

User Guide to the Article 6 Readiness Toolkit

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OVERVIEW

Since the adoption of general rules and principles to operationalize international carbon markets and non-market approaches under Article 6 of the Paris Agreement in 2021,¹ countries are increasingly looking to implement and operationalize international market-based cooperation. Engaging in Article 6 can help countries hosting Article 6 activities to meet and enhance their Nationally Determined Contribution (NDC) targets, attracting investment for high-cost mitigation actions, facilitating technology transfer, and building capacities. Several countries have already prepared for Article 6, while the majority have either not started or are in the process of preparing to get ready. Several support programmes provide financial and technical assistance to countries and institutions to help enhance the level of Article 6 readiness. However, the implementation of Article 6 is still in an early stage with little practical experience available. Navigating this rather new and technically demanding space can be challenging, especially given the need to adapt Article 6 implementation to the specific and unique contexts of each country.

This Guide² introduces and provides an overview of the Article 6 Readiness Toolkit developed by NDC Partnership and Perspectives Climate Research. The toolkit is based on the conceptual framework for Article 6 readiness that was developed by the NDC Partnership and Perspectives Climate Research and published in December 2023.³ The framework provides a common approach and terminology related to Article 6 readiness and is designed to enhance understanding and engagement with Article 6 of the Paris Agreement. The toolkit is a resource for national Article 6 decision-makers and development partners to identify country-specific Article 6 readiness needs and priorities in order to better understand how they can be addressed. The main purpose of the toolkit is to enable its users to define pathways for making strategic decisions about Article 6 engagement; identify existing capacities, resources, as well as requirements for capacity development; and to identify where requests for support are needed.

¹ 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 (accessed 10 October 2023)

² This Guide was produced by Perspectives Climate Group and the NDC Partnership Support Unit. The guide and toolkit authored by Kaja Weldner, Marc André Marr, Ximena Samaniego, and Pedro Bremberger Pássaro of Perspectives Climate Group and Amanda McKee and Molly McGregor of the NDC Partnership Support Unit, with input from other members of the Support Unit.

³ A Conceptual Framework for Article 6 Readiness Summary Brief <https://ndcpartnership.org/sites/default/files/2023-12/ndc-partnershiparticle-6-frameworksummary-brief2023final.pdf> (accessed 4 March 2024)

Market-based cooperation under Article 6

Article 6 of the Paris Agreement provides a framework and a mechanism for international market-based cooperation, which should foster higher ambition in mitigation and adaptation actions and contribute to sustainable development. It is important to differentiate between Article 6.2 (the framework) and 6.4 (the mechanism):

- **Article 6.2** allows countries to agree on bilateral or multilateral cooperation agreements, that involve the buying of “Internationally transferred mitigation outcomes” (ITMOs) from countries hosting Article 6 activities (called host countries). Buying countries can use them towards the NDC target; private sector companies can buy ITMOs and use them to make climate-related claims. ITMOs need to be authorized by the host country. An authorization is a commitment from a host country that the underlying emission reduction or removal is not counted towards its NDC target, that the activity meets certain integrity requirements of the Article 6.2 rules and principles, and that the country adheres to the accounting, tracking, and reporting requirements for Article 6 and the Paris Agreement. Complying with these requirements and making informed decisions about which activities and mitigation outcomes to authorize under Article 6.2 requires strategic consideration, institutional arrangements, legal foundations and governance, understanding, and having in place both operational procedures and a monitoring and reporting infrastructure. It also requires institutional coordination and capacities to set-up cooperation agreements with other countries. How Article 6 activities align with the NDC and which Monitoring, Reporting and Verification (MRV) systems can be built upon or need to be established are cross-cutting considerations that influence all aspects of Article 6 decision-making.
- **Article 6.4** establishes an international baseline and credit mechanism known as the Article 6.4 Mechanism (A6.4M), or Paris Agreement Crediting Mechanism. Mitigation activities that meet the requirements of the mechanism’s supervisory body (SB) and of the host country can be registered under 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 decisions regarding strategic considerations and institutional arrangements. The mechanism issues Article 6.4 emissions reductions (A6.4ERs). If authorized by the host country, A6.4ERs become ITMOs, and these need to comply with the Article 6.2 rules. Countries have not yet decided on all aspects of the A6.4M rulebook; hence, the mechanism is not yet fully operational. However, many countries, development organizations, and other actors are already in the process of making preparations for the mechanism in order to be ready once it is fully operational.

All countries wanting to benefit from market-based cooperation under Article 6 (both Articles 6.2 and 6.4) need to undertake efforts to get “Article 6-ready.” In the context of the framework and toolkit, **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.**⁴

⁴ 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

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 starting points (i.e., country-specific; instrument-specific, or approach-specific) with differing terminology and nomenclature. In addition, readiness activities vary depending on the starting point of each country, its priorities, strategic considerations, potential for Article 6 engagement, the institutional and political landscape, and the available capacities and resources. Consequently, navigating the landscape of Article 6 readiness and support opportunities is complex and context specific.⁵

The Article 6 Readiness Toolkit

The toolkit is a resource for national Article 6 decision-makers, development partners and other users interested in Article 6 readiness. The toolkit aims to:

- ⇒ Define and explain what Article 6 readiness means,
- ⇒ Provide a structured overview of key building blocks and elements required for Article 6 readiness,
- ⇒ Show the interrelations between different building blocks of Article 6 readiness to enable users to identify different approaches for building up readiness as well as relevant sub-elements from other buildings blocks that should be considered,
- ⇒ Show how other national procedures interlink with the different building blocks and enable users to consider them in a cross-cutting manner to ensure Article 6 is embedded in national context, aligned to the NDC and national MRV procedures,
- ⇒ Support the identification of most relevant, country-specific elements that determine the Article 6 readiness needs of a country at any stage of its process, and
- ⇒ Help the users in defining decision pathways when engaging in Article 6.

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).

⁵ For an overview refer to Hoch, Stephan; Waweru, Peris; Samaniego Figueroa, Ximena; Thomas, Holly; Tekie, Bruk; Michaelowa, Axel; Greiner, Sandra; Della Maggiore, Marco; Omuko-Jung, Lydia; Kovács, Anna; Rodezno Ayestas, María José; Schuck, Mauriz (2023): The landscape of Article 6 implementation, Perspectives Climate Group, Freiburg i. Br., available at: <https://perspectives.cc/publication/15750-2/> (accessed March 12, 2024).

Navigating the Article 6 Readiness Toolkit

The toolkit is Excel-based, contains macros,⁶ and consists of several tabs. Tabs 0,1,2 and 4 provide guidance on how to use the toolkit, examples for its application and background information on Article 6 as well as the Article 6 Readiness Framework as a resource. Tab 3 is the working tab, where the user can enter data. The following paragraphs provide an overview of the toolkit's tabs to help users navigate the toolkit. The user is encouraged to consult the detailed information provided in the toolkit itself when using the tool.

Tab 0. How to use the Toolkit:

This tab provides practical guidance on navigating and using the toolkit and describes each tab. As each tab in the toolkit is colour-coded, the “How to use...” guidance makes use of the same colour coding when explaining each tab.

Tab 1. Introduction and Background:

While tab 0 provides the technical set-up of the toolkit, tab 1 provides the content related context and background of the toolkit. This tab introduces readers to Article 6, explains the opportunities for participation, outlines the responsibilities of countries that engage in market-based cooperation, and highlights the different types of cooperation covered under Article 6. Additionally, a list of resources is provided that can provide further information about Article 6.

Tab 2. Article 6 Readiness Framework:

This tab provides a comprehensive overview of the Article 6 Readiness Framework. For more information on the Article 6 Readiness Framework, refer to “A Conceptual Framework for Article 6 Readiness Summary Brief⁷” and the general overview of the framework provided in Figure 2 at the end of this Toolkit User Guide. The framework includes five building blocks, namely: strategic considerations, legal foundations and governance, institutional arrangements, operational procedures, and the infrastructure necessary to support Article 6 activities. Strategic considerations involve initial engagement steps and decision-making, while legal foundations and governance provide the necessary legitimacy and conditions for participation. Institutional arrangements define the roles and responsibilities for Article 6 implementation, and operational procedures cover the technical aspects required for effective participation. Infrastructure, such as databases and registries, supports these operations. Additionally, aligning Article 6 with the country's NDC and integrating and aligning robust MRV systems are crucial cross-cutting elements. It is important to adapt the application of these components to each country's context, considering their specific circumstances and carbon market experience and strategy.

This tab illustrates the connections between the building blocks and offers guiding questions for each sub-element. This tab is intended to support the overall comprehension of Article 6 readiness and shows the interrelations between elements of Article 6 readiness. In this context, it is critical to

⁶ When enabling macros, consider your organization's IT policy. For detailed instructions, please follow the link <https://support.microsoft.com/en-us/topic/a-potentially-dangerous-macro-has-been-blocked-0952faa0-37e7-4316-b61d-5b5ed6024216>

⁷ For more information, refer to ‘A Conceptual Framework for Article 6 Readiness Summary Brief’ <https://ndcpartnership.org/sites/default/files/2023-12/ndc-partnershiparticle-6-frameworksummary-brief2023final.pdf> (accessed 4 March 2024)

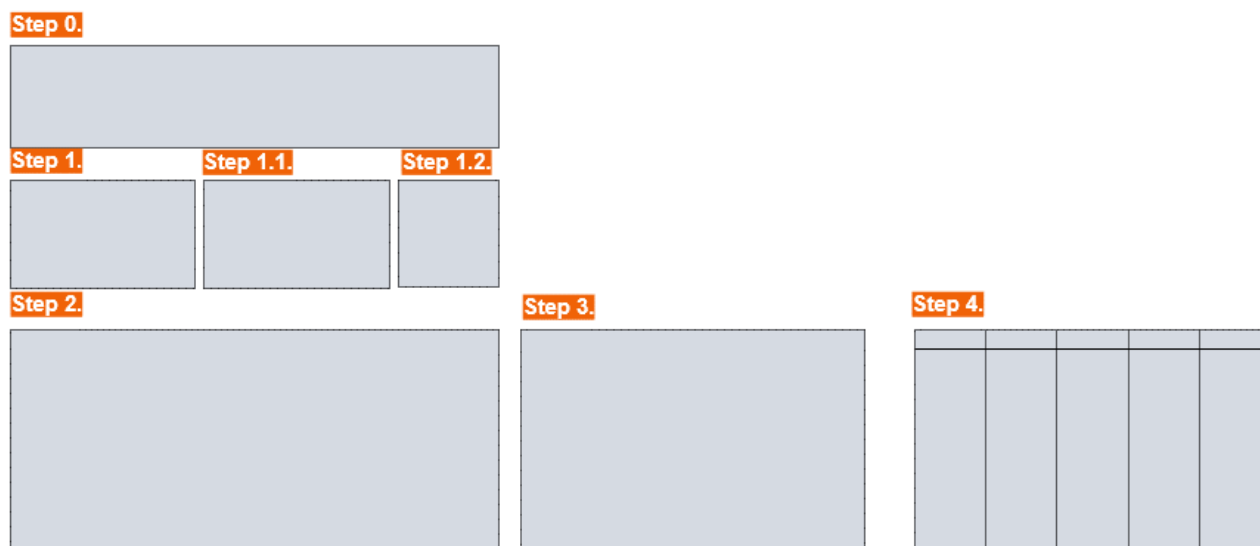
recognize that Article 6 readiness must be evaluated in the context of other national and international procedures and requirements.

Tab 3. Understanding Article 6 Readiness Elements:

Tab 3 is the actual working tab of the toolkit and requires inputs from the user. This tab is designed to help users identify crucial aspects of Article 6 readiness that support the understanding, determination, or refinement of needs related to Article 6 readiness and interlinkages. In this tab, the user can apply the Article 6 Readiness Framework, analyse readiness levels of a country, and identify gaps and assess potential support needs.

When working with the toolkit, the user should follow a stepwise approach. Moving from one step to the next, the user will be asked to provide more detailed or comprehensive input based on the guidance of the toolkit. The user inputs depend on the level of Article 6 readiness and needs of the country. The figure below shows the general structure of tab 3 with its different steps and sub-steps.

Figure 1: Structure of Tab 3. Understanding Article 6 Readiness Elements



The user is encouraged to start with preliminary Step 0, which involves a review of background information that is considered necessary for a well-informed assessment. Step 1 is divided into two sub-steps. Step 1.1 requires users to outline their initial Article 6 readiness needs by filling in the relevant cells that correspond to the identified building blocks. In Step 1.2, based on the readiness needs identified, users mark one or more checkboxes linked to the building blocks.

Based on the selections in Step 1, Step 2 provides detailed information about what each, previously identified building block for Article 6 readiness comprises and which sub-elements are usually relevant for achieving readiness in this building block. This step is mainly to provide better understanding and ensure that the user is on the right track for identifying specific needs.

In Step 3, the user selects which of the sub-elements unveiled in Step 2 are relevant to specify and detail the country-specific Article 6 readiness needs and priorities. Based on the detailed explanation

of each sub-element, users can fill in information about the country's Article 6 needs and priorities. The toolkit also allows users to provide comments or to note where further clarification is needed.

In Step 4, recommendations and guiding questions are provided which help the user to further identify, refine, and articulate activities to address the country's Article 6 readiness needs and priorities.

Tabs 4.1-4.3 Illustrative Examples:

In tabs 4.1.-4.3, three practical and generic examples are provided that demonstrate how the toolkit and especially tab 3 can be used depending on the circumstances and level of Article 6 readiness in a country. These examples cover a range of scenarios, from a country that is just beginning the Article 6 readiness process to a case where Article 6 readiness work is already ongoing and additional needs must be identified.

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.

Perspectives Climate Research support for Article 6 readiness

Perspectives Climate Research is an independent, internationally active, and highly qualified not-for-profit research think tank. Perspectives carries out research for governments, international organizations, non-governmental organizations, and the private sector, while maintaining high standards of methodological and ecological integrity. Perspectives has an international interdisciplinary team with extensive expertise in political science, economics, climate engineering, international climate and energy policy, and UNFCCC negotiations. As a result of more than two decades of research, we have established an international network of contacts in industry, government, and research and non-governmental organizations. Perspectives has developed several studies on the transition of existing market-based mechanisms into Article 6 by assessing potential pathways of transition and implications for specific countries. Perspectives Climate Research is an associate member of the NDC Partnership.

Figure 2: Overview of the Article 6 Readiness Framework

