2024. Information on ITMOs can be included only from the second BTR.
- The fifth BTR is used for assessing the achievement of its NDC.

Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example

Summary

1. Necessary arrangements under the JCM in the context of Article 6.2 implementation
 - Domestic arrangements for authorization of JCM credits
 - Application of corresponding adjustments
 - Developing a national registry system (JCM registry system)
 - Preparing 3 types of reporting
2. Further consideration on existing JCM implementation may be necessary
 - Environmental integrity by conservative baseline
 - Promotion of sustainable development
3. JCM partner countries will need to fulfill participation responsibilities to cooperative approaches
 - e.g., the most recent national inventory report required in accordance with decision 18/CMA.1*

* 18/CMA.1, MPGs https://unfccc.int/sites/default/files/resource/cma2018_3_add2_new_advance.pdf

Mutual Learning program in FY 2021



- Draft reporting of the JCM in accordance with the reporting requirements (e.g. Initial report, Annual information, and Regular information) based on the latest draft text on 6.2*
- Publication based on last year's MLP with Thailand:
<https://www.iges.or.jp/en/pub/understanding-article62-reporting-jcm/en>

Mutual Learning Program for Enhanced Transparency
Drafting exercise on reporting under Article 6.2

Drafting Exercise on potential elements which may be included in Article 6.2 reporting

I. Thailand's Article 6, paragraph 2 initial report

A. Fulfillment of participation responsibilities

1. Implementation of the Paris Agreement¹

Thailand ratified the Paris Agreement on 21 September 2016. [Pursuant to Decision 1/CP.21 and taking into consideration Decision 4/CMA.L, Thailand communicated the updated nationally determined contribution on XX which was recorded and is being maintained in the (interim) NDC Registry.] Thailand provided the most updated national greenhouse gas inventory with the latest reporting year of [2016] in the third biennial update report submitted on XX December 2020.]

2. Arrangements for authorizing the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3 of the Paris Agreement

Engagement in a cooperative approach referred to in Article 6, paragraph 2, of the Paris Agreement is subject to the national procedure and arrangement for considering and approving international cooperation as per relevant laws and regulations. Authorization of the use of ITMOs generated from the approved cooperative approach towards NDCs of participating Parties pursuant to Article 6, paragraph 3 of the Paris Agreement is provided in accordance with the cooperative instrument, rules and procedures governing each cooperative approach.

2.1 Joint Crediting Mechanism (JCM) between Thailand and Japan

The Cabinet approved the bilateral cooperation on the Joint Crediting Mechanism (JCM) between Thailand and Japan on 13 October 2015 which came into effect on 19 November 2015. Both sides established the Joint Committee to operate the JCM. In accordance with the Rules of Implementation for the JCM, the Joint Committee decides and notifies each side of the allocation of the JCM credits determined by the project participants based on their contributions to GHG emission reductions or removals through the JCM project.

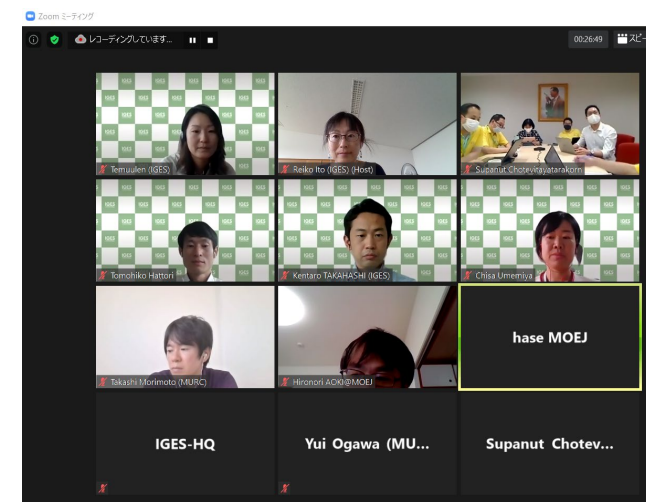
2.2 Any other cooperative approaches

3. Arrangements for tracking ITMOs

For the purpose of tracking emission reductions and removals from authorized programs and cooperative approaches, the Thailand Carbon Credit Registry assigns unique serial identifiers and records transactions including transfers, acquisitions, cancellations and uses of generated emission units.

¹ This sub-section refers to participation responsibilities in paragraph 4 (a), (b) and (c) of the draft guidance.

Disclaimer: This document and "Information provided" herein does not have any of legal status and shall be used solely for the purposes of technical exchange and exercise between IGES and IGES as part of the Mutual Learning Program on Enhanced Transparency Framework (July – December, 2020).



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Thank you for your attention.

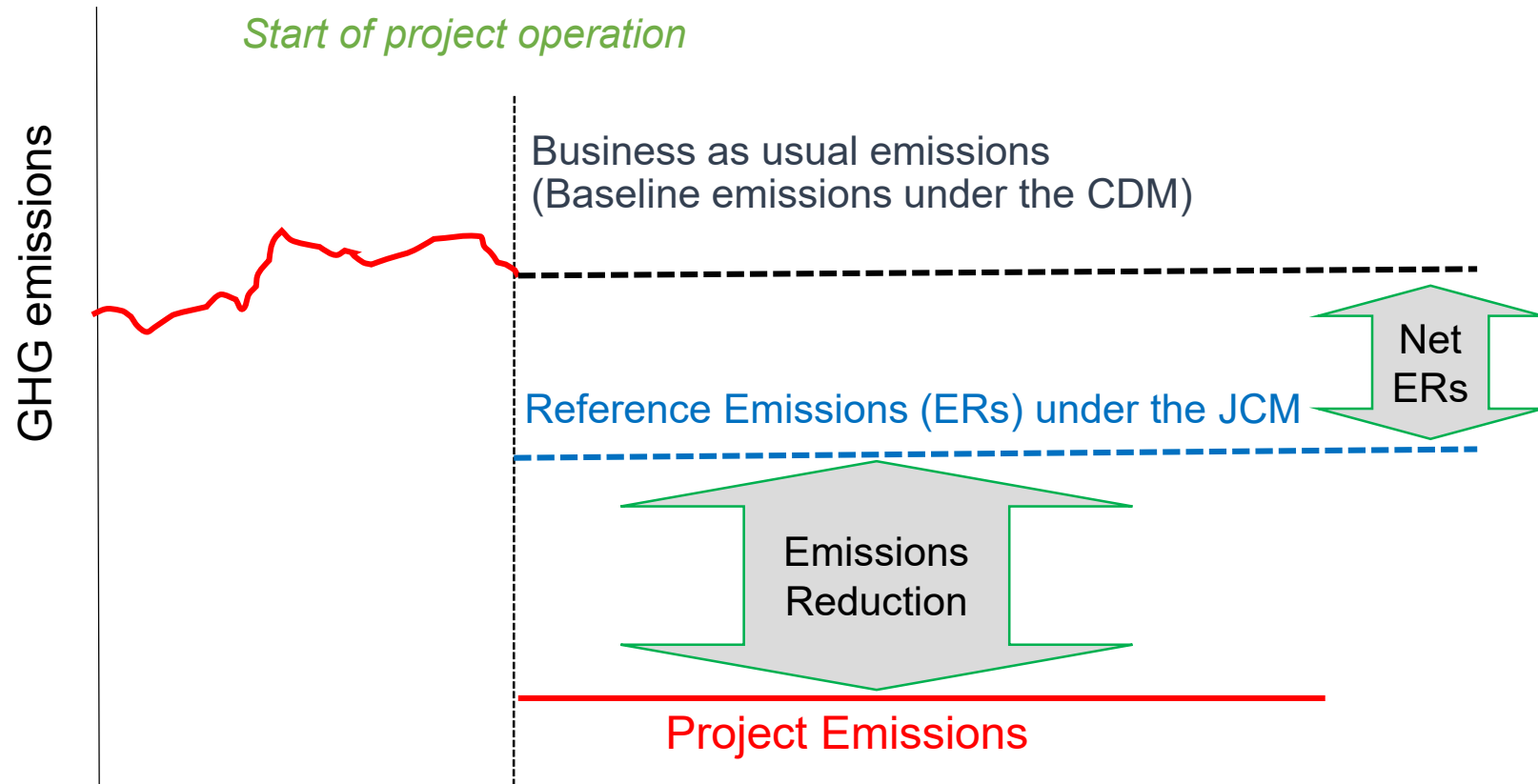
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Annex

Ensuring environmental integrity by using conservative baseline in JCM*



*JCM Methodology Guidebook, <https://www.iges.or.jp/en/pub/jcm-methodology-guidebook/en>

Terminology*

Terminology	Hypothetical definition in this presentation
First transfer	Transfer of mitigation outcomes from JCM projects in host countries to Japan (i.e. credit issuance at Japanese side)
Internationally transferred mitigation outcome (ITMO)	JCM credits issued for Japanese side
Corresponding Adjustments (CA)	Adjustment of each country's emissions and removals by: <ul style="list-style-type: none">• adding the quantity of ITMOs first transferred (host countries)• subtracting the quantity of ITMOs used (Japan)
Authorization	Requirement for JCM credits to be used towards an NDC or other international mitigation purposes
Vintage year	Year in which mitigation occurred

**Author's understanding based on the discussions from the Mutual Learning for Enhanced Transparency using the JCM as an example.*

Initial Report, Annual Information and Regular Information

Initial report (IR)

- Participation responsibilities
- NDC description (If participating Party has not yet submitted a BTR)
- ITMO metrics and the method for Corresponding Adjustment (CA)
- Party's mitigation information in its NDC in tCO₂ eq (or methodology for quantification of NDC in tCO₂ eq if not possible)
- Description of the approach, the expected mitigation and the participating Parties involved

Annual Information (AI)

- ITMO authorization, First transfer, Transfer, Acquisition, Holdings, Cancellation, Use towards NDCs
- Authorization of ITMOs for use towards other international mitigation purposes (such as CORSIA)
- Voluntary cancellation
- Specifying the cooperative approach
- Other international mitigation purposes
- First transferring participating Party
- Using participating Party
- Year in which the mitigation occurred
- Sector and activity type

Regular information (RI)

- Participation in cooperative approaches (fulfilling participation responsibilities and Information on the authorization etc)
- Information on each cooperative approach which party participates (ensuring environmental integrity, measurement for mitigation outcomes etc.)
- Annual information (Annual and cumulative emissions and removals, Annual and cumulative quantity of ITMOs, Annual emission balance and application of corresponding adjustments etc)

➤ **Outline for those information above may be developed after COP26 and be adopted at the future CMA**

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Reporting items*

Reporting items		IR	AI	RI
1	Fulfilment of participation requirements (e.g. NDC, arrangements for authorization and tracking ITMOs, NIR)	✓		✓
2	NDC information pursuant to para 64 of the annex to 18/CMA. 1, if BTR has not been submitted	✓		
3	ITMO metrics and method for corresponding adjustments (CA)	✓		
4	Mitigation information in NDC in tCO ₂ eq, including sectors, sources, GHGs and time periods covered by NDC; or methodology for the quantification of the NDC in tCO ₂ eq	✓		
5	Description of cooperative approach including expected mitigation and participating Parties	✓		
6	Information on authorization of first transfer and use of ITMOs towards NDCs and other international mitigation purposes (OIMP)			✓
7	How CA are representative of progress towards NDC and ensure participation does not lead to a net increase in emissions			✓
8	How to ensure that ITMOs acquired and used towards NDC or OIMP will not be further transferred, cancelled or used			✓
9	How to contribute to mitigation of GHG emissions and implementation of NDC			✓
10	How to ensure environmental integrity			✓

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Reporting items* (continues)

	Reporting items	IR	AI	RI
11	How to measure mitigation outcomes in accordance with the methodologies and metrics by IPCC			✓
12	Consistency with SD objectives of host Party			✓
13	Annual and cumulative emissions and removals from the sectors and GHGs covered by NDC			✓
14	Annual and cumulative quantity of ITMOs first transferred, used towards NDC and OIMP, specifying cooperative approach, sector, transferring Party, using Party and vintage of ITMOs			✓
15	Annual information on ITMOs (authorization including for OIMP, first transfer, transfer, acquisition, holdings, cancellation, use towards NDCs, voluntary cancellation), specifying as applicable, the cooperative approach, OIMP, first transferring party, using party, vintage year, sector and activity type		✓	
16	Annual emissions balance consistent with application of CA			✓
17	Application of the necessary CA and assessment of achievement of the NDC in BTR that contains the end year of the NDC period			✓

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Asian Transparency Workshop (Online)*

- Date: December 14-15, 2020
- Organizers: MOEJ, GSP-UNEP, UNFCCC RCC, IGES
- Participants: Appx. 40 participants from 10 countries and international experts

Day 1: Roadmap for BTR1	Day 2: Reporting under Article 6
Session 1: Roadmap for BTR1 - understanding basic information around BTR1	Session 3: From guidance to actual reporting – understanding current draft text on reporting guidance on Article 6.2
Session 2: Country experiences – sharing experiences and knowledge on possible solutions to existing challenges toward submissions of BTR1	Session 4: Country experiences – sharing views and experiences on possible options for reporting under Article 6.2

* IGES Asian Transparency workshop, <https://www.iges.or.jp/en/events/20201214>

Day 2. Group discussion on Article 6 reporting at ATW*

Group 1: Timing of submission of initial report	Group 2: Quantity of ITMOs used for corresponding adjustments (e.g. vintage year or first transfer year)	Group 3: Arrangements for authorization
<ul style="list-style-type: none">• Many preferred to submit in conjunction with the BTR1 in 2024 as this would be more efficient and allows more time for preparation including coordination among partner countries.• Submission before in 2022 or 2023 will result in simplified contents.	<ul style="list-style-type: none">• Preferable to apply corresponding adjustments using vintage year to enhance transparency.• It is a technical topic which requires further understanding among participants and more work is required to understand the different implications for achievement of the NDCs.	<ul style="list-style-type: none">• Many mentioned that their countries are in the process of considering about authorization arrangements.• Many agreed that the Joint Committee (JC) with relevant ministries from each government could be efficiently used for authorization arrangements.• Many agreed that project level authorization is in line with existing project approval and registration process.

* IGES Asian Transparency workshop, <https://www.iges.or.jp/en/events/20201214>