

2nd Authorization Working Group of the
Paris Agreement Article 6 Implementation Partnership (A6IP)

Summary of Meeting

September 26, 2023

Organized by:

Ministry of the Environment, Japan (MOEJ) and
Paris Agreement Article 6 Implementation Partnership Center,
Institute for Global Environmental Strategies (IGES)

Disclaimer

The organizers have taken diligent measures to maintain objectivity and present a thorough conference summary. However, it is important to acknowledge the possibility of occasional errors. We kindly recommend referring to the meeting webpage for additional materials pertaining to each speaker's presentation.

Summary of the Meeting

The 2nd Authorization Working Group of the Paris Agreement Article 6 Implementation Partnership (A6IP) commenced with a welcome and introduction by Kazuhisa Koakutsu, Director at the Article 6 Implementation Partnership Center, who gave an overview of A6IP and its activities leading up to COP28 later this year.

To provide participants with essential context before the sessions, an introduction to Article 6 Authorization was presented by

- Xavier Tibau Alberdi, United Nations Framework Convention on Climate Change (UNFCCC Secretariat)

Session 1 focused on information sharing on A6 Authorization from partner countries, with presentations by:

- Krittaya Chunhviriyakul, Ministry of Natural Resources and Environment of Thailand
- Tirivanhu Muhwati, Climate Change Management Department of Zimbabwe

Session 2 focused on information sharing on A6 Authorization from supporting agencies, with presentations by and a short audience Q&A with:

- Thiago Chagas, Global Green Growth Institute (GGGI)
- Hari Gadde, World Bank

Session 3 was a presentation followed by an open discussion on a tool for authorization being developed by the A6IP, led by:

- Kazuhisa Koakutsu, A6IP Center
- Abdessalem Rabhi, A6IP Center

The meeting was concluded by Kazuhisa Koakutsu, Director at A6IP, who invited all participants to engage with the A6IP to jointly improve this tool for authorization, as well as participate in the other Working Groups for Reporting and Tracking.

Key Takeaways

1. Authorization is critical as it is the gateway to A6 market-based instruments. It marks the moment when a country endorses an ITMO's creation and commits to a corresponding adjustment, and so delivers clarity, stability, and predictability for the system.
2. However, countries must make key decisions to create certainty for Article 6 implementation, on institutional arrangements, implementation processes, and regulatory frameworks. This is affected by the fact that many of these are subject to individual countries' contexts — but also, to certain extent, international discussions are still being continued.
3. Additionally, countries and institutions need to carefully design the institutional arrangement for authorization recognizing that there are both transferring and acquiring sides — to ensure that bilateral agreements are structured in a mutually consistent way..
4. There is a strong opportunity now for countries and institutions to collaborate on capacity building together, such as the resources offered by A6IP (which is inviting all participants to contribute to its tool), GGGI, and the World Bank, as well as learning from the live experiences of countries like Thailand and Zimbabwe.

— Highlights from the minutes follow below —

1. Introduction

-Overall Introduction

-Introduction of A6IPC

- Today's WG was emphasized as critical for the success of A6 – as countries are already looking at how to set up for A6.
- Mr. Koakutsu gave an overview of the Center and its activities, urged participants to join the coming Reporting and Tracking WGs, and encouraged all to work together with the A6IP on the A6 materials – with a view on jointly finalizing a draft to be presented at COP28 for all countries.

2. Setting the Scene

Introduction

to

Authorization

- While the implementation of authorization continues to evolve, it is the gateway to A6 market-based instruments, by delivering clarity, stability, and predictability for the system.
- Mr. Alberdi shared the UNFCCC negotiation status on authorization, which aims to lead to parties agreeing on key guidance on authorization this year, which is expected to create more clarity on 3 open issues that impact the broader market.
 - First; when should a general authorization (at a cooperative approach level – authorizing anything that fits pre-set conditions) or specific authorization (for each individual cooperative approach / ITMOs / entities) be applied? Parties may need to choose either of these approaches or a midpoint between them, as they cannot co-exist.
 - Second, if there should be minimum content requirements – and if so, what they should be.
 - Third, how changes / revocations / withdrawals of authorizations should be managed – what would allow such changes to be made (e.g. human rights violations); how they

should be limited; who has to agree (between host and holding parties); and when in the ITMO cycle can this happen.

3. Session 1: Information sharing on A6 Authorization from partner countries

Thailand

- An early participant in carbon markets since the Kyoto Protocol, Thailand has an existing regulatory process to cooperate on A6 and has already issued its 1st authorization. Being done before the international discussions happening today and before a governance framework had been set up, the parties pioneered institutional arrangements (evaluation criteria, guidelines, mechanisms on carbon credits as a basis for workflows and types of projects eligible for A6) and an early authorization process to issue a letter of agreement.
- Building on this, CCE's next step is to set up a new process to evaluate mitigation outcomes, transferring ITMOs, making corresponding adjustments, and generating reports.
- Ms. Chunhaviriyakul highlighted legal and procedural aspects of Thailand's authorization process. As Thai government agencies require a clear legal mandate to act, most A6 processes – which are new – will need to be translated into the CCE's mandate. Similarly, carbon credits are considered a matter of national-level policy. Hence, any decision to authorize an A6 project needs a bilateral agreement between governments to cooperate on Article 6.2 for the authorization process.
- The process upon signing a bilateral implementation agreement is as follows. Project developers are to consult CCE and the line agency in their country to determine whether the project is outside or additional to Thailand's NDC. Next, the project developer is to submit the project paper to CCE, which will then seek approval through 3 layers of committees before tabling it before Cabinet, which then decides whether to authorize the project.
- Key content that should be included in such a letter of agreement should include: the duration of the project; amount of carbon credits to be generated and transferred; the plan for authorizing ITMOs, and the corresponding adjustment ("CA") methodology. Representatives from Thailand also shared various related documents (including this letter of agreement and key criteria for consideration for authorization) with the WG, and indicated they would be willing to share more information as needed.

Zimbabwe

- Mr. Muhwati highlighted that the regulations currently offer high-level guidance (Section 10) as open issues on authorization remain to be addressed at both level of the UNFCCC and at the national level. For example — Zimbabwe's regulations currently leave the issue of timing of authorization open, while corresponding adjustments to Zimbabwe's national GHG inventory are also covered at a high level.
- Final authority over authorization rests with the Zimbabwean Minister for climate change, with input from the Designated National Authority ("DNA") – an institution within the Ministry of Environment and the Climate Change Management Department. This applies both to compliance and voluntary markets as the DNA oversees all carbon trading matters. The DNA has been expanded significantly since A6, as the amount of work that needs to be done is

much higher than under the CDM regime.

- The most critical next step for Zimbabwe is to build on the high level guidance of Section 10 and the case-by-case evaluations of the DNA by developing Standard Operating Procedures. These procedures are a suitable way to operationalize authorization and related processes, as they do not need to go through a lengthy legislative process, and the DNA can change them quickly in future.
- The DNA in Zimbabwe has not yet authorized ITMO for any specific purpose.

4. Session 2: Information sharing on A6 Authorization from supporting agencies

GGGI

- Key questions on A6 from GGGI's partner countries include: 1) whether authorization can, and should be designed as a "one-stop shop", or as a multilayered process e.g. Thailand; 2) when authorization should happen in the MO lifecycle; 3) ambiguity on whether the legal reasoning from the Kyoto Protocol-era applies to ITMOs, Article 6.2 and 6.4 today.
- Key decisions that need to be made by countries include the types of mitigations, activities and technologies deemed eligible in relation to the NDC; rules around sharing and retaining portions of ITMOs for domestic use; timing of authorization, and period of validity of authorization. Mr. Chagas proceeded to share several case studies from GGGI's partner countries showing how they are approaching some of these decisions.
- GGGI closed by sharing about their A6 preparedness package, SPAR6C (pronounced "Spark"), which contains toolbox guides on A6 strategies and institutional arrangements (to be released in future). These guides help to build capacity and also guide decision-making, laying out clear options for operationalizing authorization (scope, format, timing etc.), and the steps and procedures needed to implement their chosen option.

World Bank

- The World Bank ("WB") is working to support countries on authorization along the entire value chain that they need to put in place, beginning with capacity building to approach authorization, policy frameworks, institutional arrangements, and infrastructure.
- Earlier authorization gives developers better clarity – but countries will have limited information; and a complex or unclear change process adds more market uncertainty. The timing of the first transfer is also key – when it should happen, whether for NDC or international mitigation purposes, and how it is defined.
- The visibility and reconcilability of authorized projects is a challenge given the lack of harmonization between different methodology and projects. Required infrastructure should also be recorded. As such, WB is also working on helping build capacity at the inventory level, so as to enable support for proper CAs when needed in future.
- WB is also helping countries to prepare their initial annual transparency reports (another element impacted by the timing of authorization). Mr. Gadde also agreed with the other speakers on the other key questions for countries to consider on timing, content, revocation of authorization, and on governing laws and dispute resolution frameworks – noting again

that there is no uniform approach, and that countries are generally looking to remain as flexible as they can while waiting for further guidance and alignment.

- WB Approach Papers (available on their website) offer suggested templates and topics related to Article 6.2. While there is no standard format for this Letter per se, it is hoped that all countries can come to an understanding of the minimum requirements (if any) that it should consist of.

Discussion

- In response to a question from the audience, both Mr. Gadde and Mr. Chagas affirmed that any support given by WB and GGGI is an inclusive process where countries make the final decision on an implementation according to their preferences, that is respectful of stakeholder considerations, and has high environmental integrity.
- Demand is picking up rapidly with a huge amount of interest from countries and the private sector, and that the clarity that comes with further capacity building – and sound governance decisions (on the open issues mentioned before) that create predictability for the market – will grow demand from stakeholders and market players. Early demand has been observed from East Asia, Africa, and philanthropic agencies.
- This needs to be balanced with continued focus on supply-side (transferring country) capacity building, learning experience from the previous market mechanism such as the clean development mechanism (CDM).

5. Session 3: Discussion about the development of a tool for authorization

A6IP

- To help countries navigate the issues above, A6IP is creating a rough draft of a toolkit that combines elements from GGGI, WB, and other partner institutions. It will take a detailed step-by-step approach to guide readers through the why, what, when, where, and how of key decisions around A6. It is structured as follows:
 - General introduction to the Paris Agreement, and how carbon markets and Article 6 are a key means to achieve its goals.
 - Article 6 overview, making a case for why countries should participate in a cooperative approach and other aspects of authorization: approaches, core elements, reporting, review, and tracking.
 - Key elements – institutional arrangements, implementation processes, regulatory frameworks.
 - A “hand-holding”, step-by-step walkthrough of how to go about establishing these aspects in their local context.
 - Directory of stakeholders and resources where they can seek further capacity-building opportunities. A6IP will work to populate this directory at a global, regional, and perhaps even national level.
- The priority at this point is to make these materials more self-explanatory for the country to define authorization; creating more clarity on the implementation of the A6 rules / guidance that are already agreed upon (even as we wait for open issues to be discussed and aligned upon).

- This draft will be continuously improved moving forward, with input from all stakeholders. It will be shared with partners (including this WG) experts, government officials, and other external stakeholders within the next 2 weeks (early Nov '23), with a view on assembling a more advanced draft by COP28, and a final draft by end-Jan '24. Attendees of the WG are especially encouraged to continue providing their input.

Discussion

- GGGI elaborated on their approach to capacity building. They normally begin with workshops, where they offer, design, and discuss technical and governance options, and their pros / cons. This is followed by lengthy stakeholder consultations – then once an option is chosen, GGGI helps them implement that option. Mr. Chagas stressed that this approach exceeds capacity building; but rather is a complete package that goes into implementation. All of this is delivered through its tools, such as SPAR6C and the tool which A6IP is compiling.
- The landscape of global demand remains hard to define. Many countries including small island developing states (“SIDS”) have sought GGGI’s assistance as well. For SIDS, a regional approach may be a more effective way to support them, rather than a country-level approach.
- Across the spectrum / cycle of setting up for authorization, countries need more support for establishing institutional arrangements and technical elements. This is because a high-touch approach is required to adapt existing institutions to the extent possible within the legal arrangements and mandates that already exist, versus creating something new.

6.

Closing

remarks

- Mr. Koakutsu wrapped up the WG session by inviting all participants to join the A6IP in reviewing and improving its zero draft on authorization through the coming month, leading to a first draft product to be presented at COP28 – an important milestone to the shared aim of accelerating the process of capacity building, particularly for the critical area of authorization, which is a gateway for governments to participate in A6. Mr. Rabhi also invited all participants to join the A6IP for its coming Reporting WG on 18 October.