

# Results of Article 6 negotiation at COP27 and Trends of Carbon Credits

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# Today's topics

- 1 Overall picture of Article 6 and Keywords at COP27
- 2 Decisions on Article 6 at COP27 and Expectations after 2023
- 3 Strengthening the bilateral cooperation and New initiatives
- 4 Future perspectives

# Overall picture of Article 6 under Paris Agreement

## Art 6.2

Mechanisms that can utilize ITMOs for achieving NDC and OIMP etc

ITMOs: Internationally Transferred Mitigation Outcomes  
OIMP: Other International Mitigation Purposes

## Art 6.4

New UN Credit Mechanism

## Art 6.8

Non Market Approaches

### Market Mechanism

Mechanisms that can utilize ITMOs for achieving NDC and OIMP etc (Art6.2)



Bilateral cooperation



Standard accredited under CORSA

### UN (Art 6.4)



Art 6.4

CDM

CDM (Clean Development Mechanism)

### Non Market Mechanism

Mitigation, Adaptation, Finance and Capacity Building

Support through Art6.8



\*CORSA (Carbon Offsetting and Reduction Scheme for International Aviation)

# Keywords related to Article 6 at COP27

## Keywords

High Quality Carbon Market  
/ Environmental Integrity

Implementation

Capacity Building

## Issues

Environmental Integrity (Quality of credit)

Especially under Art6.4,  
Concerns related to human rights and Indigenous peoples were expressed by various stakeholders

- Detailed rules for implementation
- Expansion of the bilateral cooperation

Capacity building for implementation

- Art6 implementation partnership (**43** countries and **24** organisations) <https://a6partnership.org/>
- Launch of Art6 online course by UNDP (IGES cooperates as a partner)



(Photo : Ministry of the Environment Japan)

# Decisions on Article 6 at COP27

## Article 6.2

- ❑ Guidance for recording and tracking (Registry, CARP and Article 6 database)  
\*CARP: Centralized Accounting and Reporting Platform
- ❑ Guidelines for Article 6 technical expert review (Review procedure, Outline for review report, and Training programme for Art6 technical expert review)
- ❑ Outline for reporting (Initial report/updated initial report, and Regular information)

## Article 6.4

- ❑ Rule of procedures for Art6.4 supervisory body
- ❑ Transition process of CDM project and CER to Art6.4  
→ Detailed procedures will be developed under Art6.4 supervisory body.
- ❑ Reporting by host parties on Art6.4 ERs
- ❑ Operation of mechanism registry under Art6.4
- ❑ Processes for SOP and OMGE

## New terminology under Art6.4 **“Mitigation contribution A6.4ERs”**

A6.4ERs not specified as authorized for use towards achievement of NDCs and/or for OIMP, which may be used, inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the host Party.

CDM : Clean Development Mechanism  
CER : Certified Emission Reductions

OMGE : Overall Mitigation in Global Emissions  
SOP : Share of Proceeds

Photo : IISD ENB (<https://enb.iisd.org/sharm-el-sheikh-climate-change-conference-cop27-19Nov2022>)



# Expectations after 2023

## Article 6.2

### Report & Authorisation

- Adjustment of emissions by adding or subtracting the amount of ITMOs when transferring it (Corresponding adjustment)
- Participating party in Article 6 will start the preparation to report ITMOs information to the UNFCCC.
- Preparation for Institutional arrangement such authoriaation etc

## Article 6.4

### Baseline Additionality Removal

- Whether the concept of additionality and baseline under Art 6.4 could be a standard for carbon market or not.
- Conservative baseline concept is considered under Art6.4 Supervisory Body meeting.
- Many inputs for removals including negative comments from various stakeholders are given to Art 6.4.
- Prepare the application procedure for transition of CDM to Art 6.4 by June 2023.

# Strengthening the bilateral cooperation



Accelerated the bilateral cooperation that allows each country to operate and manage the system under its own discretion. Singapore signed with a number of countries that were already operated under the existing bilateral cooperation.

## Japan

### Joint Crediting Mechanism (JCM)

**25** countries

New 8 partner countries in 2022



※JCM partner countries signed by 2021 (17 countries)  
Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Vietnam, Lao ODR, Indonesia, Costa Rica, Palau, Cambodia Mexico, Saudi Arabia, Chile, Myanmar, Thailand, and Philippines

## Singapore

### Bilateral Cooperation

**6** countries

6 countries signatures in 2022

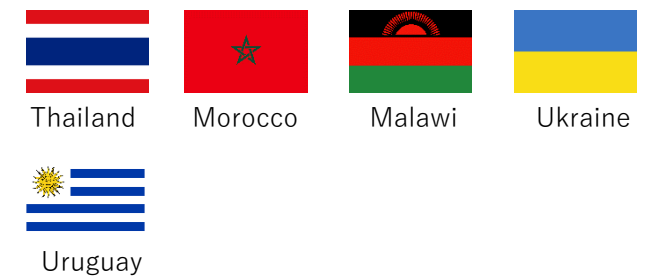


## Switzerland

### Bilateral Mechanism (KliK)

**11** countries

5 countries signatures in 2022



※ Countries signed by 2021 (6 countries)  
Dominica, Georgia, Ghana, Peru, Senegal, and Vanuatu

# New initiatives announced at COP27

Similar with  
VCMI Bronze?

▶ To promote investment by private sector and allow to use the offset credit for scope3?

US Department of State, The Rockefeller Foundation, and the Bezos Earth Fund (Announced on 9 Nov)

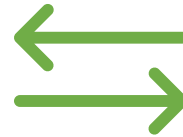
## “Energy Transition Accelerator (ETA) ”

New high integrity carbon credit

Objectives :  
to catalyze private capital to accelerate the clean energy transition in developing countries.

- Cooperation with Chile and Nigeria
- Bank of America, Microsoft, PepsiCo, Standard Chartered Bank expressed their interest to join.
- A part of credit (5%) will provide the support for adaptation
- Consultation with SBTi, VCMI and ICVCM
- Participation from fossil fuel producers will be restricted
- Similar to approaches currently employed in the forestry sector
- Operate through 2030, possibly extending to 2035

Cooperation ?



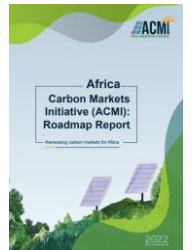
Africa Carbon Market Initiative  
(Announced on 8 Nov)



Kenya, Malawi, Gabon, Nigeria, and Togo will join.  
Roadmap will be announced.

300 million  
tCO<sub>2</sub>  
by 2030

1.5-2 billion  
tCO<sub>2</sub>  
by 2050



13 committee members will engage to take a lead.  
Detailed plan will be developed in the coming 24 months.

Source : <https://www.state.gov/u-s-government-and-foundations-announce-new-public-private-effort-to-unlock-finance-to-accelerate-the-energy-transition-2/>

Source : <https://climatechampions.unfccc.int/africa-carbon-markets-initiative/>



# Future perspectives

## 1 Prolonged period until starting the operation for Art 6.4 (baseline, additionality and removal)

Continuation of demands for mechanisms such as bilateral cooperation and voluntary carbon markets, which can be implemented at their discretion

## 2 Bilateral mechanism need to address the requirements for reporting and reviewing under Art6.2

When Article 6 participating parties report the use or transfer of ITMOs under Art6.2, it is required to explain the environmental integrity of ITMOs.

## 3 US will not use the credit to meet its own targets, but focus on the development of voluntary carbon market.

It will take some time to create credits that meet high quality standards, and the size of the market is still uncertain.



Thank you for your kind attention

**IGES** Institute for Global Environmental Strategies  
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