

Carbon Market Watch

recommendations to Article 6 negotiators for SB 56



- May 2022

This note presents recommendations on key points¹ in Articles 6.2 and 6.4 up for negotiation during the UNFCCC's 56th session of the subsidiary bodies (SB 56) from 6 to 16 June 2022 in Bonn, Germany.

As a general note, while the main rules for the operation of market mechanisms in the Paris Agreement were agreed at COP 26, it is Carbon Market Watch's view that Parties should not use carbon credits to reach their NDCs. Parties must prioritise rapid domestic mitigation measures. If they use the 6.2 and 6.4 mechanisms, this should be limited to disbursing climate finance rather than offsetting emissions.

Carbon Market Watch's recommendations on selected Art 6.2/6.4 points, organised by topic

Article 6 infrastructure - reporting, recording, tracking (for more info: [CMW submission](#))

- All Article 6 information reported and submitted by Parties (and/or other entities) must be exhaustive, comprehensive and publicly accessible.
- The default status of information should be set as “public”. Any exception, i.e. if info is deemed “confidential”, must be governed by clear rules and duly justified.
- Article 6 registries, the database, and the “centralised accounting and reporting platform” (CARP) must build on lessons from CDM and VCM platforms/registries to be more robust and transparent.
- With regard to A6.4ER transactions: the related registries, accounts & CARP should publicly identify any entity retiring a A6.4ER (and on whose behalf), and include a transaction log reflecting ownership of A6.4ERs, identifying who holds them.

Differentiating between “authorized” and “non-authorized” A6.4ERs

- Parties should clearly distinguish between “authorized” and “non-authorized” A6.4ERs, e.g. by labeling the latter “Paris Agreement Support Units”, and clarify that “non-authorized” units are not eligible for offsetting/compensation claims.
- The registries, database, and CARP should clearly and publicly label each type of unit indicating whether it is “authorized” or not.

Removals and impermanence (for more info: [CMW submission](#))

¹Other key points will need to be discussed and addressed before the 6.4 mechanism can be operationalised e.g. defining new crediting methodologies and reviewing CDM/VCM methodologies for consideration in Art 6.4, elaborating rules on baselines & additionality.

- Removals are not defined in 6.2 or 6.4. Parties need to clearly define removals in line with science, hence excluding false removals: e.g. point-source CCS, direct air CCS with enhanced oil/gas recovery, and CCU with temporary storage are not removals.
- Activities that only store carbon temporarily - e.g. sequestration in forests - do not qualify as permanent removals.
 - While some consider 100-year permanence as sufficient, this ignores the multi-century warming of CO₂ in the atmosphere – a longer timescale such as two to three centuries would be a more acceptable trade-off. However, monitoring and liability for reversals cannot be guaranteed on this 200-300 year scale.
- Nature-based activities should still be supported and encouraged, including under Article 6, but should not be considered equivalent to permanent mitigation outcomes, and hence should not be used to meet emission reduction targets.
 - This could be operationalised by having nature-based activities only issue “Paris Agreement Support Units” (or an equivalent unit to be defined), which support host Party mitigation but do not represent a permanent mitigation outcome.

Independent grievance body (for more info: [CMW submission](#))

- An independent grievance body must be operational before any 6.4 activities are initiated or registered.
- Key principles to underpin this body include the following non-exhaustive list:
 - if significant or repeated grievances are made, the body can impose temporary measures (e.g. suspending issuance), until a review has been completed;
 - no fee must be required to make a grievance or for it to be reviewed/remediated;
 - stakeholders must be given the option of confidentiality when filing a grievance;
 - grievances should be reviewed and addressed in a reasonable time frame;
 - grievances can be filed on any aspect relating to activities, methodologies, or wider programme rules regarding the mechanism(s).
- At SB 56, Parties should explore ways grievances could be addressed under Article 6.2, e.g. by extending the scope of the adopted grievance mechanism under 6.4.

Emissions avoidance

- Avoided emissions must not be introduced as a basis for generating ITMOs/A6.4ERs. This would repeat errors from the CDM era – e.g. crediting fossil fuel use & infrastructure (e.g. [AM0023 / 0037 / 0043](#)) – and could open the door to questionable new credits or methodologies (e.g. ITMOs for not extracting fossil fuels).

Corrective measures - e.g. invalidation of units

- Parties should preemptively prepare corrective measures, such as an obligation to replace invalid units, to apply in an ex-post fashion, e.g. if double-counting occurs.

There is a risk, for instance, that [averaging approaches for single-year NDCs could lead to double-counting of ITMOs](#).

- Such corrective measures could also apply to other cases, e.g. if methodology-/ project-level baselines are later found to have led to over-crediting.

Baselines

- Baselines must be set well below business-as-usual, take existing and planned policies into account, reflect the adoption of best available technologies and practices, and be regularly reviewed.

Transition of CDM activities (for consideration for CDM host Parties and proponents)

- Parties must only approve the transition of vulnerable CDM activities – those that demonstrably rely on the sale of CERs to operate – to the 6.4 mechanism.
- CDM activities requesting to transition should either revise their baseline, or demonstrate that these meet the Article 6 requirements. Proponents of these activities should also demonstrate ongoing financial need.

OMGE + SOP for adaptation (for consideration for entities participating in 6.2 and 6.4)

- Entities buying ITMOs should, at a minimum, voluntarily cancel 2% of ITMOs for overall mitigation in global emissions (OMGE). They should also make financial contributions to the Adaptation Fund equivalent to at least 5% of the ITMO purchase price as well as a fixed monetary contribution (e.g. in line with future 6.4 rules).
- Entities buying A6.4ERs should voluntarily cancel more A6.4ERs for OMGE (i.e. beyond the already obligatory 2% rate). They should also consider making financial contributions to the Adaptation Fund.

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