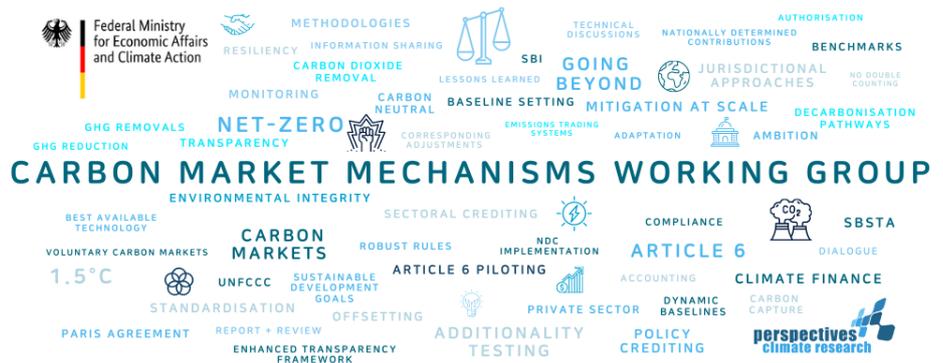


# 01|2022 Newsletter

## Carbon Market Mechanisms Working Group



### Introducing the CMM-WG work plan for 2022

On 23 February 2022, the first meeting of the Carbon Market Mechanisms Working Group (CMM-WG) took place at which the draft 2022 work plan for the WG was discussed. Feedback shared by present CMM-WG members was taken up and incorporated in the final version of the work plan.

The final workplan foresees the following events and meetings until August 2022:

- Three technical workshops
- One (in-person) meeting at/after the 56th session of the subsidiary bodies in June 2022
- Side events at the MENA Climate Week and potentially other regional climate weeks and at Innovate4Climate in May

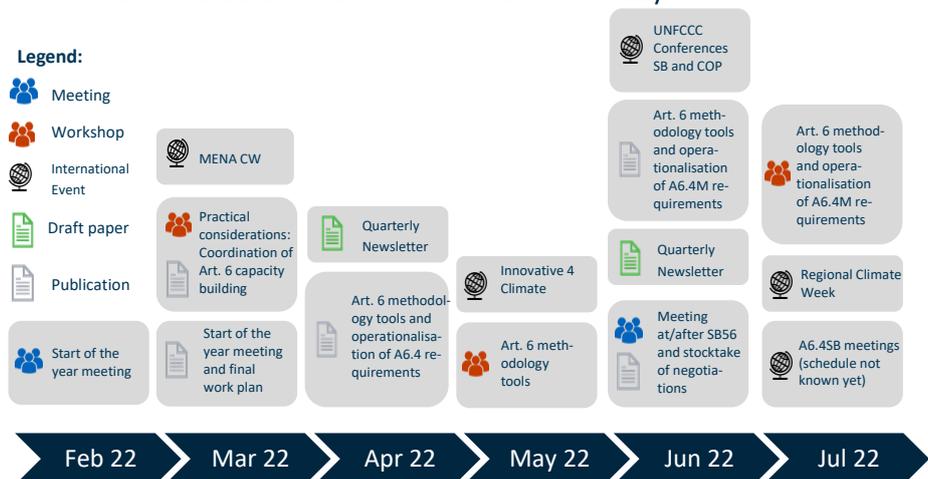


Figure 1: Work Plan for 2022

The overall objective for the upcoming months is to strengthen the expert dialogue on technical aspects of regulating and implementing market-based cooperation under the Paris Agreement (Article 6.2 and 6.4), including compliance, offsetting, and climate finance purposes. The focus thereby lies on programmatic and up-scaled approaches to crediting. To this end, technical workshops will be organised in the context of the CMM-WG to foster an intimate and informal space for carbon

experts to discuss technicalities regarding the operationalisation and scaling up of ambitious carbon market instruments.

The first workshop of 2022 was already held in March, focusing on practical considerations for the coordination of Article 6 capacity-building efforts. The next workshops, concentrating on the development of Article 6 methodology tools and the operationalisation of Article 6.4 requirements, will be held in May and July 2022.

As a basis for the workshop discussions, Perspectives will prepare input papers that are complemented and revised based on the contributions made by speakers and participants as well as feedback provided by CMM-WG members.

In general, the 2022 work plan specifies three focus areas for the CMM-WG:

OPERATIONALISATION of the quality requirements of the A6.4M	PRACTICAL CONSIDERATIONS beyond the official SBSTA/CMA work programme	REACTIONS to inputs from CMM-WG members on technical challenges
<ul style="list-style-type: none"><li>Operationalisation of links to NDCs and increase of ambition</li><li>Development of methodological requirements and operationalisation of methodological principles &amp; approaches to set baselines and determine additionality.</li></ul>	<ul style="list-style-type: none"><li>Coordination of Art. 6 CB</li><li>Interplay of Art. 6 accounting rules, NDC targets, NDC implementation periods and crediting periods</li><li>Market stabilisation instruments</li><li>Equitable sharing of mitigation outcomes</li><li>Role of domestic carbon pricing for ambition raising and link to discussion on non-authorised A6.4ERs</li></ul>	<ul style="list-style-type: none"><li>Transparency on the integrity of market-based cooperation</li><li>Finance raised by Article 6 cooperation (share of proceeds, administrative costs, and adaptation finance)</li><li>National institutions and arrangements</li></ul>

## I<sup>st</sup> Technical expert workshop: Coordination of Article 6 capacity building

On 21 March 2022, the first technical workshop of the year took place. Multiple speakers from different capacity building (CB) initiatives were invited to reflect on their efforts in this space. The speakers provided input on the issue areas that should be prioritised by Article 6, which CB formats are the most effective ones, the challenges so far, and how Article 6 CB efforts can be better coordinated.

Four priority areas for CB were identified by the workshop speakers:

- Understanding the rationale and role of Article 6 in raising ambition in the context of NDCs and the long-term goals of the Paris Agreement, including integration of Article 6 cooperation in broader NDC implementation plans and developing Article 6 strategies for both hosts and buyers;
- setting up and implementing national institutions, infrastructure and processes for Article 6 cooperation, including the authorisation of internationally transferred mitigation outcomes (ITMOs), the application of corresponding adjustments (CAs), reporting processes and national criteria for eligible activities and sustainable development, as well as their integration into broader national processes;
- developing technical expertise for Article 6 activity design and auditing, as well as national emission trajectories and activity criteria; and
- developing legal and commercial expertise for Article 6 transactions, including for bilateral agreements and Mitigation Outcome Purchase Agreements.

Regarding effective and sustainable CB formats, speakers noted that especially structured, long-term programmes targeting the right people, is more effective than ad hoc CB such as one-off workshops. CB should be tailored to the specific needs of the target groups including in-depth technical courses for technical experts on specific issues and university programmes to educate new generations of local professionals. Guidebooks, courses, and workshops play an important role in CB but have their limitations and must be complemented with peer-to-peer engagement and 'learning by doing' formats. In this regard, Article 6 piloting was highlighted as a key format for 'learning by doing' and showcasing real-life experiences and good practice.

Various CB challenges were raised including participants' differences in technical capacities and CB needs across countries and actors, the lack of awareness of the opportunities and benefits of engaging in carbon markets and the small size of teams working on Article 6 issues in governments.

Ultimately, robust Article 6 cooperation will require collaboration between public and private stakeholders, hosts and buyers, and national and international peers. Universities, think-tanks and other knowledge development institutions will play an important role in promoting technical capacity for activity development, including by training a new generation of young local professionals. To enhance the coordination of Article 6 CB, the following aspects were raised:

- Regional coordination of CB starts at the national level, meaning that countries need to clarify their Article 6 priorities and needs for support, including for the integration of Article 6 into NDC and sustainable development plans and the enhanced transparency framework.
- A mapping of activities and actors at the national and regional level helps to avoid duplications, promotes synergies and complementary actions. Regional Collaboration Centres could be strengthened to promote information dissemination among public and private stakeholders.
- International and regional efforts such as the Regional Climate Weeks, the Nairobi Framework, Innovate4Climate and the COPs have been useful for promoting the coordination and knowledge sharing across CB efforts. Effective CB should consist of a mix of both, formal events and platforms, and also informal networks and personal relationships.
- There is room for improvement for sharing the successes as well as challenges of Article 6 piloting, bringing together public and private carbon market actors more regularly and apply a more open-source approach to publishing and sharing tools and best practices and coordinating across initiatives and donors. A repository for information and tools from the different initiatives could support coordination.

The insights shared by the WS speakers have been incorporated in the accompanying discussion paper which can be accessed [here](#).

## Side event at MENA Climate Week

On 31 March, a virtual CMM-WG side event was held at MENA Climate Week. The event that featured seven panellists addressed the question: “What does the Article 6 rulebook mean for the MENA region?”.

The moderator, Hanna-Mari Ahonen from Perspectives opened the event by outlining the stringent Article 6 rules agreed at COP26. This was followed by an intervention from Perumal Arumugam from the UNFCCC Secretariat who explained how the UNFCCC’s capacity building programme will support host countries in getting ready for Article 6.

Regarding ongoing efforts to build Article 6 readiness in the MENA region, Afef Jaafar from the National Agency for Energy Conservation explained how Tunisia builds on its experiences with the development of Clean Development Mechanism projects and Nationally Appropriate Mitigation Actions. She noted that Tunisia has developed a portfolio of projects potentially eligible for Article 6 cooperation and is building readiness for the use of carbon market instruments. Mari Luomi from the King Abdullah Petroleum Studies and Research Center (KAPSARC) in Saudi Arabia first highlighted past experiences with carbon markets and more recent developments including the establishment of the voluntary carbon credit trading platform in the Gulf Cooperation Council (GCC) region. Subsequently, she explained what role research can play in supporting carbon markets and in this context, introduced the new project on carbon markets and Article 6 at KAPSARC. Mischa Classen from the KliK Foundation explained the different types of support that are provided by the foundation’s support programme for (potential) Article 6 activities and outlined its success factors. He highlighted that there are ongoing Article 6 activities in Morocco and that there is an interest in cooperation in Tunisia.

Connecting the dots, Aglaja Espelage from Perspectives noted that the CMM-WG is an option for engagement on Article 6 operationalisation for government actors, technical experts and financial institutions including for actors from the MENA region. Subsequently, Thomas Forth from the German Federal Ministry for Economic Affairs and Climate Action highlighted the key issues in the Article 6 work programme such as the implementation of the Article 6 infrastructure until COP28 as well as reporting processes. He further noted the importance of the revision of methodologies and the building of capacities by the Article 6.4 Supervisory Body.

## Outlook

The next workshop of the CMM-WG will take place on **4 May 2022 from 1:30 – 3:00 pm (CEST)**. The workshop will focus on the development of an Article 6 tool to assess the additionality of mitigation activities. An agenda will be shared as the event approaches. You can already register for the upcoming WS under this link: <https://us02web.zoom.us/meeting/register/tZlucyurj4sHdRxFrhU2L8ThSShDxY6XWmK>

**We look forward to seeing you at the next CMM-WG workshop!**