

COP26 DIGEST: THE SIGNIFICANCE OF ARTICLE 6 AND CDM TRANSITION OUTCOMES FOR AFRICA

**UNDERSTANDING THE DECISIONS THAT SHAPE
CARBON MARKETS IN THE COMING DECADES**

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In November 2021, the 26th Conference of the Parties (COP26) to the UNFCCC completed the Paris Agreement (PA) Rulebook. After six years of international climate negotiations since COP21, it finally delivered the long-awaited compromise on the rules for carbon markets under Article 6 of the PA, which defines the rules for voluntary cooperation between Parties in the implementation of their nationally determined contributions (NDCs). Article 6 contains a bundle of different but related provisions that seek to enable greater ambition through cooperation, comprising both market and non-market approaches. In operationalising Article 6, Glasgow delivered the missing piece of the PA Rulebook where previous COPs in Madrid and Katowice had failed twice to do so. These decisions will shape the direction of carbon markets for the coming decade and potentially beyond.

This short study reflects on the significance of COP26 outcomes for global carbon markets with a focus on African priorities. This includes carbon market cooperation under Article 6 of the PA but also the transition of the Clean Development Mechanism (CDM) of the Kyoto Protocol (KP) to the Article 6.4 mechanism. First, we assess the agreed rules in light of African countries' negotiation positions to understand how well these are reflected in the compromise. Second, the study looks ahead and asks how COP 26 decisions are relevant for African interests to engage in carbon market cooperation. One key ingredient for the success of Article 6 in Africa is comprehensive capacity building, in order to support host countries and carbon market stakeholders in preparing to meet all new participation requirements. Moreover, the study assesses African priorities for negotiating open technical aspects in the Article 6 work programme.



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LIST OF ACRONYMS

A6.4ERs	Mitigation units issued under the Article 6.4 mechanism
ABM	Adaptation Benefits Mechanism
AF	Adaptation Fund
AGN	African Group of Negotiators
BTRs	Biennial Transparency Reports
CA	Corresponding Adjustments
CARP	Centralised Accounting Reporting Platform
CDM	Clean Development Mechanism
CERs	Certified Emission Reductions
CMA	Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol
DNA	Designated National Authorities under the CDM
DOEs	Designated Operational Entities under the CDM
EB	CDM Executive Board
ERs	Emission reductions
GGGI	Global Green Growth Institute
ITMOs	Internationally Transferred Mitigation Outcomes
JCM	Japanese Joint Crediting Mechanism
KP	Kyoto Protocol
LDCs	Least Developed Countries
LULUCF	Land Use, Land-Use Change and Forestry
MATS	Mobilising Article 6 Trading Structure programme of the GGGI
MDGs	UNDP's Millennium Development Goals
MRV	Monitoring, Reporting and Verification
NDCs	Nationally Determined Contributions
NDCP	NDC Partnership
NIR	National Inventory Report
NMAs	Non-market approaches under Article 6.8
OMGE	Overall Mitigation in Global Emissions
PA	Paris Agreement
PoA	Programme of Activities
RCCs	Regional Collaboration Centres
SBSTA	Subsidiary Body for Scientific and Technological Advice
SEA	Swedish Energy Agency
SIDS	Small Island Developing States
SOP	Share of Proceeds

1. DIGESTING COP26 OUTCOMES ON ARTICLE 6 AND CDM TRANSITION

1.1 OVERALL ASSESSMENT

By many measures, COP26 outcomes on carbon markets can be considered a success. After tedious discussions and six years of Article 6 negotiations, the carbon market community finally saw the long-awaited consensus on major sticking points. In essence, Glasgow delivered decisions for each component of Article 6 described below, consisting of a cover decision, laying out the roadmap for further work, and an annex that contains the durable provisions governing the implementation of each of the three sub-Articles, including:

BOX 1. ARTICLE 6.2

Article 6.2 cooperative approaches govern voluntary trading of ITMOs between cooperating Parties for the achievement of their NDC targets. There is limited international oversight and a lot of flexibility in designing and implementing the cooperative approaches. The cornerstones of Article 6.2 cooperative approaches are avoidance of double counting of ITMOs to preserve environmental integrity, as well as ensuring transparency. One of the key Article 6.2 participation requirements is the establishment of authorisation criteria of ITMOs. The authorisation of an ITMO determines how the ITMO will be used by the participating Parties. There are three kinds of authorisation for an ITMO:

- 1 use towards an NDC,
- 2 use towards other international purposes (implying use in other international regimes like ICAO for aviation)
- 3 use for other purposes (implies use in voluntary carbon markets (UNFCCC, 2021a).

Depending on the type of authorisation, participating Parties are required to apply corresponding adjustments. For ITMOs authorised for NDC use, corresponding adjustments are applied by the host country at first transfer. For ITMOs authorised for other use cases, corresponding adjustments are applied by the host country at authorisation, issuance, or use/cancellation (UNFCCC, 2021a). Countries are also required to track ITMOs either in national or international registries.

- **Article 6.2 Guidance on cooperative approaches** provides a definition of Internationally Transferred Mitigation Outcomes (ITMOs), their potential uses and related distinction between authorised and non-authorised emission reductions, resulting implications for the need to apply corresponding adjustments (CA), and guidance on criteria for engaging in cooperative approaches, as well as on reporting requirements and review (UNFCCC, 2021a).
- **Article 6.4 Rules, Modalities and Procedures** enable the operationalisation of the mechanism. It designates a Supervisory Body, defines ambitious new criteria for key principles such as additionality and baselines, defines the role of key stakeholders (e.g. host parties), establishes a substantial Share of Proceeds (SOP) and mandatory cancellation for delivering overall mitigation in global emissions (OMGE), and enables a transition of the CDM (UNFCCC, 2021b).

- **Article 6.8: Work programme under the framework for non-market approaches (NMAs).** The decision defines the goal of NMAs, basic criteria for participation, initial focus areas of the mechanism, and establishes the Glasgow Committee on NMAs (UNFCCC, 2021c).

Although with hardly any structural changes or substantial deviations, Glasgow delivered a more mature and ambitious text than the proposals of the Chilean COP 25 Presidency that

were considered two years prior in Madrid but ultimately rejected. The final texts emerging from Glasgow are understandable and make conceptual and operational sense. In a significant progression compared to the CDM, they contain strong references to human rights, sustainable development and ambition raising, e.g. by setting stricter requirements for baseline methodologies.

BOX 2. ARTICLE 6.4

The Article 6.4 mechanism, successor of the CDM, is a crediting mechanism operating under the authority of the CMA, that will generate A6.4ERs from mitigation activities approved by host Parties (UNFCCC, 2021b). These A6.4ERs can be used towards achievement of their NDCs or can be transferred internationally. If authorised for international transfers, these mitigation outcomes become ITMOs and become subject to the Article 6.2 guidance described above. Article 6.4 is characterised by more international oversight as compared to Article 6.2 with the Supervisory Body overseeing the relevant procedures such as the activity cycle, baseline setting and the delivery of share of proceeds and overall mitigation of global emissions.

Furthermore, COP26 delivered agreements on related issues that are vital for operationalising Article 6 and the continuity of UNFCCC-backed carbon markets. This includes the Guidance to the CDM Executive Board (EB) by Parties to the Kyoto Protocol (CMP), which ruled that the EB should continue to process project applications on a provisional basis until such time that the Article 6.4 mechanism is fully operational (UNFCCC, 2021d). It also includes the structured summary reporting tables under Article 13 of the PA on the Enhanced Transparency Framework (UNFCCC, 2021e).

The breakthrough compromise at Glasgow was enabled by assiduous preparations before the COP – consisting inter alia of a series of informal virtual and in-person exchanges of views at the expert, head of delegations and ministerial level on all crunch issues – and a constructive atmosphere throughout COP26. Parties completed an enormous amount of work, considering a total of 378 brackets in the first iteration of the three texts, indicative of the large number of issues for which compromise had to be found during the conference. Given the variety of positions of the negotiation groups on crucial issues – such as double counting of emission reductions, CDM transition and adaptation finance – the final outcome resulted from a give-and-take process, through which all Parties showed a mix of happiness and unhappiness at times. The prevailing sentiment after adoption of the Article 6 Rulebook however was certainly one of satisfaction, relief and even pride in the outcome. While Glasgow managed to establish the overall guardrails and political compromise on crunch issues, nevertheless, still, a number of procedural details and even some overarching choices are left for further deliberation, as addressed in the final section of this short study.

1.2 ASSESSMENT IN LIGHT OF AFRICAN PRIORITIES

Considering African priorities, the COP26 outcome is overwhelmingly positive with some grains of salt:

Adaptation Finance

For Africa, a low-emitting continent which is particularly exposed and vulnerable to the adverse effect of climate change, adaptation is a key priority (Anthony Nyong, 2021; IPCC, 2022). The

continent has already suffered widespread loss and damage which are expected to further exacerbate, affecting the productivity of food production, economic growth, inequality and poverty, biodiversity, as well as human morbidity and mortality (Global Center on Adaptation, 2021; IPCC, 2022). Adaptation costs in Africa were estimated at USD 7-15 billion per year by 2020 and are expected to increase to USD 50 billion per year by 2050, even in an optimistic scenario where global warming remains below 2°C (Schaeffer et al., 2013; Global Center on Adaptation, 2021). Despite a growing trend in climate change adaptation investments, adaptation finance flows remain far below the necessary scale and only accounted for 20% of global climate finance between 2017-2018 (African Development Bank, 2019). Africa faces a significant funding gap to finance adaptation needs, which amounts to billions of USD in the near term (IPCC, 2022). Closing this gap was among the key priorities of the African Group of Negotiators (AGN) at COP26, calling for the mobilisation of new and additional funding sources for adaptation, including through Article 6 of the PA (Republic of Gabon, no date).

The final decision on Article 6.4 establishes that when mitigation units (A6.4ERs) are issued through this mechanism, 5 per cent of the volume of A6.4ERs has to be levied as SOP and transferred to the Adaptation Fund (AF). In addition, the SOP for adaptation is funded by a monetary contribution determined by the Supervisory Body and is the recipient of funds raised in excess for the support of the Article 6.4 bureaucracy. This represents a generous improvement compared to the text in Madrid and the practice under the CDM, where the SOP was limited to 2 per cent. However, the inclusion of a mandatory SOP under Article 6.2 – one of the central requests of the AGN and a major sticking point between developed and developing countries – could not be attained. Nevertheless, the decision on Article 6.2 strongly encourages participants using cooperative approaches – Parties to the PA but also other stakeholders – to contribute to the AF and align with the Article 6.4 SOP, as well as mandating the reporting on these contributions.

Additional resources to the AF were transferred from the Trust Fund for the CDM, amounting to USD 20 million (UNFCCC, 2021d). Furthermore, replenishments of the AF from donors were the largest ever and reached USD 356 million, three times more than in the previous year (Adaptation Fund, 2021).

CDM transition

Despite the positive aspect of reaching an agreement and neatly solving activity and credit transition from the CDM under the KP to the Article 6.4 mechanism of the PA, the generous ruling on pre-2020 unit transfer is not aligned with the African position. The AGN was against allowing any KP allowances or credits already issued under the KP's flexible mechanisms, such as Certified Emission Reductions (CERs) from the CDM, to be used for meeting Parties NDCs, given that such grandfathering could undermine the collective ambition under the PA. Furthermore, there is a fear that transitioning pre-2020 CERs may flood the market and create price competition with new A6.4ERs, perpetuating the uneven geographical distribution in the issuance of emission reduction units (Eastern Africa Alliance on Carbon Markets and Climate Finance, no date). According to the Glasgow text, all CERs from vintages up to 2020 from CDM activities which were registered after 1 January 2013 can be used towards pledges under

countries' first NDCs.¹ These transfers of CERs will not require corresponding adjustments. Such generous ruling goes against African stated interests and even beyond the limited transfers still discussed in Madrid.

By contrast, the AGN has been highly supportive of activity transition, especially of small-scale projects and Programme of Activities (PoA). Africa started participating in the CDM comparatively late and many of its PoAs have been initiated after the heydays of the CDM but with a long crediting period in mind. Allowing them to continue operating and deliver on the promise has therefore been a fundamental concern. According to the Glasgow outcome, CDM activities can transition if an application is submitted no later than 1 December 2023 and subject to meeting the rules of the A6.4 Mechanism and receiving host country approval. During the grace period, activities can operate with the same methodologies until the end of their crediting period, or at the latest until 2025, by which time the approvals have to be received and the switch to an A6.4 methodology has to be made. While the practicality of the approach has yet to be tested in practice and procedural details have to be worked out further, the approach seems to principally provide a clear pathway.

In addition to establishing the conditions for transitioning activities and units, COP26 avoided a gap period between the KP and the PA carbon market instruments. Through the CMP decision, the Parties agreed that the EB will temporarily continue the performance of its duties until the Article 6.4 mechanism becomes fully operational. This means the EB can continue processing requests for project registration, renewal of crediting periods and issuance of CERs on a provisional basis with a view of their transition (UNFCCC, 2021d).

Balanced treatment of cooperation under Article 6.4 and Article 6.2

Africa has been a strong advocate for a balanced treatment between the two market-based approaches, especially with regards to the level and mandatory nature of the SOP and OMGE. The rationale is to avoid, on one hand, the incentive for evading the levies in Article 6.4, which could undermine their functioning; and, on the other hand, a greater burden on participants in the Article 6.4 mechanism, which would more heavily affect countries without capacities to engage in bilateral cooperation such as African countries and least developed countries (LDCs) (Republic of Gabon, no date). While a symmetric treatment of SOP and OMGE for all market approaches could not be achieved, smaller tweaks of the Article 6.2 guidance have advanced comparability. For example, participation requirements between Articles 6.2 and 6.4 have been more closely aligned and the environmental integrity criteria for Article 6.2 have been strengthened. Additionally, elements of international oversight have been added to the Article 6.2 governance, for instance, by requiring annual synthesis reports from the Secretariat on lessons learned and experiences gained from the results of the technical expert review. Furthermore, a dedicated Article 6 Expert Review Team has been established, although the implications of their review findings remain somewhat unclear. These elements respond to the AGN's original ask of an Article 6 Body that would oversee all market-based cooperation to ensure balance, use of synergies and harmonised approaches.

¹ It is worth noticing that CERs can still be issued now for the specified vintages.

Nature-based Solutions and REDD+

An important landmark in terms of tapping the mitigation potential of the agriculture and forestry sectors has been the inclusion of greenhouse gas removals in the definition of ITMOs, without excluding any sector or activity. Whereas the CDM was mainly focused on afforestation and reforestation activities in the land use, land use change and forestry (LULUCF) sector, following strict definitions, explicitly excluded avoided deforestation and did not manage to support other land-use activities such as soil carbon, Article 6 is far more accommodating. Additionally, despite stressing the importance to minimise the risk of non-permanence associated with nature-based solutions, the decisions do not establish a particular strategy for such purposes. While Article 6 in many ways is based on the technical approaches of the CDM, reference to the concept of temporary credits used by the CDM to hedge against risks of non-permanence of sequestered carbon is conspicuously absent. Technical solutions to deal with the permanence of emissions removals remain elusive and require both technical work to identify alternatives to the CDM's temporary credits, and political agreement on such technical options through further negotiations.

REDD+ activities are not explicitly mentioned in the texts, but experts interpret the outcome such that REDD+ activities are eligible under both market-based mechanisms (Articles 6.2 and 6.4), as far as they comply with the generally agreed rules and quality criteria of these cooperative approaches (Streck, 2021; Marcu, 2021). Hence, following this interpretation, ITMOs and A6.4ERs could be issued from avoided deforestation or avoided forest conversion (Streck, 2021). However, the eligibility of emissions avoidance will only be decided at COP27. The cover decision on Article 6.2 requests the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop recommendations for COP27 concerning the potential issuance of ITMOs from emissions avoidance. In a similar line, the decision on Article 6.4 solicits the Supervisory Body to provide recommendations concerning the inclusion of emissions avoidance and conservation enhancement activities as eligible Article 6.4 activities. A definition of 'emission avoidance' is however missing from the Article 6 texts. As pointed out by Marcu (2021), avoidance of emissions does not only relate to avoided deforestation and the greater political controversy may concern crediting decisions not to extract fossil fuels.

It can be hoped that Article 6 will be more successful at leveraging carbon markets for Africa's vast potential for nature-based solutions, which has been demonstrated by the large share of LULUCF in the mitigation potential identified in many African NDCs. Moreover, Article 6.2 also accommodates activities overseen by voluntary carbon standards which have stepped in and provided for methodologies for a broader range of land use activities compared to the CDM.

Adaptation Benefit Mechanism

Adaptation being a key priority for Africa, the inclusion of the Adaptation Benefits Mechanism (ABM) as a possible focus area in the Article 6.8 cover decision on NMAs suits African interests² and was included due to the strong support from Cote d'Ivoire and Uganda. The mechanism was developed by the African Development Bank as a results-based mechanism

² This position was, however, not formally supported by the AGN.

to support adaptation activities by certifying the social, economic and environmental benefits of these activities. The rationale is to de-risk and incentivise public and private investments in adaptation by having certificates based in sound methodological and technical grounds and issued by a reputable organisation. The mechanism is currently in a pilot phase, which aims to develop adaptation benefit methodologies and at least ten small-scale demonstrations (Adaptation Benefits Mechanism, no date). However, more attention is needed when identifying further suitable NMAs and focus areas. The decision includes, but is not limited to, three broad focus areas – ‘adaptation, resilience and sustainability’; ‘mitigation measures to address climate change and contribute to sustainable development’; and ‘development of clean energy sources’.

Lastly and most relevant from an African perspective, comprehensive capacity building for participation in Article 6 has been a key outcome of the Glasgow decisions. Given its significance, the ensuing section looks at the issue in further depth.

2. CAPACITY BUILDING: BEST PRACTICES AND NEEDS

Capacity building for developing countries to address climate related challenges has long been a part of the UNFCCC processes with the capacity building framework established under the Marrakesh Accords in 2001 marking the beginning of capacity building activities under the UNFCCC. At COP26, negotiators stressed the need for capacity building, which was reflected in several decisions adopted in Glasgow. The Glasgow Climate Pact emphasises the urgency of scaling up action and support, including capacity building, to assist developing countries in tackling climate change with the best available science based on their priorities and needs (UNFCCC, 2021f). The decision also ‘recognises the need to continue supporting developing country Parties in identifying and addressing both current and emerging capacity building gaps and needs, and to catalyse climate action and solutions to respond’ (p. 4, paragraph 34, UNFCCC, 2021f). Furthermore, a decision was adopted on capacity building under the Convention, which encourages reporting on best practices related to capacity building, continuing capacity building support, and engaging in further discussions in the Durban Forum to explore how capacity building can be enhanced (UNFCCC, 2021g).

With regards to capacity building for participating in carbon markets, the adopted decisions on Article 6.2 and 6.4 request the Secretariat to design and implement a capacity building programme for developing countries interested in engaging in these market-based mechanisms. This capacity building programme is expected to be delivered by the Secretariat through knowledge products such as guidebooks, workshops, setting up helpdesks for targeted support and organising forums with the help of its regional collaboration centres (RCCs). Additionally, the Collaborative Instruments for Ambitious Climate Action (CIACA) Initiative implemented by the UNFCCC will play an important role in the new phase of capacity building by lending its support to countries in developing their domestic climate policy instruments (UNFCCC, 2019). With UNFCCC-backed carbon markets aiming to be inclusive and equitable, capacity building is pivotal to equip host countries and market participants facing institutional,

regulatory, technical and financial barriers for market access, with the necessary capacities to participate in such mechanisms. The PA results in new rules and challenges, which give rise to new capacity building needs.

The present chapter aims at highlighting African needs in this context, as well as reflecting on the wealth of experience that has been generated during the KP era in terms of capacity building. Lessons learnt and best practices serve as the basis to draw on recommendations and next steps to get the continent ready to profit from the cooperative mechanisms enabled by the PA.

2.1 LESSONS AND BEST PRACTICES FROM CAPACITY BUILDING FOR MARKET MECHANISMS

Lessons learnt:

- 1 Experience on strengthening the capacities of designated national authorities (DNAs) as well as the project participants offers lessons for **cooperative approaches under Article 6 of the PA**.
- 2 The Regional Climate Weeks, DNA Fora, and the RCCs are important **platforms through which the new phase of capacity building can be initiated**, which has also been recognised in COP26 decisions.
- 3 Learning by doing, i.e., **piloting has helped project developers** keep up with the ever-evolving rules of international carbon market mechanisms.
- 4 Countries must apply the best practices from capacity building while ensuring **inclusiveness and integrating additional Article 6 elements** in a renewed capacity building framework (COP26 Catalyst, 2021).
- 5 Existing capacities from the **CDM, voluntary carbon markets and other domestic carbon pricing experiences** can serve as a good starting point for countries to build on further with respect to new requirements under the PA.
- 6 **Integrating technical assistance with access to finance** is crucial to kickstart practical activities that allow to provide capacity building “on-the-job”.

Engaging in carbon markets requires a range of capacities including governance related capabilities, meeting participation requirements, monitoring, verification and reporting of emission reductions among others. Recognising these capacity requirements, the capacity building framework under the Marrakesh Accords has already been focused on country-driven approaches to develop capacities based on country priorities. It aimed to provide continuous, progressive, and iterative support that was to be undertaken in an effective and efficient manner, such as through ‘learning by doing’ and building on existing capacities (UNFCCC, 2002). However, countries with lower institutional capacities to fulfil technical and procedural requirements struggled to implement projects under the CDM. Weak capacities coupled with limited mitigation potential due to exclusion of certain project types (agricultural soil carbon sequestration and avoided deforestation) and lack of local expertise to tackle market

complexities resulted in uneven distribution of projects among host countries (Baimwera, Wang'ombe and Kitindi, 2017). Brazil, China, India, Mexico and other emerging economies captured a mammoth share of the CDM projects while most African countries had lower rates of participation in the mechanism. This unequitable participation was a major criticism of the CDM that severely undermined the mechanism's goal to be inclusive and equitable, and thereby its legitimacy.

Learning from CDM capacity building experiences

The Nairobi Framework Partnership (NFP) was launched with the goal of addressing these shortcomings and improving the level of participation in the CDM (Nairobi Framework Partnership, 2018). The framework aimed to support developing countries, particularly countries in sub-Saharan Africa to foster their participation in the CDM through inter-agency cooperation and technical assistance. The NFP initially worked towards strengthening national CDM institutions, building capacities of project proponents, promoting investments, knowledge sharing and donor coordination, with most NFP activities concentrated in the African region through its global network of more than 130 national focal points, six RCCs and NFP partners' local offices (Nairobi Framework Partnership, 2018). However, with the adoption of the PA, the NFP expanded its scope to utilise the knowledge and expertise gained under the CDM for supporting the implementation of NDCs as well as market-based approaches under the PA through creating an enabling environment at the national level (Nairobi Framework Partnership, 2018).

BOX 3. THE NAIROBI FRAMEWORK PARTNERSHIP

The Nairobi Framework Partnership was launched as a flagship outcome of COP 12 in Nairobi in 2006 and initially implemented by the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), the World Bank Group, the African Development Bank, and the UNFCCC but has now expanded to also include the United Nations Economic and Social Commission for Asia, UNEP DTU Partnership, United Nations Conference on Trade and Development, International Emissions Trading Association (IETA), and the Asian Development Bank (Nairobi Framework Partnership, 2018).

Given its prominence at the time, the NFP is a clear precedent of a large-scale, comprehensive multilateral partnership that provides capacity building through country-driven support and knowledge sharing in Africa, Asia and Latin America and Caribbean regions. Several positive aspects from the work of the NFP can be used to support the implementation of the PA:

- Focusing on strengthening the capacities of DNAs as well as the project participants to develop and implement CDM project activities offers lessons for cooperative approaches under Article 6 of the PA.
- The establishment of RCCs. The RCCs are hubs that support national climate action through capacity building, technical assistance, and strategic networking. RCCs are responsible for promoting the benefits of the CDM, increasing access to the CDM and encouraging investments in projects that reduce GHG emissions. In the PA era, RCCs support the implementation of NDCs. There are presently six RCCs operating around the world, establishing a presence of the UNFCCC Secretariat in all regions.

- Regional Climate Weeks are an active platform for dialogue and building networks to exchange knowledge and best practices on NDC implementation and carbon market activities across the regions. Regional Climate Weeks are held every year in Africa, Latin America and Caribbean, and Asia-Pacific and MENA regions. The NFP successfully organised more than 20 Carbon Forums that were hosted by 17 countries in its target regions and attended by more than 15,000 regional stakeholders between 2006 and 2016 (Nairobi Framework Partnership, 2018).

While capacity building initiatives in the KP era did make strides to enhance equitable participation in the CDM, there are several issues that remain to be addressed:

- **Unequal geographical distribution of technical expertise.** Accumulation of technical carbon market expertise in areas such as monitoring, reporting and verification (MRV) in the Global North and lack of local expertise led to an increase in transaction costs in developing countries (COP26 Catalyst, 2021).
- **Unequal distribution of projects between countries and sectors.** In order to avoid unequal distribution of carbon market projects in the future, an enabling environment with improved rules for projects across all key sectors – rather than primarily focusing on the energy sector as under the CDM – is important to enhance activity. Improving rules for the land use sector is particularly crucial since this sector often offers the highest mitigation potential in many African NDCs.
- **Strong focus on technical assistance but limited access to finance.** Most of the focus of capacity building initiatives has been on providing technical assistance. However, there has been limited focus on providing access to finance to kick-start Article 6 activities in countries with high barriers in accessing finance. This aspect requires attention in the new phase of capacity building and there have been some limited precedents that offer targeted financial support in addition to technical assistance (see Box 4).

BOX 4. PRECEDENTS FOR ACCESS TO FINANCE IN CARBON MARKET CAPACITY BUILDING

- **UNFCCC CDM Loan Scheme** was launched to support increased participation in the CDM by so-called underrepresented countries such as LDCs (UNFCCC, 2012).
- **UNDP's Millennium Development Goals (MDGs) Carbon Facility** aimed to broaden access to carbon finance for developing countries in order to improve their participation in carbon markets and to promote emission reductions projects that contribute to MDGs (UNDP, 2007).
- **World Bank Carbon Initiative for Development (Ci-Dev)**, launched in 2011, builds capacities of developing countries by establishing comprehensive Programme of Activities in LDCs, in anticipation of Article 6, providing emission reduction purchase agreements for a limited number of component projects.
- **World Bank Community and Carbon Development Fund (CDCF)** supported small-scale projects in LDCs that contribute to local community welfare by providing them with access to finance and sharing technical expertise in project implementation (World Bank, no date).
- **German International Climate Initiative** funded the **Africa Carbon Asset Development Initiative** by UNEP and South African Standard Bank that aimed to alleviate early-stage costs and investment risks of African CDM projects (UNFCCC, 2012).
- **Biocarbon Fund** by the World Bank provided sector-specific financial support for afforestation/ reforestation projects in the CDM (UNFCCC, 2012).

Capacity building initiatives focusing on Article 6

In the lead-up to COP26, there have already been some carbon-market focused capacity building efforts that sought to strengthen capacity for carbon market approaches that would succeed the CDM, in part even prior to COP21. Some of these ongoing 'transitional' initiatives that aim to enable Article 6 activities and NDC implementation through capacity building are:

- **Standardised Crediting Framework (SCF) of the Carbon Initiative for Development (Ci-Dev):** a crediting framework that builds on the experiences from the CDM and supports low-income countries in accessing climate finance, seeking to lower transaction costs and encouraging private sector participation (Ci-Dev, no date).
- **Partnership for Market Readiness (PMR),** succeeded by the **Partnership for Market Implementation (PMI):** an international platform that brings together international experts to support capacity building in emerging economies to scale up climate action.
- **Japanese Joint Crediting Mechanism (JCM):** The most advanced bilateral crediting mechanism was supported comprehensively with institutional capacity building, technical assistance (e.g. project feasibility study, methodology development) and financing packages by the Japanese Government. An example of a capacity building programme under the JCM is the Mutual Learning Program for Enhanced Transparency (MLP), which assists countries and organisations in applying the reporting guidance (Article 6.2 and Article 13 reporting guidance) under the PA and improving subsequent reports on climate action (IGES, 2021).
- **Initiative for Climate Action Transparency (ICAT):** supports developing countries in building and enhancing their transparency systems to improve the implementation and reporting of NDCs (ICAT, no date).
- **West African Alliance and Eastern Africa Alliance on Carbon Markets and Climate Finance:** foster regional and national peer-to-peer exchange, digital learning, cooperation and support to improve the readiness of member countries to engage in Article 6 carbon market mechanisms with support from Germany.
- **Mobilising Article 6 Trading Structure (MATS):** a technical assistance programme by the Swedish Energy Agency (SEA) and the Global Green Growth Institute (GGGI) to establish and reinforce national institutional capacities and to pilot Article 6 ER transactions (GGGI, 2019a).
- **Designing Policy Approaches under Article 6 of the Paris Agreement (DAPA):** a programme by the GGGI and funded by the Norwegian Ministry of Climate and Environment that focuses on developing policy crediting approaches that can generate ITMOs while creating transformational change (GGGI, 2019b).
- **World Bank Carbon Market Club:** with MDB Working Group, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and

Inter-American Development Bank aims to develop modalities for Article 6.2 piloting and enhance domestic policy approaches by providing countries with a platform to share knowledge and best practices (World Bank, 2020).

- **UNDP Article 6 Readiness Support:** UNDP, in collaboration with the Swiss KliK Foundation, is supporting a number of activities to complement Article 6 pilot transactions in countries where KliK is active, relating to the legal readiness for ITMO transfers under the respective national laws, the establishment of ITMO process flows, development of Article 6 framework/rules and regulations, development of digital Article 6.2 mechanism platform to enhance implementation and cooperation, project document design, national registry for ITMO transactions and the engagement of third-party validators (UNDP, 2022).
- **NDC Partnership (NDCP):** a large-scale initiative that supports countries to accelerate NDC implementation and raise ambition over time through the provision of necessary tools and expertise. The NDCP also provides countries with financial support for NDC implementation but have not yet focused on support for Article 6 (NDC Partnership, 2020).

Many of these initiatives have been implemented in anticipation of the Article 6 rulebook while it was still under negotiation. Hence, it is important to learn from and capitalise on the KP era and transitional initiatives and experiences for designing novel, comprehensive capacity building programmes to promote Article 6 cooperation and related interlinkages with other elements of the PA (e.g. the Enhanced Transparency Framework, climate finance).

2.2. NEEDS AND RECOMMENDATIONS FOR CAPACITY BUILDING FOR MARKET MECHANISMS IN AFRICA

Building on past carbon market experiences, the new phase of capacity building needs to reflect the diversity of approaches anticipated under Article 6 to facilitate public and private sector engagement in a way that promotes environmental integrity and sustainable development. During capacity building negotiations at COP26 in Glasgow, Parties to the PA acknowledged the challenges developing countries will face when implementing the Article 6.2 cooperative approaches and participating in the Article 6.4 mechanism. Consequently, the UNFCCC secretariat was tasked to develop and implement a capacity building programme that enables participation of developing countries, particularly LDCs and Small Island Developing States (SIDS). The key areas of capacity building discussed in the present section are summarised in Figure 1³, which should be areas the UNFCCC capacity building programmes and other Article 6 capacity building initiatives should address.

Recommendations on Article 6.2 cooperative approaches

As explained above, one of the key frameworks that host countries need to put in place to participate in Article 6.2 relates to the authorisation criteria of ITMOs that consider the new authorisation types. In this context, capacities need to be developed to set up such a framework

³ Note that the figure does not aim at being exhaustive and it does not cover all relevant aspects of capacity building programmes and needs but summarises the key focus areas of the present section.

Cross-cutting issues	Legal and policy frameworks	Defining Article 6 governance and institutional framework	Establishing Article 6 infrastructure	Article 6 piloting		
Article 6.2	Negotiating bilateral agreements	Reporting requirements	Approval of projects	Authorisation of ITMOs	Tracking of ITMOs	Corresponding adjustments
Article 6.4	Accreditation procedures	Approval of projects and crediting periods	Sustainable Development monitoring	Authorisation procedures	Criteria for transitioning CDM activities	

Figure 1: Key focus areas of Article 6 capacity building

that authorises ITMOs without undermining the country’s NDC targets and avoiding risks of overselling. Some authorisation strategies include sharing emission reductions, negative lists, limiting crediting periods and setting baselines based on NDC targets (GGGI, 2021).

In terms of tracking ITMOs, countries can decide to either develop national registries or use international registries. Developing a full-fledged national registry requires legal and administrative arrangements in place along with a financing structure, which may not be worthwhile if countries do not foresee a large volume of carbon market activities. Capacity building can play a key role for developing an understanding of how corresponding adjustments apply in order to ensure environmental integrity and prevent a potential increase in net global emissions.

Further capacity building support required that is specific to Article 6.2 includes negotiating and concluding bilateral agreements, meeting other participation requirements like reporting of national inventory report (NIR) and biennial transparency reports (BTRs).

Recommendations on Article 6.4 mechanism

The Article 6.4 mechanism can build on existing CDM capacities and infrastructure at the international level, such as designated operational entities (DOEs) and related UNFCCC accreditation procedures, as well as market infrastructure, such as the multilateral registry to issue and track A6.4ERs units.

Participating in the Article 6.4 mechanism is attractive for many countries with smaller CDM portfolios since building on existing CDM capacities can substantially ease the burden on host governments to build capacities with regard to governance. Nevertheless, the host governments must ensure that they have the necessary capacities to fulfil participation requirements. For instance, unlike in the CDM, host parties are now required to indicate how their participation in the mechanism relates to their NDC and contributes to sustainable development. As explained above, at COP26, negotiators concluded that CDM activities could potentially

transition to the Article 6.4 mechanism (UNFCCC, 2021b). Project participants need to swiftly engage on CDM transition as the window to send requests to transition CDM activities is until 31 December 2023. Countries must develop transparent criteria for deciding on the eligibility of transitioning CDM activities with respect to its NDC pledges as well as decide on the type of authorisation it intends to give to credits from these activities. Therefore, criteria and procedures for approving CDM activity transition could be closely aligned with Article 6.4 activity approvals. South-South collaboration will play an important role in enabling countries to decide on eligibility criteria for transitioning CDM activities.

Considerations for cross-cutting elements for Article 6 cooperation

There are some cross-cutting elements that are relevant for all aspects of Article 6 cooperation that were identified by carbon market experts during consultations on recommendations for Article 6 capacity building on behalf of the COP26 Presidency (COP26 Catalyst, 2021), as well as through further experiences generated through the initiatives described above.

Political will and awareness. One of the persistent capacity building gaps reported by developing countries was the lack of awareness of high-level policymakers on the opportunities and benefits of participating in carbon markets. Promoting awareness of decision-makers through workshops, knowledge sharing, and piloting activities is required to turn political interest into political will for effective capacity building (COP26 Catalyst, 2021). This is crucial, as Article 6 cooperative approaches are primarily intended to support achieving NDC targets. Political will is thus key for designing the required legal, policy and governance frameworks to create an enabling environment for Article 6 cooperation that enhances NDC ambition. Effective and long-lasting capacity building that builds local capacity to establish such structures requires the willingness of both public and private entities. One of the key lessons learnt from the Ghana-Switzerland bilateral agreement was the need to have a politically motivated mandate to start engaging in carbon market mechanisms. Multilateral and bilateral development agencies in collaboration with national focal points play an important role in raising awareness of the benefits of engaging in carbon markets.

Article 6 governance and infrastructure. As developing countries face stricter participation requirements under Article 6 of the PA, it is important to clearly define roles, responsibilities and governance functions such as inter-ministerial coordination (COP26 Catalyst, 2021). Furthermore, technical capacity is required to establish transparent NDC accounting infrastructures, national MRV framework and supporting project design for more expensive, but also more transformational high-hanging fruit type of mitigation actions. This is particularly crucial since the incentive structure for carbon market cooperation has been inverted compared to the Kyoto Protocol: While the CDM was supposed to identify the cheapest mitigation options, these are now supposed to be retained by the host countries for their own NDC goals. Therefore, Article 6 needs to be able to mobilise higher-cost mitigation options that deliver more transformational impacts. Existing capacity building initiatives by the UNFCCC, bilateral and multilateral agencies can deliver technical assistance to developing countries to help establish institutional capacity and procedures for such purposes.

Access to finance. Beyond delivering technical assistance, establishing national institutional framework requires access to finance. Therefore, technical and financial assistance must go hand-in-hand for effective and inclusive carbon market implementation, including through regional and national financial institutions. This includes the funding for relevant government infrastructure to deal with Article 6 requirements, such as the funding of an Article 6 office by UNDP in Ghana.

Article 6 piloting. In order to keep pace with the ever-evolving rules of carbon market engagement, a pragmatic delivery of capacity building is required. A 'learning by doing' approach through implementing Article 6 pilots can be an effective way of building country-driven and country-focused capacities (COP26 Catalyst, 2021). Implementing pilots helps understand the practical benefits of engaging in carbon markets while also identifying specific capacity challenges that need to be addressed 'on-the-job'. Countries can build on existing foundations from the KP and other domestic carbon market experiences as well as utilise support from international institutions to help develop piloting activities that establish necessary market infrastructure.

Building and sharing knowledge. Peer-to-peer knowledge sharing, learning by doing and dissemination of knowledge products, including through a tailored combination of virtual and in-person assistance via RCCs and other development partners can prove to be effective instruments for building and strengthening national institutions. For instance, the Article 6 piloting activities under the MATS program by the SEA and GGGI have assisted countries in setting up governance and institutional structures for engaging in Article 6 cooperative approaches. 'Learning by knowing' other countries' experiences can also be beneficial and encouraging to peers when participating in Article 6 approaches, which can be facilitated by regional dialogues such as the Regional Climate Weeks. A pre-requisite for effective delivery of capacity building is the establishment and improvement of knowledge management systems with accessible and relevant information on common challenges faced while engaging in Article 6 (COP26 Catalyst, 2021). International institutions like the UNFCCC, RCCs and other multilateral and bilateral institutions can disseminate training courses, workshops, tools, and guidance on institutional, methodological and policy aspects relevant for long-term technical assistance for host countries and project developers. A good balance needs to be struck between accessible digital knowledge products for introductory level information on carbon markets and tailored in-person trainings and studies for more advanced and context-specific aspects.

Enhancing local and regional expertise. Finally, several countries highlighted the lack of local expertise as well as high attrition rates of the limited experts has impeded the implementation of carbon market activities in many developing countries (COP26 Catalyst, 2021). Furthermore, as highlighted earlier, accumulation of technical expertise in the Global North has contributed to increases in implementation costs. Developing countries emphasised the need to enhance local human capacity for all relevant carbon market stakeholders, including host governments, auditors, consultants, financing institutions and beneficiaries, rather than recruiting international consultants. Strengthening local and regional expertise through mobilising the private sector, engagement of Small and Medium-sized Enterprises (SMEs) and

the youth for specialist carbon market training can build a sustainable and inclusive carbon market action, while generating business and employment opportunities.

3. IDENTIFYING KEY PRIORITIES FOR THE CONTINUATION OF NEGOTIATIONS

Although the general principles and guidelines governing the operation of the Article 6.4 mechanism and the transfer of ITMOs under Article 6.2 were adopted by CMA 3 in Glasgow, Article 6 cooperation cannot be implemented without further elaboration of rules that enable Article 6 operationalisation. These important additional provisions will have to be recommended by the Subsidiary Body for Scientific and Technological Advice (SBSTA), the Supervisory Body of the Article 6.4 mechanism, the Glasgow Committee and the UNFCCC Secretariat for adoption by CMA 4 during COP 27 in Sharm El Sheikh in Egypt.

These provisions relate mainly to methodologies, standards and tools, activities involving the permanence of removals, operationalisation of the SOP and OMGE, CDM activities' transition, activity cycle procedures, the sustainable development tool, accreditation standards, registries, the Centralised Accounting and Reporting Platform (CARP) and the Article 6 Database, the special circumstances of LDCs and SIDS, the capacity building programme and further responsibilities of the Supervisory Body and of Parties.

In order to advance negotiations on these issues, Parties and observers have been invited to make submissions, which will be synthesised by the Secretariat and addressed in workshops to be held in conjunction with the UNFCCC's subsidiary body meetings this year. Other issues will be dealt with directly by the Article 6.4 Supervisory Body and the Secretariat in relation to the SBSTA, with all these draft decisions to be submitted to the CMA for adoption later this year.

African countries will need to pay particular attention to some of these issues as the in-depth discussions will take place in these fora, bearing in mind that negotiation time will be limited in Sharm El Sheikh to allow for significant changes to the drafts that will be proposed to the CMA 4.

3.1 MANDATES FROM COP 26

Several bodies have been given homework in the Article 6 decision packages:

The Article 6.4 Supervisory Body was established in Glasgow. Its primary mandate concerns kick-starting its own operation (e.g. developing its rules of procedure and operation and SOP), followed by technical aspects for the operationalisation of the mechanism along the activity cycle such as accreditation of operational entities, development and approval of methodologies, as well as provisions for validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes. Additionally, the Body is mandated to consider existing or potential

opportunities to promote sustainable development; encourage participation by LDCs and SIDs; engage with local communities and indigenous people; and incorporate relevant actions from a gender action plan into its work.⁴

Subsidiary Body for Scientific and Technological Advice (SBSTA). In terms of Article 6.4, the SBSTA is requested to develop further responsibilities of the Supervisory Body and of Parties that host Article 6.4 activities (including reporting obligations); the mechanism registry; the processes necessary for the implementation of the SOP and the delivery of OMGE; the processes to consider ways to address any negative social or economic impacts (especially on developing country Parties); and the processes for the transition of activities from the CDM. Additionally, SBSTA is requested to make recommendations on the special circumstances of the LDCs and SIDs; the elaboration of further guidance in relation to corresponding adjustments; the consideration of whether ITMOs could include emission avoidance; reporting (tables and outlines) and review processes; as well as the review of the rules, modalities and procedures for the 6.4 mechanism.⁵

The UNFCCC Secretariat is requested to design and implement a capacity building programme, including through its RCCs, to assist Parties, particularly developing country Parties, intending to participate in cooperative approaches; and to prepare annually a compilation and synthesis of the results of the Article 6 technical expert review. Additionally, the Secretariat is requested to prepare synthesis reports based on submissions from Parties, observers and experts and organise a technical workshop concerning the three mechanisms enabled through Article 6.⁶

The Glasgow Committee on Non-market Approaches is requested to develop and recommend a schedule for implementing the work programme activities, which may contain the timeline and expected outcomes for each activity, including specifications for the UNFCCC web-based platform, such as its functions, form, target users and information to be contained thereon, with a view to supporting the effective implementation of the work programme, for consideration and adoption by the CMA 4.

The Adaptation Fund is invited to report in its annual reports to the CMA on funding related to participation in cooperative approaches.

CMA 4 (November 2022) is mandated to adopt decisions on the special circumstances of the LDCs and SIDs; further guidance in relation to corresponding adjustments for multi-year and single-year NDCs; the work programme of the Article 6.4 SB, the SBSTA and the Glasgow committee.

The Subsidiary Body for Implementation (SBI) is mandated to consider measures to implement CDM registry aspects to develop recommendations for consideration by CMP 17 (2022).

⁴ For further information on the decision and mandates, please see the Annex.

⁵ For further information on the decision and mandates, please see the Annex.

⁶ For further information on the decision and mandates, please see the Annex.

The CDM Executive Board is requested to cooperate with the Supervisory Body to facilitate the implementation of the Article 6.4 mechanism, including by making available hard and soft infrastructure under the CDM to the Supervisory Body. The Board is also mandated to continue receiving and processing the relevant requests and submissions under the temporary measures until Article 6.4 becomes fully operational.

3.2 OPEN ISSUES AND REMAINING CONTROVERSIES

Most issues have been resolved at a high level in Glasgow and ideally only need further technical operationalisation. However, some topics stand out as needing further discussion. These include:

Special circumstances of LDCs/SIDS. LDCs and SIDS are awarded special treatment in many respects, such as enjoying flexibility concerning the nature of their NDCs, more lenient reporting requirements under the Convention and the exemptions and flexibilities granted to them under the KP related to, for example, SOP, additionality and positive lists. While the special circumstances of LDCs and SIDS are also recognised under Article 6, SBSTA and the Supervisory Body have yet to further elaborate those rules and make recommendations to CMA 4.

Eligibility of emission avoidance / REDD+. As the Article 6 negotiations in Glasgow failed to reach an agreement on the treatment of emission avoidance activities, these issues were referred to SBSTA. As elaborated above, the guidance for Article 6.2 does not explicitly exclude mitigation outcomes from REDD+ but neither does it automatically recognise its eligibility. The question of what other avoided emissions should qualify as ITMOs will also need to be decided as part of the work programme.

Further refinement of the accounting approaches. It was clarified in the Article 6.2 decision that multi-year NDCs will have to be translated into a trajectory, while single-year NDCs could either be translated into a trajectory or an average. Recent studies show that the outcome can be completely different depending on the nature of the NDC and the position of the country as seller or buyer.

Exclusion of banking/carry-over. According to the Article 6.2 guidance adopted in Glasgow, banking of ITMOs between NDC implementation periods is not allowed. Paragraph 8 requires that “mitigation outcomes are used within the same NDC implementation period as when they occurred” (UNFCCC 2021a, Annex, para. 8). This means that buyers of mitigation outcomes have to be careful and conservative in their purchases as any unused mitigation outcome cannot be carried over for use in the following year and 2030 may be the last chance for using ITMOs generated during the first NDC implementation period. While the clause did not attract attention during the negotiations, where it seems to have slipped negotiators’ attention, it has led to debate afterwards both in literature and in negotiator meetings (e.g. Kessler et al., 2021). Many have raised the concern that this limitation would needlessly stifle the potential of Article 6 and questioned the finality of the interpretation.

Timing of the authorisation for ITMOs from Article 6.4. In the decision on Article 6.4, it was specified that the host Party shall provide a statement to the Supervisory Body specifying whether it authorises A6.4ERs issued for the activity for use towards the achievement of NDCs and/or for other international mitigation purposes in the approval and authorisation section. However, approval and authorisation for a given use may occur at different times depending on the information in the possession of the project owner and the host country, so the timing of this authorisation should be clarified.

Technical issues relating to removals. Under the Kyoto Protocol, only activities related to afforestation and reforestation have been included as well as CCS (still subject to controversy and discussion), for which methodologies and safeguards have been put in place to address reversal. Under the Article 6.4 mechanism, appropriate MRV provisions, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts will have to be discussed by the Supervisory Body.

4. CONCLUSIONS AND OUTLOOK

The COP26 has finally provided the long-awaited Article 6 Rulebook setting a comprehensive package of rules to kick-off the implementation of Article 6 activities. The text is a major accomplishment since it achieved a consensus on main sticking points that prolonged Article 6 negotiations over years. Not all African priorities have been accommodated, e.g. SOP for adaptation finance on Article 6.2 or ruling conditions for the transition of CDM CERs. However, the Article 6 Rulebook promotes environmental integrity, ambition and sustainable development and can thus be considered a robust foundation that enables the use of carbon markets to serve the long-term objectives of the Paris Agreement.

At the same time, the paradigm shift represented by the new carbon market approaches in support of NDCs by all Parties leads to more complex participation requirements compared to the KP mechanisms. As a result, host countries need to develop more comprehensive institutional frameworks to get ready and actively engage in Article 6 transactions. This explains the need for carefully reflecting on capacity building needs that empower also low-income countries to benefit from Article 6 opportunities while safeguarding environmental integrity, increasing ambition and promoting sustainable development. These capacity building needs include institutional, administrative, governance, access to finance, and human expertise. While there are some common minimum participation requirements, each country may need to account for its specific features and circumstances. A capacity building roadmap, based on countries' needs and priorities, can capitalise on experiences from the KP era, as well as from novel ongoing initiatives on Article 6 readiness and piloting. The UNFCCC, especially through the RCCs, and other bi- and multilateral development partners thus have a crucial role to play in collaborating with host parties in building the required Article 6 capacity.

Since several important issues in Article 6 rules require further negotiations, capacity building must also comprise support for African parties, LDCs and SIDS in these upcoming negotiations. The continuation of the discussion should not fail to further consider the implications

of different decisions for these parties and to aim at facilitating their participation in the Article 6 negotiations. For instance, significant regulatory improvements, such as targeted standardised baselines and simplified methodologies to reduce transaction costs of project development, can play a crucial role in enhancing Article 6 participation from countries and promoting inclusivity (COP26 Catalyst, 2021). Additional recommendations can be directly derived from earlier experiences with the CDM, such as prioritising methodologies for activity types that are particularly important for low-income countries such as PoAs and supporting their transition to Article 6 top-down with UNFCCC resources.

A milestone in the continuation of the negotiations is expected from the SBSTA discussions, to be held in June 2022, concerning the roles of the host party, the scope of activities, process implementation, and reporting. It is hoped that these discussions will be able to resolve the remaining controversies or, respectively, shed further light on open issues such as the special treatment of LDCs and SIDS, inclusion of avoidance and removals, accounting approaches, exclusion of banking and timing of authorisation of ITMOs under Article 6.4.

ANNEX: DETAILS ON THE MANDATES FROM COP 26 DECISIONS

The Article 6.4 Supervisory Body was established in Glasgow and is mandated:

- To organise at least 2 meetings in 2022 with its 12 members and 12 alternates to be nominated by regional groups and LDCs and SIDS taking into account gender balance;
- To develop its rules of procedure (including in relation to transparency of meetings), and to operate and hold meetings;
- To develop appropriate levels for the SOP for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund;
- To develop provisions for activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts in addition to those activities in chapter V of the annex (Article 6.4, activity cycle);
- To develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes, pursuant to chapter V.B-L and chapter VIII of the annex (Delivering overall mitigation in global emissions);
- To develop provisions for the application of the requirements in chapter V.B of the annex (Methodologies). In the context of developing and approving new methodologies for the mechanism:
 - Review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the KP with a view to applying them with revisions as appropriate pursuant to chapter V.B of the annex (Methodologies), for the activities under the mechanism 6.4;
 - Consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to chapter V.B of the annex (Methodologies);
- Review the sustainable development tool in use for the CDM and other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism by the end of 2023;
- Review the accreditation standards and procedures of the CDM with a view to applying them with revisions as appropriate, for the mechanism by the end of 2023;
- Expeditiously accredit operational entities as designated operational entities;
- Ensure the implementation of the requirements in relation to LDCs and SIDS;
- Consider ways to encourage participation by small and micro businesses in the mechanism, in particular in the LDCs and SIDS;
- Consider opportunities to engage with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group;
- Consider the gender action plan and the incorporation of relevant actions into the work of the Supervisory Body;

The SBSTA is requested to develop, for consideration and adoption by the CMA 4:

- Further responsibilities of the Supervisory Body and of Parties that host Article 6.4 activities in order for such host Parties to elaborate and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;
- Processes for implementation of chapter XI.B of the annex (Use of certified emission reductions towards first or first updated nationally determined contributions);
- Reporting by host Parties on their Article 6.4 activities, and the Article 6.4 emission reductions issued for the activities, while avoiding unnecessary duplication of reporting information that is already publicly available;
- The operation of the mechanism registry referred to in chapter VI of the annex (Mechanism registry);
- The processes necessary for implementation of the SOP to cover administrative expenses and the SOP to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation in accordance with chapter VII of the annex (Levy of share of proceeds for adaptation and administrative expenses);
- The processes necessary for the delivery of OMGE in accordance with chapter VIII of the annex (Delivering overall mitigation in global emissions);
- The processes to support the forum on the impact of the implementation of response measures (referred to in para. 33 of decision 1/CP.21) in considering ways to address any negative social or economic impacts, especially those on developing country Parties, resulting from Article 6.4 activities, as requested by the forum;
- Processes for implementation of the transition of activities from the CDM to Article 6.4 mechanism, in accordance with chapter XI.A of the annex (Transition of clean development mechanism activities);
- To review the Glasgow Committee's work programme, including its activities, at its sixty-fourth (June 2026) and sixty-fifth (November 2026) sessions with a view to enhancing the effectiveness of the work programme, taking into account relevant inputs, including the outcomes of the global stocktake, and to make recommendations thereon for consideration and adoption by the CMA 8 (2026).
- To make recommendations on:
 - The special circumstances of the LDCs and SIDS;
 - Elaboration of further guidance in relation to corresponding adjustments for multi-year and single-year NDCs, in a manner that ensures the avoidance of double counting, on:
 - (i) Methods for establishing an indicative trajectory, trajectories or budgets and for averaging, including with respect to relevant indicators, and for calculating cumulative emissions by sources and removals by sinks;
 - (ii) Methods to demonstrate the representativeness of averaging for corresponding adjustments by quantifying how much the yearly transaction volume differs from the average for the period;
 - Consideration of whether ITMOs could include emission avoidance and conservation enhancement activities;
 - Tables and outlines for the information required pursuant to chapter IV of the annex

(Reporting), including the agreed electronic format referred to in chapter IV.B of the annex (Annual information), on the basis of submissions and taking into account the options developed for consideration and adoption by the CMA 4;

- For guidelines for the reviews pursuant to chapter V of the annex (Review), including in relation to the Article 6 technical expert review team, in a manner that minimises the burden on Parties and the secretariat, for consideration and adoption by the CMA 4;
- With respect to the review of the rules, modalities and procedures for the 6.4 mechanism at tenth session (2028) with a view to completing the review by no later than at its twelfth session (2030), taking into account:
 - (a) Any recommendations of the Supervisory Body;
 - (b) Consideration of any need for further safeguards;

The UNFCCC secretariat is requested:

- To design and, following consultation with Parties, implement a capacity building programme, including through its RCCs, to assist Parties, particularly developing country Parties, intending to participate in cooperative approaches;
- To prepare annually a compilation and synthesis of the results of the Article 6 technical expert review, including identification of recurring themes and lessons learned, for consideration by the CMA, including in the context of its review of the guidance;

The Glasgow Committee on Non-market Approaches is requested:

- To develop and recommend a schedule for implementing the work programme activities, which may contain the timeline and expected outcomes for each activity, including specifications for the UNFCCC web-based platform, such as its functions, form, target users and information to be contained thereon, with a view to supporting the effective implementation of the work programme, for consideration and adoption by the CMA 4.

The Adaptation Fund is invited to:

- Report in its annual reports to the CMA on funding related to participation in cooperative approaches pursuant to paragraph 36 of chapter VII of the annex (Ambition in mitigation and adaptation actions);

Follow the calls for submissions, the secretariat is requested to prepare synthesis reports based on submissions from Parties, observers and experts and organise a technical workshop, ensuring broad participation of Parties on:

- Article 6.2: to develop options for the reporting tables and outlines, options for implementing the infrastructure requirements, including guidance for registries, the international registry, the Article 6 database and the CARP referred to in chapter VI of the annex (Recording and tracking) for consideration by SBSTA 56;
- Article 6.4: to develop options for implementing the infrastructure requirements, including guidance for registries, the international registry, the Article 6 database and the centralised accounting and reporting platform referred to in chapter VI of the annex (Recording and tracking) for consideration by SBSTA 56;
- Article 6.8: on existing relevant NMAs, examples of potential additional focus areas of NMAs

that may be facilitated under the framework, the UNFCCC web-based platform and the schedule for implementing the work programme activities.

CMA 4 (November 2022) to adopt decisions on:

- The special circumstances of the LDCs and SIDS
- Further guidance in relation to corresponding adjustments for multi-year and single-year NDCs;
- The work programme of the Article 6.4 SB
- The work programme of the SBSTA
- The work programme of the Glasgow committee

Some homework also arises from the CMP guidance decision:

- **Subsidiary Body for Implementation (SBI):** to consider measures to implement CDM registry aspects to develop recommendations for consideration by CMP 17 (2022).
- **CDM Executive Board:**
 - To cooperate with the Supervisory Body upon its request to facilitate the expedited implementation of the Article 6.4 mechanism;
 - To make available hard and soft infrastructure under the CDM to the Supervisory Body to facilitate the expedited implementation of the Article 6.4 mechanism.
 - To continue receiving and processing the relevant requests and submissions under the temporary measures until Article 6.4 becomes fully operational.

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