

# A Conceptual Framework for Article 6 Readiness Summary Brief

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## OVERVIEW

Since the adoption of the decisions to operationalize international carbon markets and non-market approaches under Article 6 of the Paris Agreement in 2021<sup>1</sup>, countries are increasingly looking to implement and operationalize international market-based cooperation. Engaging in Article 6 can help countries hosting Article 6 activities in meeting and enhancing NDC targets, attracting investment for high-cost mitigation actions, facilitating technology transfer and building capacity. While several support offerings have emerged for countries to “get ready” for Article 6, navigating this new and technical space can be challenging, especially given the need to adapt implementation to unique national contexts.

This Summary Brief\* for decision-makers introduces a conceptual framework for Article 6 readiness and was developed as conceptual underpinning of the NDC Partnership’s Article 6 Readiness Toolkit (forthcoming), developed jointly with Perspectives Climate Research. It provides a common terminology for key concepts and terms related to Article 6 readiness and outlines several flexible and adaptable building blocks and elements needed for countries to effectively engage in and benefit from Article 6. Using this framework, countries can identify pathways to advance Article 6 readiness and shape impactful support requests.

## Market-based cooperation under Article 6

Article 6.2 and Article 6.4 of the Paris Agreement provide a framework and a mechanism for international market-based cooperation, which should allow for higher ambition in mitigation and adaptation actions and contribute to sustainable development.

Article 6.2 of the Paris Agreement allows two Parties to internationally trade carbon credits, so-called “Internationally transferred mitigation outcomes” (ITMOs) for different uses. For example, they can be used towards another country’s NDC target, or used by private sector companies for climate-related claims. ITMOs need to be authorized by the host country, meaning that the host country is not allowed

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<sup>1</sup> UNFCCC (2021): Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (Decision 2/CMA.3); Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Decision 3/CMA.3); Work program under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement (Decision 4/CMA.3), FCCC/PA/CMA/2021/10/Add.1.

[https://unfccc.int/sites/default/files/resource/cma2021\\_10\\_add1\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cma2021_10_add1_adv.pdf) (accessed 10 October 2023)

to count the mitigation corresponding to the ITMOs towards its NDC target. Article 6.2 stipulates accounting, tracking, and reporting rules for such transfers. Complying with the rules for accounting, tracking and reporting, as well as making informed decisions about which activities and mitigation outcomes to authorize under Article 6 requires strategic consideration, institutional arrangements, legal foundations, understanding of operational procedures and monitoring and reporting infrastructure.

In contrast, Article 6.4 establishes an international baseline and credit mechanism known as the Article 6.4 Mechanism (A6.4M). It succeeds the Clean Development Mechanism (CDM). Mitigation activities that meet the requirements set by the mechanism's supervisory body (SB) and the activity host country can register with the A6.4M. To participate in the A6.4M, countries need to designate a national authority and communicate which types of activities are eligible in the national context. This requires strategic decisions and institutional arrangements. The mechanism issues Article 6.4 emissions reductions (A6.4ERs). If authorized by the host country, A6.4ERs become ITMOs. In cases where no authorization is given, the host country will benefit from the "mitigation contribution."<sup>2</sup>

All countries wanting to benefit from market-based cooperation under Article 6 need to undertake efforts to get Article 6-ready. Article 6 readiness refers to the ability of a Party to the Paris Agreement to take full advantage of international market-based cooperation in the context of the framework and mechanism established by Article 6.2 and Article 6.4 of the Paris Agreement. Readiness requires enabling policy frameworks, organizational structures, institutional responsibilities, and infrastructure for monitoring and reporting, as well as Article 6-related knowledge of all relevant stakeholders, including public and private entities as well as civil society.<sup>3</sup>

A significant number of initiatives provide technical assistance, resources, guidance, and capacity-building to help countries develop their Article 6 readiness. These initiatives take many different forms with a variety of entry points (i.e., country-specific; instrument-specific, or approach-specific) with differing terminology and nomenclature. Furthermore, readiness activities vary depending on the starting point of each country, its objectives, and strategic considerations. Consequently, navigating the landscape of Article 6 readiness and support opportunities is complex and context specific.

A framework to understand and navigate Article 6 readiness can help non-technical policymakers in three key ways:

- First, it can clarify key prerequisites and relevant requirements for operationalizing Article 6 nationally, as well as for pursuing related supporting initiatives.

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<sup>2</sup> UNFCCC (2022): Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Decision 7/CMA.4), FCCC/PA/CMA/2022/10/Add.2, <https://unfccc.int/documents/626570> (accessed 27 November 2023)

<sup>3</sup> Michaelowa, Axel; Espelage, Aglaja; 't Gilde, Lieke; Krämer, Nicole; Censkowsky, Philipp; Greiner, Sandra; Ahonen, Hanna-Mari; Andreo Victoria; Gema; Hoch, Stephan; Ombuya, Sherri; Dalfiume, Sandra (2021): Article 6 readiness in updated and second NDCs, Perspectives Climate Group and Climate Focus, Freiburg. Available at: [https://www.perspectives.cc/public/publications/publication/?no\\_cache=1&tx\\_pccprojects\\_plugin\[action\]=show&tx\\_pccprojects\\_plugin\[controller\]=Publication&tx\\_pccprojects\\_plugin\[uid\]=139](https://www.perspectives.cc/public/publications/publication/?no_cache=1&tx_pccprojects_plugin[action]=show&tx_pccprojects_plugin[controller]=Publication&tx_pccprojects_plugin[uid]=139) (accessed 11 October 2023).

- Second, it can support terminology convergence. Identifying the various elements that fall under the umbrella of Article 6 readiness, and how they relate to each other, can help governments and relevant stakeholders navigate this space, consequently facilitating the coordination of technical assistance.
- Third, it can help countries outline a pathway to become Article 6-ready and map out and access the support required to do so.

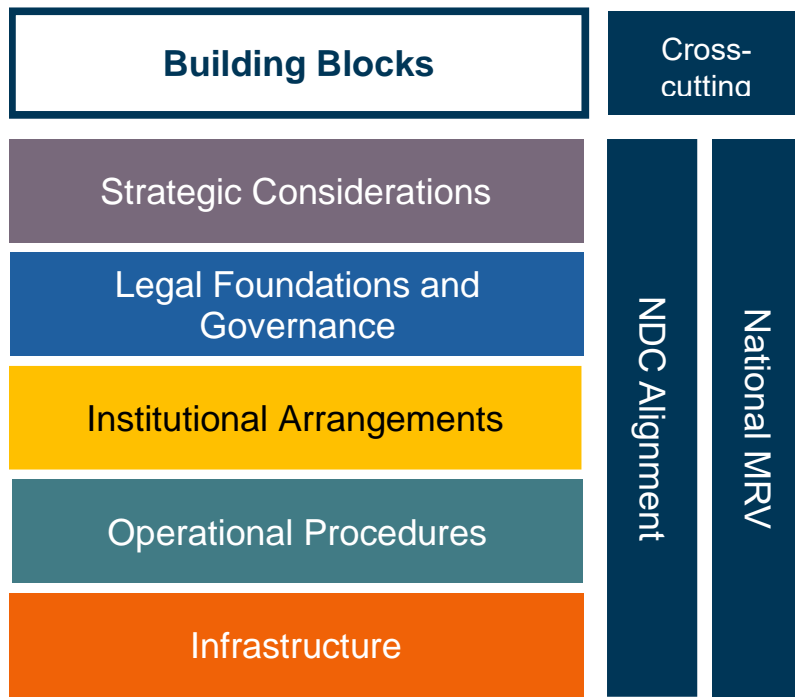
## The Building Blocks for Article 6 Readiness

Figure 1 outlines a framework with five building blocks and two cross-cutting elements, to support countries assess their needs to effectively engage in Article 6 mechanisms. It was developed through a review of Article 6 guidance, key resources on Article 6 implementation, and insights from interactions with numerous Article 6 negotiators and implementors.

The five building blocks are described as follows:

- **Strategic considerations:** the preliminary steps for Article 6 engagement, declaration of the political willingness to engage in Article 6, as well as specific decision points for countries critically reflect upon for an informed engagement in Article 6 (e.g., eligibility criteria, guiding principles, NDC alignment).
- **Legal foundations and governance:** legitimizing the governing institutions and creating the legal conditions for participation in Article 6.
- **Institutional arrangement:** establishment of institutional arrangements and definition of roles and responsibilities for actors to carry out their tasks and obligations under Article 6.
- **Operational procedures:** the technical and procedural tasks that need to be performed for an effective engagement in and operation of Article 6.
- **Infrastructure:** the hardware including tools and instruments (e.g., database, registries) that need to be available and made accessible to underpin the operational procedures.

Figure 1: Building blocks of Article 6 readiness



Each of the five building blocks has associated sub-elements that are listed in Figure 2.

Figure 2: Sub-elements associated with each building block



The building blocks presented do not indicate the priority level of the Article 6 readiness building blocks, nor how a given country should approach them. Likewise, while all building blocks are inherently linked, some are more directly related to each other. In applying the framework, it is important to consider the interlinkages across building blocks. For instance, defining operational procedures (e.g., how activities under Article 6 would need to be approved in the country) will likely impact the needed institutional arrangements, as certain institutions would need to be involved in the operation of the procedure (e.g., assessing and approving the activities).

In addition to the specific building blocks, countries should consider two cross-cutting areas in their Article 6 readiness:

- **Aligning Article 6 engagement with the NDC:** This ensures Article 6 activities are integrated and embedded into the broader planning, implementation, and reporting process in the context of the host country's NDC.
- **Measurement, Reporting and Verification (MRV) frameworks:** Article 6 needs to be rooted in MRV processes at different levels (e.g., sectoral, national). Countries should consider the interactions with and implications of different MRV systems in the country.

The interactions across the building blocks and the cross-cutting implications of considerations related to the NDC and MRV activities are fundamental in applying the Article 6 readiness framework. Different focuses and approaches should be used depending on a country's starting point in Article 6 readiness, its expected needs, and its previous experience with carbon market mechanisms. The framework presented here is not prescriptive, rather, it is intended to provide an overview of the central elements countries should consider to set them up to best benefit from Article 6. Each countries' specific actions, support needs, and their timing will depends on many different factors.

By providing a comprehensive grasp of the building blocks, their sub-elements, and the cross-cutting considerations contributing to the conceptualization of Article 6 readiness, this framework can help boost Article 6 preparation efforts. This articulated structure has wide applicability: it can help to understand and assess the implications of Article 6 engagement on achievement of their NDC and associated MRV processes, guide countries in identifying and requesting support for Article 6 readiness needs, and assist implementing and development Partners to pinpoint the specific areas of capacity building support each country requires.

## **NDC Partnership Support for Article 6 Readiness**

The NDC Partnership brings together 126 countries, developed and developing, and 96 institutional and associate members to create and deliver ambitious NDCs that help achieve the Paris Agreement and the Sustainable Development Goals (SDGs). Governments identify their NDC implementation priorities and the type of support that is needed to translate them into actionable policies and programs. Based on these requests, the membership offers a tailored package of expertise, technical assistance, and funding. This collaborative response provides developing countries with efficient access to a wide range of resources to adapt to and mitigate climate change and foster more equitable and sustainable development. To date, the Partnership has received requests from more than 20 countries for readiness support for Article 6, a number that is expected to increase substantially given opportunities for countries to link Article 6 implementation to climate finance and NDC achievement.