

# Article 6 Implementation and Independent Carbon Markets:

Unpacking decisions at the intersection of Article 6, CORSIA, and VCMs

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*17-02-2022; International Conference for Implementing Article 6 of the Paris Agreement*



# Article 6 decisions are relevant for carbon credits used for *other international mitigation purposes*.

- ❖ Article 6.2 and Article 6.4 decisions (COP26)—and before that, the Paris Agreement’s enhanced transparency framework (COP24)—identify that all Article 6 provisions must be applied for Party-authorized mitigation outcomes that are...:
  - internationally transferred for use / used toward NDCs under Paris;
  - for use / used by airlines to comply with UN ICAO’s global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA);
  - for use / used for “other purposes”, e.g., toward voluntary targets or other legal mandates or regulations that require this.
- ❖ Parties must apply corresponding adjustments for authorized outcomes—
  - and **only** Party-authorized outcomes can be used for NDCs and CORSIA.



# ICAO—and independent certification standards that support CORSIA—have pursued Article 6-compatible rules in parallel with COP negotiations.

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- ❖ **Dec. 2015:** Parties adopt Paris Agreement, with mandates to avoid double-counting.
- ❖ **Oct. 2016:** ICAO establishes CORSIA and requires that credits meet quality criteria. **Throughout 2018,** ICAO experts “test run” these carbon credit eligibility criteria.
- ❖ **Dec. 2018:** Parties agree Paris reporting framework that enables Parties to make and report adjustments for mitigation outcomes authorized, used for [CORSIA].
- ❖ **Mar. 2019:** ICAO Council approves eligibility criteria including detailed rules for procedures that avoid double-counting between CORSIA and NDCs.
- ❖ **Mar. 2020:** Initial ICAO decision on eligible credits avoids double-counting risks by limiting eligibility to credits created before 2021.
- ❖ **Spring and fall 2021:** First standards approved to certify post-2020 CORSIA credits.
- ❖ **Nov. 2021:** Parties adopt Article 6 rulebook that requires Parties to make and report adjustments for mitigation outcomes authorized, used for [CORSIA].



## Other ways ICAO pursued Paris compatibility: CORSIA's triennial reporting requirements for emissions units closely track 6.2 reporting rules.

- ❖ The CORSIA Standards and Recommended Practices define what is reported (in Table A5-7; example: field 5). A third-party auditor must also verify each airline's reports against information on mechanism registries—potentially also in contracts—including to confirm *no double-use of units by airline*.

### For each “batch” of cancelled units, airlines shall report:

Quantity of units cancelled	Methodology
Start of serial number range	Demonstration of unit date eligibility
End of serial number range	Program registry name
Date of cancellation	Initiating registry account identifier
Eligible emissions unit program	Registry Cancellation Account Identifier
Unit type	Name of operator cancelling units
Host country	



## Next up: Some CORSIA eligible programmes will seek Host Party *attestations* (i.e., 6.2 *authorizations*)

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- ❖ In 2021, the ICAO Council approved two carbon credit certification programmes to supply emissions units with vintages from 2021–2023. These units can be used in the CORSIA’s first compliance cycle.
  - ❖ **American Carbon Registry** (*primarily U.S.-based project standard*)
  - ❖ **Architecture for REDD+ Transactions** (*int’l jurisdictional program standard*)
- ❖ These programmes have in place procedures for avoiding double-claiming that were seen as aligning with the CORSIA’s eligibility criteria and detailed guidelines for, e.g.,
  - ❖ programs and their projects to obtain host country “attestations”, and guiding the contents of these authorizations
  - ❖ Host Countries to confirm they will apply adjustments, and “steps taken” to do so (in line with A6.2)
  - ❖ monitoring Host Country BTRs to confirm that adjustments *are* carried out by the country as outlined in an attestation—and replacing affected units if not.



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## Example: Host Country Letter of Assurance and Authorization (*from ACR Standard V7*)

TO: American Carbon Registry (ACR), an enterprise of Winrock International

FROM: UNFCCC Focal Point, Government of Country X

**RE: Letter of assurance and authorization related to GHG emission reduction project Y**

With regard to project Y, as described in the project documentation attached to this letter, we hereby acknowledge that the project may reduce greenhouse gas emissions in country X by [*describe activity*] and that American Carbon Registry (ACR) has issued, or intends to issue, offset credits for these emission reductions.

We hereby authorize that the project's emission reductions, issued as offset credits by ACR, may be used by aeroplane operators to meet offsetting requirements under CORSIA [optional: *or by other countries towards achieving their NDC,*] subject to the following restrictions:

- We authorize only the use of the project's emission reductions, for which ACR has issued or will issue offset credits, that occur in the period from [DATE] to [DATE]; and
- We authorize only the use of a maximum of [#] tCO<sub>2</sub>e of the project's emission reductions, issued as offset credits by ACR, for each calendar year.



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### Example: Host Country Letter of Assurance and Authorization (*continued*)

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We hereby request ACR to submit annual reports to us, no later than by 31 March of each year, on the actual issuance of offset credits, as well as the use of the offset credit's associated emission reductions by other countries or entities, including volumes canceled for use by each country and entity.

We hereby declare that country X will not use the project's emission reductions to track progress towards, or for demonstrating achievement of, its NDC and that country X will account for the use of the project's GHG emission reductions by aeroplane operators under CORSIA or by other countries through adjustments in the structured summary of country X's biennial transparency reports, as referred to in paragraph 77, sub-paragraph (d), of the Annex to decision 18/CMA.1, and consistent with relevant future decisions by the CMA.

- ❖ The example letter assumes that a Host Country is authorizing credits at a program-level. Others may do so project-by-project, or for select technologies or methodologies, and/or via a registry.
- ❖ Prior to COP26, ICAO asked programmes to elaborate procedures for Host Country attestations to also identify the Party's chosen "trigger" for adjustments (i.e., issuance, use, cancellation).
- ❖ Most CORSIA-eligible programmes also supply credits to voluntary buyers. These procedures may be a relevant starting point for countries that wish to authorize their credits for such uses.



# Relevant References

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- ❖ CORSIA 2022 Credit Eligibility Assessment homepage: <https://www.icao.int/environmental-protection/CORSIA/Pages/TAB.aspx>
- ❖ Original (2019) Credit Eligibility Assessment homepage: <https://www.icao.int/environmental-protection/CORSIA/Pages/TAB2019.aspx>
- ❖ Original (2019) Credit Eligibility Recommendations: <https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/Excerpt TAB Report Jan 2020 final.pdf>
- ❖ Criteria and detailed *Guidelines*: <https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/Programme Application Form Appendix A Supplementary Information 2020.docx>
- ❖ CORSIA Standards and Recommended Practices (SARPs): <https://www.icao.int/environmental-protection/CORSIA/Pages/SARPs-Annex-16-Volume-IV.aspx>
- ❖ Environmental Technical Manual V2.0 (ETM): <https://www.icao.int/environmental-protection/CORSIA/Pages/ETM-V-IV.aspx>