A host country choice – Article 6 (6.2 or 6.4), voluntary markets or both?

PMI, Rwanda
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ARTICLE 6, VOLUNTARY – A CHOICE?

Voluntary markets

Article 6
ARTICLE 6: OVERVIEW
ARTICLE 6 DEVELOPMENTS

Article 6 implementing framework

COP26
- Article 6.2 guidance
- RMP 6.4 mechanism
- Article 6.8 NMA

COP27
- Reporting and review
  - Guidance was adopted on tracking ITMOs
  - Article 6 TER, TER report outline, training programme for TER technical experts
  - Report outlines: IR, UIR, BTR (RI)
  - Draft version of an agreed electronic format

Undecided areas
- Ex-post changes on authorisation
- Optionality for ITMO tracking
- Consolidation of data between registries
- Temporal restrictions on authorisations, etc.
**Voluntary carbon markets** allow market actors to offset their (unavoidable) emissions by purchasing carbon credits generated by emission reduction projects.

- *Fluid, unrestrained, unlimited sectors*
HOST COUNTRY CONSIDERATIONS

The question is not between Article 6 and VCMs... But how to further ambition?

**VCM**

- **Credits:** VCM credits (e.g. GSVERs)
- **Achievement:** Voluntary claims (private sector)
- **Corresponding adjustments and costs:** As per standards and agreements

**Article 6**

- **Credits:** ITMOs, A6.4 Ers
- **Achievement:** NDCs, VCMs, international mitigation purposes
- **Corresponding adjustments and costs:** on first transfer; A6.4 - 5% SOPA, 2% OMGE, Admin fees

How to leverage mechanisms to attract finance in a manner that:

- Increases ambition, maintains environmental integrity, and ensures the highest quality?
- Is effective and cost efficient?
- Enables and incentivises market actor engagement?
HOST COUNTRY CONSIDERATIONS

**Maintaining certainty.** Governments can support market confidence and investment through clear communication and well-considered long-term plans. Project developers, investors and financiers, in turn, can be urged to choose to mitigate the risks of this currently uncertain environment through structuring and contractual protections.

**Shared interests.** Governments can take steps to maximise shared benefits for project developers, local communities and national government, e.g. by incentivising private investment into certain sectors and creating a positive enabling environment.

**Local contexts.** Market actors must build an understanding that each government will take a slightly different approach, and this can affect the requirements for market actors to participate.

**Significance of market action.** Markets, both under the VCMs and Article 6, can play a significant role in achieving the goals of the Paris Agreement. Over the next few years, it is important that governments and the private sector effectively partner to realise the full potential of market activities to drive climate security and sustainable development.
GOLD STANDARD ALIGNMENT WITH ARTICLE 6

NEW REQUIREMENTS for managing credits authorized for use under Article 6

NEW REGISTRY FUNCTIONALITY to enable the identification of credits authorized for use under Article 6 (and correspondingly adjusted), their authorized use cases, and to track the transfer and correct use of authorized credits.

CAPACITY-BUILDING SUPPORT for Gold Standard partner governments, project developers, and other stakeholders

RULE ALIGNMENT over the coming years.
KEY MESSAGES

• Not VCM vs. Article 6, but attract finance to support **NDC achievement** or go beyond NDC through Article 6

• Options available for governments when making this decision:
  • Article 6.4 mechanism
  • Independent standards such as GS and Verra
  • Developing their own route e.g. Switzerland
  • Using VCM infrastructure, e.g. Singapore