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The birth of an ITMO: authorisation under Article 6 of the Paris Agreement

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Foreword

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Abstract

"Authorisation" is a new but as yet undefined component of the guidance for implementation of Article 6 of the Paris Agreement. Authorisation is important as it triggers both corresponding adjustments and reporting requirements. This paper identifies and analyses open questions related to what is authorised, by what process, for what purpose, the format and timing of authorisation, and how any ex-post changes to authorisation can be made. The answers to these questions can affect the attractiveness for Parties and the private sector to participate in Article 6 cooperation. The paper also outlines areas of Article 6.2 guidance that could be usefully clarified at the international level, and implications of different options for the domestic implementation of Article 6 authorisation provisions, drawing from examples of a few frontrunner Parties who have already established bilateral agreements and domestic structures for international cooperation under Article 6. The paper concludes that some of the open questions could be clarified at the international level, such as how to report any changes to authorisations and if the authorisation needs to be provided concurrently by the participating Parties. Other questions could be clarified at the national level by the participating Parties providing the authorisation. These include whether participating Parties can choose to include additional elements in their authorisations, and which roles authorised entities could play.

JEL Classifications: F53, Q29, Q49, Q54, Q56, Q58

Keywords: UNFCCC, carbon markets, Paris Agreement, Article 6, Kyoto Protocol

Résumé

L'« autorisation » est un élément nouveau des directives de mise en œuvre de l'Article 6 de l'Accord de Paris et encore pas complètement défini. Cet élément est important car sa délivrance entraîne à la fois des ajustements correspondants et des obligations de déclaration pour les Parties. L'objet du présent document est de recenser et d'analyser les questions ouvertes autour de l'autorisation dont les réponses influeront sur la volonté des Parties et du secteur privé de participer à la coopération de l'Article 6 : qu'est-ce qui est autorisé ? Au titre de quel processus ? A quelle fin ? Sous quel format ? Pour quelle durée ? Et comment apporter des modifications à l'autorisation a posteriori ? Dans ce document sont également exposés les points des directives relatives à la mise en œuvre de l'autorisation sous l'Article 6.2 qu'il conviendrait de clarifier au niveau international et national. À cet effet, les auteurs se fondent sur les rares exemples fournis par les Parties pionnières qui ont déjà mis en place des accords bilatéraux dans le cadre de l'Article 6 et les structures nationales nécessaires à la coopération internationale sous l'Article 6. Les auteurs arrivent à la conclusion qu'une partie des questions ouvertes pourront être clarifiées au niveau international, par exemple comment notifier tout changement apporté à une autorisation et si les autorisations doivent être déclarées de manière simultanée par les Parties participantes. Les réponses à d'autres questions pourraient être fournies au niveau national par les Parties participantes délivrant l'autorisation. Cela concerne notamment la possibilité des Parties participantes d'inclure des éléments supplémentaires dans leurs autorisations et le rôle potentiel des entités autorisées.

Classification JEL : F53, Q29, Q49, Q54, Q56, Q58

Mots-clés : CCNUCC, marchés du carbone, Accord de Paris, Article 6, Protocole de Kyoto

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List of Acronyms

A6.4	Article 6.4 of the Paris Agreement
ACR	American Carbon Registry
AEF	Agreed Electronic Format
A6.4ERs	Article 6.4 Emissions Reductions
AI	Annual Information
ART	Architecture for REDD+ Transactions
BTR	Biennial Transparency Report
CCXG	OECD/IEA Climate Change Expert Group
CDM	Clean Development Mechanism
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties to the UNFCCC
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DNA	Designated National Authority
EB	Executive Board of the Clean Development Mechanism
ETS	Emissions Trading Scheme
FOEN	Switzerland's Federal Office for the Environment
GHGs	Greenhouse Gases
ICAO	International Civil Aviation Organisation
IEA	International Energy Agency
IR	Initial Report
ITMOs	Internationally Transferred Mitigation Outcomes
JCM	Joint Crediting Mechanism
JI	Joint Implementation

LoA	Letter of Approval
MOPA	Mitigation Outcomes Purchase Agreement
MOs	Mitigation Outcomes
MRV	Measurement, Reporting and Verification
NDCs	Nationally Determined Contributions
OECD	Organisation for Economic Co-Operation and Development
OIMP	Other International Mitigation Purposes
OMGE	Overall Mitigation of Global Emissions
RI	Regular Information
RMPs	Rules, Modalities and Procedures
6.4SB	Article 6.4 Supervisory Body
SBSTA	Subsidiary Body for Scientific and Technological Advice
TERT	Article 6 technical expert review team
UNFCCC	United Nations Framework Convention on Climate Change

Executive summary

Article 6 of the Paris Agreement aims to increase Parties' collective levels of emissions mitigation through voluntary cooperative approaches. Article 6.3 of the Paris Agreement introduced the concept of authorisation, by providing that the use of Internationally Transferred Mitigation Outcomes (ITMOs) to achieve Nationally Determined Contributions (NDCs) needs to be authorised by participating Parties. Authorisation is an essential part of voluntary cooperation under Article 6, because it determines when mitigation outcomes (MO) become ITMOs. Authorisation also triggers a commitment by the first transferring Party to apply a corresponding adjustment to their emissions balance, as well as reporting requirements for participating Parties.

The framework for implementing Article 6 was agreed at COP26, and includes the Article 6.2 guidance on cooperative approaches as well as the rules, modalities and procedures (RMP) for the Article 6.4 mechanism. However, neither this framework nor the Paris Agreement specifies what exactly authorisation entails. Thus, there remain several open questions around authorisation under Article 6. These include what is authorised, by what process, for what purpose, the form and timing of authorisation, and how any ex-post changes to authorisation are agreed. Some of these outstanding issues can have an impact on reporting requirements for Parties, and would thus benefit from being agreed at an international level in order to ensure comparability. Other processes and aspects relating to authorisation will need to be determined at a national level.

The purpose of this paper is to explore some of the open questions related to authorisation to inform ongoing negotiations and to support countries with the development of their domestic approval and authorisation processes related to Article 6. The paper also analyses potential implications of different options for the domestic implementation of Article 6 authorisation provisions.

Under the Article 6.2 guidance and 6.4 RMP, authorisation is applied to at least the following three elements:

- The cooperative approach;
- ITMOs for a use (i.e. towards the achievement of an NDC or towards other international mitigation purposes (OIMP))[1];
- Entities participating in a cooperative approach under Article 6.2 or in an Article 6.4 activity.

This paper distinguishes eight possible voluntary bilateral cooperation cases under Article 6, and analyses their potential implications for authorisation. Six of these cases relate to Party-to-Party cooperation, where a "transferring Party" sells ITMOs to an "acquiring Party". Two key elements affect these six bilateral cases between Parties and authorisation within them: the use for which ITMOs are authorised (e.g. towards NDC,

[1] OIMP include "international mitigation purposes other than achievement of an NDC" and "other purposes as determined by the first transferring participating Party" (Decision 2/CMA.3, paragraph 1(f)). In practice, OIMP can include the use of ITMOs by private entities covered by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), or covered by other compliance or voluntary emission mitigation targets; or the domestic use of ITMOs by Parties under specific circumstances.

OIMP or both), and whether a Party is making a first transfer of ITMOs or is transferring previously acquired ITMOs. The remaining two cases relate to where a transferring Party transacts ITMOs with a non-Party entity (e.g. a private company). Each of these cases has different implications on who authorises the three elements of authorisation, hence on reporting and on the application of corresponding adjustments on the authorised ITMOs.

The Article 6.2 guidance indicates that authorisation is the trigger for reporting under Article 6. Each participating Party must submit an Initial Report (IR) "no later than authorisation of ITMOs from a cooperative approach". Different elements relating to authorisation are to be reported across several different reports, i.e. the IR, in the Annual Information (AI), and in the Regular Information (including updates) as an annex to the Biennial Transparency Reports (BTRs).

There are some areas of the Article 6.2 guidance relating to reporting that could usefully be clarified. These include: if the authorisation of the cooperative approach or of ITMOs for a use trigger the reporting of a Party's IR; what "a copy of the authorisation" covers (i.e. content, format), and whether "authorisations and information on authorisations" includes both qualitative and quantitative information. This paper considers the trigger for reporting to be the authorisation of ITMOs for a specific use, which needs to be provided by the transferring Party. The Article 6.2 guidance also provides for "changes to authorisations". Such changes could range from those that are immaterial (e.g. a change of name of an authorised entity) to those that could have financial and reputational consequences for the Parties involved as well as on the level of international transfers under Article 6 more broadly (e.g. if ITMOs are revoked). To facilitate comparability and consistency in how different participating Parties deal with changes to authorisations within cooperative approaches, it could be useful to establish a list of possible changes to authorisations and who would need to be involved in approving such changes.

Participating Parties need to have arrangements in place to authorise the use of ITMOs towards achievement of their NDCs as a pre-requisite to participate in a cooperative approach under Article 6.2. However, the Article 6.2 guidance does not prescribe how individual Parties are to set up such arrangements. Authorisation is therefore a country-driven process, and countries would need to establish their own legal and institutional frameworks for the authorisation process. When implementing authorisation processes domestically, participating Parties have to decide on a range of issues, including eligibility criteria for mitigation activities generating MOs to be authorised, the potential implications for NDC achievement of transferring ITMOs from a cooperative approach, the timing and content of the authorisation letter, as well as the authorising entity. Ideally, these issues would be addressed under a comprehensive domestic legal framework so as to provide clarity to participating entities. In order to limit the risk of overselling, Parties wishing to transfer ITMOs could establish a list of domestic criteria that, e.g. limit the number of years, technology types, and sectors where ITMOs eligible for authorisation could come from.

Parties are still at the early stages of arranging domestic legal and institutional frameworks for authorisation under Article 6. There are a few frontrunners as some Parties have already put forward bilateral agreements for voluntary cooperation under Article 6, but there is not yet a generally established practice on authorisation processes. The scant information publicly available on Article 6.2 bilateral cooperation highlights both similarities in how some Parties are addressing certain open questions on authorisation (e.g. which elements to include in the authorisation), and differences on other points (e.g. whether authorisation takes place before or after the issuance of the MO). Hence, it is still premature to draw lessons learnt from early on-the-ground action on authorisation under Article 6.2; however, if such early Article 6 cooperation agreements continue, they will be useful processes for Parties to draw lessons from in the future.

The different possible ways to interpret and implement Article 6 authorisation have implications for the attractiveness of participation in Article 6 activities, both for Parties and for the private sector. Transferring Parties, in particular, will need to find a balance in establishing conditions that would encourage private sector participation for the generation of ITMOs in a given implementation period, while not hindering the achievement of their NDCs.

1. Introduction

Authorisation is a key component of voluntary cooperation under Article 6 of the Paris Agreement. Article 6.3 of the Paris Agreement indicates that "the use of Internationally Transferred Mitigation Outcomes (ITMOs) to achieve Nationally Determined Contributions (NDCs) […] shall be voluntary and authorised by participating Parties" (UNFCCC, 2016[1]). Paragraph 4(c) of the Annex of Decision 2/CMA.3[2] also provides that in order to voluntarily cooperate under Article 6.2, each participating Party "shall ensure that it has arrangements in place for authorising the use of ITMOs towards achievement of NDCs" (UNFCCC, 2021[2]). The rules, modalities and procedures (RMP) for the Article 6.4 mechanism included in the Annex of Decision 3/CMA.3[3] indicate that authorised Article 6.4 Emission Reductions (A6.4ERs) are subject to Article 6.2 guidance on cooperative approaches for authorised ITMOs (UNFCCC, 2021[3]). Decisions 2 and 3/CMA.3 agreed at COP26 highlight that authorisation is closely interlinked with other important aspects of Article 6. These aspects include Article 6.2 reporting and the application of corresponding adjustments[4], as per paragraphs 7-15 of the Article 6.2 guidance.

Details on the scope, process, timing and reporting of authorisation under Article 6 are not included in the Paris Agreement, the Article 6.2 guidance on cooperative approaches, or the RMP for the Article 6.4 mechanism. There are several open questions around authorisation under Article 6. These include what is authorised, by what process, for what purpose, the form and timing of authorisation, and how any ex-post changes are to be agreed. Some, but not all, of the open questions around authorisation can have an impact on reporting requirements, and would thus benefit from being agreed at an international level to ensure comparability, while other processes could be determined at a national level. Authorisation can be shaped and communicated in many forms by participating Parties, and this can lead to a diversity of domestic processes for authorisation. There will be different implications if Parties decide to leave some of the open questions as prerogatives of each Party, compared to whether Parties agree a single way forward, e.g. under Subsidiary Body for Scientific and Technological Advice (SBSTA).

The purpose of this paper is to help inform ongoing negotiations and to support countries with their national processes related to Article 6 by exploring some of the open questions related to authorisation under Article 6 of the Paris Agreement, in particular around reporting authorisation. The document also analyses potential implications of different options for the domestic implementation of authorisation provisions under Article 6.

[2] For ease of reading, this paper uses interchangeably the terms "Article 6.2 guidance" and "Decision 2/CMA.3".

[3] For ease of reading, this paper uses interchangeably the terms "RMP" and "Decision 3/CMA.3".

[4] Paragraphs 8-10 of Decision 2/CMA.3 provide that "each participating Party […] shall apply a corresponding adjustment [pursuing paragraph 7 of the same Decision] resulting in an emission balance" (UNFCCC, 2021[2]) and present three different cases: (i) where the participating Party has an NDC measured in tCO_2-eq; (ii) where the participating Party has an NDC containing non-GHG metrics; and (iii) where the participating Party has an NDC consisting of non-quantified policies and measures. To simplify, a corresponding adjustment consists of a mathematical relation in which the acquiring Party subtracts the quantity of ITMOs used from its emission balance, and the first transferring Party adds the quantity of ITMOs authorised and first transferred to its emission balance.

This paper is structured as follows. Section 2. provides an overview of authorisation elements under Article 6.2 guidance and Article 6.4 RMP, and outlines other possible authorisation elements. Section 3. analyses options for reporting authorisation under Article 6, including on the timing of and changes to authorisation. Section 4. focuses on domestic implementation of the provisions of authorisation under Article 6, analysing the scope and process of authorisation at the national level and providing concrete examples from early efforts to implement Article 6 by some Parties. Section 5. presents conclusions based on the analysis.

2. Authorisation under Article 6.2 and 6.4

There are several provisions that refer to authorisation within Article 6 of the Paris Agreement, in the Article 6.2 guidance on cooperative approaches, and in the RMP for the Article 6.4 mechanism (UNFCCC, 2016[1]), (UNFCCC, 2021[2]), (UNFCCC, 2021[3]). This section summarises the different elements of authorisation under Article 6 included in these decision texts, and outlines other possible authorisation elements.

The Paris Agreement introduced the concept of authorisation under its Article 6.3, whereby "the use of Internationally Transferred Mitigation Outcomes (ITMOs) to achieve Nationally Determined Contributions (NDCs) […] shall be voluntary and authorised by participating Parties" (UNFCCC, 2016[1]). This Article provides that ITMOs used towards NDCs[5] need to receive an authorisation by Parties participating in a cooperative approach. The Paris Agreement is silent on any other details on authorisation under Article 6.

In the Article 6.2 guidance agreed at COP26, authorisation is the trigger for reporting. The RMP suggest that the Article 6.4 mechanism can issue A6.4ERs that can lead to ITMOs that may be authorised for use towards NDCs or other international mitigation purposes (OIMP) and internationally transferred. Authorisation under the Article 6.4 mechanism occurs at the activity level.

Under Article 6.2 guidance and 6.4 RMP, authorisation is applied to at least the following three elements:

- the cooperative approach;[6]
- ITMOs for a specific use;
- entities participating in a cooperative approach or in an Article 6.4 activity.

The Article 6.2 guidance agreed at COP26 does not define the scope, the content, the format or the occurrence of authorisation. Moreover, it does not specify if multiple authorisations (i.e. one for each element of authorisation) can be provided by the participating Parties, and if so, how authorisation elements can be combined. Thus, there is significant leeway for individual participating Parties to decide how to operationalise authorisation provisions in their countries. Further, the Article 6.2 guidance and 6.4 RMP do not specify if the three authorisation elements need to be submitted simultaneously within the same document, or if they can be submitted at different times and, consequently, through different authorisation formats/vehicles. These aspects are further analysed below.

[5] For ease of reading, this paper uses throughout "use towards an NDC" to refer to the "use towards the achievement of an NDC".

[6] There is no agreed definition of what a "cooperative approach" is precisely under Article 6, and in particular if a "cooperative approach" could include issuance under the Article 6.4 mechanism. For simplicity, this paper assumes that the concept of "cooperative approach" includes issuance under the Article 6.4 mechanism, which means that the authorisation of the "cooperative approach" applies equally under Article 6.2 and Article 6.4.

The Article 6.2 guidance and 6.4 RMP are silent regarding other possible elements of authorisation in addition to the three mentioned above. However, Parties may or may not choose to include other elements in their authorisations that could facilitate reporting of information in the Initial Report (IR). These issues are also discussed further below.

2.1. Authorisation under Article 6.2 guidance

The decision text of Article 6.2 guidance on cooperative approaches (UNFCCC, 2021[2]) contains several elements relating to authorisation. These elements relate primarily to participating requirements in Article 6.2 cooperative approaches, authorisation of ITMOs for a use, reporting of authorisation and authorised entities, and are inter-connected with other elements of Article 6.2 guidance.[7]

First, having in place arrangements to authorise the use of ITMOs towards achievement of NDCs is a pre-requisite for any Party intending to participate in a cooperative approach under paragraph 4(c) of the guidance for Article 6.2 of the Paris Agreement, as agreed at COP26 (UNFCCC, 2021[2]). Moreover, paragraph 3 of the guidance for Article 6.2 clearly states that each Party shall ensure that any authorisation for the use of ITMOs (alongside their transfer) should be consistent with Article 6.2 guidance and other relevant CMA decisions (UNFCCC, 2021[2]). The Article 6.2 guidance does not prescribe how the process for these arrangements should be set up, nor the scope or the content of the authorisation.

Each participating Party in an Article 6.2 cooperation is required to authorise the cooperative approach. Paragraph 18(g) of the Article 6.2 guidance requires as part of the Initial Report (IR) a copy of the authorisation of the cooperative approach by "the participating Party", without explicitly specifying if each Party must authorise the approach in case of an Article 6 cooperation between two Parties. However, since "each participating Party shall submit" the IR (paragraph 18, (UNFCCC, 2021[2])), this language implies that each Party involved in the cooperation must authorise the cooperative approach.

The Article 6.2 guidance also indicates clearly that ITMOs could be authorised for different uses. These are the use towards an NDC (paragraph 1(d)) and "international mitigation purposes other than achievement of an NDC or […] for other purposes as determined by the first transferring participating Party" (paragraph 1(f)).[8] Paragraph 1(g) also indicates that A6.4ERs are also ITMOs when they are authorised for use towards NDCs and/or for OIMP. Providing an authorisation for these uses results in a commitment by the authorising first transferring Party to apply a corresponding adjustment to their emissions balance, as indicated by paragraphs 8(a), 9(a),10(a) and 16 of the Article 6.2 guidance (UNFCCC, 2021[2]).

[7] Other international cooperation programmes may have useful examples on authorisation provision that could inspire further work on this topic under Article 6. For instance, under the ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) the host Party's UNFCCC National Focal Point has to provide a written attestation that authorises the use of credits by airlines under the CORSIA and that provides assurance that the Party will report the use of these credits to the UNFCCC and that they apply a corresponding adjustment. This authorisation can be provided to carbon credit certification programmes, or to specific activities (ICAO CORSIA Technical Advisory Body (TAB), 2022[14]) (Peters-Stanley, 2022[15]). Concrete examples of these "Letters of Assurance and Authorisation" have been developed by the Architecture for REDD+ Transactions (ART) (ART Secretariat, 2021[16]) and the American Carbon Registry (ACR) (American Carbon Registry, 2020[17]).

[8] These are referred together as "Other International Mitigation Purposes" (OIMP) (UNFCCC, 2021[2]) – although this term also includes domestic mitigation purposes. In fact, OIMP can include for instance the use of ITMOs by private entities covered by the CORSIA (which is an "international mitigation purpose"), or covered by other compliance or voluntary emission mitigation targets (not an "international mitigation purpose"); or the domestic use of ITMOs by Parties under specific circumstances (e.g. European Union member states wanting to use ITMOs to reach domestic mitigation goals that go beyond the ambition of the collective NDC of the European Union – also not an "international mitigation purpose").

The first transferring Party will apply a corresponding adjustment for authorised ITMOs, as specified by paragraphs 2(a) and 2(b) of the Article 6.2 guidance (UNFCCC, 2021[2]). If ITMOs are authorised for OIMP uses, the participating Party can decide whether the first transfer (which will require the application of a corresponding adjustment) is triggered by (1) the authorisation; (2) the issuance; or (3) the use or cancellation of the MO. As highlighted in Table 1 further below, these provisions mean that a corresponding adjustment needs to be applied for each first transfer of authorised ITMOs for the first transferring Party, and for each use of ITMOs towards the NDC for the acquiring Party. No corresponding adjustment needs to be applied in all other cases.

Combining the elements above highlights that there could be various cooperation scenario cases, each with different implications for possible elements of authorisation (Table 1). These scenarios include bilateral cooperation among two Parties, and cooperation between a Party and a non-Party entity (e.g. a private company). Moreover, there could be different implications (in terms of authorisation, and consequently of reporting and requirement of application of a corresponding adjustment) if the transfer of the mitigation outcomes is a first transfer or not.[9] Article 6.2 also enables multilateral cooperation, i.e. when more than two Parties are involved in a cooperative approach. In theory, there could be three different cases of multilateral cooperation: (i) two (or more) transferring Parties cooperating with one acquiring Party; (ii) one transferring Party cooperating with two (or more) acquiring Parties; (iii) two (or more) transferring Parties cooperating with two (or more) acquiring Parties. The implication for authorisation of different possible groupings of multilateral cooperation remain to be explored. For instance, if there are multiple acquiring Parties with different purchasing criteria, it might be difficult to accommodate them all in the same authorisation by a transferring Party.

[9] There could also be more complex scenarios where multilateral cooperation (i.e. involving more than two Parties) occurs – these are not analysed in this paper.

Table 1. Possible voluntary bilateral cooperation cases under Article 6 and their relation to authorisation elements and application of corresponding adjustments on authorised ITMOs

Case	Transferring	Acquiring	Who authorises different elements?			Application of corresponding adjustment on authorised ITMOs
			Cooperative approach	ITMOs for a specific use	Entities	
1	Party A (first transfer)	Party B	Both	Towards NDC: Mandatory for Party A, optional for Party B	Both	Both (Party B only if it uses the ITMOs from the cooperative approach)
2	Party A (first transfer)	Party B	Both	Towards NDC and OIMP: Mandatory for Party A, optional for Party B	Both	Both (Party B only if it uses the ITMOs from the cooperative approach)
3	Party A (first transfer)	Party B	Both	Towards OIMP: Mandatory for Party A, optional for Party B	Both	Both (Party B only if it uses the ITMOs from the cooperative approach)
4	Party C (not first transfer)	Party B	Both	Towards NDC: Unclear for Party C, optional for Party B	Both	Only Party B (if it uses the ITMOs from the cooperative approach)
5	Party C (not first transfer)	Party B	Both	Towards NDC and OIMP: Unclear for Party C, optional for Party B	Both	Only Party B (if it uses the ITMOs from the cooperative approach)
6	Party C (not first transfer)	Party B	Both	Towards OIMP: Unclear for Party C, optional for Party B	Both	Only Party B (if it uses the ITMOs from the cooperative approach)
7	Party A (first transfer)	Non-Party entity D	Party A	Towards OIMP: Party A	Party A	Party A
8	Party C (not first transfer)	Non-Party entity D	Party C	Towards OIMP: Unclear for Party C	Party C	None

Note: The table also assumes that Party C had previously acquired ITMOs from another first transferring Party – hence it will be the first transferring Party that will apply a corresponding adjustment.
Source: Authors.

The Article 6.2 guidance and 6.4 RMP are silent on two important aspects relating to bilateral cooperation among Parties (cases 1-6 in Table 1). These are:

- (i) if the authorisation of ITMOs for a use can be for OIMP only (or if any use for OIMP needs to be combined with a use towards NDCs)
- (ii) who provides authorisation for ITMO uses – if the first transferring Party only, or also any Party re-transferring ITMOs (i.e. not a first transfer) and/or the acquiring Party.

In practice, point (i) is already being addressed by some Parties. This is the case of regional economic integration organisations and their member States that are Parties to the UNFCCC and ratified the Paris Agreement but have a collective NDC, and want to voluntarily participate in Article 6 cooperation to meet their domestic mitigation goals (e.g. member states of the European Union that want to go beyond the ambition of the NDC of the European Union). In this case, these countries cannot authorise ITMOs for use towards the collective NDC, and must authorise them for OIMP use.[10]

On who provides authorisation for ITMO uses (point (ii)), it is important that this is always done by the first transferring Party, because of the associated liability of the application of a corresponding adjustment.

[10] As noted in footnote 7, the term "OIMP" is used also to refer to other mitigation purposes (not only international mitigation purposes) – which would include the domestic use of ITMOs by the acquiring Party for the achievement of national goals other and/or beyond the NDCs.

However, it is not always clear if non-first transferring Parties and acquiring Parties also provide authorisation for ITMO use – and this may vary depending on the use that ITMOs are authorised for. In particular, Article 6.3 of the Paris Agreement refers to "participating Parties" when providing for the authorisation of the use of ITMOs to achieve NDCs (UNFCCC, 2016[1]). This can be interpreted as both Parties (transferring and acquiring) could authorise the use of ITMOs when the ITMOs are intended for achievement of NDCs. However, there is no provision on who other than the transferring Party needs to authorise the use of ITMOs towards OIMP. It is also not clear if a non-first transferring Party[11] needs to authorise ITMOs for use or not. Hence, in practice the authorisation of ITMOs for a use is mandatory for the first transferring Party, optional for the acquiring Party and unclear for the non-first transferring Party. Moreover, Article 6.2 guidance also implicitly suggests that non-Party acquiring entities that participate in a cooperative approach (e.g. a private company) do not have any authorisation obligations under Article 6.

Authorising also triggers the reporting requirements, although Decision 2/CMA.3 is unclear about exactly which authorisation element(s) triggers reporting. In fact, paragraph 18 of Decision 2/CMA.3 provides that each participating Party must submit an Initial Report (IR) "no later than authorisation of ITMOs from a cooperative approach" (UNFCCC, 2021[2]) – without specifying clearly if the term "authorisation" here refers to the authorisation of the cooperative approach or the authorisation of ITMOs for a specific use.[12] It is thus unclear if Parties must report the information listed in paragraph 18 through an IR even if, for instance, they authorise a cooperative approach when ITMOs are not yet generated. Hence, whether this trigger is for just the transferring Party or for also for the acquiring Party depends on the relative timing of agreements to transfer and acquire ITMOs. Moreover, paragraph 21(c) of Decision 2/CMA.3 provides for the possibility to apply "changes to earlier authorisations" as part of the Regular Information (RI) as annex to the Biennial Transparency Reports (BTRs). These reporting requirements are summarised in Table 2. Different elements of authorisation are to be reported across several different reports, i.e. the IR, in the Annual Information (AI), and in the RI (including updates) as annex to the BTRs. Further analysis on options for reporting authorisation are presented in section 3. .

[11] I.e. this corresponds to cases 4,5,6 and 8 of Table 1, where a Party C who had previously acquired ITMOs from another first transferring Party, is now cooperating with an another Party B or a non-Party entity D.

[12] This statement assumes that different authorisation elements can be submitted separately and at different times. This also allows for the possibility of "unilateral" authorisations – i.e. provided in first instance by the first transferring Party. If it were instead assumed that all authorisation elements are submitted together and simultaneously, then the trigger for reporting through the IR is the authorisation itself.

Table 2. Overview of reporting requirements related to authorisation as per the Article 6.2 guidance

Paragraph in Decision 2/CMA.3	Reporting instrument	Reporting element related to authorisation	Frequency of reporting
18(chapeau)	IR and updates to IR	IR to be submitted "no later than authorisation of ITMOs from a cooperative approach" or "where practical (in the view of the participating Party) in conjunction with the next BTR due pursuant to decision 18/CMA.1 for the period of NDC implementation."	Ad-hoc for each cooperative approach
18(g)	IR and updates to IR	I.e.: a copy of the authorisation, "a description of the approach, its duration, the expected mitigation for each year of its duration, and the participating Parties involved and authorised entities."	Ad-hoc for each cooperative approach
19	Updated IR	"For each further cooperative approach, each participating Party shall submit the information on authorisation referred to in paragraph 18(g) in an updated initial report."	Ad-hoc for each cooperative approach
20(a)	AI (to be submitted to Article 6 database)	"Information on authorisation of ITMOs for use towards NDC achievement, OIMP, first transfer, transfer, acquisition, holdings, cancellation, voluntary cancellation, voluntary cancellation of MOs or ITMOs toward OMGE, and use towards NDCs."	"On an annual basis by no later than 15 April of the following year"
21(c)	RI	Authorisations, information on its authorisation of use of ITMOs towards NDC achievement and for OIMP, including changes to earlier authorisations	"No later than 31 December of the relevant year"
23(d), 23(e)	BTRs	"Annual quantity of mitigation outcomes authorised for use for OIMP and entities authorised to use such mitigation outcomes, as appropriate" "Annual quantity of ITMOs used towards achievement of its NDC."	Reported biennially

Notes: IR = initial report; AI = annual information; RI = regular information; BTR = Biennial Transparency Reports; OMGE = Overall Mitigation of Global Emissions.
Source: Authors from (UNFCCC, 2021[2]).

Reporting requirements under Article 6.2 also highlight that Parties can authorise an entity or entities for each cooperative approach, as specified by paragraph 18(g) for the initial report, 20(b) for annual information, and 23(d) for regular information (UNFCCC, 2021[2]). However, Article 6.2 guidance does not contain explicit provisions on the role and type of the authorised entities. Paragraph 23(d) specifies that authorised entities can use authorised ITMOs for OIMP. This means that in cases 7 and 8 within Table 1, the transferring Party also needs to specify within its authorisation the names of the entities authorised for use of the ITMOs in the cooperative approach.

2.2. Authorisation under Article 6.4 rules, modalities and procedures

Authorisation is also relevant for the Article 6.4 mechanism, because A6.4ERs are also ITMOs when Parties authorise them for use towards NDCs and/or for OIMP, as indicated by paragraph 1(g) of Decision 2/CMA.3 (UNFCCC, 2021[2]). Section C "Approval and authorisation" of the RMP contains several provisions relevant to authorisation under the Article 6.4 mechanism (UNFCCC, 2021[3]). First, it is important to make a distinction between two elements included in Section C:

- Approval: an approval of a mitigation activity is provided by the host Party to the Article 6.4 Supervisory Body (6.4SB), prior to the request for registration, as per paragraph 40 of the RMP (UNFCCC, 2021[3]). This means that for activities to be registered under the Article 6.4 mechanism, one of the prerequisites is that they received an approval letter by the host Party.
- Authorisation: the authorisation refers to the use(s) of ITMOs, consistent with the provisions of Article 6.2 guidance of decision 2/CMA.3. This means that A6.4ERs authorised for a use are subject to the same Article 6.2 guidance for authorised ITMOs described in the previous subsection, including all the same reporting requirements, the application of a corresponding adjustment for uses towards NDCs or OIMP, and the specification of the "trigger" of first transfer

for uses toward OIMP consistently with paragraph 2(b) of Decision 2/CMA.3, as indicated by paragraphs 42, 43 and 44 of the RMP (UNFCCC, 2021[3]).

Authorisation under the Article 6.4 mechanism is slightly different than authorisation under Article 6.2. Under the mechanism, host Parties must provide the authorisation at the activity level, as per paragraph 42. This may not always be the case for the authorisation under Article 6.2. Furthermore, according to paragraph 42, host Parties provide the authorisation through a "statement", which can include information on "any applicable terms and provisions" of the authorisation, as well as the host Party definition of first transfer (that is, the "trigger" for the corresponding adjustment) if the A6.4ERs are authorised for OIMP uses (UNFCCC, 2021[3]).

The host Party and other participating Parties also authorise public or private entities to participate in an activity under the Article 6.4 mechanism, as provided in paragraph 41 and 45 of Decision 3/CMA.3. The public and private entities would be then recognised "as activity participants under the mechanism" (UNFCCC, 2021[3]). However, the RMP are silent on how and where the host Party and other participating Parties can provide this authorisation to the 6.4SB. Moreover, it is unclear if the authorisation of other participating Parties for public or private entities as activity participants triggers any reporting requirement under Article 6.2 as per Decision 2/CMA.3 (UNFCCC, 2021[2]). Table 3 summarises these considerations.

Table 3. Authorisation elements under the Article 6.4 mechanism

Party	Authorisation of A6.4ERs for a specific use	Authorisation of public or private entities to participate in an activity
Host Party	Yes, towards NDC and/or OIMP	Yes
Other participating Parties	No	Yes

Source: Authors.

2.3. Other possible authorisation elements

Besides the three authorisation elements included in the Article 6.2 guidance and Article 6.4 RMP presented at the beginning of this section, participating Parties could choose on a voluntary basis to include other elements in their domestic authorisation requirements. Such elements could help enhance the transparency and facilitate reporting of cooperative approaches in the IR. For instance, participating Parties may decide (or the CMA could mandate participating Parties) to include a unique identifier for the authorisation, including the date of the authorisation, as this could help trace the evidence of authorisation.

Participating Parties could also include in their authorisation any specific time and/or quantity limits for the creation of MOs or use of ITMOs under the cooperative approach (discussed further in section 4.). Setting quantitative limits could help the transferring Party to limit risks of overselling ITMOs, while also facilitating the IR reporting by participating Parties by allowing an easier calculation of the "expected mitigation for each year of [the duration of the cooperative approach]" as per paragraph 18(g) of the Article 6.2 guidance (UNFCCC, 2021[2]). For the cases 1-6 of Table 1, setting time limits could help the acquiring Party to fulfil paragraph 8(b), 9(b) and 10(b) whereby the acquiring Party has to make sure that ITMOs "are used within the same NDC implementation period as when they occurred" (UNFCCC, 2021[2]).

The duration of the cooperative approach could also be usefully included within an authorisation, as this would also facilitate reporting in the IR as per paragraph 18(g) of Article 6.2 guidance. For cooperative approaches based on crediting activities, participating Parties could also include the crediting period of the mitigation activities, potentially alongside an identification of the mitigation activities, a specification of the applied standards and crediting baseline methodologies and monitoring, reporting and verification (MRV) requirements.

For the cooperation cases 1-7 of Table 1, participating Parties could also specify in their authorisations the agreed method of application of corresponding adjustments. Including such an element could enhance trust between the participating Parties, and facilitate the fulfilment to report in the IR the method for applying corresponding adjustments as of paragraph 18(c) of the Article 6.2 guidance (UNFCCC, 2021[2]).

For cases where a Party is acquiring ITMOs[13], this Party may be interested in including steps in its authorisation process in addition to the ones agreed in the Article 6.2 guidance. Such steps could include making authorisation contingent on a "positive examination" of mitigation activities from which the MOs are generated. A "positive examination" could specify, for instance, that the acquiring Party will check the fulfilment of sustainable development and/or human rights standards in the activities covered by the cooperative approach.

Participating Parties cooperating in cases 1-6 of Table 1 could in theory also agree that the aspect of voluntarily contributing resources from the cooperative approach to adaptation and/or to Overall Mitigation of Global Emissions (OMGE), is to be included in their domestic authorisation processes. While Parties are required to describe how each cooperative approach will deliver OMGE, there is no explicit obligation to report quantitative information on this through the IR. Nevertheless, including this information could increase transparency of the cooperative approach, and promote trust between the participating Parties.

While the Article 6.2 guidance specifies some elements that need to be included in an authorisation, Parties have leeway on others (such as a "positive examination", as outlined above). Parties that participate in a given cooperative approach will need to decide whether to include all possible authorisation elements in a single document or separately. If participating Parties decide to submit authorisations for different elements (e.g. one for the cooperative approach, another for the ITMO uses and entities) at different times, it would be helpful if the participating Parties could decide together which possible elements to include and when. It is likely that some elements of authorisation (e.g. cooperative approach, entity, type of use) are known in advance of the quantity of MOs to be authorised.

While adding some of these elements to a Party's authorisation might facilitate the reporting of participating Parties in the IR, at the same time they could increase the risk of inconsistencies between authorisations of participating Parties. Moreover, including other possible elements in an authorisation might also mean that if one of the elements changes, a change to the authorisation is required by both participating Parties, increasing the administrative burden.

[13] This corresponds to cases 1-6 in table 1.

3. Options for reporting authorisation

Article 6.2 guidance relating to the reporting of authorisation (summarised in Table 2 in section 2.) highlights that information relating to authorisation of ITMOs for a use from a single cooperative approach will need to be reported by the participating Parties in different reporting vehicles and over multiple years. Parties' reporting vehicles that cover authorisation aspects include a Party's IR, BTR, AI via an agreed electronic format (AEF) and Regular information (RI). There is a large – but not complete - overlap between information to be reported in a Party's AI and its RI (Table 4).

Table 4. Information relevant to Article 6 authorisations and where it is reported

Information element	Reported in				Comment
	Initial report	Annual info./AEF	Regular info.	Reported/ tracked in Party registry	
Fulfilment of participation responsibilities	Y	N	Y	N	Reporting of this information in IR will facilitate review of participating Parties' continued fulfilment of participation responsibilities throughout their participation in the cooperative approach.
Copy of authorisation, description of approach, duration	Y	N	N	N	If there are any changes in the duration of the approach, it is not clear if/how this will be reported.
Authorisation of ITMOs for NDC achievement	N	Y	Y	Y(*)	It is particularly important for first transferring Parties to report, because of the associated corresponding adjustment.
Authorisation for OIMP	N	Y	Y	Y	-
Changes to authorisation	n/a	N	Y	-	Reporting changes only in regular rather than annual information means that there may be a significant time-lag before "double book-keeping" of any changes to authorisations can be assessed.

Note: (*) The guidance just refers to "authorisation".
Source: Authors.

Article 6.2 guidance also specifies that "authorisation" is the trigger for a Party to submit its IR (UNFCCC, 2021[2]). To report information on authorisations that is comparable and consistent, Parties will need to know what exactly "authorisation" refers to, as mentioned in section 2. , and when each aspect of authorisation is to be reported.

Information to be reported relating to authorisation will need to include both quantitative aspects (e.g. numbers of ITMOs authorised towards achievement of NDCs or OIMP) and qualitative information (e.g. which entities are authorised, what transacted ITMOs can be used for etc). The Article 6.2 guidance also highlights that only information submitted under a Party's IR and RI will be reviewed directly by the Article 6 technical expert review team (TERT). While annual information submitted via the AEF will not be reviewed directly by the TERT, the UNFCCC Secretariat will provide to the TERT the results of its consistency check on information submitted by Parties. This section explores the reporting implications of different possible definitions and timings of authorisations within the lifecycle of an ITMO.

The Article 6.2 guidance provisions could usefully be clarified in some areas relating to the IR and the report of RI (Table 5). These include substantive issues relating to the scope of what needs to be reported relating to authorisation in a Party's RI report. As Parties move forward with Article 6 implementation, it would be useful for Parties to have increased clarity on what process to follow for changes to authorisations as discussed below, and how such changes should be reported.

Table 5. Article 6.2 reporting provisions that could usefully be clarified by the CMA

Reporting vehicle, Party	Text for clarification	Action needed by CMA	Comment
IR	§18 Which aspect of "authorisation of ITMOs" (e.g. authorisation for use, or actual use) triggers reporting	Clarify what exactly triggers reporting of an initial report (e.g. authorisation of cooperative approach? Of ITMO uses? Or entities?).	It would seem that it is the authorisation for ITMO use that would be the most appropriate trigger, because it would be difficult to report quantitative information on the IR if the trigger was for the cooperative approach or the entity.
IR	§18g "Provide … a copy of the authorisation by the Participating Party…"	Clarify what the authorisation refers to (e.g. cooperative approach, ITMO uses, entities).	Clarify if quantitative information on ITMOs authorised for use also needs to be included. (Detailed suggestions in Table 8 for possible content of authorisation text).
RI	§21c "Authorizations and information on its authorization(s) of use of ITMOs…"	Clarify what the first "Authorisations" refers to, and whether this is quantitative or qualitative information.	Clarify the elements to be reported on in this provision.
RI	§21c "...changes to earlier authorisations"	Clarify whether a process is needed for all participating Parties to agree/approve changes (as these could be both material and immaterial, e.g. name updates) and, if so, what process to follow for which type of change; what the format for reporting changes should be (tabular, free text etc).	Establish a list of possible changes and a process to ensure that these changes are approved/implemented by all participating Parties.

Source: Authors.

3.1. Changes to authorisations

The Article 6.2 guidance indicates that any "changes to earlier authorisations" would need to be reported under the RI (see paragraph 21(c) of (UNFCCC, 2021[2]). This decision implies that it will be possible to make changes to authorisations – although there is no further indication on what type of changes could be made, or under what conditions. Potential changes could be material (i.e. that affect accounting issues and/or financial flows associated with ITMOs) or immaterial (i.e. that do not affect accounting or finance issues).

There could be a large variety of technical, procedural or political situations where changes to authorisations could be warranted (Table 6). Technical matters could include e.g. if emission reductions from a specific activity generating ITMOs authorised for a use under a cooperative approach have been reversed. Procedural matters could include a requested change in the use for acquired ITMOs or a change in ownership/name of authorised entities. Procedural matters could be unproblematic, e.g. if ITMOs were authorised for use towards NDC and OIMP, and both Parties subsequently agree to use them only towards NDC. Alternatively, procedural matters could raise substantive issues, if the acquiring Party had acquired ITMOs authorised only for OIMP but then decided to authorise them for use towards its NDC. Political matters could include developments at a national or sectoral level that may mean the Party originally planning to transfer ITMOs would no longer expect to be able to achieve its NDC if it did so.

These technical, procedural or political matters could lead to different types of changes in authorisations being required. Such changes could include updates that are trivial and purely administrative (e.g. to

update the name of an authorised entity to reflect new ownership of that entity). At the other end of the scale, changes could include revoking the authorisation of ITMOs for a given use – which could have serious and substantive implications, not only for the Parties involved but for the reputation of Article 6 as a whole. In addition, revocation could undermine incentives for private entity involvement and investment in Article 6 activities. In all cases, changes to authorisations would need to be reported in the RI (i.e. biennially).

Changes to authorisations could be grouped into three categories, two of which have the potential to change the characteristics of transactions:

- Administrative updates, e.g. reflecting a name change. Such changes would have no material impact on the levels of ITMOs transferred/acquired, nor would they affect the environmental integrity of transactions.
- Substantive, to extend or restrict the scope of authorisation – e.g. to add or restrict the potential uses of an ITMO, scope of cooperative approach, or to add or to reduce the authorised entities. An altered scope of authorisation could – but would not necessarily – impact the total levels of ITMOs transacted, but could change the entity or Party who is authorised to transfer/use the ITMO, and/or what the ITMOs are used for. It could therefore have a financial impact on entities.
- Substantive, to restrict the level of authorised transactions – for example to address any reversal of emission removals (if these have not already been addressed in other ways). Such changes could impact the level and/or timing of transactions of ITMOs, and could thus impact on the environmental integrity as well as financial transfers associated with a given transaction. This would be a serious matter, potentially with legal implications if such changes are beyond those that have been listed in Parties' bilateral agreements.

Table 6. Rationale for possible changes to authorisations and associated impacts

Type of change	Possible rationale for changes	Changes in:			Possible consequences
		Number of ITMOs transacted / associated financial flows	ITMO uses	Authorised entities	
Administrative changes	Changes in name of authorised entities	N	N	N	No significant impact.
Substantive changes extending scope	Extending scope of authorisation to use for both NDC and OIMP (rather than just one), adding an authorised entity	N	Y	Y or N	Possible reputational impact (positive or negative) on Parties involved, depending on specific changes made.
Substantive changes restricting scope	Political decision by transferring Party to reduce e.g. the uses of ITMOs, sectors/ gases/technologies from which the MOs originate, Decision by transferring or acquiring Party to reduce number of authorised entities	Possibly	Y	Y	Ex-post changes reducing the number of authorised entities risks reducing private sector interest/engagement in Article 6.
Substantive changes restricting level of transactions(*)	Political decision to revoke or suspend participation in Article 6 transactions with a given country or entity	Y	Y	Y or N	Potentially highly negative impact for the Parties involved (e.g. impact on NDC achievement) as well as for the credibility of Article 6 more broadly.

Note: (*) Such changes would be over and above those due to variations in activity performance, engagement to meet Article 6 participation requirements and other criteria as established in individual MOPAs.
Source: Authors.

Such changes could lead Parties to revoke, recall, suspend or update their authorisations – either from a specific activity or to/from a specific Party/entity. Such changes could encompass the number of ITMOs transferred, the use for which transferred ITMOs are authorised; the entities involved; or the sectors, gases, technologies that are at the origin of the MOs. Parties may wish to consider establishing a list of possible changes to authorisations and how to deal with such changes. A similar list was established for how to make ex-post changes to a registered Clean Development Mechanism project activity (see Box 1).

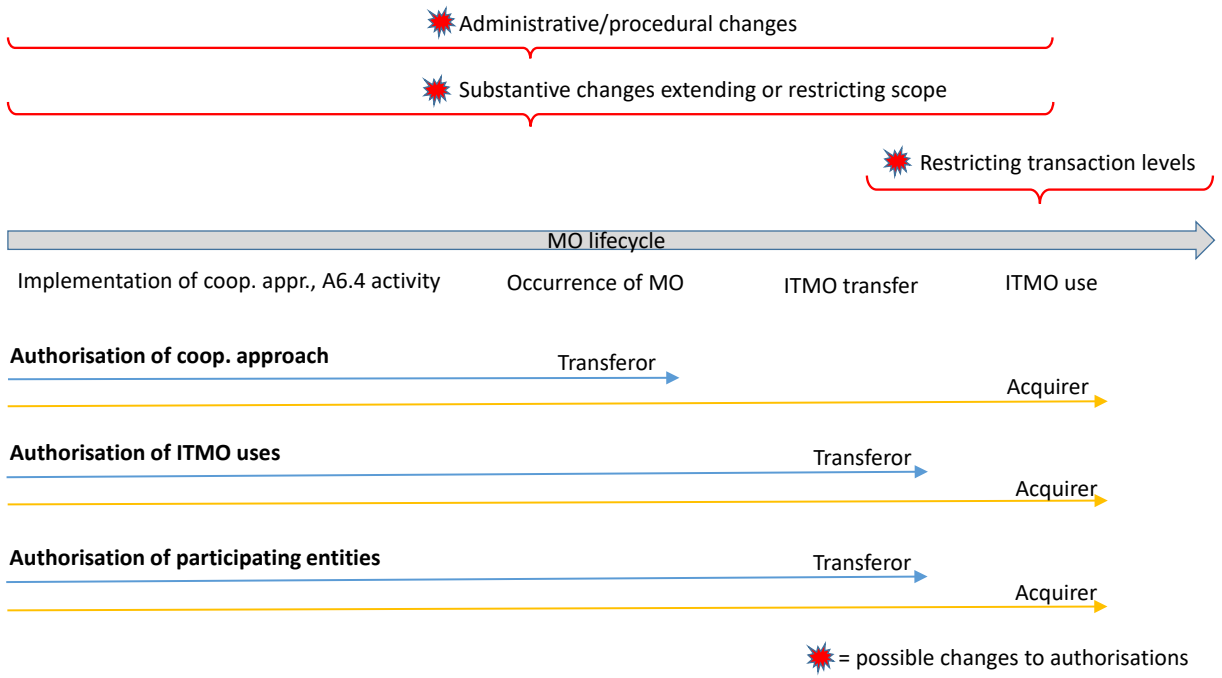
Box 1. Precedent for ex-post changes in the UNFCCC's Clean Development Mechanism (CDM)

There is precedent in the Kyoto Protocol's CDM both in respect of making ex-post changes to a registered project activity, and in developing agreed processes to assess/approve such ex-post changes. As for potential changes under Article 6.2 cooperation, some changes to already-registered CDM project activities are material, whereas others are not. Overall, the agreement reached for the CDM was to identify the range of potential ex-post changes. For those changes that were immaterial to the project design or functioning, these would only require notification to the CDM's Executive Board (CDM EB, e.g. changes of up to two years to the start date of a crediting period). Other, more material changes, would require a further examination and approval by the CDM EB and/or a Designated Operational Entity (Radschinski, 2018[4]).

Source: Authors.

The potential timing of any changes in authorisation (i.e. when any such change could occur in the lifecycle of an ITMO) and or how this could impact the different actors involved is also unclear (Lingorsky, 2022[5]). In order to provide clarity to all actors involved in cooperative approaches, it would be useful to provide such clarity as soon as possible. Figure 1 illustrates a timeline of possible changes to authorisations for MOs transferred internationally.

Figure 1: Timeline of possible changes to authorisations for MOs transferred internationally



Source: Authors.

Changes in the number of authorised ITMOs, and/or changes to the potential use of authorised ITMOs, could have significant consequences within and between Parties. These consequences could potentially encompass financial and/or reputational consequences for the entities and Parties involved, as well as impacting the potential achievement of the NDC of one or both Parties. In addition, changes to authorisations could also impact Parties' reporting under Article 6, as explored below.

3.2. Timing issues relating to reporting

Reporting of information under Article 6 is linked to the timing of authorisations, with the Article 6.2 guidance agreed at COP26 stipulating that the initial report of a cooperative approach needs to be submitted at the latest at "authorisation of ITMOs".[14] However, as "authorisation of ITMOs" (in para.18 of the Article 6.2 guidance) has not been defined, there is leeway for different interpretations of what it refers to, and thus when it can occur. If different Parties involved in the same cooperative approach authorise ITMOs at different times (e.g. if the transferring Party authorises ITMOs for use before an acquiring Party

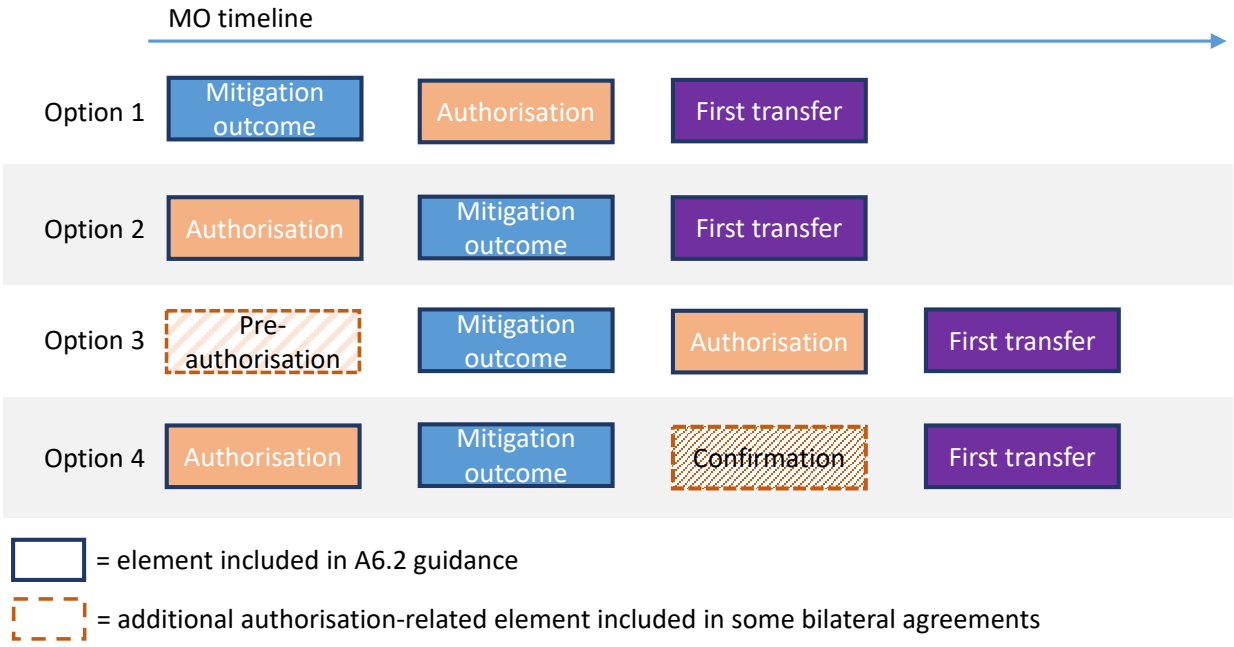
[14] Except, as provided for in Article 6.2 guidance agreed at COP26 (UNFCCC, 2021[2]), "or where practical (in the view of the Participating Party), in conjunction with the next biennial transparency report".

has been identified), this would mean that there could be a significant time lag between reporting the transfer of ITMOs and their use (see Figure 3). These issues are explored below.

3.2.1. When authorisation occurs during the lifecycle of an MO

Authorisation could occur at different points during the lifecycle of a MO, depending on whether authorisation is understood as referring to cooperative approaches, entities and/or ITMO uses (UNFCCC, 2021[2]). Different Parties' bilateral agreements for Article 6 cooperation have highlighted that there are several possible options for doing so (as outlined in Figure 2). Some bilateral agreements include additional steps which are not outlined in the Article 6.2 guidance, such as "pre-authorisation" of MOs or requiring "confirmation" of authorised MOs before they can be transfers. Such steps have been put in place to increase certainty to private sector participants that there will be ITMO transactions, provided that the relevant conditions in the Mitigation Outcomes Purchase Agreement (MOPA) are met. A MO would need to be authorised in order for it to become an ITMO.

Figure 2. Options for the timing of authorisation in the MO lifecycle for a first transferring Party



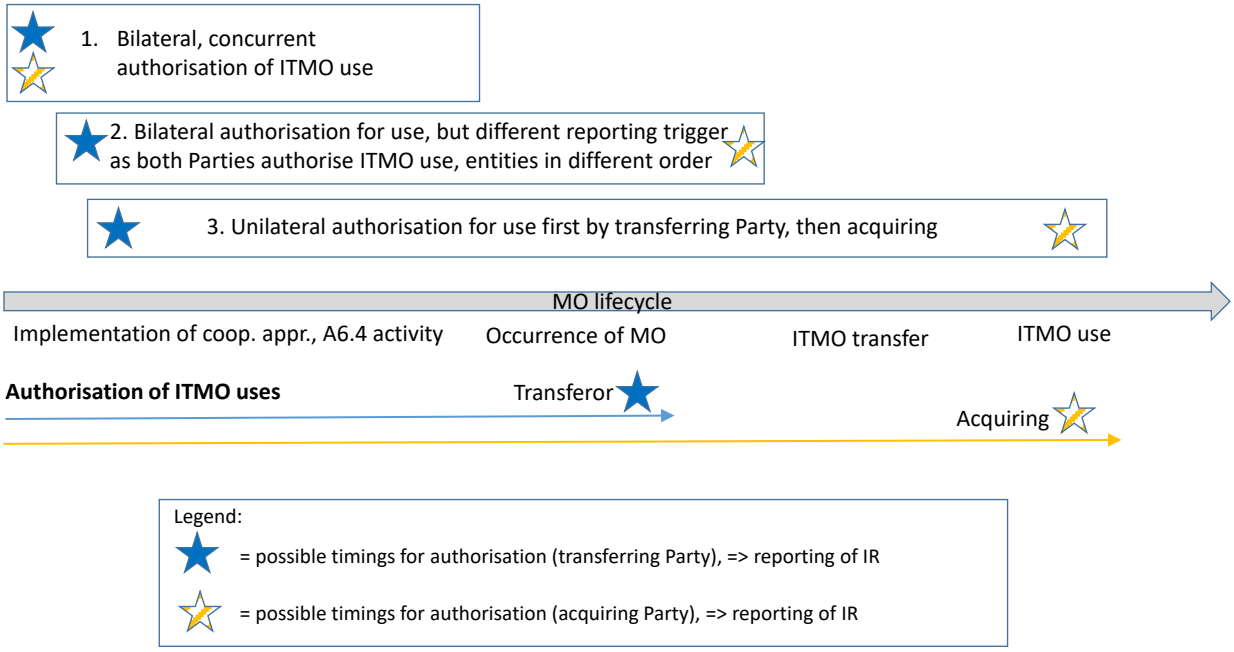
Source: Authors.

3.2.2. Time lag between participating Parties in reporting a given transaction

There are situations where there can be a considerable time lag in reporting a given transaction of ITMOs from a cooperative approach. This could result from different definitions by the participating Parties of when "authorisation" occurs in the ITMO lifecycle (assessed above). Time lags could also occur if the first transferring Party unilaterally authorises ITMO uses before an acquiring Party has been identified. Figure 3 highlights three possible scenarios for the relative timing of Parties' initial reports for a given transaction. Scenario 1 shows where the participating Parties provide bilateral, concurrent authorisation – which would imply that their IRs are submitted at the same time. Scenario 2 shows an example of where the participating Parties have different definitions of when authorisation occurs, and thus submit their IRs at different times. Scenario 3 shows a situation where there is a time lag between the participating Parties because the transferring Party has authorised unilaterally. For scenarios 2 and 3, there could thus be a time lag –

potentially of several years – between the transferring Party and the acquiring Party reporting a given transaction. This potential time lag would need to be taken into account when designing consistency checks (as it would delay when such checks could be carried out), as well as during the Article 6 review.

Figure 3. Selected scenarios illustrating the impact of different Parties' definitions of authorisation on the timing of their Initial Reports



Source: Authors.

3.2.3. Lifespan of authorised ITMOs

The Article 6.2 guidance agreed at COP26 (UNFCCC, 2021[2]) includes safeguards to ensure that the use of cooperative approaches do not lead to increased emissions within or between implementation periods, and that ITMOs need to be used within the same NDC implementation period as when they occurred.[15] In addition, some transferring Parties may wish to place time limits on ITMOs they authorise for use, to potentially avoid overselling that could hinder the ability of the transferring Party to achieve its own NDC. The modalities and implications of doing so can usefully be clarified.

Individual Parties may also wish to reflect on the length of time for which they are prepared to authorise the use of ITMOs. In advance of each new NDC implementation period, individual Parties – particularly transferring Parties - may wish to reflect on their participation in and/or authorisation of ITMOs from cooperative approaches. This is because Article 4.3 of the Paris Agreement indicates that subsequent NDCs will represent a "progression" which in turn implies that mitigation ambition will increase over time. Parties that plan to achieve their NDC while also transferring X ITMOs during the first NDC implementation period may not be able to transfer similar levels of ITMOs during a second NDC implementation period without jeopardising achievement of their second NDC (assuming their subsequent NDCs imply a commitment to reduce absolute emissions).

[15] It is not clear if this safeguard also applies to ITMOs authorised for OIMP, however.

Individual Parties' authorisation of ITMOs for a use may therefore usefully be time-bound, with for example the end date determined by the end of the participating Parties' "NDC implementation period" (or the host Party, in case of OIMP).[16] For example, some potential transferring Parties may decide to only authorise ITMOs associated with mitigation from a specific Article 6.4 activity for the duration of their first NDC period, even if the activity (and therefore the associated mitigation) continues into the second NDC period or beyond. However, any such time limits that are imposed at a national level will lower the time horizon for which ITMOs can be generated and used with certainty (even if there is a possibility to revise such a time horizon), and might thus also reduce the attractiveness to the private sector of participating in such cooperative approaches.

[16] Alternatively, individual Parties may wish to limit authorisation in other ways, as discussed in section 4.

4. Domestic implementation of Article 6 authorisation

As of October 2022, some Parties have already started implementing pilots of voluntary bilateral cooperation under Article 6, including establishing domestic regulatory frameworks for Article 6 authorisation. This section explores how participating Parties could approach and structure both the process and content of authorisation under Article 6 domestically. The section analyses information on Article 6.2 bilateral cooperation, looking at practices established by both acquiring and transferring Parties on authorisation processes, and at similarities or differences in how some Parties have started addressing certain open questions around authorisation, drawing upon real-world examples where appropriate and available.

Each participating Party in a cooperative approach needs to have arrangements in place for authorising the use of ITMOs (see section 2.). However, the set-up of the authorisation process and the type of assessment a Party has to make prior to giving an authorisation is not necessarily the same for the transferring Party and the acquiring Party. Generally, such assessment appears more demanding on the side of the transferring Party because of the potential liabilities associated with applying corresponding adjustments. However, the acquiring Party in its own authorisation may also wish to consider the first transferring Party's ability to meet its NDC in order to mitigate potential contractual and reputational risks. Among the issues participating Parties would need to consider when operationalising Article 6 authorisation domestically are the following:

- what type of mitigation activities to approve (under the Article 6.4 mechanism) and authorise;
- the quantity of ITMOs that can be authorised for use without compromising the achievement of their NDC commitment;
- when to provide an authorisation along the lifespan of an MO, considering the needs of entities participating in the cooperative approach;
- the content and format of the authorisation;
- which domestic institution/body can be mandated with the task to provide Article 6 authorisation;
- how to set up a domestic legal framework for authorisation under Article 6.

These issues are further examined in the subsections below.

4.1. Domestic legal frameworks for authorisation under Article 6

As part of an authorisation under Article 6, participating Parties need to authorise the cooperative approach they intend to undertake. Cooperative approaches can take various forms, including linking of Emission Trading Systems, mitigation activities under the Article 6.4 mechanism or other carbon market standards as well as bilaterally designed crediting programmes or policies when mitigation outcomes are authorised for use (Greiner et al., 2020[6]). Participating Parties will decide whether the subject of authorisation and of the cooperative approach is an individual mitigation activity, or a broader crediting programme or policy.

For transferring Parties engaging in Article 6 cooperation through the Article 6.4 mechanism, the concept of "approval" of specific mitigation activities (see section 2.) is an important element to consider in domestic procedures. While not a requirement under Article 6.2, Parties may still find it useful to have some internal approval processes for mitigation activities or sectors generating MOs that could be authorised. Through this step, the transferring Party can develop criteria for approval to ensure that the mitigation activities that will issue A6.4ERs promote sustainable development and meet any other quality criteria deemed relevant domestically (Lo Re and Ellis, 2021[7]). The latter could be useful for the transferring Party to ensure that the mitigation activity can share its benefits with local communities.

Under Article 6.2, as part of the authorisation of ITMOs for a use from a crediting activity or programme, participating Parties could determine the portion of MOs that can be authorised for a specific use. Moreover, as part of the authorisation of entities, participating Parties may consider authorising entities that could purchase and transact ITMOs on behalf of or in support of the participating Parties.

Neither Article 6 of the Paris Agreement nor Decisions 2 and 3/CMA.3 prescribe how the authorisation process is to be set up at the domestic level. In the absence of further CMA or SBSTA guidance, the process for establishing domestic arrangements to provide authorisation under Article 6 is therefore understood as a country-driven process. Ideally, these arrangements could be anchored to a national legal framework that clearly guides the authorisation process. Depending on the local circumstances and starting conditions, countries may decide to (a) establish a new legal framework for Article 6 authorisation; or (b) incorporate the authorisation process within a general Article 6 framework; or (c) amend any existing laws to incorporate processes related to authorisation under Article 6 (for countries that already have laws on international transfer of emission reductions).

Some of the issues that could be covered by the legal framework on authorisation are:

- Eligibility criteria of mitigation activities, programmes or policies generating MOs that could be authorised;
- Eligibility criteria for the selection of actors eligible to apply to be authorised by the Party;
- The format and content of authorisation at the domestic level;
- The authorisation process, including the documentation to be submitted by applicants at the different stages of the authorisation process;
- The identification of any governmental agencies or (multi-)ministerial institutions that could be mandated with the responsibility to provide authorisation under Article 6.

These issues are discussed in detail below and in the subsequent sections.

A domestic legal framework for Article 6 cooperation could define minimum criteria for the country to assess the eligibility of activities, programmes or policies generating MOs that could be authorised. In the case of crediting activities or programmes under Article 6.2 cooperative approaches, these criteria may follow those defined by an existing crediting mechanism or standard, or be designed and implemented by the participating Parties. An example of a Party-administered approach is the Joint Crediting Mechanism (JCM) of the Government of Japan. In bilateral cooperation between Japan and another Party through the JCM, mitigation activities are evaluated and approved by Joint Committees of the cooperating Parties.

Another key evaluation for a first transferring Party to undertake is the extent to which the use of authorised ITMOs by another Party or non-Party stakeholder has implications on achieving its own NDC because of the liability of the application of corresponding adjustments. In the context of the Paris Agreement, this is a new step compared to a host Party's participation in the CDM under the Kyoto Protocol (Lo Re and Ellis, 2021[7]). Given the nationally determined nature of Parties' NDCs, there is no prescribed approach under the Paris Agreement, nor recommendations under the Article 6.2 guidance, on how this evaluation shall be made at the domestic level and assessments by individual first transferring Parties are likely to differ.

Transferring Parties with distinct conditional and unconditional NDC components might find it prudent not to authorise ITMOs for a use from mitigation activities, programmes or policies that fall under the unconditional NDC component, because the underlying mitigation might be needed by the Party to achieve their own NDC. Conversely, transferring Parties might consider authorising ITMOs for a use from mitigation activities, programmes or policies from the conditional NDC component, because doing so does not jeopardise the achievement of the their own NDC (Greiner et al., 2021[8]). For example, one eligibility criteria for providing authorisation to MOs under Ghana's framework is that the mitigation activity generating the MO should be part of the conditional NDC.

Other possible domestic approaches for a transferring Party to authorise the use of ITMOs also exist, such as sharing the ITMOs from individual mitigation activities, programmes or policies between the transferring and the acquiring Party, or reinvesting the proceeds from ITMOs transfers into additional domestic mitigation. Transferring Parties may also consider setting a threshold on the maximum number of MOs per activity, programme or policy, or sector, which could be authorised within a specific period of time (e.g. per year) (Lo Re and Ellis, 2021[7]). To do so, transferring Parties could usefully assess the "head room" the Party has in its NDC for a particular sector, i.e. the extent to which projected emissions can undershoot the NDC target. The more ambitious the commitment, the higher the opportunity costs of authorisation; whereas lower commitment levels enable larger amounts of MOs available for first transfer.

Taking into account the considerations above, transferring Parties could implement a "traffic light" system to guide the domestic decision whether or not to authorise ITMOs for a use from individual mitigation activities, programmes or policies. Such a system could enhance the speed and transparency of the domestic authorisation process. In such a system the transferring Party would define which MOs fall into its own "green", "amber" and "red" lists based on several criteria. Such categorisation could lead to automatic authorisation of ITMOs for a use from the green category, case-specific assessments for the authorisation of ITMOs for a use from the amber category, and authorisation of ITMOs for a use from the high-risk red category only subject to certain conditions (such as the sharing of mitigation benefits). Activities on the green and amber lists may change over time, with increasing NDC ambition stringency.

Another key consideration that could be included in the domestic authorisation framework is whether to include any pre-authorisation processes in specific bilateral agreements (as mentioned in section 3.). According to the Article 6.2 guidance, participating Parties need to submit an Article 6.2 IR no later than authorisation. Linking authorisation to the fulfilment of national reporting requirements, however, means that the timing of authorisation is delayed as it can only be provided once all information has been collected and approved by the government. This delay may not meet the needs of private sector investors seeking earlier assurances from the government that their mitigation activity meets the criteria for authorisation, and the MOs that are generated thereafter can eventually be authorised as ITMOs. Pre-authorisation at the domestic level could encourage the private sector to invest in the pre-authorised mitigation activities, programmes or policies. The pre-authorisation could take the form of a letter of assurance or intent confirming that the pre-authorised MOs from a mitigation activity meet some nationally-determined eligibility criteria, and that the ITMOs from the eligible activity can be authorised upon meeting subsequent legal requirements. For instance, the Government of Ghana issues letters of assurance for pre-authorisation and confirmation of automatic additionality once it is confirmed that the mitigation activity meets specific eligibility criteria.

4.2. Format and content of authorisation

The Article 6.2 guidance is silent on the format of the authorisation provided by participating Parties. The national authority mandated to provide Article 6 authorisation (see next sub-section) may generate a template for authorisation letters used by the country. Alternatively, a template could be included as annex to the law or regulation governing the authorisation process. The CMA or SBSTA, if mandated by Parties,

could also elaborate a template for authorisation. This could contain standard language to ensure minimum information is provided consistently by Parties while allowing them to add country-specific criteria or conditions as deemed relevant by the Party. Otherwise, the CMA or SBSTA could develop best practice guidance for Parties.

The authorisation of a cooperative approach could be a simple statement including the name of the participating Parties, and the nature and extent of the voluntary bilateral or multilateral cooperation. Depending on the decision of the participating Parties, this element could also include other details related to the cooperative approach, e.g. the approval of sector(s) or the specific mitigation activity (or activities) from which the MOs will originate, the applied baseline methodologies, the crediting period applied and a definition of an "NDC implementation period" during which the ITMOs are authorised for use. Table 7 and Table 8 provide, respectively, examples of textual minimum requirements and possible other elements for both the transferring and the acquiring Party.

Table 7. Examples of text for minimum required elements of an authorisation under Article 6

Authorisation element	Examples for host Party / transferring Party's authorisation (Party A)	Examples for acquiring Party's authorisation (Party B)
Authorisation of the cooperative approach	"Party A authorises the cooperative approach [in sector/for the mitigation activity/etc] with Party B"	"Party B authorises the cooperative approach [in sector/for the mitigation activity/etc] with Party A"
Authorisation of the use of ITMOs for a specific use	For NDC use (cases 1 and 4): "Party A authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A for use towards the achievement of [Party B's] NDC" For NDC and OIMP uses by a Party (cases 2, 5): "Party A authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used towards the achievement and for OIMP by Party B" For OIMP use by a Party (cases 3, 6): "Party A authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used for OIMP by Party B" For OIMP use by a non-Party (cases 7,8): "Party A authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used for OIMP by non-Party entity XYZ"	For NDC use (cases 1 and 4): "Party B authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A for use towards the achievement of [Party B's] NDC" For NDC and OIMP uses (cases 2 and 5): "Party B authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A for use towards the achievement of [Party B's] NDC and for OIMP" For OIMP use (cases 3, 6 - if Party B authorises in such cases): "Party B authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used for OIMP by Party B"
Authorisation of an entity to participate in a cooperative approach	"Party A authorises [public/private] Entity Y to participate in the cooperative approach [to purchase/transact/other…]"	"Party B authorises [public/private] Entity X to participate in the cooperative approach [to purchase/transact/other…]"
For OIMP use: corresponding adjustment trigger (authorisation, issuance, use or cancellation)	Applicable to cases 2, 3, 5, 6, 7, 8: "Party A specifies that a "first transfer" [within this cooperative approach] is [the authorisation/the issuance/the use or cancellation of ITMOs]"	N/A

Note: Party A = host Party/transferring; Party B = acquiring Party. N/A = not applicable. Please note that it is unclear from Decisions 2 and 3/CMA.3 whether these elements should be authorised all at the same time and within the same document.
Source: Authors.

Table 8. Examples of text for other possible authorisation elements under Article 6

Authorisation element	Examples for host Party / transferring Party's authorisation (Party A)	Examples for acquiring Party's authorisation (Party B)
Unique identifier	"This is the authorisation number ###, authorised on DD/MM/YYYY"	"This is the authorisation number ###, authorised on DD/MM/YYYY"
Time limits for the creation of ITMOs (e.g. reflecting NDC2 implementation period)	"ITMOs under this cooperative approach are generated in years 20XX-20YY" "ITMOs under this cooperative approach must be used towards the achievement of 20XX Party's B NDC"	"ITMOs under this cooperative approach are generated in years 20XX-20YY" "ITMOs under this cooperative approach must be used towards the achievement of 20XX Party's B NDC"
Quantitative limits to the creation of MOs or use of ITMOs	"The participating Parties limit to XX tCO_2-eq the quantity of ITMOs that will be generated and used under this cooperative approach in the years 20XX to 20YY"	"The participating Parties limit to XX tCO_2-eq the quantity of ITMOs that will be generated and used under this cooperative approach in the years 20XX to 20YY"
Identification of the mitigation activities under the cooperative approach	"ITMOs under this cooperative approach are generated by the mitigation activity XYZ registered under the carbon standard Y"	"ITMOs under this cooperative approach are issued by the mitigation activity XYZ registered under the carbon standard Y"
Specification of applied standards and crediting baseline methodologies	"ITMOs under this cooperative approach are generated by the mitigation activity XYZ registered under the carbon standard Y using the crediting baseline methodology ABC####, or from sector S in ETS XX ""	"ITMOs under this cooperative approach are generated by the mitigation activity XYZ registered under the carbon standard Y using the crediting baseline methodology ABC####, or from sector S in ETS XX""
Monitoring, Reporting and Verification Requirements	"Activity XYZ is required to abide to [the following MRV requirements: …] [the MRV requirements of standard XYZ]"	"Activity XYZ is required to abide to [the following MRV requirements: …] [the MRV requirements of standard XYZ]"
Duration of the cooperative approach	"The duration of the cooperative approach is 20XX-20YY"	"The duration of the cooperative approach is 20XX-20YY"
Specification if the transfer of ITMOs is a first transfer	For NDC use (cases 1 and 4): "Party A authorises the first transfer and use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A for use towards the achievement of [Party B's] NDC" For NDC and OIMP uses by a Party (cases 2 and 5): "Party A authorises the first transfer and use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used towards the achievement and for OIMP by Party B" For OIMP use by a Party (cases 3, 6): "Party A authorises the first transfer and use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used for OIMP by Party B" For OIMP use by a non-Party (cases 7,8): "Party A authorises the first transfer and use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A to be used for OIMP by non-Party entity XYZ"	N/A
Method of application of corresponding adjustment	"Party A applies a corresponding adjustment by adding the quantity of ITMOs authorised in line with Article 6, paragraph 1, on the amount of GHG covered by Party A's NDC, by using the method [annual/average] as per paragraph 7 of Decision 2/CMA.3" "Party A requests Party B to apply a corresponding adjustment by subtracting the quantity of ITMOs authorised in line with Article 6, paragraph 1, on the amount of GHG covered by Party B's NDC"	"Party B applies a corresponding adjustment by subtracting the quantity of ITMOs authorised in line with Article 6, paragraph 1, from the amount of GHG covered by Party B's NDC, by using the method [annual/average] as per paragraph 7 of Decision 2/CMA.3" "Party B requests Party A to apply a corresponding adjustment by adding the quantity of ITMOs authorised in line with Article 6, paragraph 1, on the amount of GHG covered by Party A's NDC"

Sustainable Development	"Activity XYZ will contribute to sustainable development in the following ways: […] "	"Activity XYZ will contribute to sustainable development in the following ways: […]"
Contribution to adaptation	"Party A and B agree to use X% of ITMOs from the cooperative approach as contribution to adaptation, by […]"	"Party B will transfer X% of ITMOs from the cooperative approach to Party A as contribution to adaptation, […]"
Contingency of authorisation on a further assessment, e.g. "positive examination" (as applicable)	"Party A recognises that Party B will apply a positive examination of the mitigation activities generating ITMOs under this cooperative approach, and that the [transfer/use] of such ITMOs is contingent on the result of the positive examination"	"Party B will apply a positive examination of the mitigation activities generating ITMOs under this cooperative approach, and the [transfer/use of such ITMOs is contingent on the result of the positive examination"

Note: Party A = host Party/transferring; Party B = acquiring Party. N/A = not applicable. ETS = emissions trading scheme.
Source: Authors.

4.3. Designation of an authorising entity at the national level

Parties interested in participating in Article 6 may choose to designate national institution(s) as responsible for authorisation[17] based on their national laws and regulations. A key aspect is for countries to first identify the functions to be performed and decisions to be made in the authorisation process. The authorisation process could involve both high-level strategic decisions as well as technical considerations. For instance, authorising a cooperative approach involves strategic decisions to determine the participating Parties, the nature of cooperation, as well as the sectors and mitigation activities that can be used as a basis of ITMO transfers. Secondly, technical issues such as baseline methodologies to calculate emission reductions or removals from mitigation activities are also key considerations in the authorisation process, which require technical capacity (Lo Re and Ellis, 2021[7]). Finally, there are administrative roles to be undertaken in the authorisation process, such as evaluating applications for authorisation and assessing mitigation activities against any eligibility criteria for potential authorisation.

Involving different actors or government agencies in the authorisation process could help ensure that there is buy-in from across the government on decisions that could affect not only the climate but also the fiscal performance of a country. It would be relevant for Parties to clearly define which actor will play what role in the authorisation process at the domestic level, and consider how to allocate these roles.

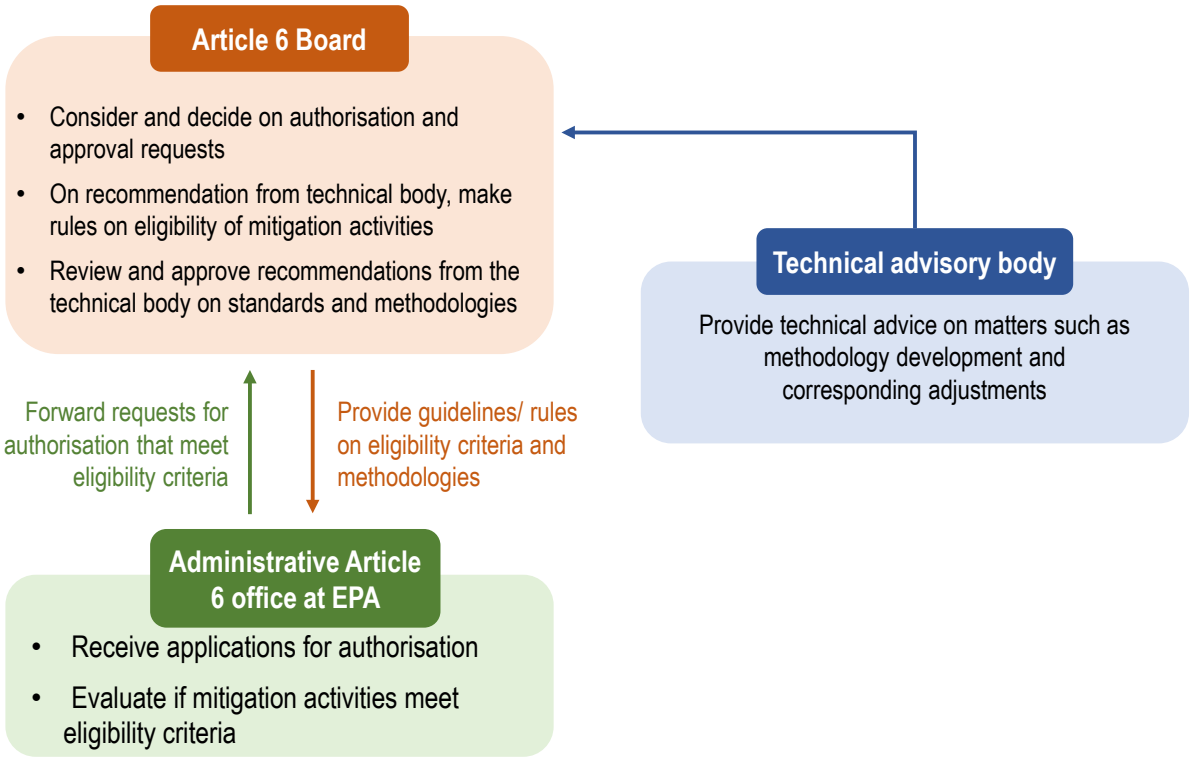
Early Article 6 cooperation highlights that Parties are taking diverse approaches on how to designate authorising entities. Some Parties are allocating key authorisation responsibilities to different agencies within the government, i.e. authorising decision and rule-making roles to an executive body, technical advice roles to a technical body, and implementing roles to an administrative body. For example, Ghana's proposed Article 6 framework proposes four agencies with various responsibilities in implementing Article 6 generally, and particularly in authorisation, as follows (Government of Ghana, 2022[9]):

- a high-level Article 6 inter-ministerial group to provide oversight and coordination functions;
- an inter-ministerial Article 6 Board responsible for setting up Article 6 rules/regulations, including the eligibility criteria for mitigation activities, approving methodologies and making the decisions on authorisations and approvals;
- an Article 6 technical advisory body to provide advice on technical issues such as methodology development and corresponding adjustments;
- an administrative office at the Environmental Protection Agency for an implementation and administration role, including mitigation activity registration, receiving applications for authorisation, evaluating whether mitigation activities meet the eligibility criteria.

[17] For ease of reading, this sub-section refers to "authorisation" as the authorisation for cooperative approaches, authorisation of ITMOs for a use, and authorisation of entities.

The relationship between the proposed agencies in Ghana is provided in Figure 4 below.

Figure 4. Relationship between authorising agencies in Ghana



Source: Authors based on (Government of Ghana, 2022[9]) (Espelage et al., 2022[10]).

Other Parties engaged in early Article 6 cooperation are centralising the responsibilities related to authorisation to a single entity, e.g. a single inter-governmental entity in charge of the technical evaluation of requests, of the assessment of eligibility criteria of mitigation activities and of the final decision-making on the authorisation requests. This is the approach taken by the Government of Japan, who established the "JCM Promotion and Utilisation Council" consisting of five relevant ministries. The JCM Promotion and Utilisation Council's duties include the authorisation of JCM credits as a Party to the Paris Agreement (i.e. to act as an "authorising entity" as defined by this paper), and the determination of the method to apply corresponding adjustments in cooperation under Article 6 (Ministry of the Environment of Japan, 2022[11]). The Government of Switzerland has designated the Federal Office for the Environment (FOEN) to conduct the evaluation of requests for authorisation (Federal Office for the Environment (FOEN), 2011[12]) (Federal Office for the Environment (FOEN), 2012[13]). The FOEN receives and evaluates requests for authorisation; after an initial evaluation by FOEN, an inter-ministerial body meets with FOEN to make the final decision on authorisation.

To participate in the Article 6.4 mechanism, Parties must establish a Designate National Authority (DNA) (paragraph 26(c) of (UNFCCC, 2021[3])). The DNA could be a key player in the authorisation process. The Article 6.4 RMP do not specify what mandate the DNA would have. The DNA might then be designated by Parties to authorise A6.4ERs as ITMOs for a use, and to approve mitigation activities for participation in the mechanism. Under the Article 6.2 guidance there is no requirement to establish a DNA. Nevertheless, individual Parties could consider giving the DNA responsibility in the domestic authorisation process, either by designating the DNA as the main entity responsible for authorisation or by granting the DNA some of responsibility on authorisation and approval process, alongside other parts of government.

Another key consideration for Parties is whether to establish new institutional arrangements or allocate some (or all) of the authorisation responsibilities to existing agencies. Building on existing institutional arrangements, such as those established to regulate and administer CDM or JI at the national level, has the advantage of reducing costs and allows for a faster implementation of institutional arrangements (Lo Re and Ellis, 2021[7]). However, where authorisation responsibilities are allocated to existing entities, it may be necessary to change or update their legal mandate and composition of the entity to include the authorisation roles.

5. Conclusions

Article 6 of the Paris Agreement has the potential to help increase Parties' individual and collective levels of emissions mitigation, while also contributing resources to support adaptation. The rules for implementing Article 6 agreed at COP26 in 2021 include Article 6.2 guidance (Decision 2/CMA.3) and the rules, modalities and procedures (RMP) for Article 6.4 (Decision 3/CMA.3).

Authorisation is an important part of Article 6 voluntary cooperation as it determines when mitigation outcomes (MO) become internationally transferred mitigation outcomes (ITMOs), which triggers i.a. reporting requirements for participating Parties. This paper has highlighted that Decisions 2 and 3/CMA.3 are silent on some key aspects of authorisation, allowing for some leeway in how authorisation is interpreted and implemented on the ground by Parties participating in Article 6 cooperative approaches. Some of these open questions could be clarified at the international level (e.g. through a decision of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)), while others could be clarified at the national level by the participating Parties providing the authorisation.

At the international level, further clarifications (see Table 9) from the CMA on these open issues would be helpful. Such clarifications would help to facilitate individual Parties' pilots on and reporting of cooperation under Article 6. For instance, it would be helpful to provide clarity on:

- what exactly authorisation encompasses (e.g. authorisation of the cooperative approach and/or entities and/or ITMOs for a use);
- if these authorisation elements can be provided separately (e.g. at different times, through different documents) by the participating Parties.

In addition, it could be helpful for Parties to have a suggested format/content for delivering and reporting on authorisations. This paper has identified possible minimum elements of authorisation, as well as how such authorisation(s) could be provided.

Another area where the CMA could usefully clarify Article 6.2 guidance is on which aspect(s) participating Parties need to provide authorisation. This paper has shown that first transferring Parties authorise ITMOs for use, while this authorisation is optional for acquiring Parties and unclear for non-first transferring Parties. How the Article 6.2 guidance is interpreted has implications on who needs to report and the timing of such reporting. For instance, if the Article 6.2 guidance[18] is interpreted as the Initial Report (IR) being triggered by the authorisation of ITMOs for a use, such authorisation is optional by the acquiring Party. This would mean that the acquiring Party would need to report through an IR at a timing determined by the transferring Party's authorisation of ITMOs for a use.

Decisions 2 and 3/CMA.3 also leave open the question of whether an authorisation for ITMOs can be provided by the transferring Party unilaterally, in advance of identifying an acquiring Party. The ability of the transferring Party to provide unilateral authorisations can help the transferring Party to provide a market signal for private sector participation in Article 6 activities. However, unilateral authorisation would necessarily lead to a time lag before the acquiring Party authorises the same transfer which could delay any consistency checks. Tracking such transactions that occur with a time lag could be easier if

[18] In particular, paragraph 18 of Decision 2/CMA.3.

participating Parties allocated a unique identifier to each authorisation (as well as to each ITMO or batch of ITMOs), alongside the date of the initial authorisation. A decision by the CMA might be useful to bring clarity at the international level to all or some of the open questions outlined in Table 9. It would also be useful for Parties to consider that regulating all these open issues at the international level might take time, and hence also potentially delay the implementation of voluntary cooperation under Article 6.2 in practice.

Table 9. Selected open questions about authorisation under Article 6 that could be addressed at the international level, and potential options to address them

Category	Open question	Possible way forward
Authorisation provision	Who provides the authorisation for ITMO uses? (first transferring Party only, or also acquiring Party / non-first transferring Party)	Mandatory for transferring Party, optional for acquiring Party
Authorisation provision	Does an authorisation of ITMOs need to be bilateral, or could it be unilateral? (i.e. provided by the first transferring Party only)	Presumably both, as no provisions prohibit unilateral authorisation in the Decision texts
Authorisation reporting	Which aspect of ITMO authorisation (e.g. of cooperative approach, ITMO uses, entities) triggers reporting?	Authorisation of ITMO uses triggers reporting. This would need to be agreed internationally in order to ensure comparable reporting processes
Timing of authorisation	Would the authorisation of ITMOs for use need to be provided concurrently by the participating Parties? Or could they occur at different times?	This would need to be clarified by the CMA. (But if unilateral authorisation is allowed, presumably reporting timelines could differ)
Changes to authorisation	How to report any changes to authorisations? How to ensure that these changes are agreed by all participating Parties?	How to report changes could either be clarified by the CMA, or agreed by the participating Parties

Source: Authors.

Decisions 2 and 3/CMA.3 indicate that changes can be made to authorisations. The issue of what type of changes could be made to an authorisation, by whom and under what conditions is left open. There are a variety of possible changes that could be made to authorisations, with varying impacts. At one end of the spectrum, changes could be purely administrative - such as a change of name of an authorised entity. While such changes would need to be reported, they would not materially affect the design or operation of a cooperative approach, or the content of any bilateral agreement between participating Parties. In contrast, some changes to authorisations could have a material impact on emissions accounting or financial flows associated with ITMO transfers if such changes extend or restrict the volume of ITMOs transferred, or the use of ITMOs. Such changes could occur as a result of shifted political priorities in participating Parties, or due to unanticipated circumstances (e.g. reversal of emission removals, if such reversals have not been addressed by other means). Such ex-post changes could have financial and reputational consequences on the Parties involved as well as on international transactions under Article 6 more broadly. To facilitate comparability and consistency in how different participating Parties and different cooperative approaches deal with changes to authorisations, it could be useful to establish a list of possible changes to authorisations and who would need to be involved in approving such changes. A similar list was, for example, developed for the Clean Development Mechanism under the Kyoto Protocol.

Some of the other open questions around authorisation – such as the role of authorised entities - could be best addressed at a national level, and are a prerogative of the participating Parties. While both the transferring and the acquiring Party will need to establish authorisation processes, the set-up of such processes and any underlying assessment is not necessarily the same for the first transferring Party and the acquiring Party. Generally, such an assessment is likely to be more demanding on the side of the first transferring Party. This is because, as the mitigation activity is geographically located on the first transferring Party's territory, authorising the use of ITMOs from it will influence that Party's ability to achieve its NDC due to the requirement of an application of a corresponding adjustment. There are various outstanding issues that participating Parties will have to consider when establishing their national

processes for authorisation, such as any national criteria to choose and assess mitigation activities and MOs to be authorised. Participating Parties would also need to decide on the role of different actors in the authorisation process, and whether and how to allocate authorisation roles to existing and/or newly established institutions. Such issues could be best addressed at the national level to take into account domestic processes etc.

In terms of the process of authorisation, some early mover countries have established legal frameworks and appointed entities responsible for authorising cooperative approaches and the use of ITMOs. Unsurprisingly, in the absence of centralised guidance, the specific domestic authorisation processes introduced to date vary among countries. For instance, the Government of Japan has set up the inter-ministerial JCM Promotion and Utilisation Council as the authorising entity for Article 6, with the power to provide authorisation and to determine the method of application of corresponding adjustments. Conversely, Ghana's proposed Article 6 framework designates four separate domestic actors involved in different aspects of authorisation. Table 10 sets out selected open questions about authorisation under Article 6 that could be addressed at the national level, as well as suggestions for how to answer such questions. A key issue for participating Parties without legal frameworks for Article 6 cooperation is how and whether to set up an ad-hoc process to determine authorisations as they wait for comprehensive domestic legal frameworks to be developed.

Table 10. Selected open questions about authorisation under Article 6 that could be addressed at the national level, and potential options to address them

Relevance	Category	Open question	Potential way of addressing the open question
Overarching	Authorisation reporting	Could additional elements be included in an authorisation, e.g. to reflect national-specific criteria?	Yes, as deemed appropriate by the participating Party
Article 6.2	Authorised entities	What is the role and type of authorised entities under Article 6.2 guidance?	Prerogative of the participating Party
Article 6.4	Authorised entities	What is the role and type of authorised public or private entities to participate in an activity under the Article 6.4 mechanism?	Prerogative of the participating Party

Source: Authors.

Another open question to be addressed at the national level is whether participating Parties can choose to include additional elements in their authorisations on a voluntary basis. Table 11 sets out some examples of possible additional elements Parties could include in their authorisations. There are advantages and disadvantages for Parties of including such additional elements in their authorisations. On the one hand, adding other possible elements in their authorisations could help to enhance transparency, facilitate reporting of cooperative approaches in the Initial Report (IR), and build trust among Parties. On the other hand, including such additional elements could also increase the administrative burden.

Table 11. Content of authorisations: minimum and other possible authorisation elements

Authorisation element	Minimum requirement?	Could authorisation-related text be the same for the transferring and the acquiring Party?
Authorisation of the cooperative approach	Yes	Yes
Authorisation of the use of ITMOs for a specific use	Yes	No
Authorisation of an entity to participate in a cooperative approach	Yes	No
For OIMP use: corresponding adjustment trigger (authorisation, issuance, use or cancellation)	Yes	No
Unique identifier	No	Yes
Time limits for the creation of ITMOs	No	Yes
Quantitative limits to the creation of MOs or use of ITMOs	No	Yes
Identification of the mitigation activities under the cooperative approach	No	Yes
Specification of applied standards and crediting baseline methodologies as appropriate	No	Yes
Monitoring, Reporting and Verification Requirements	No	Yes
Duration of the cooperative approach	No	Yes
Specification if the transfer of ITMOs is a first transfer	No	Yes
Method of application of corresponding adjustment	No	Yes
Sustainable Development aspects	No	Yes
Contribution to adaptation	No	Yes
Contingency on positive examination	No	Yes

Source: Authors.

Article 6.2 guidance indicates that information relating to the authorisation of ITMOs for use needs to be reported by the participating Parties in different reporting vehicles (a Party's IR, Annual Information (AI) and Regular Information (RI)), and over multiple years. There is a large – but not complete - overlap between information to be reported in AI and RI. However, only information reported in IR and RI – as well as information from the UNFCCC Secretariat's consistency check - will be subject to review by the Article 6 technical expert review team (TERT). Some information that is relevant to understanding a Party's progress towards its NDC – such as its acquisition of ITMOs - is not among the information that is set to be reviewed directly by the TERT. The wording of the Article 6.2 guidance is unclear on the reporting of other key information, such as the annual quantity of ITMOs authorised for use towards NDCs. The guidance stipulates that "authorisations and information on its authorisations […] towards achievement for NDCs" are to be reported, but does not specify whether this is annual levels of authorisations for use towards NDCs – which may be useful information for the TERT to consider.

There are different possible ways to interpret and implement "authorisation" as it applies to Article 6 of the Paris Agreement as outlined above. This has implications for the attractiveness of participation in Article 6 activities both for Parties and for non-Party entities, in particular private sector actors who are likely to be the ones implementing the underlying mitigation activities. Transferring Parties, in particular, will need to find a balance in establishing conditions that would encourage private sector participation for the generation of ITMOs in a given implementation period, while not hindering the achievement of their NDCs.

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