

# ARTICLE 6 BASIC TRAINING

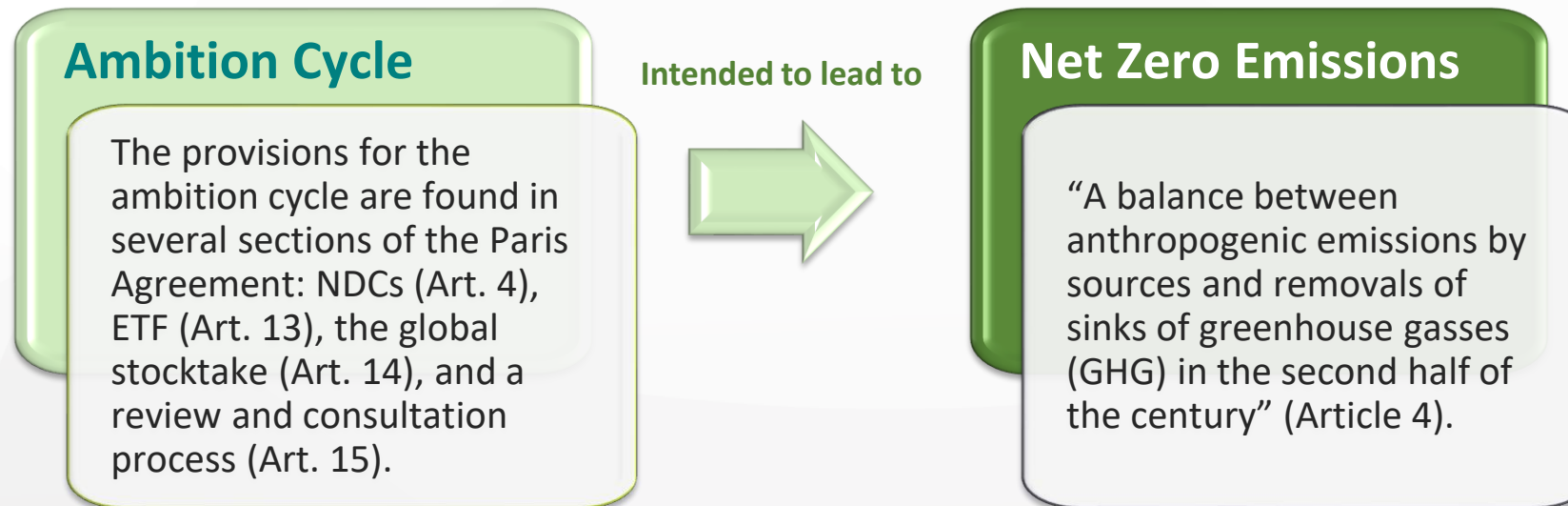
## with Training of Trainers Session

Developed by GIZ Article 6 Capacity Building Project in collaboration  
with NEYEN consulting

### Short Version

# THE PARIS AGREEMENT GOALS AND THE AMBITION CYCLE

The objective of the Paris Agreement is “to hold the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit it to 1.5°C” (Article 2).



The ambition cycle is a “**ratcheting-up**” mechanism (**plan-implement-review**) that aims to increase ambition based on regular stocktakes of information from Parties, submission of progressive NDCs, and the latest science on climate change.

# THE PARIS AGREEMENT RULEBOOK



The Paris Agreement Rulebook refers to the decisions that puts the agreement into operation.



A large part of the rulebook is the Katowice climate package, which is a 133-page set of decisions that elaborate rules, guidance and modalities.



Parties agreed on most of the Paris Rulebook at COP24/CMA1, except for the rules operationalizing Article 6 mechanisms, which were negotiated for further 2 years.



In December 2021 at COP26/CMA3, Parties to the Paris Agreement adopted:

Decision 2/CMA3 on guidance for cooperative approaches referred to in Article 6, para. 2;

Decision 3/CMA3 on rules, modalities and procedures for the mechanism established by Article 6, para. 4

Decision 4/CMA3 on work program under the framework for non-market approaches referred to in Article 6, para. 8.

# COMPLIANCE VS. VOLUNTARY CARBON MARKETS

## Compliance Market

- Regulated by the local, regional, or international governing bodies.
- Have their own emission reduction targets.
- Can allow the use of offsets from independent carbon programs.
- Examples include the European Union Emission Trading Systems (EU ETS).

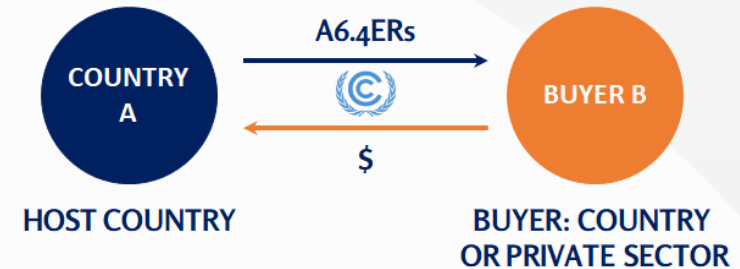
## Voluntary Carbon Market (VCM)

- Enables entities (governments, companies, individuals, etc.) to provide carbon finance through the acquisition of carbon credits.
- Operates through independent carbon programs/standards, each with different rules and sectoral focus.
- Examples of international standards: Verra, Gold Standard, ART TREES, ACR, ...

# CARBON MARKETS IN THE PARIS AGREEMENT

## Cooperative Approach: Article 6.2

Host Country A transfers Article 6.2 units (ITMOs) to buyer Country B **through a bilateral agreement**. A decentralized approach, where countries A and B decide the rules and procedures of the cooperation, following UNFCCC guidelines. Cooperation can also be multilateral.



## The Paris Agreement market mechanism: Article 6.4

Country A generates units **through a UNFCCC centralized mechanism**.

The host country approves the project. UNFCCC Supervisory Body governs the mechanism of Article 6.4 and oversees the validation, verification, and registration of projects.

# NON-MARKET APPROACH

## Article 6.8

Country B voluntarily uses a UNFCCC web platform to provide free-access resources to other countries without a market transaction. This can include, for instance, sharing the successful blueprint for a nation-wide energy program.



# KEY CONCEPTS OF ARTICLE 6



## 1. ITMOs

Article 6.2 introduces the concept of internationally transferred mitigation outcome (ITMO). An ITMO is not a specific carbon credit or unit given that it can be the result of different types of activities and be issued under different cooperative approaches.

An ITMO shall represent real and verified emissions reductions or removals. Article 6.4 Emission Reductions (A6.4ERs) units become ITMOs when authorized for use towards the achievement of NDCs and/or authorized for use for other international mitigation purposes.

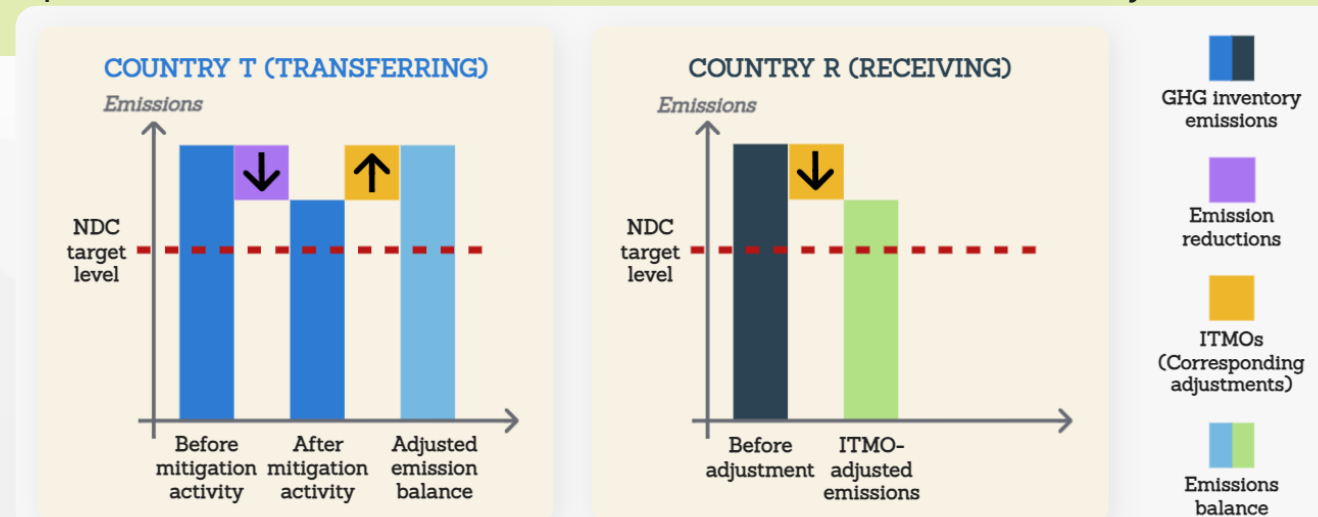
## KEY CONCEPTS OF ARTICLE 6



### 2. Corresponding Adjustments

The basic idea of corresponding adjustment is that countries' emissions levels, as reported when they track the progress towards achieving the NDC, should be adjusted

to reflect the transfer (export) or receipt (import) of mitigation outcomes. Corresponding adjustments do not change the national GHG inventory. They are adjustments to an emissions balance that represents the sources of emissions and removals covered by the NDC targets.



Corresponding adjustment illustration. Source: UNDP Operationalizing Article 6.2 of the Paris Agreement



## KEY CONCEPTS OF ARTICLE 6



### 3. Authorization of ITMO use

Authorization is a key milestone in the process of transferring mitigation outcomes to another country. Authorization by the transferring country means that another country or organization can use mitigation outcomes generated in the transferring country. It means that the transferring country cannot use these mitigation outcomes towards achieving its own NDC.

## STRATEGY FOR PARTICIPATION IN ARTICLE 6



## BENEFITS OF PARTICIPATION

Host countries may have several reasons to engage in the mechanisms under Article 6 as a complement to other sources of climate finance. These benefits include:

### REVENUES TO THE NATIONAL BUDGET

- Governments could retain part of the revenues generated by ITMOs.
- Regulation that requires a "share of proceeds".

### SUPPORT TO NDC IMPLEMENTATION

- ITMO revenues could be invested in other mitigation actions.
- Sharing ITMOs.

### SUSTAINABLE DEVELOPMENT CO-BENEFITS

- Lower air pollution.
- Higher energy security.
- Job creation.

### SUPPORT FOR HIGH-COST MITIGATION MEASURES

- Gain access and leapfrog to world leading innovations and technologies that otherwise would be inaccessible.

## RISKS OF PARTICIPATION

### OPPORTUNITY COST

The opportunity cost will arise if the transfer of ITMOs results in the need for the host country to take other, more costly, abatement actions to meet its NDC.

### MANAGEMENT AND INFRASTRUCTURE COSTS

Ensure the sustainability of:

- A dedicated institutional arrangement.
- Operationalization of a policy framework.
- Infrastructure for ITMOs registration and tracking.

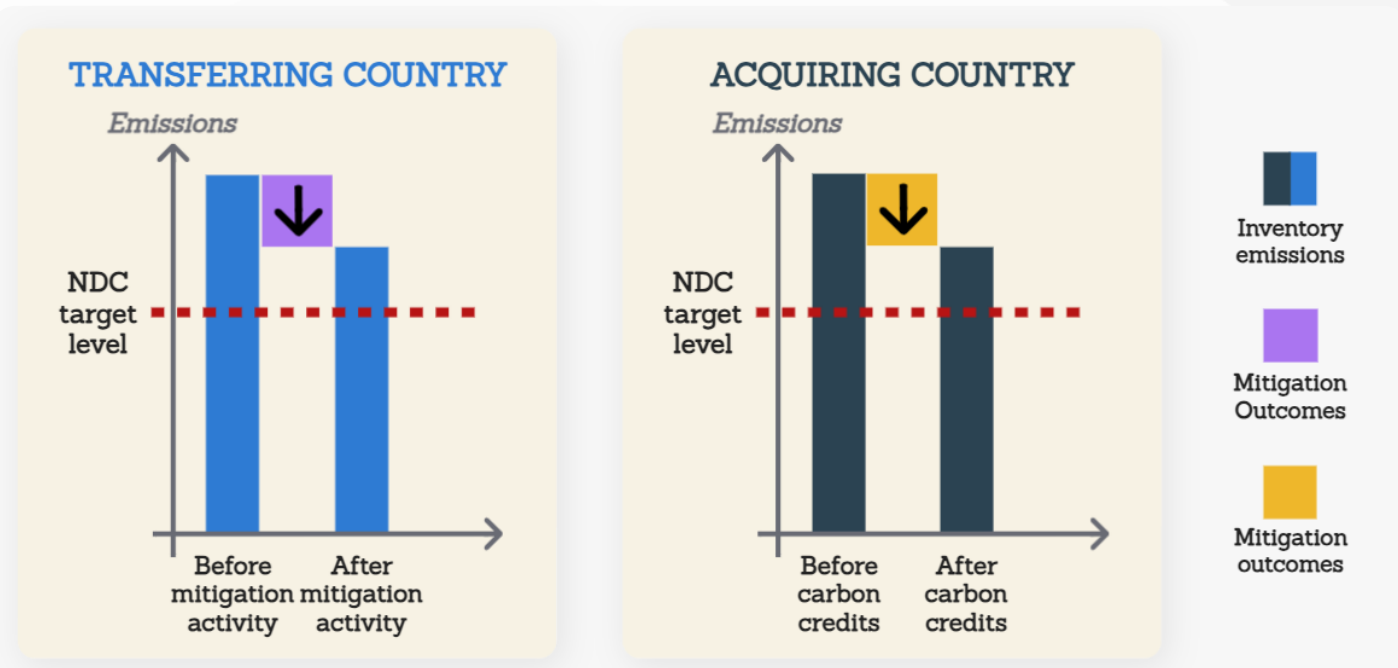


## DOUBLE COUNTING RISK

Double counting happens when authorized MOs are counted towards the NDC target of the transferring country, and they are used to achieve the acquiring country's NDC target at the same time.

### MEANING OF DOUBLE COUNTING:

- Double Issuance.
- Double Claiming.
- Double Use/Selling.
- Double Purpose.



Double counting illustration

Source: UNDP Operationalizing Article 6.2 of the Paris Agreement. E-learning.

# OVERSELLING RISK

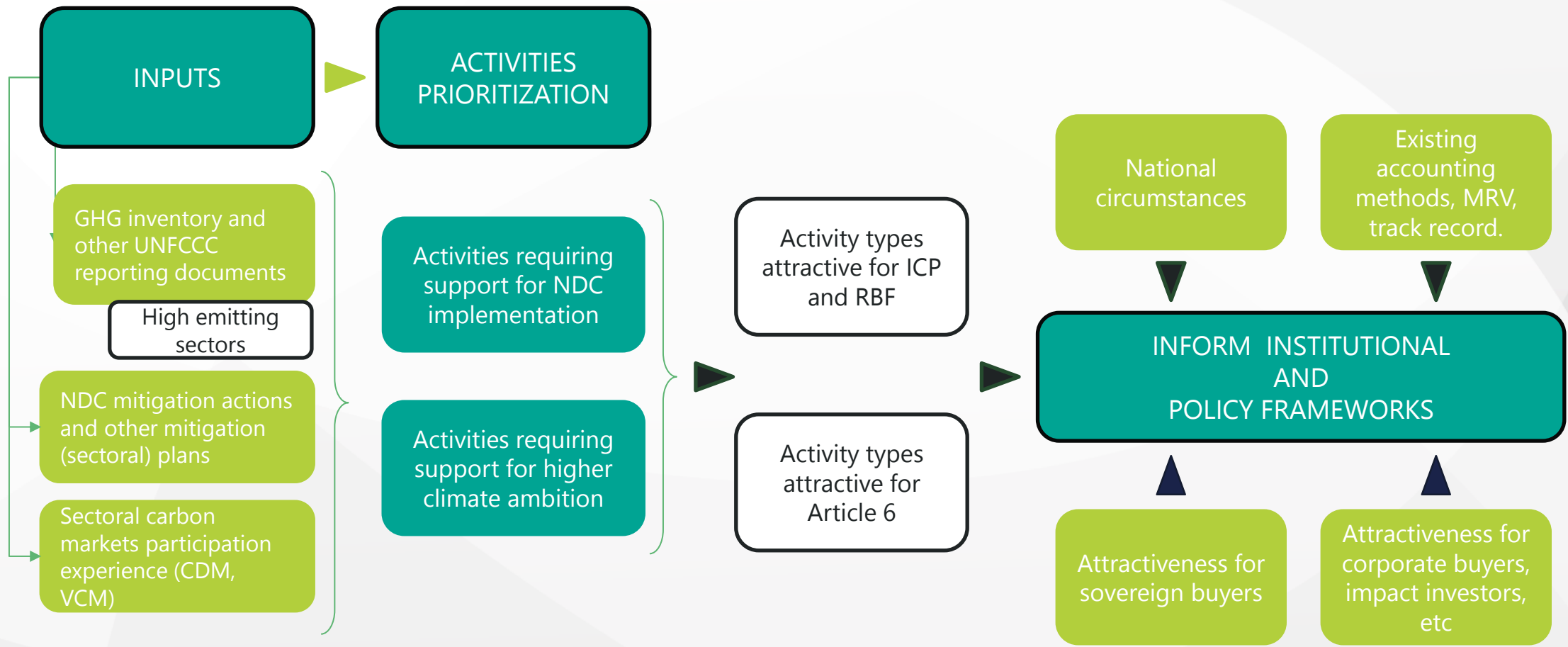
## CAUSES

- Selling low-cost mitigation outcomes, that are necessary for meeting the NDC target (**'low-hanging fruit'**).
- Selling mitigation outcomes, which emission reductions will not be captured by the host country's GHG inventory (**'uncounted fruit'**).
- Selling mitigation outcomes that do not represent real reductions (**'fake fruit'**).
- Selling mitigation outcomes generated outside the scope of the NDC (**'trying to sell peaches from an apple farm'**).

## RISK MITIGATION MEASURES

- Ensure that activities that the host country intends to use for the NDC are not part of the mitigation activities used for Article 6 cooperation.
- Avoid transferring all the mitigation outcomes that are generated from cooperative mitigation actions (**sharing mitigation outcomes**).
- Implement pricing strategies that create a pool of funds to invest in additional mitigation actions if necessary.

# HOW TO ARTICULATE A STRATEGY



# ASSESSING COUNTRY READINESS FOR ARTICLE 6

Assessment areas under MAAP ITR submodules:

TRANSPARENCY	<ul style="list-style-type: none"><li>• As per Article 13's "Enhanced Transparency Framework".</li></ul>
DOUBLE COUNTING PREVENTION	<ul style="list-style-type: none"><li>• Double claiming, double issuance, double registration and double use.</li></ul>
ALIGNMENT WITH NDCS	<ul style="list-style-type: none"><li>• Actions should be taken to ensure alignment with the Issuing Party's NDCs.</li></ul>
ENVIRONMENTAL INTEGRITY	<ul style="list-style-type: none"><li>• Does not lead to an overall increase in global GHG emissions and that ITMOs are real, permanent, and verifiable.</li></ul>



# CARBON MARKET PARTICIPATION – ENVIRONMENTAL, FINANCIAL, AND SOCIAL INTEGRITY

- Emissions reductions must be additional to what those countries could achieve without the support and therefore they shall contribute to a higher level of ambition compared to what countries have already committed in their NDCs.
- Social integrity must be preserved:
  - Free, prior and inform consent
  - Benefits sharing
  - Safeguards
  - Just transition
- Financial integrity
  - Long term sustainable business model
  - Supported after the crediting period
  - Support community development



# LONG-TERM CONTRIBUTION OF ARTICLE 6 PARTICIPATION

## Objective

- To help countries prioritize Article 6 activities that contribute to long-term climate goals and the mobilization of SDG finance.

## Benefits

- Integrate selection criteria in Art. 6 participation frameworks
- Assist countries in negotiating cooperative approaches with other Parties to prioritize collaboration for activity types aligned with the long-term priorities of the country.
- Inform the activity approval process for Article 6.4 projects and Authorizations in Art 6.2. Countries can, for example, establish different administrative fees based on the level of alignment.

# ACTIVITY DESIGN ATTRIBUTES

## Transformational Change

- Scale, sustained nature of the outcome, and shifts in system structure
  - Climate Investment Funds (2023) [Principles for Transformational Climate Finance to Advance Just and Equitable Solutions](#).
  - ICAT (2020) [Transformational Change Methodology](#).

## Long-Term Financial Sustainability

- [MAAP Tool for program design](#)

## Contribution to Sustainable Development

- [MAAP Tool for program design](#)

## ARTICLE 6.2: PARTICIPATION REQUIREMENTS

1

A country has to be a Party to the Paris Agreement.

2

A country has prepared, communicated and is maintaining an NDC.

3

A country has arrangements in place for authorizing the use of ITMOs towards achievement of NDCs.

4

A country has arrangements in place for tracking ITMOs.

5

A country has provided the most recent national GHG inventory report required.

6

A country's participation contributes to the implementation of its NDC and LT-LEDS, if it has submitted one, and the long-term goals of the Paris Agreement.

# INTERNATIONALLY TRANSFERRED MITIGATION OUTCOMES (ITMOS)

The result of different types of mitigation activities, defined as real, verified, and additional, representing emissions reductions or removals, and including co-benefits resulting from adaptation actions and/or economic diversification plans or the means to achieve them.

Generated in  
respect of or  
representing  
mitigation from  
2021 onward



Measured in metric  
tonnes of carbon  
dioxide equivalent  
(t CO<sub>2</sub> eq) or non-  
GHG metrics  
determined by the  
participating  
Parties that are  
consistent with  
their NDCs.



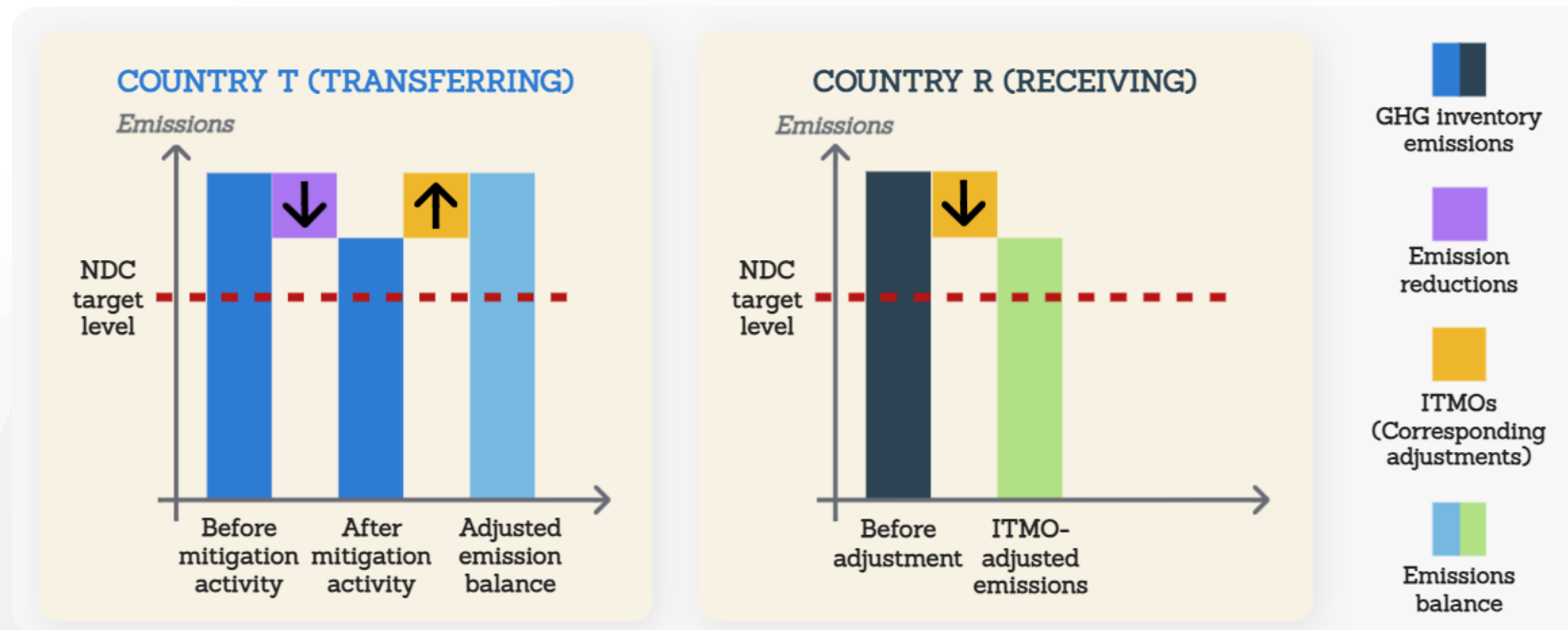
From a cooperative  
approach referred  
to in Article 6.2,  
(that involves the  
international  
transfer of  
mitigation  
outcomes  
authorized for use  
towards an NDC).



Mitigation  
outcomes  
authorized by a  
participating Party  
for use for  
international  
mitigation  
purposes other  
than achievement  
of an NDC.

## CORRESPONDING ADJUSTMENTS

Countries' emissions levels, as reported when they track the progress towards achieving the NDC, should be adjusted to reflect the transfer (export) or receipt (import) of mitigation outcomes. Corresponding adjustments do not change the national GHG inventory. They are adjustments to an emissions balance that represents the sources of emissions and removals covered by the NDC targets.



Corresponding adjustment illustration.

Source: UNDP Operationalizing Article 6.2 of the Paris Agreement. E-learning.



## ARTICLE 6.4 – THE PARIS AGREEMENT CREDITING MECHANISM (PACM)

a

It replaces the Clean Development Mechanism (CDM) of the Kyoto Protocol. Hence, it could be attractive for parties and private entities with CDM experience.

b

A host country generates mitigation units via a **centralized procedure under the UNFCCC**, which manages the whole activity cycle.

c

It is seen by some as a key approach to facilitating private sector participation.



## ARTICLE 6.2 VS. ARTICLE 6.4

### Article 6.2 Cooperative Approaches

- Between two or more countries, based on bilateral or multilateral agreements.
- Involve the use of internationally transferred mitigation outcomes (ITMOs).
- No international oversight.
- Allow Authorization for Other International Mitigation Purposes (OIMP).

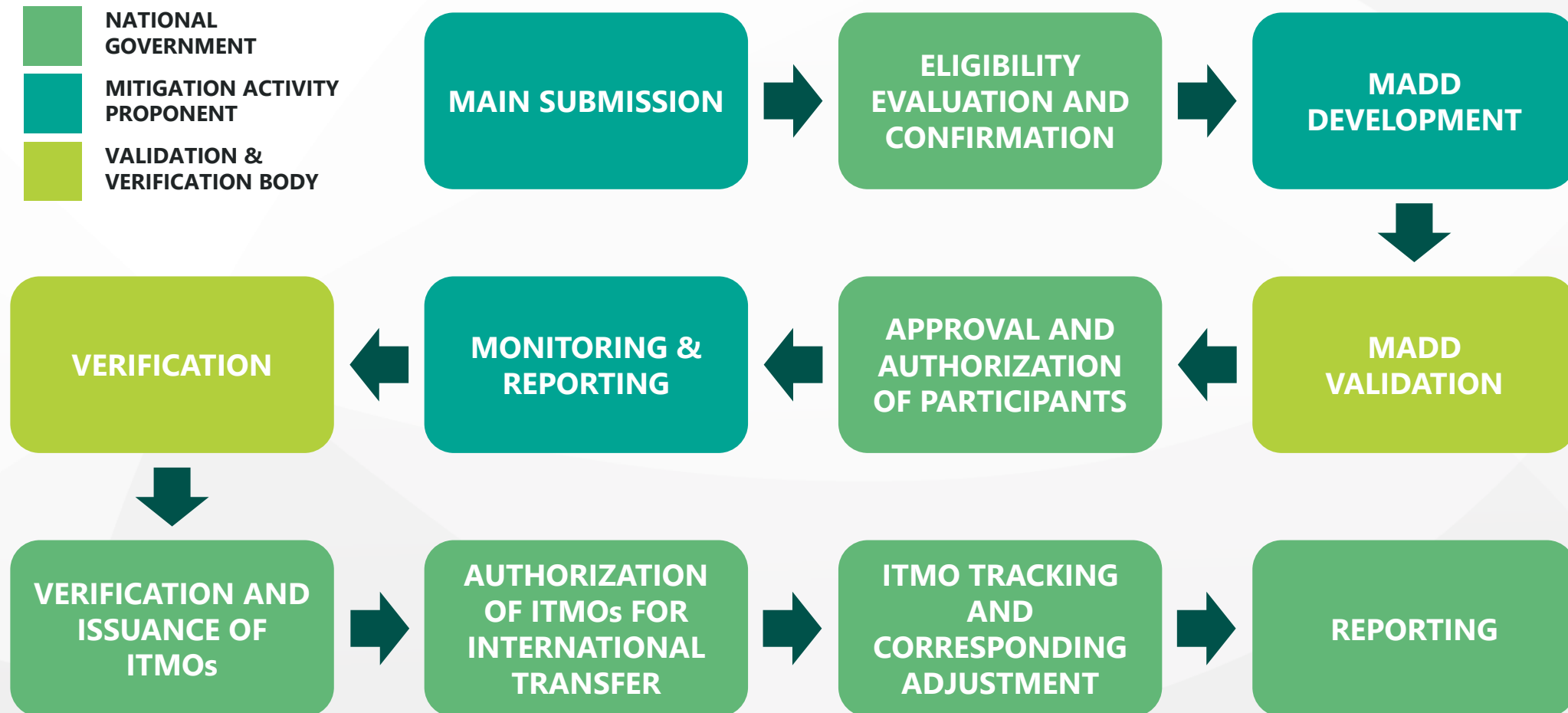
### Article 6.4 Sustainable Development Mechanism

- Open to all countries.
- Contributes to GHG mitigation and sustainable development.
- Similar features as CDM (successor mechanism): subject to international rules.



# THE CARBON PROJECT ACTIVITY CYCLE

Each mechanism and carbon program may have different activities



# IMPRINT

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## Programme

Article 6 Capacity Building Component in GIZ  
Global Project NDC Assist II

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In cooperation with:



On behalf of  
German Federal Ministry for Economic  
Cooperation and Development (BMZ)  
Name of responsible division  
Contact person



Implemented by:



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