

## 1. INTRODUCTION

IETA welcomes the efforts made by all Parties this year in moving towards consensus on outstanding guidance on Article 6.2 implementation and the operationalisation of the Article 6.4 mechanism. The lack of consensus at COP28 in Dubai called for better communication between Parties and stakeholders ahead of the negotiating sessions, so compromises can be found and implementation can move forward in this critical decade. We urge Parties to make progress at SB60 and find acceptable landing zones ahead of COP29 in November.

While further guidance on 6.2 implementation can be helpful to provide clarity and boost the confidence of Parties and stakeholders engaging in cooperative approaches, **the adoption of key decisions to operationalise the 6.4 mechanism is most urgently needed.**

The recommendations on requirements for methodologies and activities involving removals, as well as the development of an effective 6.4 mechanism registry, are crucial to drive scale and ambition in Article 6 transactions before 2030, whilst ensuring environmental and social integrity. The texts produced by the Article 6.4 Supervisory Body represent a reasonable compromise, which will have to be iteratively improved over the coming years as climate action, science, and innovation progress. We cannot afford further delays in the process. Instances of excessive politicisation and micro-management by Parties at the SBSTA and CMA are serious concerns. If the mechanism persistently deviates from best practices to build and operate a robust crediting mechanism that project developers and investors can rely on, Parties and market participants may decide to move on to alternatives, significantly reducing the ability of the mechanism to deliver investment in mitigation activities.

As [previously](#) highlighted, **Article 6.2 is already operational and countries around the world are engaging in cooperative approaches.** As of May 2024, IETA [has counted](#) around **50 government-to-government agreements** paving the way to transactions under 6.2 and **at least 10 transfers have been authorised.** Further guidance on reporting templates including the Agreed Electronic Format (AEF), the nature and role of the international registry, and authorisation would help to provide clarity to market participants, but they are not indispensable. Parties should engage constructively in discussions at SB60 to lay the foundations for decisions to be adopted at COP29 in order to avoid further uncertainty.

## 2. DEFINITION OF A COOPERATIVE APPROACH

COP28 saw the breakdown of constructive progress in negotiations on outstanding technical items, partly as a result of calls by some Parties to introduce a definition of cooperative approach in the text, ostensibly in order to protect the environmental integrity of Article 6.2 transactions. We believe that Article 6.2 is a Party-driven process, and the necessary rules for its operationalisation were agreed at COP26, with subsequent guidance at COP27. The fundamental nature of Article 6.2 should not be reopened. We are unconvinced that new definitions and requirements limiting the ability of Parties to design their own cooperative approaches and authorise ITMOs for transfer would address concerns around a perceived lack of integrity and raise the overall quality of Article 6 transactions. Instead, we believe environmental integrity must be delivered by transparent and effective reporting, a clear and structured review process, robust registries, and capacity building in host and acquiring Parties. Ultimately, high standards should be promoted by Parties (buyers and sellers alike) participating in market-based cooperative approaches and promoting a “race-to-the-top” in line with the cooperative spirit of the Paris Agreement and the COP26 decisions.



### 3. AUTHORISATION

#### a. *Revocation*

IETA strongly believes that **the ability of Parties to revoke previously granted authorisations should be restricted**. Revocation should be only permitted in exceptional circumstances, and never after first transfer. Such circumstances, which may include fraud or criminal activities, should be clearly specified in advance and outlined in the terms of the authorisation statement, so the risk is known to project developers and investors.

Allowing for revocation after first transfer (or even after use, as in the draft decision negotiated at COP28) would both expose project developers or end-users of ITMOs to excessive risk and threaten the environmental integrity of cooperative approaches, as it is not clear how double counting is avoided if ITMOs already used and reported are revoked.

While we understand concerns about a perceived loss of national sovereignty, we urge Parties to seriously consider the unintended consequences that loose rules on authorisation may have on the ability of commercial entities to bear and manage risk. We are already seeing similar unintended consequences being flagged by market participants in the context of CORSIA, where ICAO's Technical Advisory Board (TAB) decisions are prompting crediting programmes to make project developers liable for revocation, passing a large risk on to these entities (often small or mid-sized companies or NGOs) and which may ultimately hinder their ability to engage in transactions of authorised credits. Ultimately, badly designed rules will deprive projects on the ground of financial resources to pursue climate, developmental and social goals.

#### b. *Unilateral authorisation*

IETA believes that negotiations on this topic have been successfully concluded at COP26 and the outcome is clear. **The authorisation of ITMOs for use towards NDCs and/or other international mitigation purposes (OIMP) is performed by the host country and is not directly tied to any actions by an acquiring Party** (sections III.B and III.C, Decision 2/CMA.3). This decision was made because an authorisation under Article 6 triggers reporting and accounting requirements for the host Parties, so it would be unfair and impractical to tie the compliance of one Party (whether buyer or seller) to the actions of another Party on which it does not have control.

Host Parties should be able to authorise mitigation outcomes for use towards any country's NDC, as well as OIMP (such as CORSIA or the VCM). This will support the emergence of a liquid market for fungible emission reductions and removals, which in turn incentivises transparent pricing and more efficient investment flows into mitigation activities. Restricting the ability of a host Party to authorise ITMOs or the secondary trading of authorised units does not seem an effective remedy to a perceived lack of integrity. Higher environmental integrity can be promoted by acquiring Parties and other buyers through the elaboration of eligibility criteria requiring a minimum quality standard for ITMOs.

### 4. INTERNATIONAL REGISTRY

We observe that the nature of the international registry remains a key element of disagreement between Parties, with calls for it to be a fully-fledged transactional registry resisted by some Parties and decisions at COP26 and COP27 not fully solving this ambiguity.

**IETA urges Parties to strive to find a compromise that would allow each Party to implement its preferred solution without impacting other Parties or compromising environmental integrity.** However, should consensus be unattainable and a transactional international registry not materialise, this should not prevent the implementation of cooperative approaches



under Article 6.2. An appropriate transactional registry may be developed under the umbrella of the cooperative approaches Parties decide to engage in. Moreover, a significant offering already exists from private providers and multilateral institutions.

## 5. REPORTING TEMPLATES AND REVIEW

IETA urges Parties to adopt the draft AEF without delay, so Parties will report information in a consistent manner that will help the UN review team and enhance the overall transparency of cooperative approaches.

We believe that a well-trained and resourced review team should be established as a matter of urgency to boost confidence in the review process and ensure inconsistencies are minimised.

## 6. CONCLUSION

The first Global Stocktake concluded at COP27 called for the “urgent need for accelerated implementation” of Article 6 in paragraph 31. The pace of progress and the negotiating positions of several Parties in the Article 6 room are in blatant contradiction with such a call.

As discussions on the New Collective Quantified Goal (NCQG) are ongoing, it remains clear that international carbon markets, and Article 6 in particular, can provide effective pathways for channelling finance towards decarbonisation and adaptation where it is most efficient, usually in developing and least developed countries. In light of this, **we urge Parties to step up their efforts to continue implementing Article 6 and deliver the rapid emissions cuts.** There cannot be “net zero” without international carbon market mechanisms.

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## ABOUT IETA

Since 1999 IETA has been the leading voice of business on ambitious market-based climate change solutions and driving net zero. IETA advocates for trading systems for emissions reductions and removals that are environmentally robust, fair, open, efficient, accountable and consistent across national boundaries. Representing more than 300 leading international organisations, IETA is a trusted partner in developing international policies and market frameworks to reduce greenhouse gas emissions at the lowest cost while building a credible path to net zero emissions. See [www.ieta.org](http://www.ieta.org) for more information.

