



COP27

SUMMARY REPORT



INTRODUCTION: COP27 – CINDERELLA COMES TO THE BALL

After the high-profile outcomes of Glasgow in 2021, expectations for COP27 in Sharm el-Sheikh were rather more modest. And so it proved.

With the exception of a breakthrough on loss and damage, with Parties agreeing to establish a fund to compensate developing countries for the impacts of climate change, the 27th Conference of the Parties was not distinguished by any real advances. The focus, amid economic and social turbulence, was on preventing backsliding.

The conference's overarching "cover text" repeated much of the same language from Glasgow, reiterating the need to keep global temperature increases below 2 degrees Celsius and ideally below 1.5 degrees, regretting the lack of substantial sums of finance flowing to climate vulnerable countries, and exhorting nations to revise their Nationally Determined Contributions.

In the negotiations on market mechanisms, Parties were at loggerheads over legal details to determine how, when and where emissions reductions could be transferred, the parameters of the electronic registry and what constituted confidential information.

Outside the talks, however, IETA enjoyed a high profile as the leading business advocate for emissions trading. We hosted more than 80 events at the Business Hub and were invited as speakers at many more. Indeed, one of the main features of the delegation halls was the sheer number of Parties holding events on carbon markets – a clear sign of growing interest in the wake of the Glasgow decisions and one that points to busy months ahead for IETA.

The voluntary carbon market was a major topic at COP27. Formal launches of new initiatives, panel discussions and closed-door meetings saw debates on the VCM that ranged from the supply-side initiatives to new, net zero corporate and non-state actor guidelines, to integrity, quality, corresponding adjustments and, last but not least, claims.

Together for implementation

The Egyptian presidency billed this year's conference as the "implementation COP", focusing on the need to "build upon the political momentum of Glasgow", and to "move from an era of negotiations and pledges to an era of implementation".

Opening the conference, COP27 President Sameh Shoukry also highlighted adaptation as a major theme, noting that the majority of climate funding committed to date is focused on mitigation rather than adaptation.



Egypt's COP President, Sameh Shoukry. Photo: UNFCCC/Flickr

UNFCCC Executive Secretary Simon Stiell underscored the implementation message: “Today a new era begins, and we begin to do things differently. Paris gave us the Agreement; Katowice and Glasgow gave us the plan. Sharm el-Sheikh shifts us to implementation. This is a signal that times have changed.”

But have they?

After two weeks of talks, the conference produced the Sharm el-Sheikh Implementation Plan, many elements of which bore an uncanny resemblance to the Glasgow Climate Pact.

References to renewables and low-emissions technology were again included, while efforts to include text on a phaseout of all fossil fuels were ditched in favour of a repetition of Glasgow’s “phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies”.

There were no major advances on finance, and the Mitigation Work Programme provided non-committal language to set up a five-year process that will not lead to any increased targets.

A new work programme and ministerial roundtable on the just energy transition was also set up.

If there was one key advance at COP27, it was the formal conversation on loss and damage. On the COP agenda for the first time, loss and damage played a central role throughout the summit, and was the main issue in the last hours of the meeting.

And outside the plenary hall and delegation offices, it was the carbon markets that attracted most attention. At the previous two COPs in Madrid and Glasgow, IETA had enjoyed a steadily growing profile as more Parties and delegates were keen to learn and understand more about the possibilities for enhanced ambition that market mechanisms can bring.

But in Sharm el-Sheikh, carbon pricing conversation was almost universal.

The sheer number of market-related events meant that IETA’s staff and delegates had a dizzying agenda of speaking engagements, as more countries sought to lean in on Article 6, the voluntary carbon market and carbon pricing instruments in general. A number of significant reports and initiatives were unveiled at COP27, with the promise of more consultations and developments to come.

If Glasgow issued the invitation, then Sharm el-Sheikh was where carbon markets arrived at the ball.

THE KEY OUTCOMES FROM COP27

The complete list of documents and decisions adopted at COP27 can be found [here](#).

The Sharm el-Sheikh Implementation Plan: The [COP](#) and [CMA](#) adopted respective decisions reiterating the Paris Agreement goals of keeping temperature increases to well below 2 degrees Celsius; recognised the need to enhance energy security, including by accelerating clean and just transitions; and stressed the need for low-emission and renewable energy.

The decisions recognised the need to achieve **reductions** in global greenhouse gas emissions of 43% by 2030 relative to the 2019 level.

The COP also reminded Parties that COP28 in Dubai next year will host the Global Stocktake, and countries were encouraged to bring forward updated **nationally determined contributions**, as well as long-term strategies, in time for the next meeting.



The Article 6 negotiations at COP27 concluded with a tribute to Hugh Sealy of Barbados, a former Article 6 negotiator and co-chair of IC-VCM who passed away earlier this year. Photo: UNFCCC/Flickr

On **adaptation**, the COP progressed the work of the Glasgow-Sharm el-Sheikh work programme on the [global goal on adaptation](#), and the decision text called on Parties to scale up their financial contributions.

The COP established a new fund on **loss and damage**, with a mandate to begin discussions on how to operationalise the facility. The COP also took decisions on the composition and goals of the [Santiago Network](#) for averting, minimising and addressing loss and damage.

The conference set out the parameters of the [Mitigation Work Programme](#) to urgently scale up global ambition that was established in Glasgow; Parties will meet until COP31 to discuss how to raise ambition. However, the outcomes will be “non-punitive, respectful of national sovereignty and national circumstances...and will not impose new targets or goals”.

The COP noted with “deep regret” that the \$100 billion/year of climate finance agreed in Copenhagen in 2009 has still not reached its target; it also urged Parties to complete their work on developing a new collective [quantified goal on climate finance](#) by the next COP.

On Article 6, the conference adopted a set of decisions on both Article 6.2 and 6.4 that we examine in more detail below. A text on 6.8 non-market approaches was also adopted.

BACKGROUND TO COP27

The 12 months preceding COP27 have been tumultuous, with the global economy struggling to fully recover from the Covid pandemic and latterly facing an energy crisis triggered by Russia’s invasion of Ukraine in February.

Consequently, Parties could have been forgiven for having other things on their mind as COP27 approached: energy security has been top of the agenda in many parts of the world, with a worrying uptick in the use of coal and a “dash for gas” as governments seek to lock in energy supply.

A looming global recession was seen as not conducive to unlocking more ambitious climate policy, while food security is also a growing concern.

Nevertheless, there have been some victories. The approval in the US Congress of the Inflation Reduction Act represents the biggest spending bill on climate change ever passed in the country – more than \$370 billion directed to speed up the transition to carbon-free energy and cut emissions by nearly 40% by 2030.

In the European Union, the REPowerEU initiative seeks to deploy more than €200 billion to speed up the shift to renewable energy, while the bloc is also nearing completion of a major reform to its energy and climate regulations that will underpin its updated 55% emissions reduction target for 2030.

The private sector saw the development of the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles, which will guide stakeholders towards high-quality, transparent and verified reductions.

And IETA has been hard at work behind the scenes too, cooperating with the World Bank on data projects that will underpin the development of national and international emissions trading.

So it was with a sense of achievement and purpose that the business community arrived in Sharm el-Sheikh, ready to see the political discussions adopt the same determination to get things done.

Glasgow represented the end of a phase. The completion of the Paris Rulebook in 2021 gave the process a clear break with the past and focused minds on turning decisions into action, not just in terms of finance, mitigation, adaptation and loss and damage, but also the guts of the market mechanisms.

In Sharm el-Sheikh, we hoped to see more countries outlining how they would leverage markets to enhance their NDCs ahead of the 2023 Global Stocktake.

We anticipated learning about further work programmes around Article 6, such as the progress of work on market infrastructure: the various institutions of the Article 6 mechanism such as registries, capacity-building for those countries that need it, and, critically, the interaction between the Article 6.4 mechanism and the voluntary carbon market.



*US President Joe Biden visited COP27 en route to the G20 summit in Bali.
Photo: UNFCCC/Flickr*

COP27 BEGINS

The agenda was divided among the three governing bodies: the 27th Conference of Parties to the UNFCCC (COP27), the 17th Conference of Parties serving as the Meeting of Parties to the Kyoto Protocol (CMP17), and the fourth Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA4).

The Article 6 agenda was handled under the jurisdiction of the CMA, with the preliminary technical discussions handled by the Subsidiary Body on Scientific and Technological Advice (SBSTA).

The opening High Level segment of COP was branded as the Sharm el-Sheikh Implementation Summit, drawing 112 world leaders and featuring several round table discussions at which finance, just transition, green hydrogen, food and water security were discussed.

Article 6 – Week One

Even before the formal start of the COP/CMP/CMA meetings, the Article 6.4 Supervisory Body was scrambling to complete its work programme for the year. The SB's final meeting of the year ran through Saturday night and was only just finished by the time COP26 President Alok Sharma of the UK formally began proceedings on the afternoon of Sunday November 6.

The SB finalised its [annual report](#) to the CMA, with an [addendum](#) to reflect its third meeting, and submitted a draft recommendation to SBSTA on how to treat carbon dioxide [removals](#) under the Article 6.4 mechanism.

The SB could not, however, agree on guidelines for methodologies for Article 6.4 projects, chiefly due to disagreements over how to operationalise the requirement, agreed at COP26, that methodologies should align with Paris Agreement objectives.

After the opening ceremonies, Week 1 of COP got underway on Monday November 7, with Article 6 discussions held under the aegis of SBSTA.



*Tosi Mpanu Mpanu of the Democratic Republic of Congo chaired the SBSTA negotiations.
Photo: UNFCCC/Flickr*

As the conference began, it was clear already that the draft decisions to be adopted regarding Article 6.4 reflected relatively more “mature” discussions than those regarding Article 6.2.

That in turn reflected the fact that Parties had adopted more prescriptive decisions in Glasgow last year, in addition to the work carried out by the Article 6.4 Supervisory Body to elaborate the rules, modalities and procedures (which were referred to in the text as “RMP”).

The agreement on Article 6.2 reached in Glasgow was rather less specific, as the operation of this mechanism is left to parties to elaborate individually and bilaterally, and consequently there was still some difference in interpretation as to what “cooperative approaches” means.

Discussions on **Article 6.2 (cooperative approaches)** under SBSTA were facilitated by Kuki Soejachmoen of Indonesia and Peer Stiansen of Norway.

The group was tasked with progressing specific guidance on:

- tracking of ITMOs
- technical expert review
- outlines for initial report and regular information
- authorisation
- infrastructure (secretariat, administrative charges, data, etc)

The 6.2 talks used as their basis an [informal note](#) provided by SBSTA chair Tosi Mpanu Mpanu of the Democratic Republic of Congo.

On the first Monday, Article 6.2 informal consultations were abandoned after UN staff declined to allow the large number of participants that could not find a seat to stand in the room.

Eventually the Article 6.2 talks were relocated and allowed to begin, and early discussions focused on infrastructure – registries, platforms and databases. Views remained far apart on the overall architecture.

The question of authorisation of ITMOs, and whether Parties could revoke that authorisation, dogged both the 6.2 and 6.4 talks.

Our observers identified five separate positions on the issue.

- India, Brazil and AOSIS held that changes to or revocation of initial authorisation should be possible; it's a national prerogative.
- The UK, Singapore and Indonesia said there should be no changes, or at most limited changes.
- The African Group asserted that changes in use (i.e. between achieving an NDC or being transferred to CORSIA) should be allowed, but there should be no revocation of authorisation.
- The EU and Canada said that decisions on changes to authorisation should be discussed in a work programme during 2023.
- Finally, the US, Thailand, Japan, New Zealand and the Least-Developed Countries said such matters are beyond the mandate, and that the CMA should not provide further guidance.



Peer Stiansen of Norway and Kuki Soejachmoen of Indonesia co-facilitated the technical talks on Article 6.2 under SBSTA. Photo: UNFCCC/Flickr

An updated [6.2 text](#), published early on Friday, was headed by the co-facilitators' comment that "the draft decision being forwarded ... does not represent a consensus among Parties and further work by the CMA is necessary to finalise this decision."

Meanwhile, the informal consultations on **Article 6.4 (the mechanism)** were facilitated by Australia's Kate Hancock and Sonam Tashi of Bhutan.

The 6.4 agenda covered:

- CDM transition
- use of CERs towards first NDC
- reporting by host parties
- article 6.4 registry
- processes for the Share of Proceeds
- processes for Overall Mitigation of Global Emissions

The 6.4 discussions were based around an [informal paper](#) provided by the SBSTA chair prior to the COP.

The Article 6.4 group began the first week with a two-hour session to work on further guidance to operationalise the transition of Kyoto Protocol CDM projects into the new mechanism, and the use of Certified Emission Reductions towards Parties' first Nationally Determined Contributions.

There was a constituency within the talks – mostly developed countries – that, despite decisions reached in Glasgow last year, remained unhappy with the idea of using CERs to meet goals agreed under the Paris Agreement.

The discussions also covered reporting requirements for host parties under Article 6.4. The proposed draft text by the SBSTA chair included important options on the timing of authorisation (when Parties may authorise the issuance of Article 6.4 Emission Reduction credits).

Issuance and authorisation were viewed by some Parties as distinct elements of the process, and this critically left open the option for the issuance of Article 6.4 credits without a formal authorisation, and these credits could flow to the voluntary market.

The discussion also raised the question of whether Parties can revoke authorisation.

Co-facilitators published a new 6.4 [draft text](#) early on Thursday November 10 based on the SBSTA chair's proposal and comments made by Parties.

The text still had a significant amount of bracketed language, particularly relating to the operation of the mechanism's registry and the transfer of CERs from the CDM registry.

The text on the registry and on transaction procedures was also linked to the section on authorisation of emission reductions, and some Parties suggested waiting for the Article 6.2 authorisation talks to conclude before dealing with these sections in Article 6.4.

There were also issues around the status of non-authorized Article 6.4 Emission Reductions (A6.4ERs) and the purposes to which they can be put. There was a view among some observers that these credits should be allowed to be put towards host country domestic targets, but should not be traded internationally.

Negotiating positions were quite far apart on this issue. Brazil, the African Group of Nations and the Like-Minded Developing Country group believed that A6.4ERs issued by the mechanism can be freely traded without necessarily being authorised for use in the Article 6.4 mechanism.

That would mean that these reductions could potentially flow to voluntary buyers. And since they are formally issued as A6.4ERs, they would still be subject to rules regarding Share of Proceeds and Overall Mitigation of Global Emissions.

Essentially, in the Brazil/AGN/LMDC view, non-authorized A6.4ERs could be seen as another voluntary market credit under a global UN-operated standard.

Openly opposing this point of view were countries in the Environmental Integrity Group (a group of five Parties led by Switzerland), while the Umbrella Group, the EU and AILAC were also thought to oppose it. These Parties did not want any "non-authorized" credits to be made available to international buyers. Instead, they should only be used in domestic schemes.

There also remained some options in the draft text sections on the share of proceeds, and overall mitigation of global emissions.

There was bracketed text relating to decisions regarding the issuance of CERs for monitoring periods before 1 January 2021, a deadline for the approval of methodologies, and transfer of CERs to the Article 6.4 mechanism registry.

Week 1 ended with a SBSTA plenary on Saturday November 12 at which COP27 President Shoukry asked the co-facilitators to continue their consultations for another 48 hours to try to unlock progress.

Article 6 – Week 2

Week 2 began with **Article 6.2** delegates focused on emissions reporting tables and the agreed electronic format for such reports.

Parties were divided between requiring more detailed tables with comprehensive information, or a simpler layout with less information.

Unique Identifiers for tracking ITMOS were also extensively discussed, with many parties pointing out that they would need time to test tables before agreeing on that.



UN Secretary-General Antonio Guterres welcome former US vice-president Al Gore to COP27. Photo: UNFCCC/Flickr

At Monday's contact group on Article 6.4 the co-facilitators were asked to prepare bridging proposals in an effort to unlock progress.

This meeting also saw robust pushback from a number of Parties on the Article 6.4 Supervisory Body's guidance text on removals, and it became clear that this draft decision would not be approved by the CMA and would instead be referred back to the Supervisory Body for more work.

Several developed countries cautioned, "we need to do it right, not fast".

But after a fruitless Tuesday, the COP Presidency passed the work to ministers to take forward, tasking Grace Fu of Singapore and Espen Barth Eide of Norway with leading consultations on Article 6 and other related mechanism issues, including the CDM.

New text for [Article 6.2](#) appeared on Wednesday November 16.

The document did not appear to represent a significant advance in terms of resolving contentious issues: this iteration had 153 bracketed passages or words, compared to 170 in the edition from the end of week 1.

After more work, another [text](#) appeared in the early hours of Friday November 18.

Of particular interest to our observers was the text regarding authorisation of ITMOs: the draft decision clarified that "internationally transferred mitigation outcomes are authorised towards use(s) in accordance with decision 2/CMA.3, annex, paragraph 1(d) and (f), no later than first transfer".

In addition, "a participating Party shall specify first transfer in accordance with decision 2/CMA.3, annex, paragraph 2(b), as part of the authorisation of internationally transferred mitigation outcomes towards use(s)".

The proposed draft decision adopted rules on tracking ITMOs through a registry (in Annex I of the document), on expert reviews of Party reporting (Annexes II and III), on how Parties should report their Article 6.2 activities (Annexes V and VI), and a template for the format in which the reports should be drawn up (Annex VII).

During an afternoon contact meeting numerous Parties criticised the draft text. The EU called it out for a lack of ambition, while others were unhappy with elements of the decision on reporting and on tracking of ITMOs.

Later that day, there were multiple closed-door meetings to align differences. Japan and Brazil worked on a bridging proposal on tracking issues and other critical elements to solve remaining differences. Parties worked all night to improve the document, and a [new version of the proposed draft decision](#) was released on Saturday.

The contact group approved the draft decision text, and some minor editorial items will be updated on the final version (see below).

Article 6.4

Similarly to Article 6.2, some progress was apparent on 6.4 after ministers took over. An updated [Article 6.4](#) text issued on Wednesday November 16 had 78 brackets compared to 110 in the previous Saturday's draft.

The 6.4 text proposed sending the Rules, Modalities and Procedures (RMP) of the mechanism back to the Article 6.4 Supervisory Body to “elaborate and further develop recommendations”, including the text on removals.

After further work on Thursday November 17, the ministers produced a further iteration of texts for [Article 6.4](#) that had just eight pairs of brackets and three separate options for the proposed transaction procedure.

Minister Fu added that the intention was to submit a final text by 1100 hrs on Friday, and declared herself “cautiously optimistic” that an outcome could be agreed.

Article 6.8

Finally, the negotiations over **Article 6.8 (non-market mechanisms)** were led by Maria Al-Jishi of Saudi Arabia and Jacqueline Ruesga of New Zealand. This work stream's goal was the elaboration of a work programme and also benefited from a synthesis [paper](#) drafted by the Secretariat prior to the conference.

There were few significant developments on this track, though a number of Parties, particularly Latin American countries, were keen to see progress.

SBSTA had gathered [views](#) on how the work programme should be structured prior to the COP, and the [draft conclusions](#) produced at the end of the first week showed a lack of consensus among Parties on how to move forward.

The [draft decision](#) of the CMA proposed that the work programme continue for two more years, and requested the secretariat to develop a “web-based platform” to enable Parties to share information on non-market opportunities.



*The Article 6 negotiators advanced the establishment of the Paris Agreement's market mechanisms.
Photo: UNFCCC/Flickr*

FINAL DECISIONS

The headline political agreements in the so-called “cover text” represented progress, but no breakthroughs.

The COP agreed that a work programme on the global goal for adaptation will be finalised next year, while it reiterated a deadline to agree the new collective quantified goal on finance in 2024. Likewise, work on the mitigation work program will be finalised in 2026.

The loss and damage fund was formally established, and discussions will take place in future sessions to flesh out the mandate and the form that it will take.



A late about-face by the EU, represented by Frans Timmermans, unlocked an agreement to create a loss and damage fund. Photo: UNFCCC/Flickr

For **Article 6.2**, the CMA adopted guidance relating to the tracking of ITMOs, with some provisions on unique identifiers and registries that will record authorisation, first transfer, users of ITMOs, cancellations and so on.

The CMA also mandated the Secretariat to develop a Centralised Accounting and Reporting Platform (CARP) and the Article 6 database. The secretariat should provide a test version of the CARP by June 2024, with a view to having a fully operational system by June 2025. But in the meantime, an interim solution is to be in place by January 2023.

Following on from decisions in Glasgow, the secretariat was also tasked with developing an international registry as a backup for those countries that decide not to establish their own national systems. This international registry must be operational no later than 2024. Again, an interim solution is to be ready by January 2023.

The CMA approved guidelines for technical expert reviews of the information provided by parties implementing Article 6.2, and a common reporting format for Parties to submit information on 6.2 initiatives.

The draft text on authorisation of ITMOs was removed from the final decision, and instead the CMA requested a work programme to decide when a host Party can turn a reduction into a unit that comes under the jurisdiction of Article 6, and when a corresponding adjustment must take place. This discussion will also deal with revocation of authorisation.

Decisions on whether ITMOs could include emission avoidance were also postponed to 2024. Modalities for reviewing confidential information remain to be decided next year.

The final CMA 4 decision also includes guidance relating to tracking, the guidelines for the Article 6 technical expert review, the outline for the Article 6 technical expert review report, the training programme for technical experts participating in the Article 6 technical expert review, the outline for the initial report and the outline for Annex 4 to the biennial transparency report.

CMA also requested the Secretariat to develop and organise workshops, training, and technical papers on multiple subjects, including the agreed electronic format, technical expert review, capacity building, requirements of the initial report, reporting

outlines and tables, standards, and good practices for electronic recording of data, and options for funding the activities related to the infrastructure and the Article 6 technical expert review, among others.

The draft decisions also requested the SBSTA to continue its work on the following items as below:

- Recommendations for consideration and adoption at CMA 5 (December 2023)
 - special circumstances of Least Developed Countries and Small Island Developing States
 - modalities for reviewing confidential information
 - recommended actions to be taken when inconsistencies are identified
 - timing for submitting the initial report, completion of the review, and submitting the AEF
 - process of authorisation and the scope of changes to it
 - the application of authorisation in accordance with decisions
 - Tables for submitting annual information as part of the regular information
 - Implications of converting non-GHG metric into tonnes of CO₂e
 - process of identifying, notifying, and correcting inconsistencies in the A6 database
 - Additional functionalities of the international registry to allow transfers of A6.4 ERs
 - The accounts of the international registry and the role of the administrator
 - The submission of information by Parties using the international registry
 - The common nomenclature

- Recommendations for consideration and adoption at CMA 6 (December 2024)
 - further guidance on corresponding adjustments to avoid double counting (multi-year and single-year NDC)
 - Consideration on whether ITMOs can include emissions avoidance

In the adopted decisions relating to [Article 6.4](#), the CMA agreed that a template will be available by next June for CDM projects that wish to apply for transition into the new mechanism; projects will have to submit their application by the end of 2023 if they wish to be considered.

CMA decided that for projects that transition into the new mechanism, their 6.4 crediting period will start on January 1, 2021. The meeting also issued some clarifications for Parties that wish to use CERs towards their first NDCs.

The Article 6.4 text also included a key decision on the types of 6.4ERs that can be used towards various purposes. 6.4ERs will represent reductions that are correspondingly adjusted and therefore can be used towards achieving an NDC or “other international mitigation purposes”: that is, international compliance schemes such as CORSIA.



*Dirk Forrister spoke at IETA's official UNFCCC side event on Article 6 and the voluntary carbon market.
Photo: IETA*

The other type of credit will be known as “mitigation contribution emission reductions” (MCERs), which are not authorised for international compliance use. Instead they “may be used, **inter alia**, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the host Party”.

This means that the purpose of MCERs is to contribute to the reduction of emission levels in the host party. The uses for these units mentioned in the text emphasise the domestic dimension, but the list is not exhaustive and seems to leave the door open for use on the international voluntary market.

As with Article 6.2, the text on authorisation of credits under 6.4 was removed and will be dealt with in future sessions.

Finally, the CMA decided that the “haircuts” on issuances for Share of Proceeds and Overall Mitigation of Global Emissions will apply to both A6.4ERs and MCERs at the point of issuance (rather than at authorisation).

The CMP adopted decisions on the [CDM](#) relating to its activities over the past year, and implicitly acknowledged the decisions taken by the CMA on the transition of CDM project and credits into the Article 6.4 mechanism.

Lastly, the CMP decided to bring **Joint Implementation** to a close. With the last activities in this mechanism having taken place in 2014 and 2015, the CMP decided to retire the JI Supervisory Committee and undertake a one-year programme to wind down its functional, operational and financial activities.

In light of this decision, it remains to be seen whether, or indeed how long, the CMP will continue to operate the CDM once the transition is complete, but no decision was taken or even proposed at COP27.

OUTSIDE THE NEGOTIATING ROOMS

Outside the Article 6 talks, there was much to be optimistic about carbon markets. At previous COPs, market mechanisms were seen as something of a specialist topic that did not garner much attention in the national pavilions.

But at COP27 this changed. The side event schedule was packed with events hosted by country delegations as well as associations and NGOs, as the completion of the Article 6 rulebook at Glasgow last year triggered a wave of interest in carbon pricing mechanisms.

Many countries are trying to design systems that work for them and that will help them meet their NDCs and monetise their carbon assets. Limited understanding and lack of trust are obstacles to fully harness the potential of market mechanisms, and this COP demonstrated that experienced countries are stepping up to assist.

Perhaps at this COP more than any other, the belief that the VCM has a significant role to play was crystallised. Supply-side initiatives included among others, the [African Carbon Markets Initiative](#) (see below) and the US Energy Transition Accelerator promoted by US climate envoy John Kerry.

Closed-door discussions included progress on the IC-VCM and VCMI which continue to attract much attention and anticipation for the important role these two initiatives have to play.



The Maldives ensured that minds were focused on the goal in the plenary hall. Photo: UNFCCC/Flickr

Accompanying the growing focus on markets came a number of high-level reports and initiatives to guide corporate and national efforts to achieve net zero emissions.

The **UN's High Level Expert Group** on net zero commitments of non-state entities (HLEG) published its first [report](#), with recommendations and principles on how to set and achieve voluntary net-zero and net-zero aligned targets.

The HLEG, established at COP26 by UN Secretary-General Antonio Guterres and chaired by former Canadian climate minister Catherine McKenna, unveiled its report at a side event on Tuesday November 8 with a robust message for non-state actors.

"[Existing] criteria and benchmarks for net-zero commitments have varying levels of rigour and loopholes wide enough to drive a diesel truck through," Guterres told the event.

"If you announce publicly that you are a climate leader, committed to net zero, you cannot claim to be net zero while continuing to build and invest in new fossil fuel supply," McKenna said.

"High integrity credits can have a role to play, but in addition to the hard work that you must do to decarbonise. That funding [from offset purchases] can be used to support decarbonising efforts in developing countries."

The report sets out 10 recommendations for entities that choose to purchase voluntary carbon offsets, emphasising that these credits need to represent commitments that go beyond established net zero pathways.

It also lays down five principles for non-state net zero pledges:

1. Ambition which delivers significant near- and medium-term emissions reductions on a path to global net zero by 2050;
2. Demonstrate integrity by aligning commitments with actions and investments;
3. Radical transparency in sharing relevant, non-competitive, comparable data on plans and progress;
4. Established credibility through plans based in science and third-party accountability;
5. Demonstrable commitment to both equity and justice in all actions.

The report endorsed the detailed work being done on both the supply and demand sides by the IC-VCM, the VCMi and the Science-Based Targets Initiative.

COP27 also saw the launch of **The African Carbon Markets Initiative (ACMI)**, with the publication of a [report](#) that sets out a pathway to creating a \$1.5 billion a year voluntary carbon market by 2050.

The ACMI targets generating – and retiring – more than 300 million offsets a year by 2030, and 1.5 billion a year by 2050, and lists 13 programmes to develop the voluntary market across Africa.

The initiative is seeking to sign up advance commitments to buy at least 50 million credits at a price of \$10/tonne, which would generate as much revenue as the entire continent earned from carbon finance between 2010 and 2020.

The International Organisation for Standardisation published its [Net Zero Guidelines](#) to provide a common reference for a "global basis for harmonising, understanding, and planning for net zero for actors at the state, regional, city and organisational level."

US climate envoy John Kerry announced the [Energy Transition Accelerator](#), which aims to mobilise private finance to support developing countries to transition out of fossil fuels, in exchange for carbon credits that could be used to offset most of corporates' Scope 3 emissions.

We also heard from Chinese representatives that the country is considering opening its national emissions trading system to Article 6.2 and 6.4 credits, as the country faces growing demand that its domestic offset market won't be able to satisfy.

This first expression of interest by the US in using Article 6, even for voluntary purposes, is significant, and together with China's suggestion that it too may tap Article 6 represents a huge potential uptick in demand.

IOSCO, the International Organization of Securities Commissions, announced a [consultation](#) on "how to foster fair and functional markets and increase structural resilience" to ensure these markets achieve their environmental goal.

We were also very heartened by developments around other national COP pavilions which demonstrated a strong intention to foster cooperation to spread carbon pricing to more jurisdictions.

Japan unveiled its **Article 6 Implementation Partnership**, a capacity-building programme that at the time of its launch had already received pledges of participation from 40 countries and 23 institutions. Dirk was invited to speak at this event.



IETA CEO Dirk Forrister participated in the launch of Japan's Article 6 Implementation Partnership. Photo: IETA

The EU (in partnership with UNEP) and Germany also both announced Article 6 capacity-building initiatives.

Switzerland announced its first transaction of ITMOs with Ghana and launched an Article 6 online capacity building course with UN Climate Change (RCC Kampala) and UNDP.

Singapore inked several bilateral agreements with Morocco, Colombia, Vietnam, Ghana and Peru in addition to a memorandum of understanding with Papua New Guinea. The city-state also unveiled an agreement with the Global Carbon Council (GCC) for delivering ITMO transactions based on credits issued under that standard, in addition to an agreement previously inked with Verra and Gold Standard.

Canada and Chile unveiled the [Global Carbon Pricing Challenge](#), calling on all countries to adopt pollution pricing as a central part of their climate strategies. The Challenge will also create a forum for dialogue and coordination to make pricing systems more effective and compatible and to support other countries in adopting carbon pricing.

Turkey is also moving towards carbon pricing, as witnessed by a number of side events at their pavilion. The country plans to launch a pilot phase of its ETS within two years, in which revenues from carbon pricing instruments would promote just transition.

Nigeria's environment minister also announced that his country will implement an ETS, though details were limited.

In an unusual statement on carbon markets, the BASIC group of countries (Brazil, South Africa, India and China) said it welcomed market and non-market mechanisms under Article 6, and encouraged the use of arrangements that provided funds to the Adaptation Fund. At the same time, however, it emphasised that carbon border taxes must be avoided.

Brazil, the Democratic Republic of Congo and Indonesia launched cooperation on carbon markets, and the media immediately dubbed this group the "OPEC of rainforests".



Dirk Forrister spoke at an event on carbon pricing and carbon border adjustment mechanisms at the EU Pavilion. Photo: IETA

AT THE IETA BUSINESS HUB

The growth of interest in carbon markets was also clear from the activity around the IETA Business Hub this year. We welcomed guests and speakers from a wide variety of Parties and interests, and hosted side events covering the full range of issues.

Before the start of COP, IETA and ICROA partnered with ITN Productions to launch [Net Zero – the Integrity Pathway](#), a programme showcasing best practices and innovative solutions in carbon reduction and offsetting.

And to help set the stage for the conversations in Sharm, IETA members and partners also contributed to the “Forbes 400” edition with a special report on [The Business of Net Zero](#).

ICROA Accredited members held a roundtable meeting with all ICROA Endorsed Standards (or in the process of endorsement) on Saturday November 12 to discuss the efficient functioning of Standards and VVB’s. This was a very constructive conversation with around 30 attendees from both the supply and demand side of the VCM.

During the two weeks, IETA and ICROA hosted side events covering:

- Article 6.2
- The role of the Article 6.4 Supervisory Body
- Authorisation of Article 6 reductions
- Voluntary carbon markets supporting country NDCs
- Forest carbon policy
- The role of carbon credits in achieving net zero
- Interplay between Article 6 and the voluntary carbon markets
- Climate Action Teams and jurisdictional mechanisms
- Carbon markets in the Americas
- Data infrastructure to support carbon markets
- The private sector’s role in supporting carbon pricing
- Carbon capture and storage
- Armchair chat with Vicki Hollub, CEO of Oxy

Our members, partners and sponsors hosted events on topics including:

- | | |
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| <ul style="list-style-type: none"> • Governance of carbon neutrality claims • Architecture around article 6.2 ITMO issuance • Carbon dioxide removals • The role of blockchain technology • Launch of the Community of Practice for Article 6 implementing countries • Smart supply chains • Scaling global agricultural soil carbon markets • The US voluntary carbon market • Carbon standards in communities and in Africa • Upholding livelihoods and indigenous peoples’ & local communities’ rights • Advancing climate progress during an energy crisis • Switzerland’s bilateral ITMO agreements • Transportation solutions • The role of MRV and GHG accounting • Communicating carbon offsetting with integrity • Canadian collaboration for a clean energy future • US forest carbon market • Report launch “Business and carbon neutrality: A collective transformation” • Unlocking the full potential of hydrogen | <ul style="list-style-type: none"> • Food security and climate change • Disposal of refrigerant gases to achieve NDFCs • Fair Carbon Markets Initiative • GCC frameworks on carbon capture & storage and nature-based solutions • Blockchain and sustainability • Decarbonising the oil & gas industry • Addressing non-CO2 gases • Engineered carbon removals • US climate policy • Gender-responsive climate finance • Renewable energy in Africa • EBRD’s Green Cities Initiative • Financial organisations and carbon markets’ role in accelerating CCS • Net-zero emissions in the global south • The transition away from coal • The next generation of forest carbon projects • Japan as an emerging carbon market • Integrity in carbon markets • Carbon markets in eastern Africa • Innovations in logistics and transportation |
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Verra's side event on the voluntary market packed the IETA Business Hub. Photo: IETA

IETA also held its Council Meeting and Annual General Meeting during COP.

Our programme would not have been possible without the support of our Hub partners – thank you all very much!

