

# COP28 NOTE

“Progress” on market-related mechanisms

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# Contents

|  |           |
|--|-----------|
| <b>List of abbreviations .....</b>         | <b>1</b>  |
| <b>1. Introduction.....</b>                | <b>3</b>  |
| <b>2. Article 6.2 .....</b>                | <b>5</b>  |
| 2.1. What happened? .....                  | 5         |
| 2.2. Impact .....                          | 9         |
| 2.3. Upcoming deadlines and mandates ..... | 10        |
| <b>3. Article 6.4 .....</b>                | <b>11</b> |
| 3.1. What happened? .....                  | 11        |
| 3.2. Impact .....                          | 14        |
| 3.3. Upcoming deadlines and mandates ..... | 14        |
| <b>4. CDM .....</b>                        | <b>16</b> |
| <b>5. Conclusions .....</b>                | <b>17</b> |

# LIST OF ABBREVIATIONS

|               |  |
|---------------|--|
| AEF           | Agreed Electronic Format   |
| AGN           | African Group of Negotiators   |
| AILAC         | Independent Alliance of Latin America and the Caribbean                                |
| AOSIS         | Alliance of Small Island States  |
| Article 6.4ER | Carbon credits issued under the Article 6.4 Mechanism                                  |
| Article 6.4M  | Article 6.4 Mechanism  |
| Article 6.4SB | Article 6.4 Supervisory Body   |
| BTR           | Biennial Transparency Report   |
| CDM           | Clean Development Mechanism  |
| CER           | Certified Emission Reduction   |
| CfRN          | Coalition for Rainforest Nations   |
| CMA           | Conference of the Parties serving as the meeting of the Parties to the Paris Agreement |
| CMP           | Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol  |
| COP           | Conference of the Parties  |
| EU            | European Union   |
| GST           | Global Stocktake   |
| ITMO          | Internationally Transferred Mitigation Outcome   |

|        |  |
|--------|--|
| LMDC   | Like Minded Developing Countries                             |
| OIMP   | Other International Mitigation Purposes                      |
| REDD   | Reducing emissions from deforestation and forest degradation |
| SBSTA  | Subsidiary Body for Scientific and Technological Advice      |
| TER    | Technical Expert Review                                      |
| UNFCCC | United Nations Framework Convention on Climate Change        |
| VCM    | Voluntary Carbon Market                                      |

# 1. INTRODUCTION

At COP28, Parties were expected to make significant progress on guidance for Article 6.2 cooperative approaches<sup>1</sup> and on operationalizing the Article 6.4 Mechanism (Article 6.4M)<sup>2</sup>. Further, they were also expected to adopt additional guidance on the Clean Development Mechanism (CDM)<sup>3</sup>.

Despite two weeks of intensive work, Parties failed to reach agreement on Articles 6.2 and 6.4. Under Article 6.2, a multitude of (often highly technical) issues led to the breakdown of negotiations. Tensions between certain Parties, most notably the EU and the US, also exacerbated these issues. On Article 6.4, reaching consensus was hampered by difficulties agreeing on guidance on removals, even though agreement on other contentious topics, notably principles for the development of methodologies and the timing of authorization would have been possible. It is also worth noting that so far, the three subsections of Article 6 were treated as a unit. However, at this conference, a [decision on Article 6.8](#) was adopted irrespective of stalled progress on the other two sub-Articles.<sup>4</sup>

Process-related factors including time constraints, the excessive number of issues to be agreed upon under Article 6.2 and the COP28 Presidency's focus on the first Global Stocktake (GST) also did not provide conducive circumstances for reaching consensus and contributed to the failure of the negotiations. At the same time, even though the progress in the Article 6.2 and 6.4 negotiations could not be captured in actual outcomes, the negotiation texts have come a long way from the initial textual proposals on [Article 6.2](#) and [Article 6.4](#) by the SBSTA Chair to the final (rejected) Presidency texts on [6.2](#) and [6.4](#). See Table 1 for the main texts related to the evolution of Articles 6.2 and 6.4, and the CDM guidance, pre- and during COP28.

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<sup>1</sup> Key issues under **Article 6.2** included: the scope and definition of “cooperation” and “cooperative approaches”; the authorization of internationally transferred mitigation outcomes (ITMOs), including timing, revision, mandatory templates for authorization, and the possibility of revocation; matters related to the international registry for Article 6.2 transactions, including its interoperability with the Article 6.4M registry and Party registries; the sequencing and timing of the Article 6 Technical Expert Review (TER) process, including matters related to confidentiality; and transparent reporting requirements, particularly the content and format of the annual reporting of transfers.

<sup>2</sup> Key issues under **Article 6.4** included: the requirements for the development and assessment of Article 6.4M methodologies; guidance on activities involving removals; guidance on whether Article 6.4 activities include emissions avoidance and conservation enhancement activities; matters related to the operationalization of the Article 6.4M registry, including cross-cutting considerations on its interoperability with the Article 6.2 international registry and Party registries; and matters related to the authorization of ITMOs.

<sup>3</sup> This guidance primarily included timelines (deadlines) for the functioning of the CDM beyond the end of the second commitment period of the Kyoto Protocol.

<sup>4</sup> This report focuses on market related negotiations – Article 6.2, Article 6.4 and CDM – and will discuss only these in detail. Briefly, on Article 6.8, it is worth noting that COP28 took an unprecedented step in adopting a decision on Article 6.8 irrespective of stalled progress on the other two subsections. The decision establishes a schedule for the work program under Article 6.8, including requesting the UNFCCC Secretariat to complete the development and operationalization of the UNFCCC web-based platform for non-market approaches by June 2024.

Table 1. The evolution of 6.2, 6.4 and CDM before and at COP28.

|              |  |
|--------------|--|
| ARTICLE 6.2  | <ul style="list-style-type: none"> <li>• Pre-COP 28: <a href="#">SBSTA chair proposal on textual elements</a></li> <li>• The UNFCCC Secretariat published the Article 6.2 Manual on the <a href="#">Centralized Accounting and Reporting Platform (interim solution)</a></li> <li>• SBSTA 59 concluded with a <a href="#">draft decision</a></li> <li>• Two iterations of Presidency proposals, <a href="#">agenda item 14a</a></li> <li>• Parties failed to adopt final <a href="#">Presidency proposal</a></li> </ul>  |
| ARTICLE 6.4  | <ul style="list-style-type: none"> <li>• Pre-COP 28: <a href="#">SBSTA chair proposal on textual elements</a></li> <li>• SBSTA 59 forwarded <a href="#">draft decision</a></li> <li>• Three iterations of Presidency proposals, <a href="#">agenda item 14b</a></li> <li>• Article 6.4 Supervisory Body forwarded recommendation on <a href="#">Requirements for the development and assessment of Article 6.4 mechanism methodologies</a> and recommendation on <a href="#">Activities involving removals under the Article 6.4 mechanism</a></li> <li>• Parties failed to adopt final <a href="#">Presidency proposal</a></li> </ul> |
| CDM GUIDANCE | <ul style="list-style-type: none"> <li>• Parties adopted <a href="#">guidance relating to the CDM</a></li> </ul>   |

## 2. ARTICLE 6.2

### 2.1. What happened?

Parties were confronted with an extensive list of technical issues to resolve. See Table 2 for the full list.

Table 2. Full list of issues under Article 6.2 as per the SBSTA Chair's textual proposals

| ISSUE   | MAIN POINTS  |
|---|--|
| Scope and definition of a cooperative approach*                             | Guidance or no guidance on the scope and definition of a cooperative approach  |
| Process for managing common nomenclatures                                   | Assigning or not assigning an identifier to authorized and using entities; whether or not to add additional informative fields to unique ITMO ID   |
| Authorization   | <p>Authorization of cooperative approaches</p> <ul style="list-style-type: none"> <li>Standardized cooperative approach authorization form, or no standardization</li> </ul> <p>Authorization of ITMOs</p> <ul style="list-style-type: none"> <li>Timing of the authorization of ITMOs</li> <li>Content of the authorization of ITMOs</li> <li>Revisions to the authorization of ITMOs</li> <li>Revocation of the authorization of ITMOs</li> </ul> <p>Authorization of entities</p> <ul style="list-style-type: none"> <li>Regularly update and provide a list to the Secretariat, or make the list publicly available</li> </ul> |
| Application of first transfer   | Clarification on when and how to apply first transfer for ITMOs authorized for Other International Mitigation Purposes; the extent of Party discretion on the definition of first transfer   |
| Agreed electronic format  | Agreeing on the format, how to apply it to GHG/non-GHG metrics   |
| Tables for submitting annual information as part of the regular information | The format and extent of Party discretion in reporting   |
| Sequencing and timing of the initial report by a participating Party        | Timing of the initial report, whether or not to perform consistency checks   |
| Process of identifying, notifying and correcting inconsistencies in data    | Whether or not to provide guidance on the use of an ITMO whose information has been identified as inconsistent, the granularity of consistency check information and its publication   |
| Inconsistencies identified in Article 6 Technical Expert Reviews (TERs)     | Whether or not to provide further guidance on the conduct of Article 6 TERs, guidance on persistent inconsistencies  |



|   |  |
|---|--|
| Modalities for reviewing information that is confidential   | Whether to request the Secretariat to develop additional recommendations or to apply existing provisions from <a href="#">decision 12/CP.9</a> (adopted 1 December 2003)   |
| Special circumstances of the least developed countries and small island developing states   | More leeway in submitting required information, requesting the Secretariat to increase its capacity-building support   |
| Application of methods for converting the non-greenhouse gas metric into tons of carbon dioxide   | The extent of Party discretion in conversion, whether to request the SBSTA for additional guidance   |
| Additional functionalities and procedures for the international registry  | <p>Article 6(4) emission reductions in the international registry (and participating Party registries)</p> <ul style="list-style-type: none"> <li>• Whether or not to allow for transfers between registries</li> </ul> <p>Provision of services to cooperative approaches</p> <ul style="list-style-type: none"> <li>• Whether or not to offer pre-authorization accounts</li> </ul>  |
| Accounts in the international registry and the role of the international registry administrator (and the administrators of Party-specific sections in the international registry) | <p>Accounts in the international registry</p> <ul style="list-style-type: none"> <li>• Who can establish accounts, whether or not to offer pre-authorization accounts, whether to allow the creation of sub-accounts, whether to have an account for the Adaptation Fund</li> </ul> <p>The role of the international registry administrator (and the administrators of Party-specific sections in the international registry)</p>  |
| Submission of information by Parties using the international registry   | Whether or not to have guidance for the submission of information  |
| Funding Secretariat activities relating to Article 6.2  | What sources to use for funding operational activities   |
| Work programme  | <p>Requesting the SBSTA to undertake further work:</p> <ul style="list-style-type: none"> <li>• The application of <a href="#">decision 2/CMA.3, annex, paragraph 12</a><sup>5</sup></li> <li>• The application of <a href="#">decision 2/CMA.3, annex, paragraph 18(h)(iii)</a><sup>6</sup></li> <li>• Elaboration of further guidance in relation to corresponding adjustments for multi-year and single-year NDCs, on: (i) Methods for establishing an indicative trajectory, trajectories or budget and for averaging, including with respect to relevant indicators, and for calculating cumulative emissions by sources and removals by sinks; (ii) Methods for demonstrating the representativeness of averaging for corresponding adjustments by quantifying how much the yearly transaction volume differs from the average for the period</li> </ul> |

<sup>5</sup> "Additions and subtractions for an NDC implementation period shall be considered final, prior to the initiation of the review of the first biennial transparency report that contains information on the end year or end of the period of the NDC, by a date to be determined by the CMA."

<sup>6</sup> "[...] (h) Describe how each cooperative approach ensures environmental integrity, including: [...] (iii) By minimizing the risk of non-permanence of mitigation across several NDC periods and how, when reversals of emission reductions or removals occur, the cooperative approach will ensure that these are addressed in full."

- Consideration of whether internationally transferred mitigation outcomes could include emission avoidance

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Other matters\*

Budgetary implications of activities to be undertaken by the Secretariat

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\* Not originally mandated by CMA.4, included by the SBSTA Chair.

The SBSTA Chair released an [informal note recommending textual elements for Article 6.2 guidance](#) on 20 November 2023. This document included a relatively concise package of available options, which was expanded and, on several points, complicated by Party interventions during negotiations. After the first week of negotiations, the text forwarded to CMA.5 by SBSTA 59 had grown from 29 pages to an unwieldy 40 pages. The final (and eventually rejected) Presidency texts, spanning only 7 pages, showed significant development since the original textual proposals by the SBSTA Chair, not the least owing to the co-facilitators' efforts to reduce complexity and introduce compromise options during the second week.

The beginning of negotiations centered around the SBSTA Chair's inclusion of **a definition of "cooperative approaches"** as (a) "a set of mutually agreed standards and procedures" that govern the voluntary participation of Parties, "including an agreed scope of activities" or (b) the relationship of the cooperative approach with any underlying mechanisms, standards, or approaches. This resulted in a fierce debate about whether cooperative approaches involve two or more Parties, as argued by the Alliance of Small Island States (AOSIS), or could be implemented by just one Party (i.e., be unilateral). The latter point was advanced by many other groups, including the Umbrella Group and the African Group of Negotiators (AGN). They argued that unilateral cooperative approaches have already been established in the Article 6.2 guidance in the definition of Internationally Transferred Mitigation Outcomes (ITMOs) as well as in the recognition of authorization of transfer towards Other International Mitigation Purposes (OIMP). Additionally, integrity concerns resulted in a push from the European Union (EU), AOSIS and the Independent Alliance of Latin America and the Caribbean (AILAC) to include additional environmental safeguards in the additional guidance for Article 6.2. These safeguards were pursued through a rigorous definition of cooperative approaches and specific requirements for the reporting and authorization templates. Other groups, including the Umbrella Group, the Like-Minded Developing Countries (LMDC) and to certain extent AGN, vehemently rejected this, considering it to be a renegotiation of the Article 6 Rulebook from Glasgow (COP26). At the same time, the AGN was also seeking strict guidance related to sequencing and the treatment of inconsistencies.

As to the **authorization of ITMOs**, including timing, revision and revocation, the latter issue of whether and in what circumstances ITMO authorizations could be revoked provoked fierce debate. While Parties that host Article 6.2 projects preferred to keep sovereign control and decision-making authority over certain issues, others preferred predictability. On timing, the debate touched on the content, nature, and format of ITMO authorizations (i.e., what authorization is in practice: an action in the registry, a document, or other) and the sequencing of the different types of authorizations (ITMOs, cooperative approaches, and entities), in relation to the submission of the Initial Report. Ultimately, as shown in the Presidency proposal, Parties converged on flexibility in the approach to authorizations, permitting a single process (and/or consolidated authorization, i.e., authorizing ITMOs, cooperative approaches, and entities simultaneously) or a sequential process (and/or separate authorizations). Regarding

revision or revocation of ITMO authorization, the SBSTA chair proposal discussed the issues at length, outlining different circumstances allowing for such actions. After extensive debate, Parties recognized the need for some restrictions. The final Presidency proposal dedicates only one paragraph to both, deciding that changes to authorization do not affect ITMOs already transferred, unless provided otherwise by the participating Parties. Touching on common nomenclatures, the EU also argued for the adoption of mandatory templates for the authorization of cooperative approaches, which other Parties opposed, preferring a flexible system. These Parties, most notably the US, advocated for voluntary templates or a section with recommendations in the Article 6.2 manual, regularly updated by the UNFCCC Secretariat.

On the definition of first transfer in the context of ITMOs authorized for OIMP (decided at COP26 in Glasgow)<sup>7</sup>, the need for further clarification came from EU concerns, also about the technical implications for the contributions to the Adaptation Fund.

Figure 1 presents a visual representation of the two main dividing axes in Article 6.2 negotiations at COP28. Throughout the negotiations, divisions on prescriptive approaches versus decentralization and on predictability versus sovereignty in ITMO authorizations were apparent.

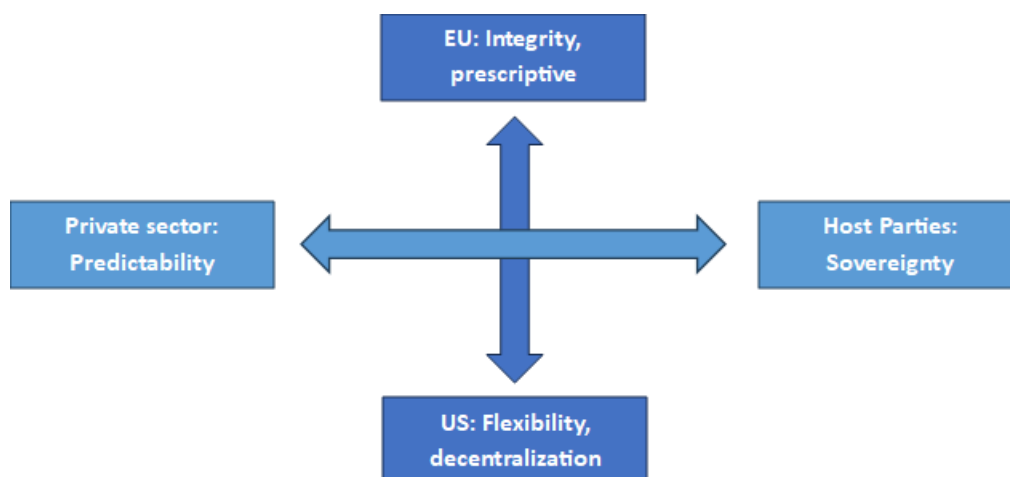


Figure 1. The two main dividing axes in Article 6.2 negotiations. Reproduced from M. Classen: COP28 – End to Multilateralism? (presentation).

Additionally, a set of highly technical issues hampered progress. Regarding **the Article 6.2 international registry**, negotiations at COP28 revived an old debate on whether the international registry would only pull information from other registries or also serve as a transactional registry. The issue arose in the context of discussing interoperability with the Article 6.4M registry, specifically whether the international registry should enable the transfer of authorized Article 6.4 carbon credits (Article 6.4ERs) to accounts within the Party-specific sections of the international registry. This option was vehemently opposed by the United States (US). Moreover, Parties were expected to agree on the types of accounts in the international registry (an issue already settled for the Article 6.4M registry at COP27) and whether authorized entities could open and manage sub-accounts in the Party-specific sections.

<sup>7</sup> “A “first transfer” is: [...] (b) For a mitigation outcome authorized by a participating Party for use for other international mitigation purposes, (1) the authorization, (2) the issuance or (3) the use or cancellation of the mitigation outcome, as specified by the participating Party.” (Decision 2/CMA.3, Annex, para 2).

Regarding **the sequencing and timing of the TER process and dealing with inconsistencies**, the AGN argued for clear sequencing with regard to the authorization of the cooperative approach and of ITMOs, the submission of the initial report, the technical expert review, the consistency check by the Secretariat, and the filling of the Agreed Electronic Format (AEF). Not all Parties and Party Groups agreed on the need to have sequencing requirements, arguing that they had been sufficiently laid out in the Article 6.2 guidance from Glasgow, and the issue of how to deal with inconsistencies in reporting was also not resolved. Relatedly, on **reporting requirements**, while some Parties considered the adoption of the AEF as a priority, the final (rejected) Presidency proposal pushed the decision to CMA.6.

Table 3 summarizes the outstanding issues on Article 6.2, and their importance and relevance in the 6.2 process.

*Table 3. Outstanding issues on Article 6.2 and their importance. Reproduced from M. Classen: COP28 – End to Multilateralism? (presentation).*

| ISSUE                      | CRITICAL | WHEN IS IT RELEVANT?      |
|----------------------------|----------|---------------------------|
| Timing of authorization    | Yes      | Authorization             |
| Nature of “cooperation”    | No       | Authorization             |
| Review and inconsistencies | Medium   | Regular information (BTR) |
| Scope for revocations      | Yes      | After initial report      |
| Reporting format           | No       | Regular information (BTR) |
| Confidentiality of data    | No       | Initial report            |
| Registry infrastructure    | Yes      | Accounts                  |

## 2.2. Impact

In terms of the impact of missing decisions on Article 6.2, it has been suggested by observers<sup>8</sup> that the lack of agreement on Article 6.2 will have little impact on the progress of carbon

<sup>8</sup> See, for example: <https://carbon-pulse.com/246578/>.

markets. In cooperative approaches, Parties can just figure things out as they go – even with the lack of central guidance from the UNFCCC. Without central guidance, the market will be defined by national regulations of buyer countries and host country frameworks. The lack of guidance, especially on authorizations and reporting, increases the chance of heterogeneous approaches developing, leading to less predictability in the market.

In terms of operational progress, however, the development of the international infrastructure – the international registry – can continue. Regardless of related unresolved issues, the Secretariat has a mandate from the previous CMA (CMA.4) to build the international registry on an interim basis and can commission the work. However, it is unclear how far budgetary shortfalls may impact this activity – there is an estimated USD 8.8 million shortfall in resources for mandated tasks.

## 2.3. Upcoming deadlines and mandates

Pending CMA mandates from previous COPs to be concluded at COP29 include:

- \* The elaboration of further guidance in relation to corresponding adjustments for multi-year and single-year nationally determined contributions, in a manner that ensures the avoidance of double counting;
- \* Consideration of whether internationally transferred mitigation outcomes could include emission avoidance.

The Secretariat shall make key Article 6 infrastructure available to the Parties, including:

- \* Test version of the Article 6 database and Centralized Accounting and Reporting Platform, by June 2024;
- \* The international registry, no later than 2024.

## 3. ARTICLE 6.4

### 3.1. What happened?

At COP28 the CMA had to adopt a decision based on the SBSTA discussions and the recommendations developed by the Article 6.4 Supervisory Body (Article 6.4SB) in the course of 2023. The SBSTA Chair released an informal note containing [draft textual elements on Article 6.4](#) ahead of COP28, on 21 November 2023, while the Article 6.4SB forwarded [its recommendations](#) to the CMA, on 17 November 2023. Even though none of the progress made during COP28 could be formally captured in an adopted decision, the [final Presidency proposal](#) contains either resolutions or timelines for addressing key issues and the pending mandates of the CMA. By failing to adopt a decision on Article 6.4, the recommendations from the Article 6.4SB were also not adopted and will have to be tabled again, either identically or in a revised version, at CMA.6. See Table 4 for the list of issues CMA.5 needed to address under Article 6.4.

Table 4. Full list of issues under Article 6.4 as per the SBSTA Chair's textual proposals and additional issues raised during the negotiations.

| ISSUE   | MAIN POINTS   |
|---|---|
| Emissions avoidance and conservation enhancement activities                             | Eligibility of emission avoidance and conservation enhancement activities under Article 6.4   |
| Requirements for activities involving removals under the Article 6.4 mechanism*         | Guidance on removals  |
| Requirements for the development and assessment of Article 6.4 mechanism methodologies* | <ul style="list-style-type: none"> <li>Approaches to baseline-setting, encouraging ambition over time, alignment with NDC of each participating Party</li> <li>Tools and guidelines on baselines, additionality, leakage and reversal risk assessments</li> </ul>   |
| Article 6.4M registry**   | Interoperability between the Article 6.4M registry, the Article 6.2 international registry (and Party registries)   |
| Host party authorization of Article 6.4ERs**  | Timing of authorization and its contents; the possibility of its revision and/or revocation   |
| Other matters   | <ul style="list-style-type: none"> <li>National arrangements for the mechanism</li> <li>Management of financial resources for the Article 6.4SB and the Secretariat**</li> <li>Transition of afforestation and reforestation projects registered under the CDM to the A6.4M</li> <li>Exemption of LDCs from the share of proceeds for adaptation</li> </ul> |

- Article 6.4SB mandates and work program priorities, including Sustainable Development Tool\* and Appeals and Grievances Procedure

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\*Recommendations provided by the Article 6.4SB.

\*\*Cross-cutting issues with Article 6.2.

The main sticky points under Article 6.4 included the recommendations on removals and on the requirements for the development and assessment of mechanism methodologies, the timing of authorization, and the transfer of (authorized) A6.4ERs out of the Article 6.4M registry.

Key divisions emerged on the **requirements for activities involving removals**. One of the questions concerned whether to “apply” or “review”<sup>9</sup> the recommendations from the Article 6.4SB. The EU and the Coalition for Rainforest Nations (CfRN) were against application, and the LMDC insisted on adopting the recommendations on methodologies and removals as a package. The EU was concerned that these safeguards for nature-based removals were insufficient, as the risk of reversals was not explicitly addressed. Other issues under removals included permanence, the categorization of reversal risks, the length of the monitoring period after the crediting period has come to an end, and whether to include social and environmental safeguards in the guidance on removals.<sup>10</sup>

A point of agreement emerged on **Mechanism methodologies**, where Parties converged on a decision to “apply” the “requirements for the development and assessment of methodologies”<sup>11</sup> developed by the Article 6.4SB, and to allow the SB to continue its work on methodologies as planned. However, the lack of agreement on removals hampered progress on methodologies.

Another point of emergent agreement concerned **the timing of authorization**, where a proposal bridging different views was introduced by New Zealand<sup>12</sup> and was widely accepted among Parties. A key concern of many developing Parties was to avoid the requirement to submit the Host Party statement on authorization together with its approval of an activity prior to the registration of an activity, keeping the mechanism more flexible and in line with Parties’ sovereignty concerns. Moreover, according to the Glasgow text, Parties must provide an authorization statement to the registry administrator at issuance, which would have implied the rather odd provision of a “non-authorization statement” in cases where entities are not seeking authorization. Parties agreed that not providing such an authorization statement would

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<sup>9</sup> In practice, “apply” would have implied an implicit approval of the recommendation. The odd choice of words may have had different reasons, possibly to avoid the strong language connected to “adoption”, given the Parties’ concerns with the text.

<sup>10</sup> These would be safeguards specific to removals, on top of any guidance contained in the Sustainable Development tool to be developed by the Article 6.4SB.

<sup>11</sup> The various principles set by Parties (para 33-38 of the [Rules, Modalities and Procedures](#)) include: (1) Encouraging ambition over time, (2) Being real, transparent, conservative, credible, (3) Establishing that the selected baseline is below business-as-usual, (4) Contributing to the equitable sharing of mitigation benefits between participating Parties, (5) Aligning with the NDC of each participating Party, if applicable, its LT-LEDS, if it has submitted one, the long-term temperature goal of the Paris Agreement and the long-term goals of the Paris Agreement. The Article 6.4SB implemented these principles by setting several requirements or approaches (e.g. downward baseline adjustments) for each principle.

<sup>12</sup> “Decides that the host Party may authorise for use towards achievement of nationally determined contributions and/or for other international mitigation purposes, as defined in decision 2/CMA.3, mitigation contribution A6.4ERs already issued, by providing to the Supervisory Body a statement of authorization prior to any transactions in the mechanism registry or any transfers out of the mechanism registry, and applying the requirements for corresponding adjustments with respect to the mitigation contribution A6.4ERs already forwarded for share of proceeds for adaptation pursuant to paragraph 39 and cancelled to deliver overall mitigation in global emissions pursuant to paragraph 40 of annex I of decision 7/CMA.4”

automatically mark the underlying emission reductions as mitigation contribution A6.4ERs. AOSIS was however concerned that authorization after issuance (and before first transfer) would cause technical problems (e.g., the retroactive application of corresponding adjustments) vis-à-vis the Share of Proceeds and Overall Mitigation in Global Emissions requirements under Article 6.4. This issue was ultimately resolved in the Presidency proposal.

While the operationalization of the **Article 6.4M registry** is already underway (the implementation of the registry is **planned** to start in January 2024, with final operationalization planned for Q3 2024), Parties have yet to decide on whether to allow the transfer of (authorized) A6.4ERs from the mechanism registry to the international registry. The final Presidency proposal contains the emerging agreement among Parties that the Mechanism registry shall enable the transfer of authorized A6.4ERs to the registries of participating Parties. This brings the resolution of questions on the interoperability of registries one step closer. However, even though developing country Parties did ask for the option to also transfer non-authorized A6.4ER out of the Article 6.4M registry, this possibility was not included in the Presidency proposal.

Finally, on the lower end of the priority spectrum, considerations on **emission avoidance and conservation enhancement**<sup>13</sup> – whether to include emission avoidance and conservation enhancement activities in Article 6.4M projects – were postponed by the Presidency proposal to CMA.10 in 2028. Initially, the SBSTA chair proposal outlined several options on this matter, including deciding that such activities are eligible, not eligible, or that they are already covered by emission reductions and removals (in a later text, an option provided for the exclusion of emission avoidance and the inclusion of conservation enhancement under Article 6.4).<sup>14</sup>

Similarly, Parties could not sufficiently consider the matter of **national arrangements**, and they were converging to mandate the Article 6.4SB to develop procedures and templates for host Party participation in the Article 6.4M. The final Presidency text also postpones the consideration of this issue to CMA.10.

On **CDM transition**, while the deadline to submit the request for transition to the Article 6.4M fell on 31 December 2023, the rejected Presidency proposal on Article 6.4 allowed eligible afforestation and reforestation activities under the CDM (so far excluded by CDM transition rules) to apply for transition until 30 June 2024, at the suggestion of Brazil.

Table 5 summarizes the outstanding issues regarding Article 6.4 and their importance in terms of operationalizing the Article 6.4M.

*Table 5. Outstanding issues on Article 6.4 and their importance. Own assessment.*

| ISSUE                  | CRITICAL |
|------------------------|----------|
| Methodologies guidance | Yes      |

<sup>13</sup> There is no generally agreed upon definition of “emission avoidance”. “Conservation enhancement” may refer to REDD+-like activities implemented in developed countries. At present, REDD+ is (not uncontroversially) seen as implicitly allowed under Article 6.4.

<sup>14</sup> Parties are yet to decide whether emission avoidance is eligible under Article 6.2. See above the mandates under Article 6.2.



|   |            |
|---|------------|
| Removals guidance   | <b>Yes</b> |
| Emission avoidance and conservation enhancement activities                              | No         |
| Transfer of (authorized) A6.4ERs  | Medium     |
| Timing of authorization   | <b>Yes</b> |
| National arrangements   | No         |
| Sustainable Development Tool  | No         |
| Appeals and Grievances procedure  | No         |
| Tools and guidelines on baselines, additionality, leakage and reversal risk assessments | Medium     |

## 3.2. Impact

The operationalization of the Article 6.4 Mechanism is delayed by a year. Failing to operationalize the UNFCCC's centralized carbon market mechanism could potentially diminish trust in the Article 6.4 market, the work of the Article 6.4SB, and even the future prospects of (compliance) carbon markets as a whole. The full effects remain to be seen, and pressure will be high on the Article 6.4SB and the CMA at COP29. The fact that the CMA failed to adopt recommendations on methodologies and removals for the second time in a row, after no consensus was reached during COP27 in Sharm el-Sheikh, does not inspire confidence in the process or in the Mechanism. However, the technical work of the Article 6.4SB on additionality, baselines, leakage, and reversal risks can continue as planned. The Article 6.4SB will also continue to work on the Sustainable Development Tool, and on the Appeals and Grievances procedure.

## 3.3. Upcoming deadlines and mandates

Pending CMA mandates from previous COPs to be concluded at COP29 include:

- \* Further responsibilities of the Article 6.4SB and of Parties that host Article 6.4 in order for such host Parties to elaborate on and apply national arrangements for the mechanism under the approval and supervision of the Article 6.4SB.\

Areas of further work with related products are highlighted in the [Preliminary Supervisory Body workplan 2024](#). The failure to adopt the recommendations on methodologies and on removals may or may not impact the workplan, especially in the area of methodologies, as the Article 6.4SB may continue its work based on the methodology principles adopted in Glasgow.

## 4. CDM

The discussions on the CDM focused on the timeline for wrapping up its operations (i.e., deadlines for various processes), based on a [technical paper](#) prepared by the UNFCCC secretariat.

Table 6 summarizes the outstanding issues on the CDM that COP28 needed to address.

Table 6. Outstanding issues on CDM.

| ISSUE   | MAIN POINTS   |
|---|---|
| Functioning of the clean development mechanism beyond the end of the second commitment period of the Kyoto Protocol | <ul style="list-style-type: none"> <li>• CDM registry operations</li> <li>• Submissions to the secretariat of requests for issuance of CERs for monitoring periods ending before 1 January 2021 in accordance with the relevant procedure developed by the CDM Executive Board</li> <li>• Submissions to the secretariat of requests for voluntary cancellation of CERs</li> <li>• Approval of new and revised methodologies, methodological tools and standardized baselines submitted under the bottom-up and initiated under the top-down process</li> <li>• Operation of the accreditation processes under the CDM</li> </ul> |

A key issue of contention was how long the CDM registry needs to be in operation. The EU argued that it can be terminated because it is no longer needed given that the Kyoto Protocol true-up period has already ended. Other Parties, including AGN, raised the point that the Article 6.4 Rules, Modalities and Procedures allow for the use of pre-2020 CERs towards the achievement of first NDCs, provided that the CERs are transferred to the Article 6.4M registry. Closing the CDM registry would make the transfer of CERs impossible.

The CMP adopted [guidance relating to the Clean Development Mechanism](#). Parties acknowledged that the Executive Board ceased receiving requests under the temporary measures in June 2023. The CMP will continue its consideration of the functionality and operation of the processes and institutions within the CDM at COP29, to prevent any interruption before the implementation of the corresponding processes under the Article 6.4M. The decision requests the UNFCCC Secretariat to prepare another technical paper, assessing inter alia the functioning and operation of the bodies under the CDM<sup>15</sup>, to be considered at COP29, and covering technical issues such as the handling of Certified Emission Reductions (CERs) that remain in the CDM registry,<sup>16</sup> and timelines for processing CDM transactions.

<sup>15</sup> CDM Executive Board, CDM Accreditation Panel, CDM Methodologies Panel, registration and issuance team, Afforestation and Reforestation Working Group, and Carbon Capture and Storage Working Group.

<sup>16</sup> As per the technical paper by the Secretariat, "The fate of this type of CERs [legacy CERs] is uncertain, as there is no clear guidance on how they can be used or transferred under the Paris Agreement."

## 5. CONCLUSIONS

The circumstances of COP28 played a role in Article 6 outcomes. The Presidency's priorities seemingly did not lie with Article 6. In a [letter](#) to Parties, the Presidency outlined their key issues ahead of the conference, and it did not include even one reference to Article 6 or to carbon markets in the context of implementing the Paris Agreement. The Presidency's main priority was the first Global Stocktake (GST), and observers claimed that Article 6 may have suffered in the process of prioritizing agreement on the GST.

Developments outside the negotiating rooms also affected general trust among Parties. The UAE company Blue Carbon was the subject of negative press coverage for [Article 6 transactions involving land-grabbing in Africa](#). The still insufficient levels of climate finance continued to put a strain on developed-developing country Party relations, and talks were difficult and threatened to break down over the GST and the Global Goal on Adaptation. Delegates also cited the lack of time available for finding compromises.

The impact of the inability to reach an agreement on Article 6 and its effect on trust among stakeholders remains uncertain.

Overall, the lack of consensus on Articles 6.2 and 6.4 can be credited to both the difficult substance and a less-than-ideal process. Market participants can expect a year of delay for the operationalization of the Article 6 Mechanism. Regarding the work on Article 6.4, the Article 6.4SB worked to deliver recommendations on methodologies and removals for the second time, after a failure to adopt the previous iterations during COP27 in Sharm el-Sheikh. Further, the failure to adopt these recommendations in Dubai by the same negotiators that are represented in the body is a difficult starting point for the work of the Supervisory Body in 2024. By contrast, the implementation of cooperative approaches under Article 6.2 will likely remain unaffected, as Parties are free to determine the terms of their engagement even in the absence of central guidance from the UNFCCC. What is delayed by the failure of the negotiations are the standards for reporting and review as well as elements of the international infrastructure.