

Operationalizing Authorizations under Article 6

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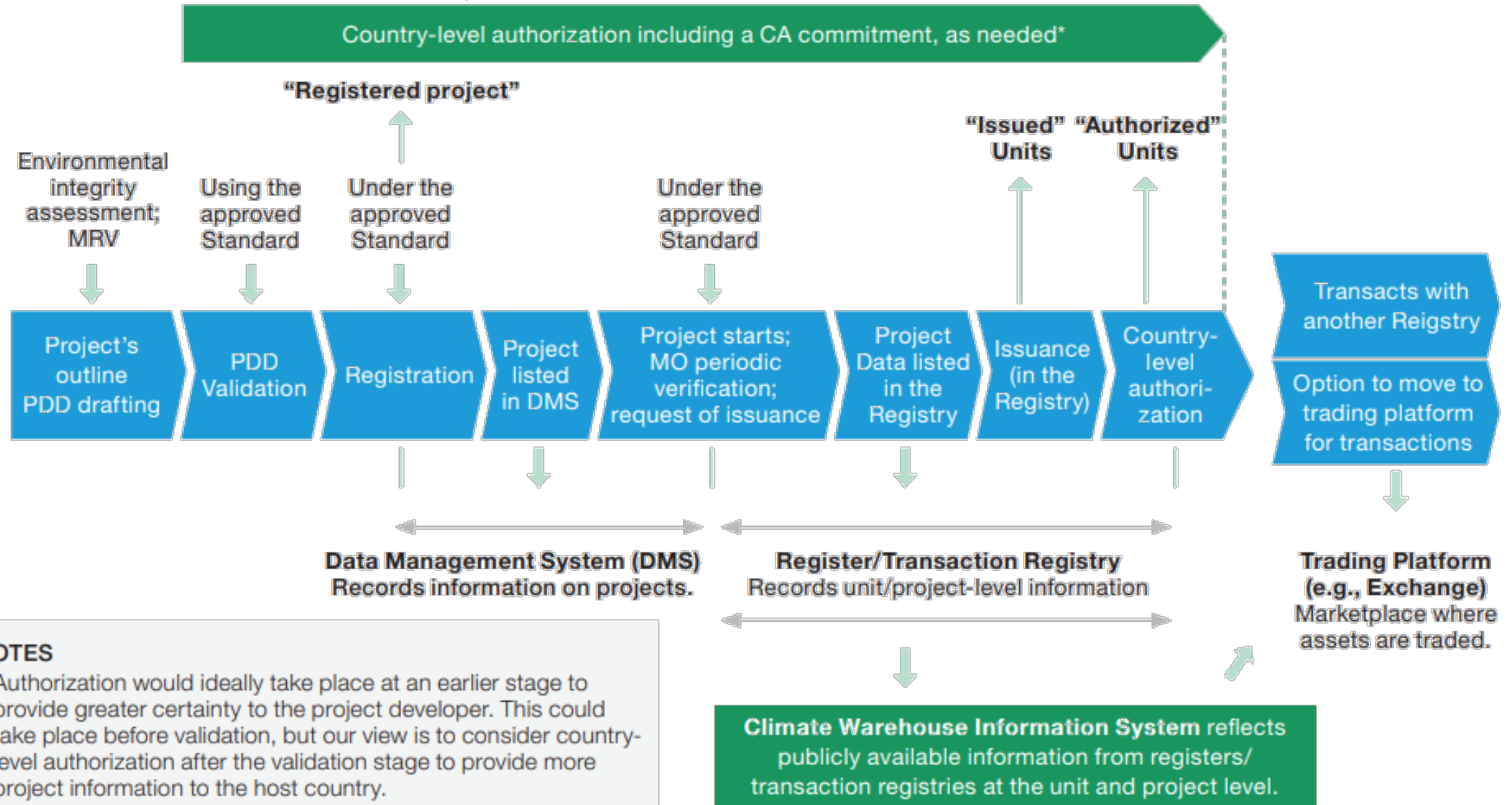
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The Process

- Establish domestic arrangements for authorizing the use of ITMOs
- Application of corresponding adjustment (CAs)
- Development of a registry system for ITMOs recording and tracking
- Reporting under Article 6.2 (Initial Report, Annual Information and Regular information as a part of Biennial Transparency Report)
- The review by Article 6 technical experts

Decision 2/CMA.3 Para 18 (g): Provide, for each cooperative approach, a copy of the authorization by the participating Party, a description of the approach, its duration, the expected mitigation for each year of its duration, and the participating Parties involved and authorized entities; (in the Initial report)

Carbon Asset Development Process



NOTES

- * Authorization would ideally take place at an earlier stage to provide greater certainty to the project developer. This could take place before validation, but our view is to consider country-level authorization after the validation stage to provide more project information to the host country.
- * Countries may choose to endorse voluntary market claims (optional).



Country considerations for authorization

- Policy/NDC linkage (outside/inside; conditional/unconditional): *Rwanda, Jordan, Ghana, Vanuatu*
 - Strategic priorities (Positive/whitelists): *Ghana, India, Zambia, Zimbabwe*
 - Cost of mitigation (Price of credits): *Almost all*
 - Developmental benefits: *Rwanda, Mozambique, Kenya and few others in Africa*
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Operationalization considerations for authorization

Legal/regulatory options: policy frameworks (Ghana, Rwanda, Jordan, Kenya); operational manual (Cambodia); Decrees (Colombia)

Limits on volumes (case by case; pre-determined amount)

Authority: PA DNA, Prime Minister office, cabinet approval, Minister's office

Use of credits: NDC, CORSIA, VCM, compliance markets in other countries

PMIF is developing
the template for
the authorization
letter

Key Elements

- **Date of Authorization**
- **Mandate for Authorization** - Represents government/ serves as DNA
- **Authorized Participant** – Recognizes participant and activity generating mitigation outcomes and, if applicable, the standard under which units are issued
- **Pre-conditions for Authorization** - Mentions or implies that requirements for authorization are satisfied
- **Period and Volume** – Sets out the period for which the authorization is valid and the maximum volume of ITMOs authorized
- **Implications of Authorization & Confirmations** - Commitment to transfer units, application of corresponding adjustments, reporting requirements
- **Use of Units** – Mentions use for Article 6/ other mitigation purposes/ other specific uses
- **Additional Considerations**
 - Unforeseen circumstances
 - Transfer of authorization

Sample Letter of Authorization (1/2)

On behalf of the Government of [Name of Country], I have the pleasure to inform you that “[Name of Program]” (“Program/Project”), with ID number [ID or serial number of Project], was authorized as a mitigation activity under [Article 6.2 of the Paris Agreement/ Other Mechanism] on [Date].

The Government of [Name of Country] confirms that:

- a) [Name of Country] has ratified the Paris Agreement on [Date] and submitted its Nationally Determined Contribution (NDC);
- b) The Program/Project is inside the scope of [Name of Country]’s NDC;
- c) The Program/Project contributes to sustainable development in [Name of Country];
- d) The participation of [Name of Country] in the proposed Program/Project and the associated mitigation activity is voluntary;
- e) The transferred mitigation outcomes (MO) under the Program/Project shall not be used by the Government of [Name of Country] to demonstrate achievement of its own NDC; and
- f) The Government of [Name of Country] shall follow all requirements of the Paris Agreement, including reporting, preventing double counting, and undertaking Corresponding Adjustments, as needed.

Mandate

Participant

Mechanism

Pre-conditions based on the Paris Agreement

Confirmation

Sample Letter of Authorization

The Government of [Name of Country] authorizes the [Project/Program Implementing Entity] to coordinate, manage, and implement the Program/Project as coordinating/managing entity, and to enter into agreements for the transfer of [up to **Maximum Volume of MOs** of] MOs generated by the Program/Project [during **Time Period for generation of MOs**]. This authorization shall remain valid until [last date or period of validity].

Volume and
Duration

[The Government of [Name of Country] recognizes that the Internationally Transferred Mitigation Outcomes (ITMOs) from the Program/Project [may/will] be used for meeting [**NDC target/for other uses**] in [Name of Country using the MO].] [These ITMOs will be issued into [Name of Registry]]. Detailed project information is available at [weblink].

Use of units

Through this letter, the Government of [Name of Country] **commits that it shall support transfer and accounting** of mitigation outcomes from the Program/Project, in line with the requirements of the Paris Agreement.

Confirmation

Useful considerations for countries

- **Contents:** What is the minimum set of elements the letter should include to provide confidence to market participants?
- **Timing:** Do participants have a preference/ practical experiences related to the timing of authorization? Are flexible timelines helpful?
- **Validity:** Some countries have proposed authorizations that expire at certain intervals (e.g., every year) while others cover the whole NDC period.
- **Endorsement/Approval:** Is it useful to consider project approval/endorsement by governments *without* corresponding adjustment?
- **Others?**

What is more needed?

- **Means of verification for countries**
 - Useful to assess the compliance of the criteria set based on the info/data that activity participants provide
- **Submission to UNFCCC**
 - Only Ex-post assessment by A6 TER
 - A6 TER only checks the 'consistency' of the information provided; but not the 'adequacy or appropriateness' of the info for the underlying cooperative approach and the activities
 - Useful to develop the guidance for countries
- Strategic guidance for countries on various aspects of carbon markets participation