

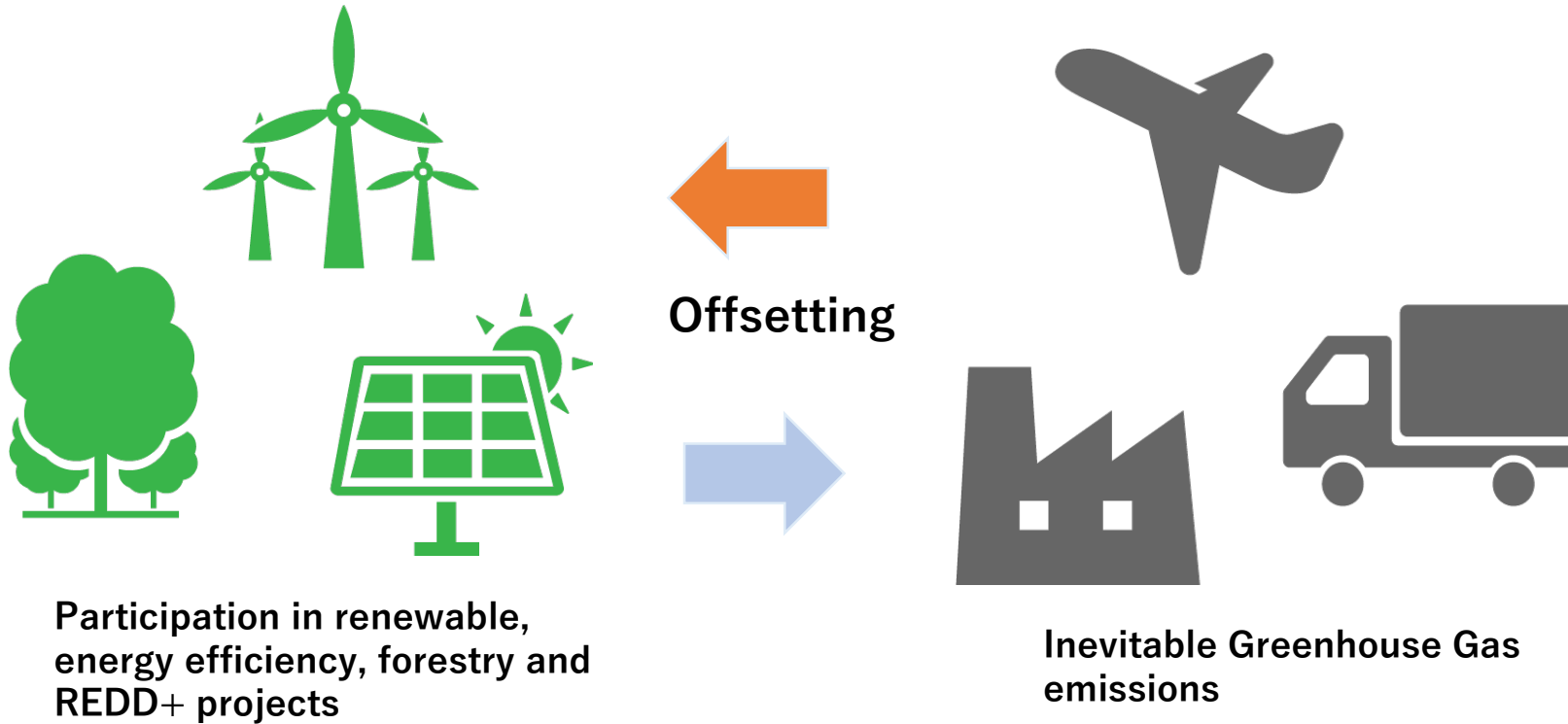
# Current status of international negotiations on Article 6 and update of voluntary carbon market trends

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# Today's topics

1. Carbon Offset and Type of Offset Credits
2. Voluntary Carbon Market
3. Current Status of Article 6 negotiation
4. Moving forward COP26

# What is carbon offset?



## Steps for using offsetting

- 1) Identification of GHG emission from business activity
- 2) Implementation of the measure to reduce GHG emission
- 3) Participation in offset projects (including investment)
- 4) MRV for offset project
- 5) Acquiring offset credit and Offsetting

### 1. International Framework

- Use for achieving the target under Kyoto Protocol by using CDM credit
- Use for achieving NDC by using ITMOs (Credit)

### 2. Domestic regulation and Voluntary action by private sector

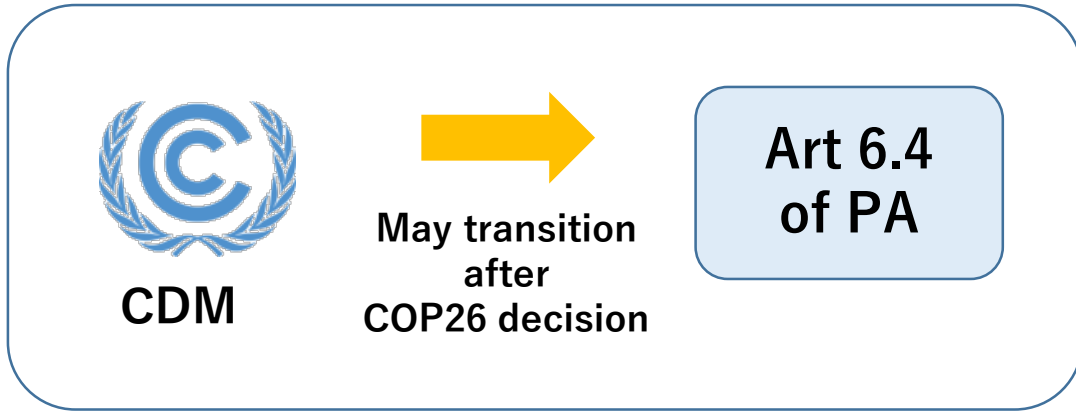
- Use of offset credit under domestic national emission trading system
- Use of offset credit for achieving the target set by company etc

### 3. Example of offsetting

- Offsetting emissions from Tokyo Olympic game
- Carbon offset travel product

# Type of Offset Credits

## UN centralized mechanism



## Article 6.2 of Paris Agreement



## Voluntary Carbon Market



**Taskforce on scaling voluntary carbon market** has been launched by Mark Carney, UN Special Envoy for Climate Action and Finance (Sep 2020)

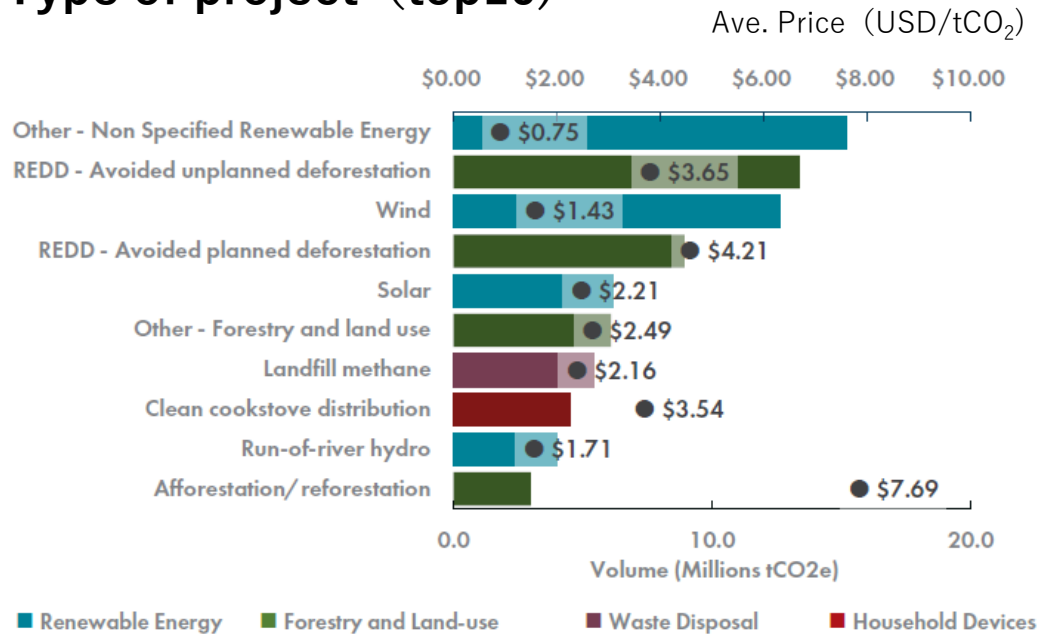
Num of TF members  
**52**

Consultation group  
**145**

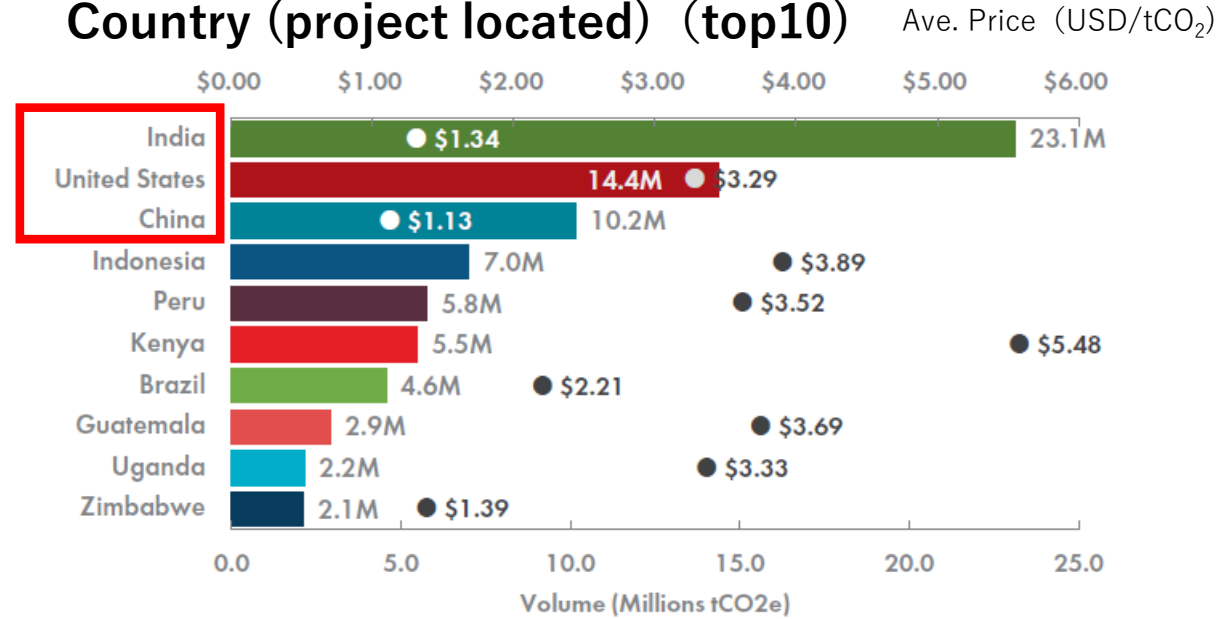


# Voluntary Carbon Market in 2019

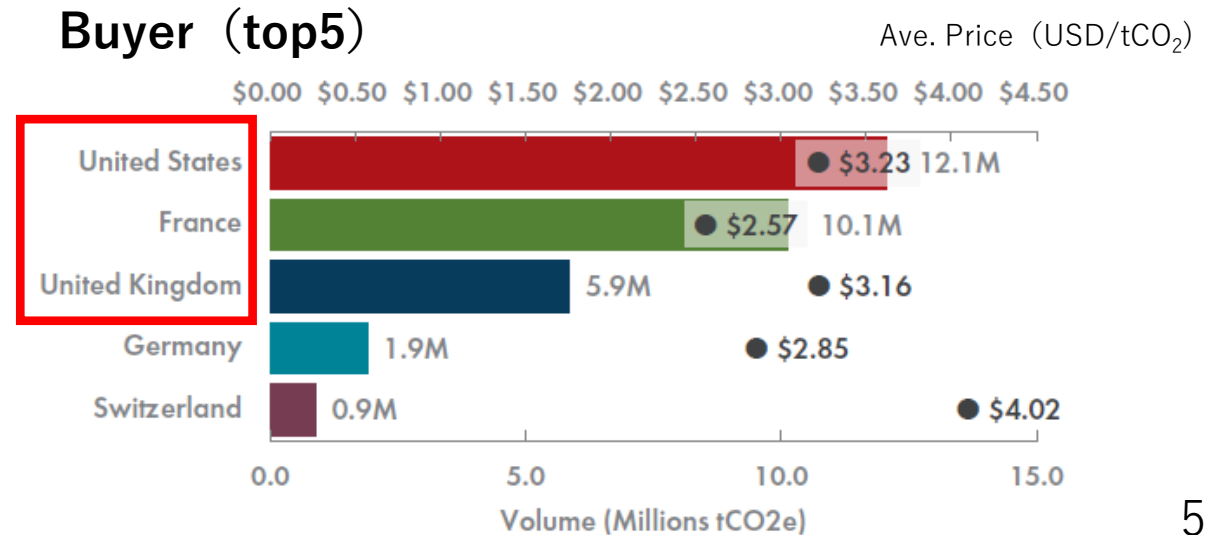
## Type of project (top10)



## Country (project located) (top10)



## Buyer (top5)



- Buyer: US, France and UK
- India, US and China have many projects.
- Many forestry projects have been developed

Source : Ecosystem Market Place

<https://www.ecosystemmarketplace.com/carbon-markets/>

# Current Status of Article 6 negotiation



## Negotiations on 3 mechanisms

- ◆ FVA: Framework for Various Approaches
- ◆ NMM: New Market based Mechanism
- ◆ NMA: Non Market based Approaches

## Negotiation on Article 6 rule book

- ◆ Art6.2: Adopt the guidance (corresponding adjustment and reporting etc)
- ◆ Art6.4: Adopt the rules, modalities and procedures
- ◆ Art6.8: Adopt the work programme on non market approach

## Acceleration of Article 6 pilots

- ◆ Japan : Joint Crediting Mechanism (JCM)
- ◆ Switzerland : KliK foundation
- ◆ Germany : BMU pilot activity
- ◆ Sweden : SEA pilot
- ◆ World Bank : Support by PMI
- ◆ ADB : Article 6 Support Facility
- ◆ West/East Africa Alliance on Carbon Market

# Overall picture of Article 6

## Art6.2

Cooperative Approaches

## Art6.4

Sustainable Development Mechanism

## Art6.8

Non Market Approaches

Credit

Internationally Transferred Mitigation Outcomes (ITMOs)

A6.4ER

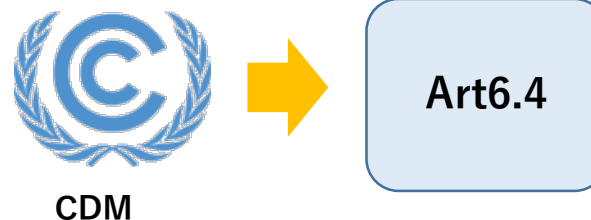
Mitigation, Adaptation, Finance and Capacity Building

Relationship with Private Sector

Art6 pilot and CORSIA

CDM transition and New Mechanisms established

Support by non-market approaches



# What is Article 6.2?

## Article 6, paragraph 2 of the Paris Agreement (Cooperative approaches)

- Internationally Transferred Mitigation Outcomes (ITMOs) will be used for achieving NDC or international mitigation purposes other than achievement of its NDC or for other purposes.

### Participation requirements

- A party to the Paris Agreement
- Has prepared, communicated and is maintain NDC
- Has arrangements in place for authorizing the use of ITMOs towards NDCs
- Has provided the most recent national inventory report

### Participating Parties have to do the following action under Art 6.2

- **Application of Corresponding Adjustment**
- **Reporting ITMOs (Initial Report, Annual Information and Regular information as a part of Biennial Transparency Report)**
- Has the review by Article 6 technical expert on information provided by parties (ITMOs reporting etc)
- Development of registry system for ITMOs recoding and tracking

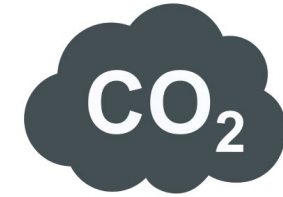
**Bilateral mechanism  
such as the JCM and  
ETS linking etc**

### **Necessary arrangements after COP26 decision**

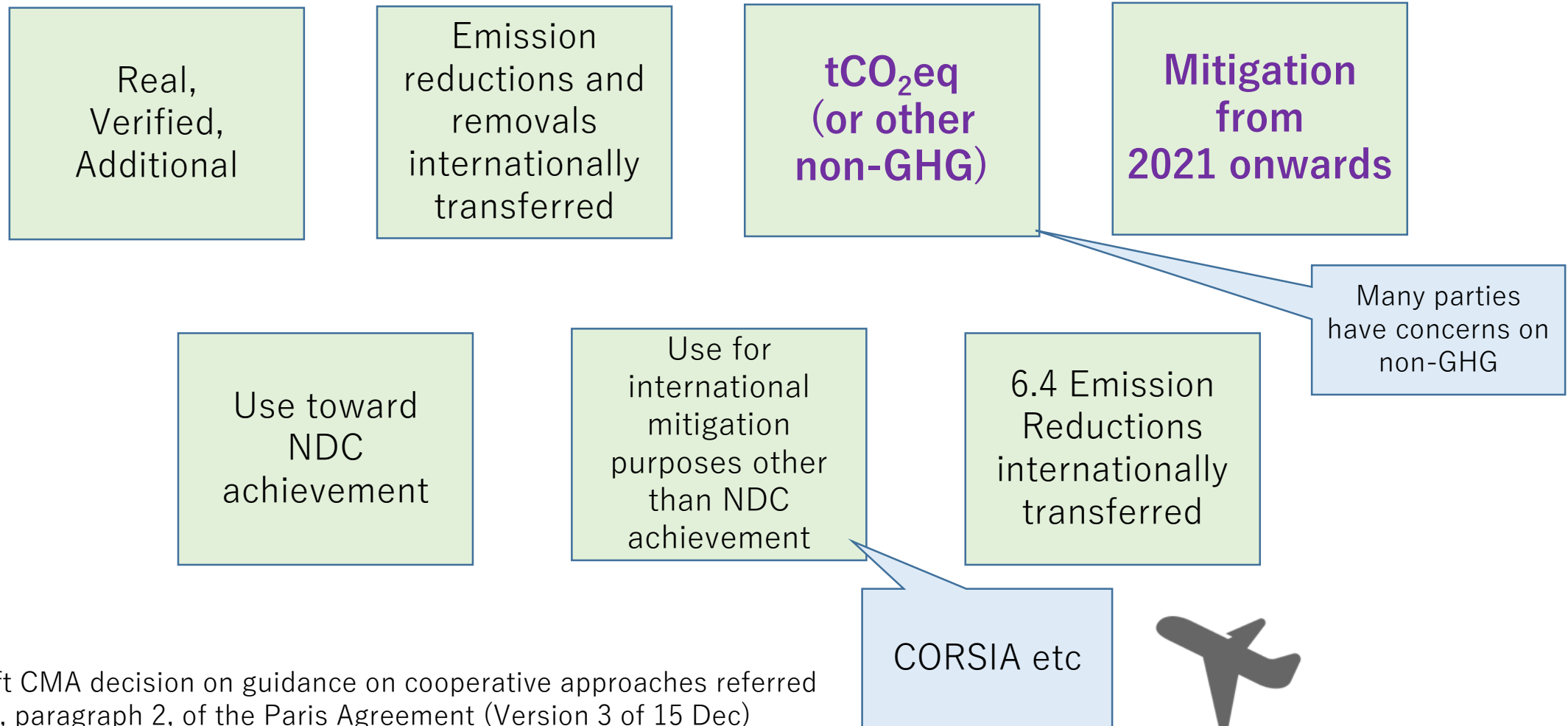
- ◆ Promoting understanding of Corresponding Adjustment
- ◆ Infrastructure for implementation of Article 6 should be developed
- ◆ Capacity building for participating parties



# What is ITMOs?



## ITMOs : Internationally Transferred Mitigation Outcomes



Source : Draft CMA decision on guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (Version 3 of 15 Dec)

# Basic concept of Corresponding Adjustment

**Basic rules for avoidance of double counting is written in** “Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement”

77(d)(ii) An emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for ITMOs first-transferred/transferred and a subtraction for ITMOs used/acquired, consistent with decisions adopted by the CMA on Article 6;

**Corresponding adjustments may be undertaken by effecting:**

**an addition (+) for ITMOs first-transferred and;  
a subtraction (-) for ITMOs used;**

**to the GHG emissions including sinks**

# Informal consultation meeting in 2021

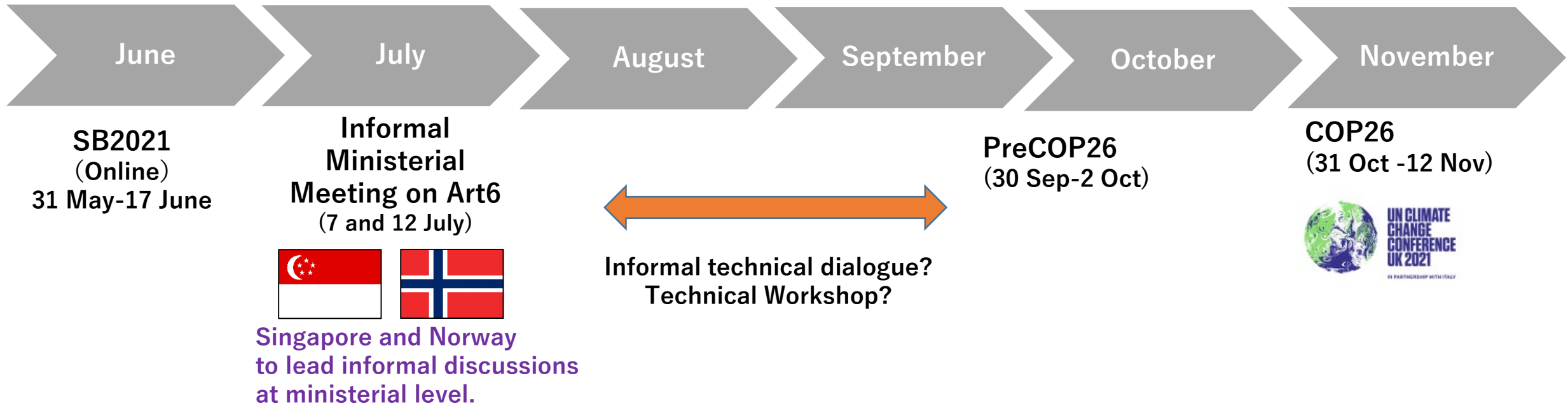
Date	Meeting topics
29-30 March	Multilateral consultations with Group Chairs and Heads of Delegation on Article 6 of the Paris Agreement
19 April	<b>Financing for adaptation/Share of Proceeds (Article 6.2 and 6.4)</b>
20 April	<b>Avoiding double use for outside the Nationally Determined Contributions (NDC) for Article 6.4</b>
20-21 May	Ensuring rapid operationalization (Articles 6.2, 6.4, and 6.8)
2 June <b>SB2021</b>	Enabling ambition in Article 6 instruments
4 June	Clean Development Mechanism (CDM) activity transition to Article 6.4 mechanism
5 June	Implementing overall mitigation in global emissions in the Article 6.4 mechanism
8 June	<b>Use of Kyoto Protocol units towards NDCs</b>
9 June	Implementation of Article 6.8
11 June	Reporting and accounting for GHGs and non-GHGs under Article 6.2
12 June	Any other matters identified by Parties
14 June	SBSTA Chair - HoDs Article 6 informal stock take



**Need to discuss at political level**

**Only SBSTA Chair Summary notes have been developed during SB2021.  
(No status and SB2021 didn't provide negotiation texts)**

# Summary



- Technical discussions will be continued through the informal technical dialogue toward COP26.
- Outstanding issues such as SOP/Use of Kyoto Units toward NDC/Avoidance of double counting under Art6.4 should be resolved at the political level (Minister level).
- Rapid preparation and operationalization are necessary under Article 6 after COP26 decision.
- Capacity building for government officials and relevant stakeholders should be considered by taking into consideration national circumstances of each JCM partner country.

Thank you for your kind attention!

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**Climate and Energy Area**

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