

## **Joint Submission by Conservation International, Environmental Defense Fund, Forest Trends, IETA and The Nature Conservancy regarding views on the guidance referred to in Article 6, paragraph 2, of the Paris Agreement**

### **INTRODUCTION**

Meeting the Paris Agreement’s ambitious mitigation goals as stated in Article 2—to limit temperature increase well below 2°C, and balance emissions and removals in the second half of this century—will necessitate significant, near-term reductions in total emissions of greenhouse gases. However, the Paris Agreement does more than set goals; it also provides countries with the tools to help achieve them. Article 6 of the Agreement re-affirms<sup>1</sup> that countries can cooperate to meet their mitigation goals as efficiently as possible, and in doing so enable and accelerate the achievement of the broad and ambitious reduction in global emissions that science demands.

Article 6 of the Paris Agreement establishes a broad framework for voluntary cooperation among Parties in the implementation of their nationally determined contributions (NDCs). Article 6.2, in particular, reflects widespread support for the use of “cooperative approaches” to reduce emissions through voluntary bilateral transfers of “mitigation outcomes” between Parties. International cooperation via transfers of mitigation outcomes allows Parties to reduce emissions at lower cost through investment in mitigation activities abroad. Approximately half of all current intended nationally determined contributions (INDCs) demonstrate interest in fulfilling emission reduction targets (unconditional or conditional) through the use this kind of transfer, which may take the form of a carbon market—matching potential supply of emissions reductions with demand—or similar mechanisms. The development and implementation of market-based approaches can also assist countries in improving their accounting and reporting systems, in turn facilitating increased clarity and understanding of progress toward meeting the Paris Agreement’s objectives. Encouraging the transfer of high-quality emission reductions generated in all sectors, including the land sector, can drive needed flows of finance to mitigation actions addressing both sources and sinks, in particular in developing countries.

However, the Paris Agreement does not offer detailed guidance on how cooperative approaches under Article 6.2 should be structured, governed or counted, except for the condition of avoiding double counting, leaving many choices up to Parties. As Parties that wish to voluntarily utilize such approaches develop markets or other means to transfer what the Paris Agreement calls “Internationally Transferred Mitigation Outcomes” (ITMOs), greater coordination among participating Parties will be needed to ensure maximum ambition with rigorous environmental integrity.

**The guidance to be adopted under Article 6.2 by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement should:**

- **Ensure adequate information is available to fully assess the integrity of a “mitigation outcome” used toward a Party’s nationally determined contribution, including its linkage to national inventories and measurement, reporting and verification systems;**
- **Provide guidance on how to apply robust accounting, including on how to avoid double counting of emission units; and**
- **Consider the important role that the enhanced transparency framework under Article 13 can play in ensuring environmental integrity.**

<sup>1</sup> See, for example, Articles 3, 4, and 12 of the Convention.

## **REQUIREMENTS TO ENSURE HIGH ENVIRONMENTAL INTEGRITY AND AVOID DOUBLE COUNTING**

Meeting the Paris Agreement's objectives requires a framework that not only asks countries to make progressively more ambitious commitments, but also necessitates that they credibly and transparently demonstrate how they are making progress toward achieving those commitments.

### Assessing the integrity of a "mitigation outcome"

To promote high standards for environmental integrity of emission reductions claimed—especially for transferred reductions—Parties to the Paris Agreement should adopt guidance that ensures adequate information is available to fully assess the integrity of a "mitigation outcome" used toward a Party's nationally determined contribution, including how this is verified based on national emissions inventories or other emissions reporting systems.

### Applying robust accounting, including on how to avoid double counting

Robust accounting guidance that ensures emissions reductions are not counted twice will also be essential to ensure environmental integrity. In particular, the guidance adopted under Article 6.2 should elaborate how ITMO Parties should implement a "corresponding adjustment" to avoid double counting, as required under paragraph 36 in accompanying COP decision 1/CP.21.

Double counting is a key issue associated with cooperative approaches and ITMO transfer which can pose a risk to the environmental integrity of mitigation outcomes. Double counting could come in the form of:

- Double issuance, if more than one unit is issued for the same emissions or emissions reduction;
- Double use, if the same issued unit is used twice (for example, if the same unit is duplicated within a registry and used twice by the same country, or transferred to two different countries); and
- Double claiming, if the same emissions reduction is counted by both ITMO parties toward an international commitment.

### Implementing an enhanced transparency framework

An international accounting framework is necessary to ensure environmental integrity and avoid double counting, but will not be sufficient without well-designed domestic mechanisms. To take advantage of the benefits of market-based approaches, a country should establish clear domestic rules and systems that prevent domestic double use, double issuance, and double claiming, and ensure the environmental integrity of emissions units.

To avoid double counting, a Party should first establish a robust and transparent accounting and reporting system for their national emissions. In countries where reductions or removals could be counted at multiple geographical levels (e.g. national, subnational, project-level), this might include nesting systems to avoid domestic double counting.

Next, to avoid double claiming, ITMO Parties should establish clear and transparent rules that designate which Party is entitled to claim achieved emission reductions or removals. Accounting guidance should require Parties to demonstrate that procedures are in place so that double claiming does not occur between ITMO Parties. Robust accounting guidance under Article 6.2 should also require acquiring and transferring Parties to certify that an ITMO used toward a Party's NDC has not and will not be offered or claimed by any other system (for example, the International Civil Aviation Organization's Market-based Measure), with a continuing duty to publicly notify if changes occur. Registries and transfer logs will also be needed when emissions units emanate from multiple

Parties, so as to ensure the double-entry bookkeeping necessary for accurate accounting and reflection in Parties' inventories.

Parties using ITMOs will need to consider the diversity of trading scenarios possible under NDCs, with particular attention to the guidance needed for the use of ITMOs originating outside of quantified years or sectors toward NDCs. Parties should consider what guidance would facilitate the transfer of units between Parties with fixed, quantified emissions targets, as well as what information should be gathered under the enhanced transparency framework to assist ITMO Parties in assessing the value of mitigation outcomes.

Parties may wish to consider some key questions as they begin preparing the guidance required by paragraph 36 of COP decision 1/CP.21:

- 1) What is meant by a "corresponding adjustment"? For example, does a "corresponding adjustment" imply corresponding time periods, durations or sectors?
- 2) What should be adjusted when an ITMO originates from a year or sector outside of the host country's NDC? For example, should Parties make an adjustment to the emission levels used to track progress on NDCs, based on national emission inventories reported under the transparency provisions of Article 13.7?
- 3) Should the accounting guidance require Parties to meet minimum reporting requirements (e.g., reporting a national emissions inventory on an annual basis)?

## **OPPORTUNITY TO ENHANCE AMBITION ACROSS SECTORS: SOURCES AND SINKS**

Both sources and sinks have a vital role to play in stabilizing and reducing global anthropogenic greenhouse gas emission levels. As emissions from land use and land use change (such as agriculture, deforestation, etc.) contribute approximately 25% of global anthropogenic emissions,<sup>2</sup> any serious attempts to limit global temperature increases to well below 2°C must include significant efforts to reduce emissions from these sectors. In addition, the potential for these sectors to act as sinks is significant: halting tropical deforestation and allowing forests and other carbon rich ecosystems to regrow can provide 30% or more of the emissions reductions and sequestration needed to meet global mitigation goals. It is clear that ecosystems will be indispensable in helping to meet the Paris Agreement's goals.

Given the dynamic role the land sector can play in the coming years, many Parties are increasingly interested in ways to integrate this sector, proportionate to its mitigation potential, into cooperative approaches that can enhance ambition, as well as how lessons from advances in the land sector can inform cooperative approaches more broadly. For example, as REDD+ programs in developing countries continue to build capacity and begin to show results, Parties will expect avenues to both deliver finance for these forest-related mitigation activities and ways to ensure the environmental integrity of any eventual ITMOs originating from the sector. Recent progress in the land sector (e.g. on REDD+ reference levels and accounting under the Warsaw Framework) can provide useful lessons for the development of Article 6.2's accounting guidance, suggesting that existing rules for REDD+ could be mainstreamed into Article 6.2.

Given the outsized potential of the land use sector to deliver mitigation results in the near-term, future guidance regarding cooperative approaches for fulfilling NDCs should ensure that strong rules for transparency that uphold environmental integrity and robust accounting to prevent double claiming of any reductions facilitate the transfer of high-quality emission reductions generated in all sectors, including the land sector.

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<sup>2</sup> Smith, P. et al., 2014. Agriculture, Forestry and Other Land Use (AFOLU). In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. p. 816.

## CONCLUSION

The Paris Agreement was a major step forward for international cooperation on tackling climate change; not only did Parties agree to the ambitious mitigation goal of limiting average global temperature increase to well below 2°C, but they also agreed to a wide array of processes and tools aimed at achieving this goal. Cooperative approaches to meet and help surpass climate targets were featured prominently in the Agreement, as Parties devoted Article 6 to voluntary cooperation in implementing NDCs.

International cooperation using market-based approaches can play a powerful role in helping countries meet their near-term commitments as efficiently as possible, and can deliver sustained, increasing ambition over time by:

- creating political buy-in for cost-effective climate policy;
- spurring early action;
- incentivizing improvements in domestic measurement, reporting, verification and accounting procedures;
- promoting sustainable development and environmental integrity; and
- delivering increased funding to mitigation efforts as part of a comprehensive strategy for increasing climate finance.

However, if Parties are to fulfill the potential mitigation opportunities these tools present, they should quickly agree on the necessary accounting guidance outlined above to prevent double counting and protect environmental integrity, while considering what additional work may be needed—inside and outside of the UNFCCC process—to ensure the long-term success of cooperative approaches.

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