

OPERATIONALIZING ARTICLE 6

Initial recommendations for an Article 6.2 Crediting Protocol
for the use of independent carbon crediting programmes

November 2024

Documenting a common playbook for countries using independent crediting programmes in their implementation of Article 6.2

Independent crediting programmes (ICPs) – such as Verra’s Verified Carbon Standard and the Gold Standard – have been facilitating mitigation activities and issuing carbon credits for almost two decades. ICPs offer robust monitoring, reporting and verification (MRV) processes resulting from extensive multistakeholder consultation and undergo continuous improvement to evolve with emerging experience, science and technology.

The Government of Singapore, Gold Standard and Verra announced a partnership at COP28 to develop an “Article 6 playbook”. This initiative is elaborating a harmonized approach across countries to support and simplify their use of ICPs and their Article 6.2 reporting.

The initiative enables countries that are Parties to the Paris Agreement to leverage ICPs to achieve and exceed their nationally determined contributions (NDCs). It will ensure consistency with UNFCCC guidance and infrastructure and aims to provide complementary procedures for participating countries and ICPs that are simple, pragmatic and rooted in practical experience.

Participation is entirely voluntary. We hope many countries and ICPs will join and contribute to the initiative.

Benefits of using ICPs in Article 6 cooperation

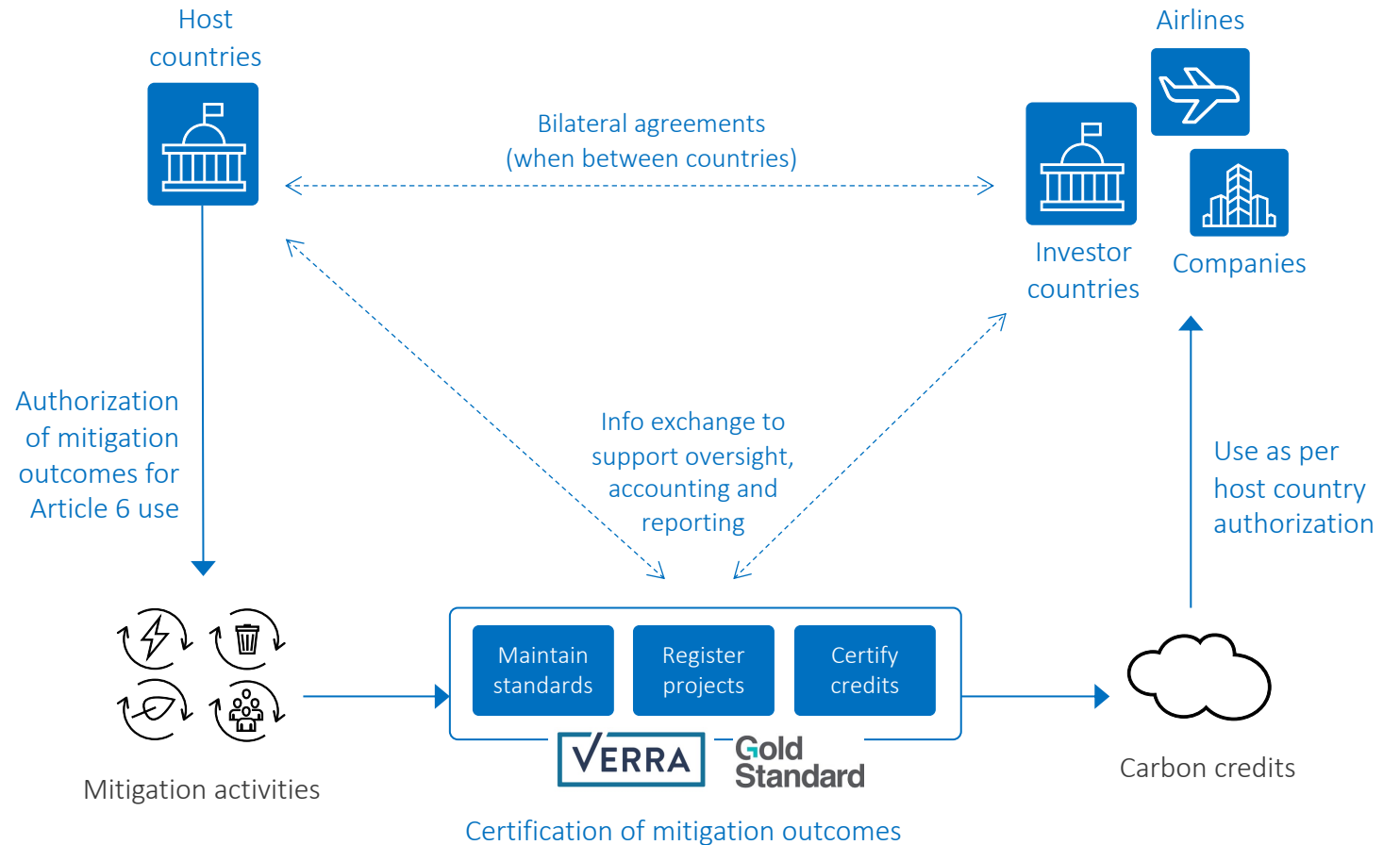
- Certification and MRV of mitigation activities occurs in established and proven crediting frameworks, allowing countries to accelerate their implementation of Article 6.2
- Host countries have diversified routes for carbon finance and are not limited to a single ICP or other crediting mechanism
- Participation lowers barriers to Article 6.2 implementation by reducing countries’ resource and capacity needs
- Countries maintain control of ICP selection and any needs for country-specific requirements
- Project developers and investors are familiar with ICP processes from many years of experience
- Leading ICPs are approved by CORSIA, domestic compliance regimes, and voluntary market bodies such as the ICVCM

Introducing a new Article 6.2 Crediting Protocol

The initiative will set out the harmonized playbook in a new Article 6.2 Crediting Protocol. This will build upon guidance established by the UNFCCC by maintaining common operating procedures that clarify and coordinate the roles and processes of different actors.

Key benefits sought through the protocol

-  Clear interpretations of Article 6.2 concepts and terms for countries using ICPs
-  Harmonization of approaches across countries and ICPs
-  Documented process steps and clear responsibilities for countries and ICPs
-  Strong communications between countries and ICPs based on mutually agreed protocols and information exchange
-  Development of digital solutions to support data exchange between registries
-  Engagement of external partners to support the objectives of the protocol



Components and timelines for the playbook

COP29
Nov 2024

Initial recommendations for the Article 6.2 Crediting Protocol

2025
onwards



Development of the Article 6.2 Crediting Protocol to support harmonized implementation of Article 6.2 through ICPs, with guidance for countries, ICPs and other involved entities



Development of a supporting data protocol to standardize reporting by ICPs to countries, with recommendations for supplementary reporting by countries to support full traceability of credit transactions to corresponding adjustments (if needed after COP29 outcomes)



Ongoing engagement and outreach with countries, ICPs and other stakeholders to build understanding and promote engagement and support for the Article 6.2 Crediting Protocol

Objectives with these initial recommendations for the Article 6.2 Crediting Protocol

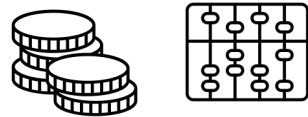
- Inform a broader set of countries and market actors about the use of ICPs under Article 6.2, including government officials, project proponents and other stakeholders
- Receive feedback on current concepts and proposals for the Article 6.2 Crediting Protocol, to inform its development
- Convey ideas and recommendations to governments as they conduct Article 6 negotiations at COP29 and proceed with their implementation of Article 6.2 activities

The concepts and proposals included here will further evolve following the outcome of COP29 and ongoing engagement.

Key focus areas for the Article 6.2 Crediting Protocol

There are several key areas in which greater clarity is needed on how countries' use of ICPs relates to the UNFCCC requirements for Article 6.2 and how countries are implementing them. These are practical and technical in nature, and can be resolved through procedures, information exchange and, ultimately, infrastructure solutions.

Defining such measures through the Article 6.2 Crediting Protocol will be an essential complement to the guidance and infrastructure established through the UNFCCC.



Credits vs ITMOs

Clarifying the concepts of 'credit' and 'ITMO' and the relationship between them, as this matters for registry responsibilities, how Parties account for Article 6.2 activities, and how private sector investors can engage



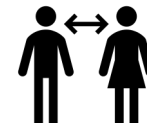
Process flow

Clarifying respective functions of national registries and ICP registries that enable them to interoperate in a coordinated manner when governments authorize mitigation outcomes under Article 6



Tracking and reporting

Clarifying how credit serial numbers and ITMO unique identifiers interact to enable accurate accounting, transparency and the traceability of corresponding adjustments to specific credit transactions



Communication

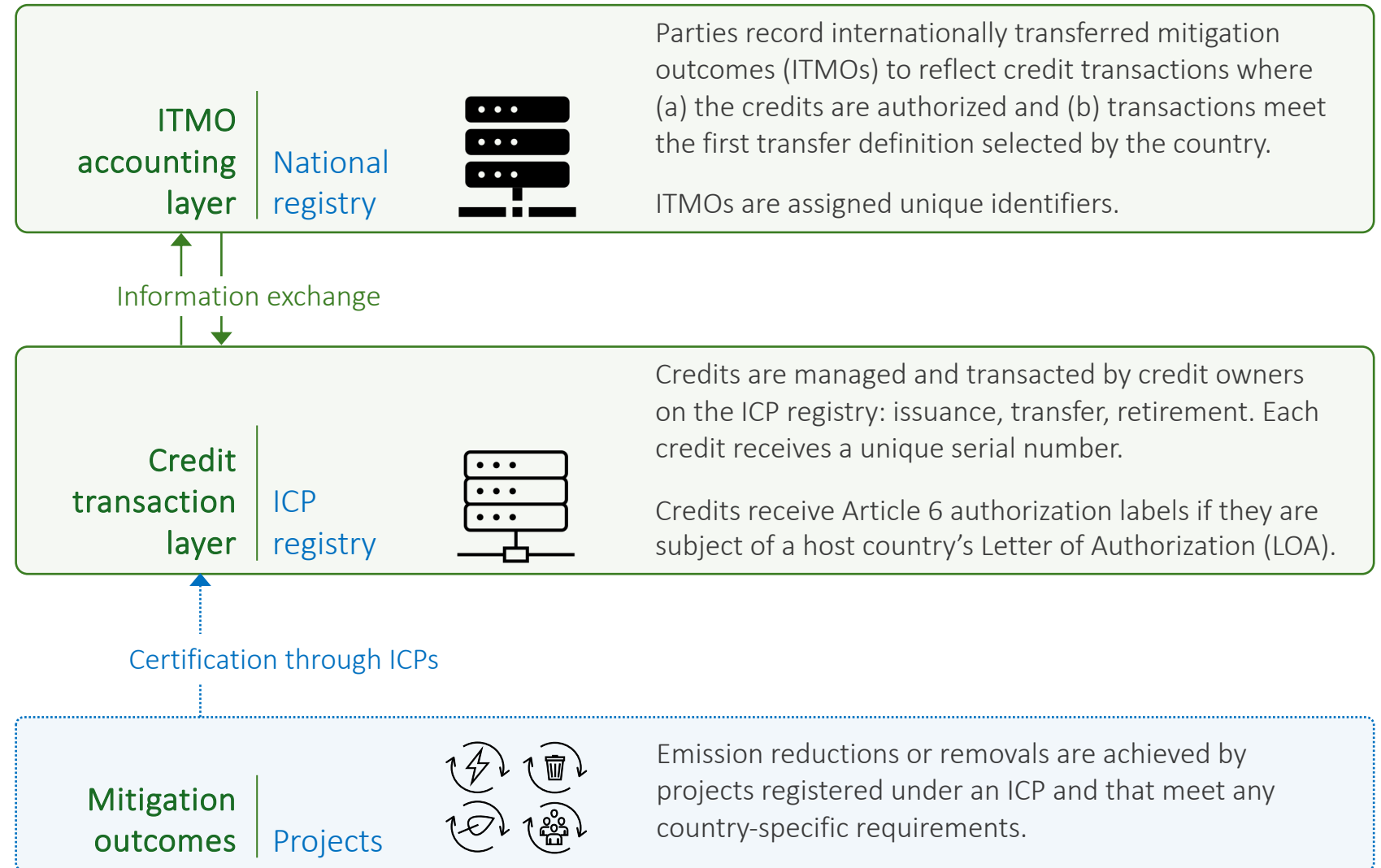
Outlining how and when administrators in national governments and ICPs need to communicate and transfer information to support accurate Article 6 implementation and ensure data consistency

Accounting for mitigation under Article 6.2 comprises multiple layers

The Protocol is based on a clear distinction between:

- **Carbon credits** that represent the mitigation outcomes achieved by projects and that are tracked on ICP registries
- **Internationally transferred mitigation outcomes (ITMOs)** that represent the accounting implications of credits used under Article 6.2, that are tracked on national registries.

This preserves a layer for credit transactions in which private sector investors can engage, while also translating these transactions into accounting consequences for Parties in their Article 6.2 reporting and their NDC achievement.



General roles of independent crediting programmes and countries

Country governments

- Approve activities as meeting country criteria
- Authorize mitigation outcomes for use as ITMOs under Article 6, specifying which purposes are authorized and what first transfer events apply
- Record and track information on authorizations and the ITMOs implied by first transfers that take place
- Provide annual and biennial Article 6 information to the UNFCCC, in accordance with relevant guidance
- Include corresponding adjustments in their biennial reporting, once first transfer events have occurred
- Transfer, and make public, relevant data and information to ICPs to ensure environmental integrity

Independent crediting programmes

- Register projects and certify mitigation outcomes, in accordance with requirements and procedures
- Issue credits and track credit holdings and transactions in a robust and accessible registry
- Provide secure access to project owners and investors
- Indicate the authorization status of credits: authorized, authorized purposes, actual uses, whether a corresponding adjustment has been applied
- Share information on projects and credits with countries and publicly, including on first transfers, in a form that supports country reporting to the UNFCCC

The interaction between credits and ITMOs implies certain core responsibilities of ICPs and Parties.

ICPs function on the credit transaction layer and give access to entities operating and investing in projects.

Parties operate on the ITMO accounting layer that translates credit-level information into the accounting they need to report to the UNFCCC.

Parties also need oversight over all projects on their territories and may rely for this on access to ICP registries or wish to mirror such information into their own national registries.

Authorization by countries and labelling of credits on ICP registries

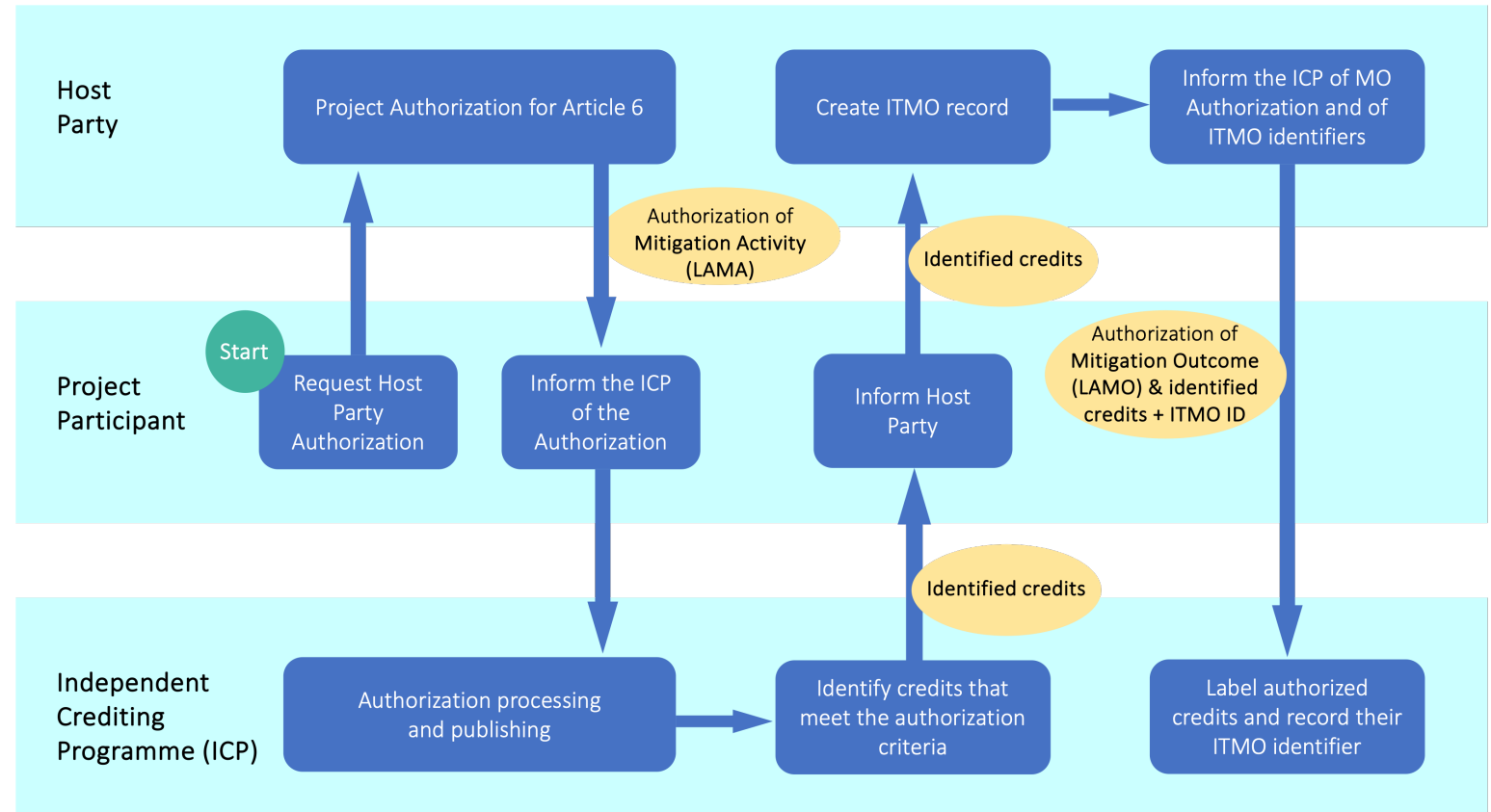
The implementation of Article 6.2 through ICPs requires communication and data exchange between ICPs and countries. Shown here is the potential flow of actions and information for authorization, the creation of ITMO records in country systems and the labelling of carbon credits by ICPs.

Some host countries are implementing an upfront approval or authorization of mitigation activities that is separate from the authorization of mitigation outcomes. The nature of this step is under consideration in the negotiations at COP29, and may therefore be subject to change.



LAMA = Letter of Authorization of Mitigation Activities

LAMO = Letter of Authorization of Mitigation Outcomes

It is countries' prerogative to decide the name and legal status of LAMAs and LAMOs.



ICP labels to support Article 6.2 implementation

Credit-level labels	Required input	Implications
 <p>Article 6 authorized Specific authorization for NDCs, IMP, OP and or OIMP</p>	<p>Written authorization of mitigation outcomes by the host country in the form of a Letter or Authorization (LOA) with, as best practice, the ITMO identifier</p> <p>Article 6 purposes are identified in LOAs from host countries</p>	<p>Credits will be allowable for the selected authorized purpose(s), and will be subject to additional tracking and data exchange</p>
 <p>Corresponding adjustment applied</p>	<p>Record of corresponding adjustment in host country's Biennial Transparency Report (BTR), traceable to the underlying credit</p>	<p>Carbon credits are no longer at risk of double claiming with host country's NDC</p>



Labelling models may vary between ICPs. The Article 6.2 Crediting Protocol will seek to harmonize the nature and meaning of labels.

The market expects ICPs to withdraw Article 6 authorization labels from credits if the host Party revokes its authorization or does not report the corresponding adjustment in the next BTR (or within a reasonable period thereafter). Further guidance from the UNFCCC on the nature or expected duration of Technical Expert Reviews may impact these withdrawal processes.

Countries may select from a range of first transfer events

A ‘first transfer’ is the event with an authorized mitigation outcome, after which the country is required under Article 6 guidance to apply a corresponding adjustment within its Article 6 accounting.

Guidance on first transfers was adopted at COP26 (decision 2/CMA.3) but may be interpreted in different ways when dealing with credits. The protocol will seek to harmonize approaches, subject to any further UNFCCC decisions.

Purpose	First transfer event	Protocol guidance
 <p>Use towards an NDC</p>	<p>First international transfer. The first time a credit is transferred internationally or that a credit transaction implies an international movement in where the mitigation outcome will be counted.</p>	<p>A retirement inside an ICP registry towards an entity’s compliance obligation in a national regime (e.g. carbon tax or ETS) outside the host country is considered a first international transfer</p>
 <p>Other international mitigation purposes</p>	<p>Authorization. A host country issues a Letter of Authorization (LOA) for the mitigation outcome represented by a credit. ICPs will assess the LOA against Article 6 rules before accepting it.</p> <p>Issuance. [The ICP issues credits onto its registry that are associated with an Article 6 authorization] OR [A host country records an ITMO on its country registry].</p> <p>Retirement (use/cancellation). Credits are retired in an ICP registry against an authorized purpose</p>	<p>Preferred/encouraged due to increased certainty for market actors</p> <p>Not encouraged due to risk of double counting if use is post–NDC period</p>

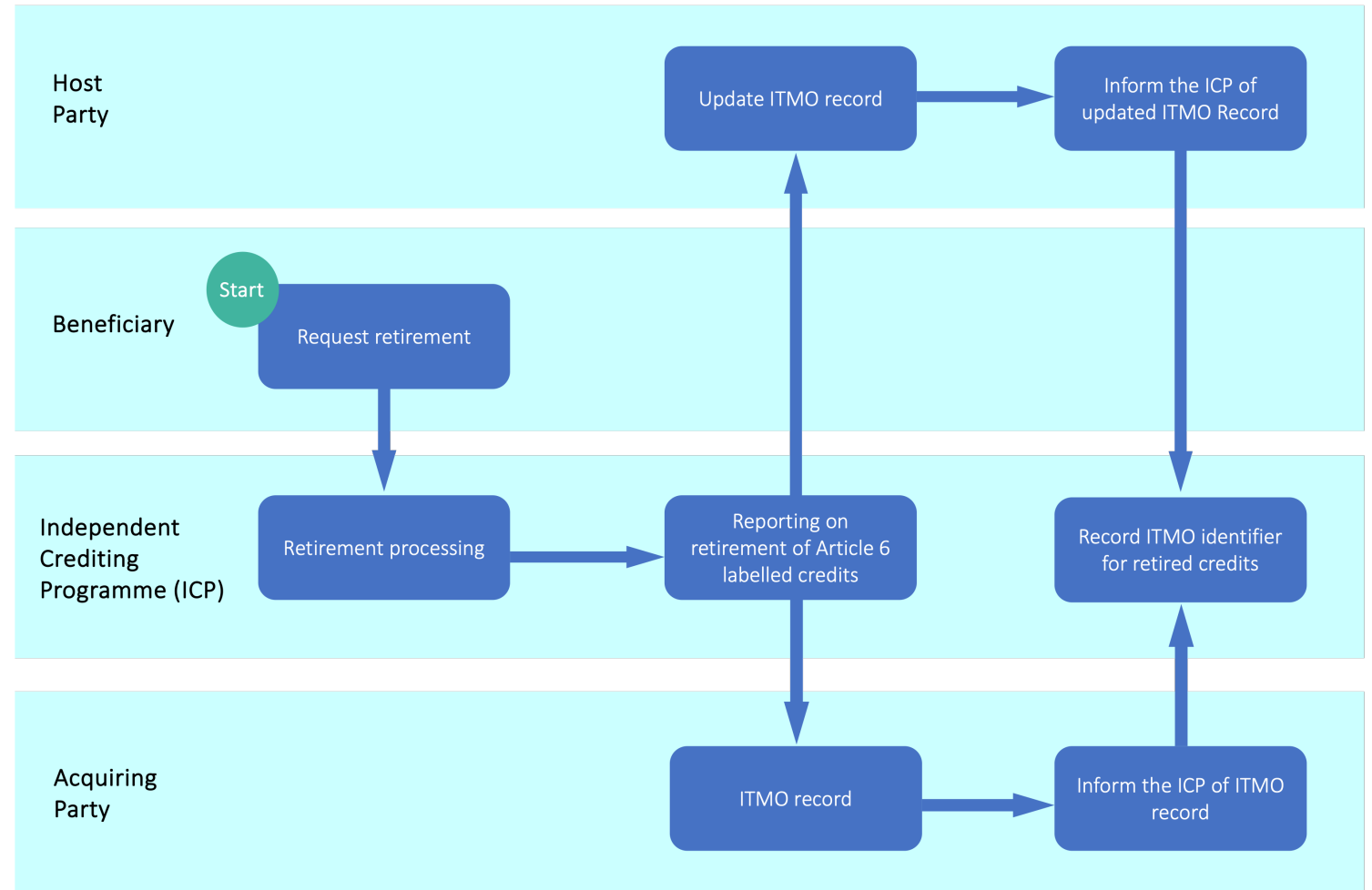
Use of mitigation outcomes towards Article 6 purposes

The use of credits towards specific purposes is undertaken in ICP registries through retirement transactions. ICPs will ensure retirement transactions disclose information that impacts the accounting and reporting that Parties undertake for Article 6.2, including:

- The specific **purpose** for which the credit is retired, including Article 6.2 purposes
- The Party or entity that is the **beneficiary** of the retirement.

Where the retirement purpose concerns use by an acquiring Party towards its NDC, or a use within its compliance programmes, that Party will also receive information.

The Article 6.2 Crediting Protocol will seek to harmonize the descriptions of retirement purposes across ICPs to support transparency and ease reporting by Parties.

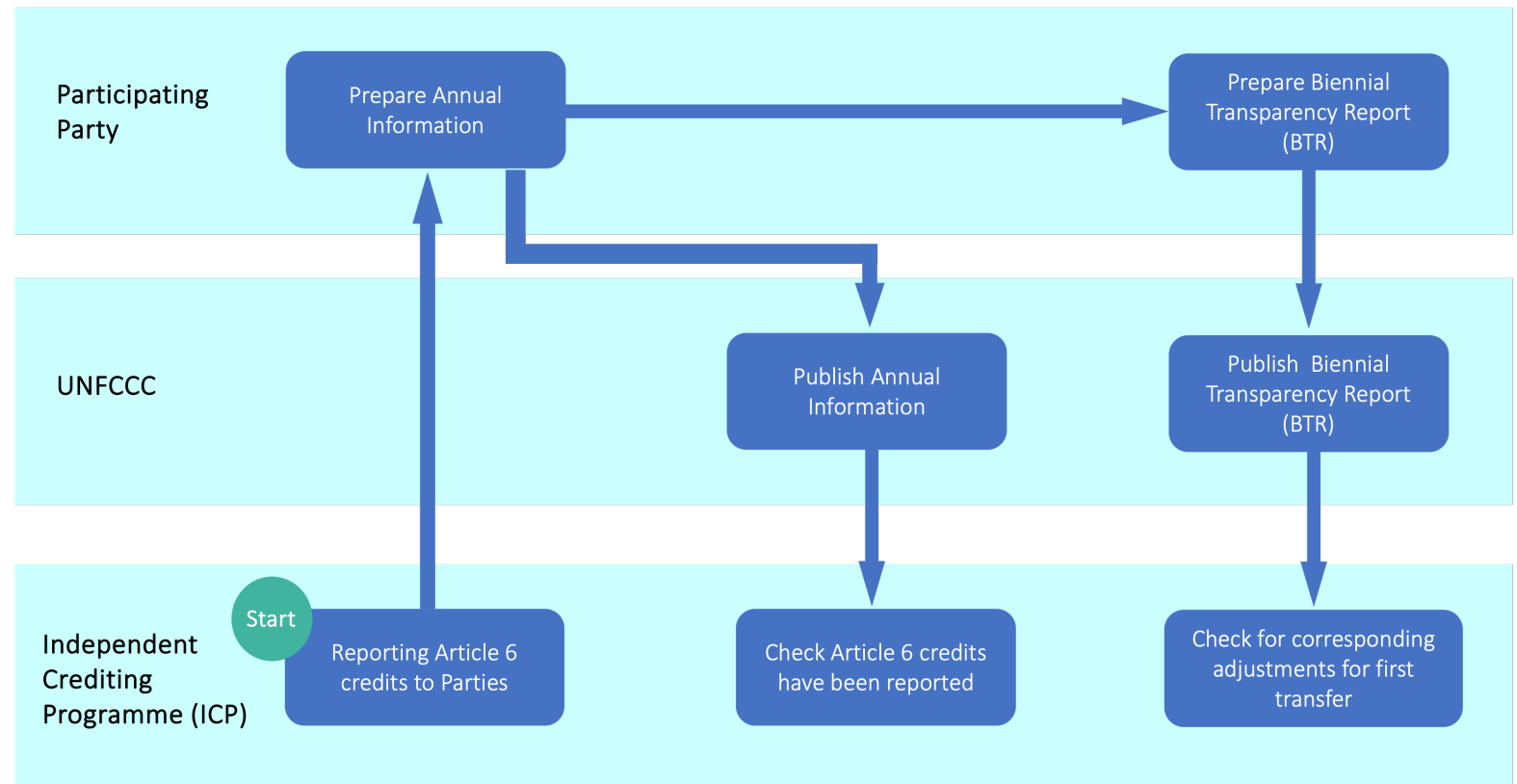


Enabling country reporting and monitoring by ICPs

Central to the protocol are transparency and enabling Parties to fulfil the Article 6 guidance. Communication mechanisms will be needed to support all the process flows, including for countries to know what corresponding adjustments to make and for ICPs to fully understand these.

Information sharing for corresponding adjustments will need to include:

- **Reporting by ICPs** to host and acquiring Parties on the issuance, transfer and retirement of credits associated with Article 6 authorizations, highlighting when first transfer events have occurred
- **Party reporting to the UNFCCC** of sufficiently detailed information to allow ICPs to confirm that credits are captured in annual information and biennial transparency reports – ICPs have an obligation to the market to signal when credits have been correspondingly adjusted
- **Mutual identification of any inconsistencies** in data between registries and reports to the UNFCCC, as well as their resolution.



Reporting of accounting information by ICPs

The Article 6.2 Crediting Protocol will establish standardized reporting templates for ICPs to report information to Parties that is relevant to their accounting, in a form that eases Parties' reporting to the UNFCCC. The points below indicate the type of reports that may be implemented. In time, this should be transitioned to automated data exchange by connecting registries.



Issuance report (periodic or for each issuance event)

- Volume of credits issued, including their serial numbers and vintage years
- Project identifiers of the projects for which credits are issued
- Sector and activity type of the projects for which credits are issued
- Article 6.2 purposes for which the credits are authorized by the Party
- Definitions of first transfer event specified by the Party, in cases where credits are authorized for use towards other international mitigation purposes



Annual report (prior to annual information deadline of 15 April)

- Credit issuances associated with Article 6 authorizations (including the issuance report information)
- First International transfers, where this constitutes the first transfer event
- Credit retirements associated with Article 6 authorizations, providing:
 - Volume of credits retired, broken down the same way as for issuance information
 - Retirement purposes for which credits are retired
 - Acquiring Parties, in the event that credits are used towards an NDC, and the using entity in the event that credits are used towards other international mitigation purposes

Further requirements for effective reporting and tracking

The effective implementation of Article 6 using ICPs will rely on actions taken by Parties as well as ICPs. Several recommendations for Parties have been identified and will need to be reflected in Article 6.2 Crediting Protocol.



Serial numbers

Integrate serial numbers issued by ICPs into the Unique identifier of each ITMO to avoid parallel but unconnected identifiers, therefore better supporting accurate accounting, transparency and the avoidance of double counting.



Registry updating

Ensure information on national registries is kept up-to-date so that data on ICP and national registries does not diverge. It will also be necessary to make submissions to the UNFCCC of initial reports, annual information and biennial transparency reports (BTRs) in a timely manner.



Detailed reporting

Ensure sufficient information is included in annual submissions and BTRs, and is made publicly available, to provide for full traceability between corresponding adjustments and underlying credits issued by ICPs

Summary of key building blocks of the Article 6.2 Crediting Protocol

Building blocks	Purpose	Solutions
Roles and responsibilities of ICPs and Parties, as well as their registries	Clarify the roles and relationship of ICPs and Parties when ICPs are used in Article 6.2	<ul style="list-style-type: none"> • Differentiation of the credit transaction layer and the ITMO accounting layer
Status of corresponding adjustments	Clarify the timing and labelling of ITMOs and corresponding adjustments	<ul style="list-style-type: none"> • Labels for authorised credits on ICP registries • Host Parties could use a single first transfer definition (preferably 'authorisation') • Party registries track and make public the status of corresponding adjustments before BTRs are submitted
Reporting and tracking / Communication	Ensure traceability of mitigation outcomes and corresponding adjustments between ICP registries and Party registries	<ul style="list-style-type: none"> • Parties use ITMO identifiers that incorporate information from ICP registries (credit serial numbers) • ICPs harmonize the descriptions of retirement purposes across ICPs to enhance the ITMO tracking and traceability • Establish supporting data protocol to support accurate tracking of authorized carbon credits and ITMOs

Recommendations for COP29 negotiations and wider Article 6.2 implementation

COP26 and COP27 gave much of the detail needed to guide the implementation of Article 6.2 using ICPs and to develop a supporting Article 6.2 Crediting Protocol. Several further recommendations have been identified here concerning the negotiations and the practical implementation of Article 6.2 by Parties.

Focus area

General

1. **Cooperative approaches:** Clarify the definition of cooperative approaches, in particular for cases where there is only one Party in a cooperative approach. This is important for, among other things, the operationalization of CORSIA.
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Process flow

2. **Authorization:** Parties should consider how their Letters of Authorization could provide legal certainty and market confidence.
 3. **First transfer:** Clarify what first transfer event should apply in cases where a Party authorizes mitigation outcomes for use towards both NDCs and other international mitigation purposes.
 4. **Revocations and changes:** Either prohibit or restrict the revocation of authorizations by host countries, to reduce political risk for market actors and risks of double claiming. If a prohibition is not possible, consider restrictions that do not permit revocation or changes to authorizations after the retirement (use) of credits.
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Tracking and reporting / communication

5. **Corresponding adjustments:** Consider ways to bring forward the formal application of a corresponding adjustment, at an earlier time than their reporting in BTRs, to reduce market risks and uncertainties. This could, for instance, be through publication on Party registries or in Parties' submission of annual information to the UNFCCC.
 6. **Precise reporting:** Ensure that templates for annual information and BTRs include sufficiently detailed information to provide for traceability between corresponding adjustments and their underlying credits.
 7. **Data exchange:** Beyond COP29, explore technological solutions for automated data exchange (e.g. Climate Action Data Trust) and interoperability with UNFCCC infrastructure (e.g. International Registry, Centralized Accounting and Reporting Platform).
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Further development of the Article 6.2 Crediting Protocol

We invite countries interested in participating in the further development of the protocol to contact any of the following:

- National Climate Change Secretariat (Singapore)
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- Andrew Howard, Chief Strategy and Policy Officer, Verra
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- Hugh Salway, Senior Director, Market Development and Partnerships, Gold Standard
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