

IETA Article 6 SB60 summary July 2024

UNFCCC Article 6 negotiations: increased efforts required after limited progress on Article 6 at SB60 in Bonn

Following the failure to adopt decisions on Article 6 of the Paris Agreement at COP28 in Dubai, the 60th session of the UNFCCC Subsidiary Bodies in Bonn (3-13 June) saw a new, reinvigorated spirit of compromise between countries. Agreements were reached on issues relating to emission avoidance, the treatment of confidential information and common nomenclatures. Also, draft decision texts on both Article 6.2 and 6.4 were forwarded for further discussions at COP29 in Baku. However, real progress on the thorniest outstanding issues remained limited, with insufficient time for technical discussions and other climate negotiation tracks throwing a wrench in the works.

It was with the backdrop of COP28 in Dubai, where countries failed to reach an agreement on further Article 6 guidance ([read IETA's reflections here](#)), that negotiators reconvened at the June UN Climate Conference to try and address the outstanding issues for Article 6. On the agenda were matters relating to authorisation, emission avoidance, registries, and sequencing of reporting and reviews.

The first days kicked off in a constructive and positive manner, with countries providing their views on the draft texts that had been prepared ahead of the meeting, trying to clarify their positions and clean up the options. Fruitful discussions were held on the authorisation of Article 6.4 ERs and the eligibility of emission avoidance activities.

However, as the days went by, it became evident that some of the few critical outstanding issues would require significantly more time and higher-level engagement to be resolved ahead of COP29 in Baku. It also became clear that what was happening in other negotiating rooms – particularly with regards to the new climate finance goal (NCQG), the mitigation work programme (MWP), and the UNFCCC budgetary process – was having an increasing impact on Article 6 discussions, with some countries calling for “balance” in the process and asking to hold back a final decision by ‘bracketing’ all Article 6 conclusion text until agreement could be reached for the other negotiation items.

This resulted in significant delays to the process and diverted attention from some of the technical items that would have benefitted from further discussions in Bonn. After almost 24 hours of around-the-clock high-level meetings between Heads of Delegations, the UNFCCC leadership and the COP presidencies, the session finally came to an end, with the closing plenary adopting the [Article 6.2](#) and [Article 6.4](#) draft conclusion texts.

The conclusions in summary:

1. Clarified that **emission avoidance** is not an eligible activity type under Article 6.2 or 6.4, and the issue will be brought up for consideration by SBSTA again in 2028. The implications of this decision seem to have confused several stakeholders, as it is common in industry jargon to define ‘emission avoidance’ as all activities that do not result in a net carbon removal. The fact that no agreed UN definition of avoidance exists did not help. However, both removals and **emission reductions** are eligible activity types under both Article 6.2 and 6.4 as referenced in the rules. According to



several senior negotiators and the UNFCCC Secretariat, activities that have been eligible for crediting under the CDM and the major independent crediting programmes can be defined as reductions or removals, and will therefore be eligible under Article 6.

2. Countries also clarified that **conservation enhancement** (whose eligibility under 6.4 was still being negotiated) should not be seen as a separate category of activities, but rather as reductions or removals. Decisions regarding the eligibility of specific activities will still be subject of discussion within the 6.4 Supervisory Body (SBM). For cooperative approaches under Article 6.2, the decision will be made by the parties involved.
3. Discussions gave mandate to the UNFCCC Secretariat to define **common nomenclatures for reporting** and to develop a **code of conduct** for the Article 6 expert review teams when reviewing information that is classified as confidential. These initial agreements on “outsourcing” work to the secretariat will help to move forward technical issues and reduce the number of items on the agenda for COP29.
4. It was agreed to hold an **intersessional hybrid workshop** (in October 2024) to make progress on outstanding matters (including authorisations, reporting templates, registries, sequencing of reporting and reviews, application of first transfer, addressing inconsistencies in reports) ahead of COP29.
5. **It was agreed to forward the draft decision texts on [Article 6.2](#) and [Article 6.4](#)** for further consideration at COP29. This is a positive sign as the draft decision texts have been restructured and streamlined with clearer options as compared to Dubai, and countries will be able to continue the work in Baku. However, whilst the text has been cleaned up, very limited progress was made in terms of reaching common understandings and working on bridging proposals to help move towards final decisions.

Discussions continued regarding the transition of activities from the Clean Development Mechanism (CDM), operation of the CDM registry and use of financial resources. As more than 1,000 projects have submitted their prior consideration notification to the UNFCCC Secretariat and the interim mechanism registry is expected to be operational as of October, we may see the first transitioned 6.4 projects by the end of this year. These projects will be issued Article 6.4 ERs for reductions and removals generated from 2021 onwards. Credits can be calculated based on existing CDM methodologies up until the end of 2025, after which the activity will have to adopt an updated 6.4 approved methodology.

An official side-event was also organised by IETA, in partnership with ICC, Neyen and the Government of Nigeria ([recording](#)) on Article 6 implementation. During the event, the lead negotiator from Sweden, David Newell, highlighted the constructive environment in the room and that *“Everyone’s here to play. The potential is there, but there are some important differences we need to get over”*. The Government of Nigeria emphasised the real-world potential of Article 6 in supporting developing countries in their green transition, whilst representatives Hanna Choa Yu from Rabobank and Pedro Carvalho from EcoSecurities outlined the necessity from private sector project proponents to have clarity on authorisations for projects to move forward under Article 6.



Outside of the formal UNFCCC negotiation process, a stakeholder meeting was organised by the A6.4 Supervisory Body (SBM) to receive input on a specific [set of questions](#) relating to removals and methodological requirements, including the relationship between Article 6.4 and 5.2 (REDD+), to which IETA provided input. Consideration of these issues will continue at the next SBM meetings and should lead into recommendations being developed by the SBM for adoption by countries at COP29 in Baku. Considering that negotiators have rejected earlier versions of these two recommendations at both COP27 as well as at COP28 in Dubai, it will be imperative that the SBM address countries' concerns (notably when it comes to the risk of reversals, baseline adjustments, and social and environmental safeguards) to reach an agreement this year in Baku. This will be critical to provide trust for market participants and enable the full operationalisation of the Article 6.4 mechanism.

Importantly, key outstanding issues remain ahead of Baku with regards to:

- 1. Authorisations** – The content, timing, possible changes and revocation that can be made to authorisations of cooperative approaches and ITMOs. As IETA has previously outlined, any such changes and/or revocation must be limited to extreme circumstances, and in some cases not be allowed at all, in order to ensure investor confidence. However, some countries are still advocating for it to be their national prerogative and allowing for revocation even after the transfer or use of ITMOs – something that could cause significant risks for the whole market, not only commercially but in relation to environmental integrity matters, such as consistent reporting, tracking, and avoiding double-counting.
- 2. Registries** – The possibility of countries to transact ITMOs using the international registry set up by the UNFCCC, and the interconnection between the international registry, national (host country) registries, and the Article 6.4 Mechanism registry remain a critical issue. There is considerable divergence between countries, with the US being strongly opposed to making the international registry transactional, and we expect this matter to need political level interventions to be resolved at COP29. On this matter, IETA has argued that countries should be able to adopt the approach to registries they consider more appropriate (through a national registry or relying on independent programme registries), as both can be conducive to well-designed carbon markets when implemented correctly. Nations lacking the resources or appetite to build their own registry should be able to have access to a suitable registry. While discussions on the nature and functionality of the UNFCCC “international registry” remains contentious, several registry solutions are offered to countries at limited or no cost by multilateral institutions, private sector players, and NGOs.
- 3. Sequencing of Reporting and Reviews, and Addressing Inconsistencies** – These issues deal with the question of the timing of reporting in relation to one of the Article 6.2 technical expert review (TER), as well as the process and impacts of identifying, notifying and correcting inconsistencies. For example, can a country transact ITMOs before the conclusion of the TER for a cooperative approach, and how would any significant inconsistencies be addressed? While some progress was made on clarifying these issues in Bonn, there are still several options that negotiators would have to discuss in detail. While negotiations drag on, lack of clarity on the matter and the potential of a multi-year authorisation process for ITMOs may affect project development and dampen investors' willingness to finance Article 6 projects.

To resolve these highly complex matters, IETA expects a need for significant intersessional engagement, both at technical and political level, in order to facilitate an agreement in Baku. As previously reported by experts and commentators, Article 6 negotiations have stalled around a fundamental disagreement over what is needed to deliver effective international carbon markets (see e.g. [Streck, 2024](#)). Some negotiating blocs would like to see more top-down “control” over Article 6 approaches and ITMOs. Others favour a “light-touch” approach where key decisions are made by individual nations and market participants. While technical discussions can partially bridge the differences, politics will probably determine the ultimate fate of this disagreement.

Conclusion

IETA has long outlined the potential for [international carbon market mechanisms and cooperative approaches under Article 6](#) to channel carbon finance and raise NDC ambition in this critical decade. Whilst IETA welcomes the constructive spirit and the progress made in Bonn, we emphasise the need for continued work and political engagement ahead of COP29 in order to resolve the few critical outstanding issues. The text still includes a significant number of brackets and options. Between now and COP29, countries need to engage informally and in good faith to seek constructive outcomes. Whilst Article 6.2 is already operational and a growing number of countries are engaging in cooperative approaches ([see our tracker here](#)), we cannot have another failure to finalise guidance in Baku and risk nullifying ongoing implementation efforts. We fear such a prospect may result in market participants starting to lose trust in Article 6, therefore failing to generate the extent of climate funding needed to meet the Paris Agreement goals.

We look forward to continuing our support to the process and contributing with our nearly 350 members and 25 years’ expertise in carbon markets.

