

Findings from Mutual Learning Program (MLP) for Enhanced Transparency on Article 6.2 reporting

Tomohiko Hattori

Researcher, Climate and Energy Area

In cooperation with:

- Interministerial Task Force on Article 6 of Chile
- Coordinating Ministry for Economic Affairs, Indonesia
- Ministry of Environment and Tourism, Mongolia
- Thailand Greenhouse Gas Management Organization

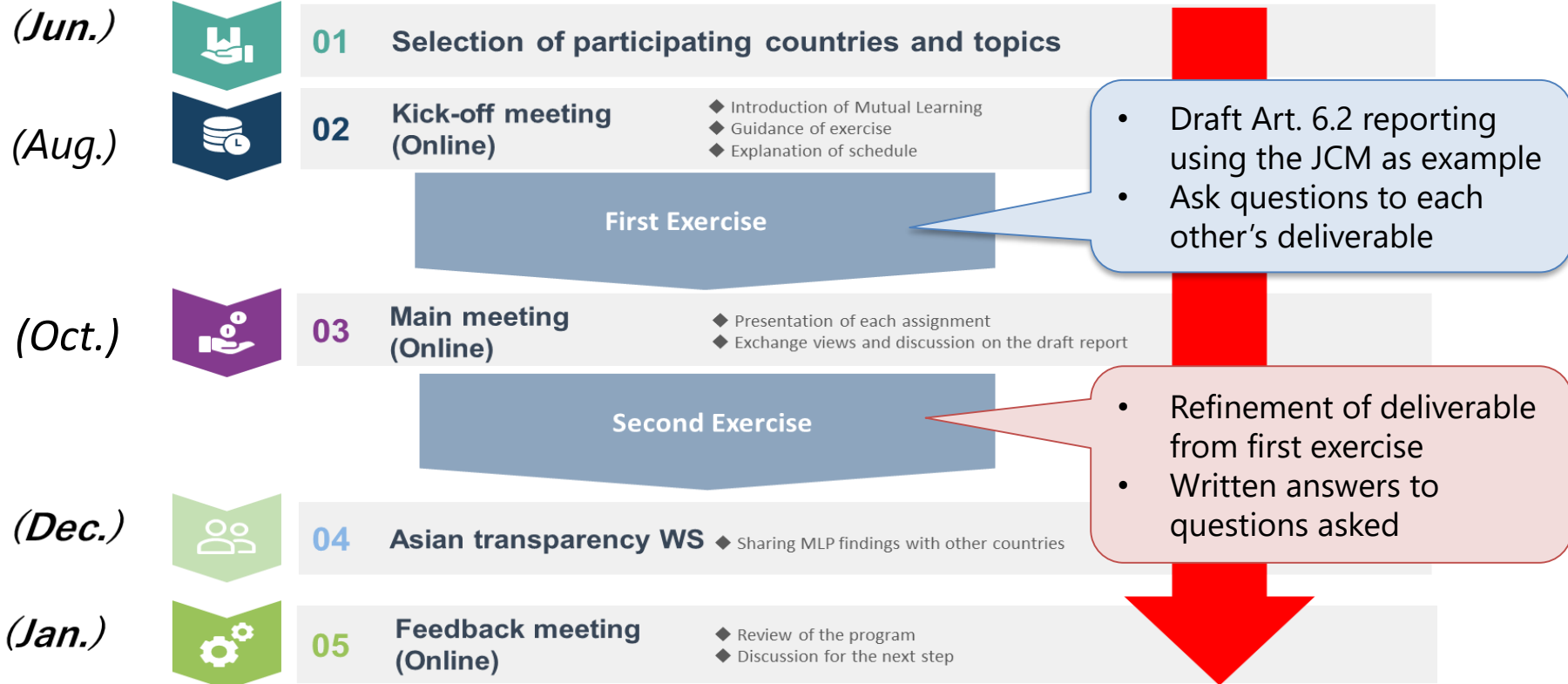
Asian Transparency Workshop, 14 December 2021

Participants



TGO: Thailand Greenhouse Gas Management Organization
TFA6: Interministerial Task Force on Article 6 of Chile (Ministry of Energy, Ministry of Environment, Ministry of Foreign Affairs, Ministry of Finance and Ministry of Agriculture)
CMEA: Coordinating Ministry for Economic Affairs of Indonesia
MOEF: Ministry of Environment and Forestry of Indonesia
MET: Ministry of Environment and Tourism of Mongolia

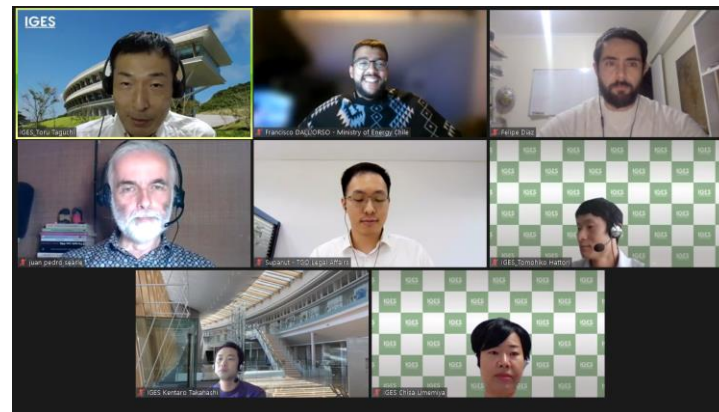
Overview



JCM: Joint crediting mechanism

1st Exercise : Draft hypothetical Art. 6.2 reporting using the JCM as an example

<p>I. Initial report (submission year: 2023).¹</p>
<p>18. Each participating Party shall submit an Article 6, paragraph 2 initial report (initial report) no later than the time of providing or receiving <u>authorisation</u> or initial first transfer of ITMOs from a cooperative approach and where practical, in conjunction with the next due biennial transparency report pursuant to decision 18/CMA.1² for the period of NDC implementation. The initial report shall contain comprehensive information to:³</p>
<p>(a) Demonstrate that the participating Party fulfils the participation responsibilities referred to in chapter II (Participation) above;⁴</p>
<p>II. Participation⁵</p> <p>4. Each participating Party shall ensure that:⁶</p>
<p>(a) It is a Party to the Paris Agreement;⁷</p>
<p>Japan accepted the Paris Agreement in November 2016.³</p>
<p>(b) It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1;⁸</p>
<p>Japan communicated the updated NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1 in 2021⁴, which Japan is maintaining in 2023.⁹</p>
<p>(c) It has arrangements in place for authorizing the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3 of the Paris Agreement;¹⁰</p>
<p>Japan authorizes JCM credits issued for emission reductions/sequestration realized on or after January 1, 2021 as a Party to the Paris Agreement, in accordance with the Paris Agreement and related decisions, for use towards the achievement of Japan's NDC and for use in international emission reduction schemes, in accordance with the procedures described below, when those JCM credits are authorized for use by implementing entities.⁵</p>
<p>The line ministries of JCM implementation establish a council for the purpose of implementing JCM in accordance with the Paris Agreement and related decision documents, as well as bilateral documents for JCM implementation, and rules and guidelines adopted by the Joint Committee (JC) established based on the bilateral document. The council authorizes JCM credits as a Party to the Paris Agreement.⁶ The JC will serve as a forum for relevant coordination (e.g., corresponding adjustment).¹¹</p>



Key discussion points

1. Understanding of Art. 6 terminologies for the JCM
2. Institutional arrangements for authorization
3. Arrangements for tracking JCM credits
4. CA for JCM credits acquired by Japanese project participant
5. Application of different CA approaches (i.e. trajectory and average)

ITMOs: Internationally transferred mitigation outcomes
CA: Corresponding adjustment

1. Understanding of Art. 6 terminologies for the JCM

ITMOs	<ul style="list-style-type: none">• JCM credits issued for Japan which are authorized by Governments of a partner country and Japan.• JCM credits issued for a partner country are not considered as ITMOs unless they are subsequently transferred internationally or used for international mitigation purposes (e.g. CORSIA) or other purposes determined by the partner country.
Corresponding adjustment (CA)	<ul style="list-style-type: none">• Adding the quantity of ITMOs (authorized and) first transferred to the emissions and removals covered by the NDC¹ (partner countries)• Subtracting the quantity of ITMOs used to the emissions and removals covered by the NDC² (Japan)
(ITMOs use for) other purposes	<ul style="list-style-type: none">• Purposes other than NDC achievement or international mitigation purposes such as private sectors' mitigation commitments as determined by the partner country.
(ITMOs) use (ITMOs) holdings	<ul style="list-style-type: none">• By "use", Japan subtracts the amount of ITMOs used from its emissions and removals.• By "holding", Japan maintains ITMOs without using.
(Subsequent) transfer	<ul style="list-style-type: none">• When credits issued for Japan are transferred to a third country. (It is unclear whether this would be possible.)

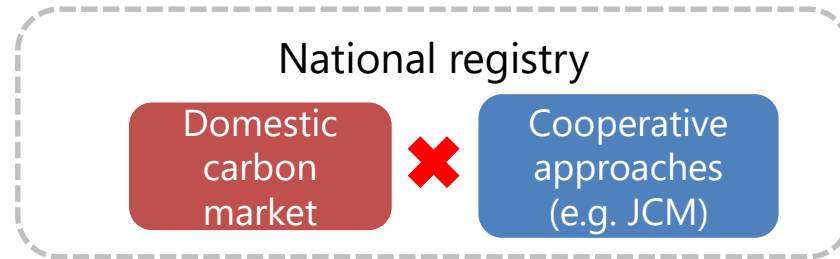
1,2: UNFCCC (2021). Para 8 (a), (b), Annex to Decision -/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. (hereinafter referred to as Article 6.2 guidance)

2. Institutional arrangements for authorization

General	<ul style="list-style-type: none">• Detailed arrangements could be discussed after COP26.• Institutional arrangements for CDM can be a basis.
Domestic discussion	<ul style="list-style-type: none">• Framework law for climate change which is relevant to institutional arrangements for Art. 6 is being discussed at the Congress. (Chile)• The line ministries of JCM implementation will establish a committee for relevant decisions. (IGES)
Joint Committee (JC)	<ul style="list-style-type: none">• Arrangement for each cooperative approach may be different.<ul style="list-style-type: none">➤ For the JCM, the Joint Committee (JC) may be an appropriate body.• The JC could serve as a bilateral coordination body between two countries if formal process for authorization is domestic (unilateral).

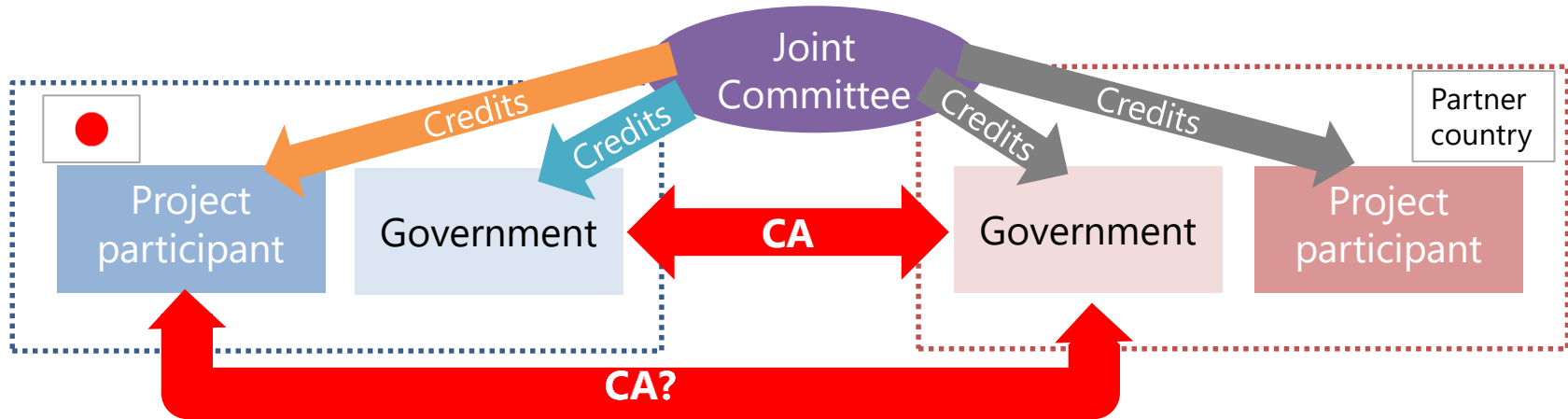
3. Arrangements for tracking JCM credits

- A registry system which automatically calculates CA would be useful. (Mongolia)
- National registry system records JCM credits. Data is input by the ministry managing the registry (different from ministry managing the JCM), recognizing that JCM credits are verified. (Indonesia)
- National registry will be prepared for offsetting systems for carbon tax. It will be used to track both domestic and international units to avoid double counting. (Chile)
- Registry for domestic carbon market incorporates JCM credits, but further consideration should be taken on how usage of ITMOs should or can be tracked. (TGO)



4. CA for JCM credits acquired by Japanese project participant

- CA should be applied for all credits at the time of first transfer regardless of how they are used, as tracking of credits after first transfer could be problematic under the current arrangement.
- ITMOs acquired by private sector for use for voluntary purposes may not be subject to CA, so the country should specify in the authorization statement whether it authorizes and will perform CA for use for such other purposes.



*In case JCM credits are approved as CORSIA Eligible Emissions Units in the future, the use of JCM credits for pilot phase of CORSIA will be treated separately.

5. Application of different CA approaches (i.e. trajectory and average)

- Transparency is ensured as long as annual and cumulative information on ITMOs is reported consistently in accordance with the guidance even when different CA approaches are used.
- Is it necessary for two Parties to apply a same CA approach?
 - Not necessary as long as both follow the guidance.
 - May require further consideration.
- Difference in NDC implementation periods of two Parties affects the amounts for CA, even when a same CA approach is applied.

Table: Hypothetical possible combinations of CA between two countries, to be reported in 2032 (unit: tCO₂ eq)

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Cumulative
Party A NDC period: 2020-2030	ITMOs transferred	-	-	-	-	-	10	-	-	-	-	100	110
	CA (trajectory)	-	-	-	-	-	+10	-	-	-	-	+100	+110
	CA (average)	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	(+10)?	+10?	
Party B NDC period: 2021-2030	ITMOs acquired	-	-	-	-	-	10	-	-	-	-	100	110
	CA (trajectory)	-	-	-	-	-	-10	-	-	-	-	-100	-110
	CA (average)	-	(-11)	(-11)	(-11)	(-11)	(-11)	(-11)	(-11)	(-11)	(-11)	-11	

*Party A transfers ITMOs to Party B. Both Parties have single year NDC target in 2030.

**The hypothetical CA in the table is based on para. 7 of Article 6.2 guidance. The overall interpretation of CA including para 8 needs further consideration.

Average = cumulative ITMOs / years of NDC period

For future implementation of MLP

- More practical exercise based on adopted Art. 6.2 guidance and Art. 13 CTF.
- Design exercises based on demand from each country.
- Develop common understanding of the JCM under Art. 6.2 with more countries for consistent reporting.

Guidance for group discussion (1) – Timetable and roles

Timetable (JST): 16:10 – 16:55
16:55 – 17:25

Breakout group discussions
Report back, discussion and summary

	Group 1	Group 2	Group 3	Group 4
Facilitator	Chisa Umemiya (IGES)	Toru Taguchi (IGES)	Tomohiko Hattori (IGES)	Fatima-Zahra Taibi (UNEP-DTU)
Rapporteur	Otgontsetseg Luvsandash (Mongolia)	Dinda Fauzani (Indonesia)	Paweena Panichayapichet (TGO)	Per Wretlind (UNEP-DTU)

1. *What will be the priorities to prepare for CA in your country?*

- a. To enhance basic understanding on CA within government (e.g., relevant ministries, high-level officials)
- b. To establish institutional arrangement for relevant decisions (e.g., authorization, method for CA)
- c. To understand the implications on NDC achievement
- d. To develop necessary infrastructure (e.g. registry)

Guidance for group discussion (2) – Guiding questions and options for answers

2-1. How will your country record and track ITMOs?

- a. By national registry system.
- b. By registry for each scheme (e.g. JCM registry).
- c. By international registry to be prepared by UNFCCC.¹
- d. It has not been decided yet.

2-2. How will ITMOs be reflected to emissions and removals (obtained from GHG Inventories) for CA?

- a. ITMOs data will be provided to compiler of BTR within same ministry.
- b. ITMOs data will be provided to compiler of BTR between different ministries.
- c. Registry system is (will be) linked with GHG Inventories system.
- d. It has not been decided yet.

1: UNFCCC (2021). Para 30, Annex to Decision -/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement.

Thank you for your attention.

<https://www.iges.or.jp/en/projects/transparency>

Climate and Energy Area / Researcher

Tomohiko Hattori

You will be transferred to break-out room separately, please wait for a moment.

*In case you lose connection, please go back to plenary room. Host will allocate you to your break-out group.