



**Host Country Authorizations under Article 6 Paris Agreement:
Conceptual Considerations and Models**

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Executive Summary

Building on the experience with mechanisms under the Kyoto Protocol, this briefing note examines the different types of host country approvals necessary for a transaction under Article 6.2 and Article 6.4 Paris Agreement (PA).

It discusses the differing scopes of authorizations and contextualizes the Article 6 PA instruments with respect to their position under the nationally determined contributions (NDCs) of the host country and the investor country.

The point of departure for a host country letter of approval is similar to what it was within the Kyoto mechanisms: It contains the approval of a particular intervention and the authorization of non-state actors, where the intervention is not operated directly by a Party.

However, the need to define the use of a mitigation output (Article 6.2 PA) or of certain emission reductions generated (Article 6.4 PA) towards an NDC, and the flexibility that comes with it, is novel. The host country may decide to retain the right of use for itself (Article 6.4 PA), transfer it to an investor country in exchange for a “corresponding adjustment” (Articles 6.2 and 6.4 PA), or declare the transaction target altogether non-usable for NDC purposes (Articles 6.2 and 6.4 PA).

There is also a common sphere between the two instruments. On the one hand, Article 6.4 PA may be implemented as a mechanism in its own right (and even unilaterally). On the other hand, in case the emission reductions achieved are meant to be used by another Party – an investor country – for NDC purposes, it becomes a cooperative approach in the meaning of Article 6.2 PA.

Model letter of approvals (LoAs) for an Article 6.4 PA operation and an Article 6.2 PA transfer are provided both in clean and commented form. They each include different options (referred to as “modes”) as follows:

LoA Article 6.2 PA:

- **MODE A:** Investor country receives mitigation outcome for NDC use.
- **MODE B:** Mitigation outcome may not be used by either host country or investor country.

LoA Article 6.4 PA:

- **MODE A:** Host country retains the rights to emission reductions.
- **MODE B:** Investor country receives emission reductions for NDC use.
- **MODE:** Neither host country nor investor country may use the emission reductions achieved.

Table of Content

Table of Content	5
2. Objective	6
3. Background	6
4. The Kyoto Precedents	7
4.1. <i>CDM Precedent</i>	7
4.2. <i>JI Precedent</i>	8
5. Authorizations under Article 6 Paris Agreement	10
5.1. <i>Authorizations under Article 6.2 PA</i>	10
5.2. <i>Authorizations under Article 6.4 PA</i>	12
6. Model Language	14
6.1. <i>Work Model I: Approval Notice under Article 6.2 PA</i>	15
6.2. <i>Work Model II: Approval Notice under Article 6.4 PA</i>	15
7. Annotated Versions	20

1. Objective

This briefing note examines the different types of host country approvals necessary for a transaction under Article 6.2 and Article 6.4 Paris Agreement. It builds on the experience with host country approvals under the Kyoto project-based mechanisms, the Clean Development Mechanism and Joint Implementation, and it proposes tentative approval templates.

2. Background

Article 6.3 of the Paris Agreement lays down that the use of internationally transferred mitigation outcomes is voluntary and that it must be *authorized* by participating Parties. Similarly, Article 6.4 in conjunction with para. 37 (a) of the Paris Decision subjects participation in the new emission reduction mechanism to the *authorization* of Parties. A Party can also decide through specific authorization that non-state actors can participate.

Authorization of government-to-government emissions transfers and of participation in emission reduction mechanisms is not a new concept within the UNFCCC. The Kyoto Protocol (KP) included obligation authorizations for both Joint Implementation (JI) under Article 6 KP and the Clean Development Mechanism (CDM) under Article 12 KP. Authorizations were always designed in a reciprocal way. Both the country in which a particular activity was implemented – the “host country” – as well as the country financing the activity with the objective of receiving emission reductions – the “investor country” – had to approve the project and the participation of non-state actors.

Despite the similarities, however, there are notable differences in the scope of authorizations between the Kyoto mechanisms and the Paris Agreement. Article 6.2 PA is vague on the specific object of the authorization. In a narrow reading, it may target the transaction for accounting purposes only. In a wider reading, it would aim at both the transaction and the mitigation activity, which must promote sustainable development.

Article 6.5, on the other hand, adds a decision layer to the authorization process of countries in the context of Article 6.4. Emission reductions generated under the mechanism need to be allocated to the nationally determined contribution (NDC) of either the host country or the investor country.

Relevant implementing provisions are still outstanding. The Paris Rulebook is to be adopted at the end of this year during the 24th session of the Conference of the Parties (COP 24) and the third session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 3). This note aims at conceptualizing future approval procedures under Article 6.2-6.5 PA and provides a “Host Country Letter of Approval” blueprint for further discussion among negotiators.

Methodologically, the note will first recapitulate the practice of project authorizations under the Kyoto Protocol (chapter 3), before exposing common features and gaps of the existing practice vis-à-vis Article 6 of the Paris Agreement (chapter 4). The comparison is meant to prepare tentative blueprint versions developed in chapter 5, with annotations included in chapter 6.

3. The Kyoto Precedents

The Kyoto Protocol includes three flexible mechanisms, JI (Article 6), the CDM (Article 12) and International Emissions Trading (Article 17). While Article 17 transactions were rarely used, JI project counts have been in the hundreds, and CDM project counts have been in the thousands. If not across countries, approval processes for CDM and/or JI were widely standardized within the regulatory regimes of countries.

3.1. CDM Precedent

Article 12 of the Kyoto Protocol defines that CDM participation is voluntary. It requires for each project activity that it is approved by each Party involved. Decision 17/CP.7¹ further specifies that a project can only be validated, if participants in a project receive the *written* approval of both the host country and the investor country as well as the confirmation by the host country that the project activity concerned assists in achieving sustainable development. Such approval, said decision outlines, has to be issued by a country's designated national authority (DNA). Thus, country must establish a DNA before it can engage in the CDM.

The DNA also is responsible for granting authorizations to non-state actors for engaging in the CDM. Project approval and authorization of participation are almost always done within the same document, the "letter of approval" or "LoA".

In practice over time, most countries have not only established DNAs, but they have developed dedicated administrative procedures for the approval of CDM projects. The development of stringent domestic institutional structures and procedures for the promotion of CDM projects proved both a major bottleneck (particularly in Africa)² as well as a lasting achievement of global CDM engagement.³ Several countries were particularly successful at combining lean approval processes with smart and informed governance tools to steer CDM action in economic priority sectors as defined by the government.⁴

Investor countries focused, for their approval, on the consistency with CDM processes and the absence of environmental harm.⁵ Several investor countries⁶ also established exclusion lists banning certain project

¹ Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, para. 40 (a).

² Desanker, P., The Kyoto Protocol and the CDM in Africa: a good idea but..., *Unasylva* 222, 24 (2005), at <http://www.fao.org/tempref/docrep/fao/009/a0413e/a0413E05.pdf>.

³ Streck, C., Expectations and Reality of the Clean Development Mechanism, in: Stewart, R. / Kingsbury, B. / Rudyk, B., *Climate Finance: Regulatory and Funding Strategies for Climate Change and Global Development* (2009).

⁴ Shishlov, I. / Bellassen, V., 10 Lessons from 10 Years of the CDM, *CDC Climat Climate Report* (2012), at http://www.cdclimat.com/IMG/pdf/12-10-05_climate_report_37_-_10_lessons_from_10_years_of_cdm.pdf.

⁵ E.g. Germany: Act on the introduction of project-based mechanisms in accordance with the Kyoto Protocol to the United Nations Framework Convention on Climate Change of 11 December 1997, at https://www.dehst.de/SharedDocs/downloads/EN/legislation/ProMEchG.pdf?__blob=publicationFile&v=3.

⁶ E.g. Australia: National Guidelines and Procedures for Approving Participation in Clean Development Mechanism Projects (2015), at <https://www.environment.gov.au/system/files/pages/16a3866f-851c-4800-9574-b2f4af8bb952/files/clean-development-mechanism-projects-guidelines.pdf>; for human rights reservations see Schweizerische Eidgenossenschaft, *Clean Development Mechanism (CDM) and Joint Implementation (JI) Projects* (Bern 2014);

types such as large-scale hydro projects, nuclear projects, and forestry projects, and allowed for restrictions on the basis of human rights violations or a project participant’s inclusion in the UN Sanctions List.

A standard CDM host country LoA looks as follows:⁷

[DNA Credentials]

Letter of Approval
[Name of the project]

I wish to refer to the request by [Project Sponsor] that the above-mentioned project be considered for funding by _____

As authorized representative of the designated national authority for the Clean Development Mechanism of [host country] I hereby:

- 1. Endorse the further development of the [Project] (“Project”) and approve the project for the purpose of Article 12 of the Kyoto Protocol;*
- 2. Confirm that the Project assists [host country] in achieving sustainable development; and*
- 3. Approve of the voluntary participation of [Project Sponsor] (“Project Sponsor”) and [another project participant] in the Project.*

By this endorsement and approval [host country] is committing itself to render such assistance as may be necessary in the future registration, certification, issuance, and transfer for the purposes of the UNFCCC and the Kyoto Protocol, of the certified emission reductions (CERs) generated by the Project. For this purpose, the designated national authority will cooperate with the CDM Executive Board, designated operational entities, the Project Sponsor and [other participant] and facilitate the processes under Article 12 of the Kyoto Protocol, with the objective of achieving issuance and transfer of CERs from the Project.

[Host Country] also confirms that the Project Sponsor is authorized to enter into project agreements with regard to the Project, which may include the purchase and sale of greenhouse gas emission reductions generated by the Project.

This letter of approval is done in [two] originals in the English language.

3.2. JI Precedent

Just as the CDM, JI is a voluntary mechanism, with each Party involved having to approve a project before it can be considered under the flexibility mechanism (Article 6.1 (a) Kyoto Protocol). And again, non-state actors can engage as long as they are authorized by the Parties (Article 6.3 Kyoto Protocol). The implementing decision⁸ specifies that a Party must set up a designated focal point (DFP) for approving projects.

⁷ Cf. World Bank Carbon Finance, Draft Model (with the author).

⁸ Decision 16/CP.7: Guidelines for the implementation of Article 6 of the Kyoto Protocol.

While the perspective of the investor country is similar in both CDM and JI, the perspective of the JI host country is specific. JI projects were developed within a country’s quantified emission limitation and reduction obligation (QUELRO), i.e. any credits (Emission Reduction Units or “ERUs”) were drawn (in converted form) from the fixed emissions budget (Assigned Amount Units or “AAUs”). The host country, thus, had a particular interest in adding protections to its authorization procedures. As any project activity would deplete the host country AAU budget, the key protection layer consisted in a strict application of the concept of additionality. Only projects that made a real and supplementary difference to the host country’s baseline emissions, in this perspective, warranted an authorization. While such projects caused a depletion of the AAU budget, they also reduced overall emissions by the same amount. By contrast, authorizing projects with no or a dubious claim to additionality would de facto create a liability for the host country.

Another layer of protection consisted in imposing strict crediting timeframes, the end date usually coinciding with the end date of the first commitment period (31 December 2012). A second commitment period has not yet entered into force.

A typical JI host country LoA looks as follows:

<p><i>[DFP Credentials]</i></p> <p style="text-align: center;"><i>Letter of Approval</i> <i>[Name of the project]</i></p> <p><i>I wish to refer to the request by [Project Sponsor] that the above-mentioned project be considered for funding by _____</i></p> <p><i>As authorized representative of the designated focal point for Joint Implementation of [host country] I hereby:</i></p> <ol style="list-style-type: none"> <i>1. Endorse the further development of the [Project] (“Project”) and approve the project for the purpose of Article 6 of the Kyoto Protocol; and</i> <i>2. Approve of the voluntary participation of [Project Sponsor] (“Project Sponsor”) and [another project participant] in the Project.</i> <p><i>This Letter of Approval is subject to the following conditions:</i></p> <ol style="list-style-type: none"> <i>1. The approval is limited to the project period starting on ____ until ____ (“Project Period”).</i> <i>2. Prior to determination, the approval by the investor country has to be submitted.</i> <i>3. [Baseline emissions shall be calculated using the following emissions factor: ____]</i> <i>4. [Only the following project activities are eligible for the issuance of emission reduction units (ERUs): ____]</i> <i>5. [During verification, the additionality of emission reductions achieved must be demonstrated as follows: ____.]</i> <p><i>By this endorsement and approval [host country] is committing itself to render such assistance as may be necessary in the future registration, certification, issuance, and transfer for the purposes of the UNFCCC and the Kyoto Protocol, of the emission reduction units (ERUs) generated by the Project during the Project Period. For this purpose, the designated focal point will cooperate with the Joint Implementation</i></p>

Supervisory Committee, accredited independent entities, the Project Sponsor and [another participant] and facilitate the processes under Article 6 of the Kyoto Protocol, with the objective of achieving issuance and transfer of ERUs from the Project.

[Host Country] also confirms that the Project Sponsor is authorized to enter into project agreements with regard to the Project, which may include the purchase and sale of greenhouse gas emission reductions generated by the Project.

This letter of approval is done in [two] originals in the English language.

4. Authorizations under Article 6 Paris Agreement

Voluntary participation of Parties – and the need for Party authorizations – is also at the basis of both the cooperative approaches of Article 6.2 PA and the emission reduction mechanism of Article 6.4 PA.⁹ However, the scope of authorization is distinct in each case.

4.1. Authorizations under Article 6.2 PA

Article 6.3 PA subjects the *use* of internationally transferred mitigation outcomes to host country authorization (alongside the authorization of the investor country). This authorization is more limited in scope than the approval under the CDM (where the Parties had to approve the “voluntary participation” (Article 12.5 (a) KP) or JI, where the emission reduction supply (the “project”) had to be approved (Article 6.1 (a) KP). Also, different from the CDM and JI, Articles 6.2 and 6.3 PA do not expressly foresee the involvement of non-state actors.

In a narrow reading, then, cooperative approaches under Article 6.2 PA would involve a single approval (in each participating country) aiming at the *use* of any transferred mitigation outcome – expressed in tCO₂eq. or otherwise – to the investor country’s NDC.

However, there are good reasons to argue that the approval required under Articles 6.2 and 6.3 PA is wider in scope. Had Parties wanted a replication of Article 17 KP – which allowed abstract emissions trading without reference to any particular intervention – they might as well have used similar language. Instead, the term “mitigation outcome” associates the result of a *specific effort*, an understanding supported by the language of Article 6.2 PA, which requires that any cooperative approach also promotes sustainable development and ensures environmental integrity. This specific effort comes into view, when the use of the mitigation outcome is sanctioned through Party approval.

The specific effort may be a policy measure rather than a concrete activity, yet the cooperative approaches under Article 6.2 PA seem to rely on the linkage between an intervention and a specific mitigation result. Besides, Parties may very well choose to have any transfer of mitigation results accompanied by a specific

⁹ See Article 6.1: “voluntary cooperation”; Article 6.2: “voluntary basis”; Article 6.3: “The use... shall be voluntary and authorized by participating Parties”; Article 6.4: “on a voluntary basis”. See also para. 37 of the Paris Decision, which lays down that the implementing decision for Article 6.4 PA shall be based on, inter alia, “[voluntary] participation authorized by each Party involved”.

intervention, similar to the widespread practice of Kyoto Parties to have transactions under Article 17 KP accompanied by specific “Green Investment Schemes”.

On the side of accounting, the Article 6.3 PA approval seems closer to a JI LoA than to the CDM LoA. The authorization of a credit transfer – the investor country is permitted to use the mitigation outcome towards its NDC – has a debit impact, namely that the host country must make a corresponding adjustment to its own NDC. Accordingly, any host country will be sensitive to the need to clearly define and cap a transfer amount, and specific requirements may be put in place to ensure the additionality of the cooperative approach intervention implemented.

The technical details of how the corresponding adjustment will be made is a technical matter regulated at CMA level. The LoA, by contrast, will decide on the what – e.g. amount of tCO₂eq. – and the timeframe. Given the heterodox structure of NDCs, it is also likely to restrict the NDC fulfilment function to the investor country submitting the investor LoA.

As for the involvement of non-state actors, this is not foreseen *expressis verbis* in Article 6.2 or Article 6.3, but there are indications that a non-state-actor authorization may become part of the Paris Rulebook.¹⁰

The growing importance of non-state actors for realizing the Paris pathway, indeed, leads to the question whether as part of Article 6.2 PA Parties should be able to decide – in their approval letters – that the mitigation outcome in question must not be used for NDC achievement purposes (by neither Party). This question is likely to play an even greater role within the framework of Article 6.4 PA, which may be used as a standard credit source for the offsetting mechanism the International Civil Aviation Organization (ICAO) is developing –the Carbon Offsetting and Reduction Scheme for International Aviation –¹¹ to be operational after 2020 (see below, under Article 6.4 PA).

Article 6 PA does not explicitly refer to a Non-NDC scenario. Yet, it seems to fall squarely in its scope. “Cooperation” in NDC implementation (Article 6.1 PA) is a wide concept suggesting room for a Non-NDC development option. Furthermore, environmental integrity and the avoidance of double counting are the core principles uniting Article 6.2 PA (cooperative approaches) and Article 6.4 PA (emission reduction mechanism). Neither instrument would be protected against the risk of double counting, if Article 6 did not allow for the option to generate a mitigation outcome (Article 6.2) or an emission reduction (Article 6.4 PA) *without serving a particular NDC effort*.

A model LoA for use under Article 6.2 PA, thus, should be able to address the following points:

- Approval of the cooperative approach resulting in a mitigation outcome (specific intervention), including a declaration on the promotion of sustainable development;
- Approval of the international transfer, subject to an LoA from an investor country;

¹⁰ Cf. the latest Draft Text on SBSTA 48-2 agenda item 12 (a): Matters relating to Article 6 of the Paris Agreement: Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (version 1 of 9 September 2018, 02:00 hours), section 37.

¹¹Cf. <https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx> (last accessed on 11 October 2018).

- Approval of the ITMO use towards the NDC of the investor country; or alternatively, approval of the ITMO use towards a non-NDC objective (with the sub-option to specify a particular use, e.g. ICAO/CORSIA);
- Authorization of non-state actors;
- Strict commitment of host country to perform a corresponding adjustment;
- Limitations of approval in terms of transfer amount, timing, submission of investor country LoA, additionality requirements, and other.

4.2. Authorizations under Article 6.4 PA

The mechanism under Article 6.4 PA is more closely aligned with the Kyoto precedents than Article 6.2 PA. While it does not use the Kyoto language of “projects” (Article 6 KP) or “project activities” (Article 12 KP), it does refer to “mitigation activities” (Article 6.4 (c) PA), and the Paris Decision recommends that Parties define “specific scopes of activities”. Such activities may not be restricted to project-based interventions. In fact, Parties could agree (though the current negotiation draft does not suggest this)¹² to set an aggregation threshold that would exclude certain types of projects that were eligible under the CDM and JI.

The question of aggregation aside, however, Article 6.4 clearly links specific interventions to the generation of emission reductions. It is fair to conclude that the approval required for the purpose of Article 6.4 PA applies to the specific intervention as well as the generation of tradable credits. This is the same approach taken by countries in their implementation of Article 6 KP and Article 12 KP.

Importantly, however, Article 6.4 PA adds a new layer of authorization. Parties must decide towards which NDC window they intend to account for the interventions. At the core, this is a binary choice. The Parties involved – say Party A (host country) and Party B (investor country) – decide which of them may “[use the emission reductions] to demonstrate achievement of its nationally determined contribution” (Article 6.5 PA). If the Parties opt for use by the investor country, the host country must not take it into consideration for meeting its own NDC. It is noted in this context that Article 6.5 PA imposes a strict legal obligation (“shall not be used...”).

For each project, an NDC accounting decision must be made, and it is appropriate to include this decision in the Letter of Approval.¹³

Also, as already discussed in the framework of Article 6.2 PA above: There is a strong case for adding a third accounting decision scenario to the binary choice directly reflected in Article 6.5 PA: the instance in which

¹² Cf. the latest Draft Text on SBSTA 48-2 agenda item 12 (b): Matters relating to Article 6 of the Paris Agreement: Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (version 1 of 9 September 2018, 02:00 hours), see section A (Scope of Activities).

¹³ How this decision will be implemented -- accounting towards Party A or towards Party B – on the other hand is a technical issue to be established by CMA. One option would consist in replicating the JI approach: Units transferred under Article 6.4 and Article 6.5 PA are converted from the carbon budget of the host country. Another option would consist in adding virtual units to the inventory emissions of the country.

neither the host country nor the investor country is given the right to consider emission reductions achieved towards their NDC. ICAO's incoming CORSIA mechanism will prioritize units from mechanisms of the UNFCCC and the Paris Agreement. In practice this will most likely mean: units from the centralized mechanisms – Article 6.4 PA and the CDM – as each mechanism must be approved by ICAO (and Article 6.2 PA does not present a single mechanism).

ICAO will also not be the only outside-platform interested in Non-NDC offsets. Non-state actors investing in offset credits under voluntary initiatives¹⁴ may be interested in such units, and so may be the International Maritime Organization (IMO)¹⁵, which recently adopted its Initial Strategy on Reduction of GHG Emissions from Ships. This initial strategy does not yet include a concrete offsetting mechanism but may lead to the creation of one. The LoA model should include enabling language permitting the participating Parties to restrict the use of emission reductions to non-Party purposes.

In this context, furthermore, there is room for the realization of unilateral projects. Unlike Article 6.2 PA, which requires a “cooperative approach” to start with, Article 6.4 PA has no mandatory bilateral element. Article 6.1 PA – as chapeau provision – refers to “voluntary cooperation”; yet, the Article 6.4 mechanism can be seen as a form of multilateral cooperation. The approval from an investor country, then, may not be necessary, unless where emission reductions are to be accounted for towards another NDC.

Finally, it should be noted that this latter scenario – the emission reductions will be used by another Party to achieve that Party's NDC – links back to the bilateral cooperative approaches instrument (Article 6.2 PA): It is, then, an international transfer of mitigation outcome (ITMO), which needs to follow the authorization requirements of both Article 6.4 PA and Article 6.2 PA.

Altogether, a model LoA for use under Article 6.4 PA should be able to address the following points:

- Approval of the specific Activity, including a declaration on the promotion of sustainable development;
- Approval of use of the emission reductions concerned;
- Authorization of non-state actors;
- Choice of use:
 - 1. Host country use;
 - 2. Investor country use (then also transaction in accordance with Article 6.2 PA); or
 - 3. Non-Party use.
- For choices 2 and 3: Strict commitment of host country to perform a corresponding adjustment;
- Limitations of approval in terms of transfer amount, timing, submission of investor country LoA (for some constellations only), additionality requirements, and other.

¹⁴ Cf. Hamrick, K. / Gallant, M., Unlocking Potential, State of the Voluntary Carbon Markets 2017, at <https://www.forest-trends.org/publications/unlocking-potential/> (last accessed on 11 October 2018).

¹⁵ The International Maritime Organization (IMO) adopted its Initial Strategy on Reduction of GHG Emissions from Ships, which does not yet include a concrete offsetting mechanism but may lead to the creation of one, cf. <http://www.imo.org/en/MediaCentre/PressBriefings/Pages/06GHGinitialstrategy.aspx> (last accessed on 11 October 2018).

5. Model Language

In the following, model language is proposed for a host country letter of approval. While it is intended to keep the approval structure for transactions under Article 6.2 PA as closely aligned with the approval structure for Article 6.4 PA transactions, there are certain specific characteristics which argue for the formulation of two separate letter of approval models.

The two models are presented with a number of caveats. First of all, the Paris Rulebook remains to be written, and relevant implementing legislation is not yet available. The models presented reflect the legal core provisions in the Paris Agreement but cannot anticipate what details will be added over time. These details may weigh in on what needs to be included in a letter of approval and in what manner approvals must be made.

Second, there is no practice of Article 6 PA approvals yet from which a consolidated draft could be developed. The models presented are quite literally a *proposal* for negotiators and governments to comment on.

Third, there has been no input from potential host countries on the wording. The text elements are meant as a beginning of a consultation process, not the end result.

With these caveats in mind, the following proposals are designed to reflect different scenarios or options (referred to as “modes”) as well as sub-options (referred to as “options”), namely:

LoA Article 6.2 PA:

- **MODE A:** Investor country receives mitigation outcome for NDC use.
- **MODE B:** Mitigation outcome may not be used by either host country or investor country.
 - Option 1: Generic Non-Party use;
 - Option 2: Specific Non-Party use (e.g. for use under ICAO’s CORSIA).

LoA Article 6.4 PA:

- **MODE A:** Host country retains the rights to emission reductions.
- **MODE B:** Investor country receives emission reductions for NDC use.
- **MODE C:** Neither host country nor investor country may use the emission reductions achieved.
 - Option 1: Generic Non-Party use;
 - Option 2: Specific Non-Party use (e.g. for use under ICAO’s CORSIA).

5.1. Work Model I: Approval Notice under Article 6.2 PA

[Issuing Authority]

Approval Notice
concerning the international transfer of a mitigation outcome
(Article 6.2 Paris Agreement)

[Recipient of Notice:]

[Redacted]

[Location, Date]

Dear Sir / Madam,

[With respect to your request of _____, we issue the following approval notice:]

[With this letter, we present and make public the following approval:]

1. International Transfer of Mitigation Outcome

1.1 The [cooperative approach] [intervention] as further described in Annex I is recognized as generating a greenhouse gas (GHG) mitigation outcome in [host country] and as supporting [host country's] sustainable development.

1.2 In particular, _____ [if host country has specific SDG catalogue to verify].

1.3 The mitigation outcome is accounted for in [tonnes of CO₂eq.] [other].

1.4 We endorse the international transfer of the mitigation outcome resulting from the [cooperative approach] [intervention] to [investor country] [another country] ("Investor Party"), subject to the receipt of a letter of approval authorizing such transfer issued by the Investor Party until _____ at the latest.

1.5 The transfer amount shall be limited to _____ [tCO₂eq.] generated from _____ up until _____.

1.6 You [as well as _____] are authorized to participate in the generation and transfer of the mitigation outcome in question in accordance with paragraph 37 of decision _____.

2. Authorization of Use

- 2.1 **MODE A:** The mitigation outcome transferred may be used by the Investor Party to achieve its nationally determined contribution under the Paris Agreement.
- 2.2 **MODE B:** The mitigation outcome transferred may not be used by the Investor Party or any other Party to achieve any nationally determined contribution under the Paris Agreement.
- 2.3 **MODE B:** However, the mitigation outcome transferred may be used
 - 2.3.1 Option 1: for purposes other than towards achievement of an NDC;
 - 2.3.2 Option 2: [within the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)] [another scheme].

The authorization granted to you under sec. 1.6 extends to such use.

- 2.4 [Host country] will not use the mitigation outcome transferred to demonstrate achievement of its own nationally determined contribution, and [host country] guarantees that a corresponding adjustment be made, by adding or subtracting the mitigation outcome transferred to the level of anthropogenic emissions by sources and/or removals by sink covered in [host country's] nationally determined contribution.

3. Other Provisions (**for consideration**)

- 3.1 The calculation of the [intervention's] mitigation outcome [from the cooperative approach in question] shall be based on the following: _____.
- 3.2 The additionality of the measure shall be demonstrated for each sub-measure during verification, it being understood _____.
- 3.3 You must notify this office once the transfer in accordance with section 1.4 is complete or, at the latest by _____, specifying the status of the transfer, the identity of the transferee and the type of use or the type of the intended use.

This letter of approval is done in [two] originals in the English language.

ANNEX I
Description of the specific [cooperative approach] [intervention] resulting in a mitigation outcome

5.2. Work Model II: Approval Notice under Article 6.4 PA

[Issuing Authority]

Approval Notice concerning the activity “ _____ ” (“Activity”)

implemented in accordance with Article 6.4 Paris Agreement

[Recipient of Notice:]

[Redacted]

[Location, Date]

Dear Sir / Madam,

With respect to your request of _____, we issue the following approval notice:

1. Activity and Participation

- 1.1 The Activity as further described in Annex I is recognized as contributing to the mitigation of greenhouse gas emissions and as supporting sustainable development in [host country].

In particular, _____ [if host country has specific SDG catalogue to verify].

As a result, the Activity may be included in the mechanism referred to in Article 6.4 of the Paris Agreement.

- 1.2 You [as well as _____] are authorized to participate in the Activity in accordance with Article 6.4 (b) of the Paris Agreement.

2. Use of Emission Reductions

- 2.1 **MODE A:** Emission reductions, emission removals and/or avoided emissions resulting from the Activity shall not be used by another Party to the Paris Agreement to demonstrate achievement of its nationally determined contribution as referred to in Article 6.5 of the Paris Agreement.
- 2.2 **MODE A:** [Host country] retains the exclusive right to use the emission reductions resulting from the Activity towards its own nationally determined contribution.

- 2.3 **MODE B**: Emission reductions resulting from the Activity may be used by another Party to the Paris Agreement to demonstrate achievement of its nationally determined contribution as referred to in Article 6.5 of the Paris Agreement.
- 2.4 **MODE C**: Emission reductions resulting from the Activity may not be used to demonstrate achievement of any nationally determined contribution as referred to in Article 6.5 of the Paris Agreement, including that of the [host country]. Instead, they may only be claimed and/or used
- 2.4.1 OPTION 1: by persons or entities outside the scope of any Party's nationally determined contribution.
- 2.4.2 OPTION 2: [within the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)] [another scheme]
- 2.5 **MODE B** and **MODE C**: This transfer of use applies to the
- 2.5.1 first ____ tCO₂eq. in emission reductions generated by the Activity prior to 1 January 2026 (“**Transfer Amount I**”);
- 2.5.2 first ____ tCO₂eq. in emission reductions generated by the Activity prior to 1 January 2031 (“**Transfer Amount II**”);
- 2.6 **MODE B** and **MODE C** [Host country] will not use the emission reductions concerned to demonstrate achievement of its own nationally determined contribution., and [host country] guarantees that a corresponding adjustment be made, by adding or subtracting Transfer Amount I and Transfer Amount II to the level of anthropogenic emissions by sources and/or removals by sink covered in [host country's] nationally determined contribution up until 31 December 2025 and 31 December 2030, respectively.

3. Conditions Precedent:

- 3.1 You must register the Activity with the Supervisory Board by ____ at the latest (“**Registration Deadline**”).
- 3.2 [**MODE B only**] The other participating Party (“**Investor Party**”) must authorize the use of the emission reductions resulting from the Activity by the Registration Deadline.

4. Term

- 4.1 The authorization as laid out in sections 1 and 2 above applies to emission reductions achieved by the Activity between [redacted] and 31 December 2030.

5. [MODE B only] Cooperative Approaches (Article 6.2 PA)

- 5.1 This approval notice also represents [host country's] authorization in accordance with Articles 6.2 and 6.3 of the Paris Agreement.

6. Other Provisions (for discussion)

- 6.1 [MODE B only] Upon the transfer of any amount of emission reductions to the Investor Party, you must permanently retire an equivalent of [1/10th] of such amount in emission reductions generated by the Activity, by another activity implemented under the mechanism referred to in Article 6.4 of the Paris Agreement, or by a project or program implemented under the mechanisms of the Kyoto Protocol.
- 6.2 [Activity Specifics, e.g. For the calculation of emission reductions, methodology _____ – as approved by the Supervisory Body – must be used.]
- 6.3 [Reporting obligations].

This letter of approval is done in [two] originals in the English language.

ANNEX I: Activity Description

6. Annotated Versions

For ease of reading and discussion, in the below a commented version of the two work models is presented.

6.1. Work Model I: Approval Notice under Article 6.2 PA

<p>Issuing Authority</p>	<ul style="list-style-type: none"> National authority/focal point as per para. 38 (e) of the Draft CMA decision containing draft guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (“CMA Decision 1”).
<p>Approval Notice concerning the international transfer of a mitigation outcome (Article 6.2 Paris Agreement)</p>	<ul style="list-style-type: none"> Integrated Letter of Approval covering all required approvals and authorizations of the host country The PA expressly foresees an approval for the use of internationally transferred mitigation outputs (ITMOs) only (Article 6.3); However, Article 6.2 defines more broadly the engagement in cooperative approaches as a whole as voluntary, and the concept of “mitigation outcome” argues for a mandatory link between a specific intervention and the transfer; The Draft LoA draws on Article 6.2 to outline four distinct approval layers: <ul style="list-style-type: none"> Approval of the measure underlying a specific mitigation outcome; Approval of the international transfer; Approval of use towards a foreign NDC; Authorization of participation of non-state actors; The participation of non-state actors is foreseen under paragraph 37 of the draft implementing decision on Art. 6.2;
<p>[Recipient of Notice:] _____</p>	<ul style="list-style-type: none"> Replicating the practice from the Clean Development Mechanism (CDM) and Joint Implementation (JI), a non-state actor (in the wide meaning of the Paris Agreement, i.e. including sub-national authorities) would propose a mitigation measure and ask for a letter of approval; this non-state actor would be the recipient of the notice; In case the central government is the proponent of the measure (e.g. a national emissions trading scheme whose mitigation outcome is traded internationally), the government authority in charge of organizing the ITMO would be the recipient of the notice;

<p>[With respect to your request of _____, we issue the following approval notice:]</p> <p>[With this letter, we present and make public the following approval:]</p>	<ul style="list-style-type: none"> • The standard process would consist in the relevant proponent submitting an approval request; • As an exception, in case the central government is responsible for the measure and the transfer, the issuing authority – representing the government – could issue the letter of approval independently;
<p>1. International Transfer of Mitigation Outcome</p>	<ul style="list-style-type: none"> • ITMO as the central structuring element.
<p>1.1 The [cooperative approach] [intervention] as further described in Annex I is recognized as generating a greenhouse gas (GHG) mitigation outcome in [host country] and as supporting [host country’s] sustainable development.</p>	<ul style="list-style-type: none"> • Approval of the underlying measure; • Confirmation of the sustainable development benefit.
<p>1.2 In particular, _____ [if host country has specific SDG catalogue to verify].</p>	<ul style="list-style-type: none"> • Depending on the practice of the host country, the sustainable development contribution can be further defined.
<p>1.3 The mitigation outcome is accounted for in [tonnes of CO₂eq.] [other].</p>	<ul style="list-style-type: none"> • This will also be explained in the Annex; however, it may be useful to stress the mitigation and transfer metric within the LoA main text.
<p>1.4 We endorse the international transfer of the mitigation outcome resulting from the [cooperative approach] [intervention] to [investor country] [another country] (“Investor Party”), subject to the receipt of a letter of approval authorizing such transfer issued by the Investor Party until _____ at the latest.</p>	<ul style="list-style-type: none"> • The transfer of the mitigation outcome is approved independently from the ITMO use, as the use may be different from case to case; • The approval is conditioned on the receipt of an investor country LoA.
<p>1.5 The transfer amount shall be limited to _____ [tCO₂eq.] generated from _____ up until _____.</p>	<ul style="list-style-type: none"> • Limitation of the transfer amount.
<p>1.6 You [as well as ___] are authorized to participate in the generation and transfer of the mitigation outcome in question in accordance with paragraph 37 of decision _____.</p>	<ul style="list-style-type: none"> • Option to have non-state actors participate in the cooperative approach; • This is not explicitly foreseen in the PA or the Paris Decision, but draft implementation legislation suggests it.

<p>1. Authorization of Use</p>	<ul style="list-style-type: none"> • ITMO use as the second central element; • The following text includes different options (“Modes”) and sub-options (“Option1” and “Option 2”).
<p>2.1 MODE A: The mitigation outcome transferred may be used by the Investor Party to achieve its nationally determined contribution under the Paris Agreement.</p>	<ul style="list-style-type: none"> • Standard mode as reflected in Article 6.3 PA;
<p>2.2 MODE B: The mitigation outcome transferred may not be used by the Investor Party or any other Party to achieve any nationally determined contribution under the Paris Agreement.</p>	<ul style="list-style-type: none"> • Additional option to address the need for non-Party usage (non-state actors such as private parties or non-Paris stakeholders such as ICAO) of mitigation outcomes; • This requires first that the host country bans the use of a specific ITMO for NDC purposes; • And second, it requires the definition of an additional purpose (see next, 2.3).
<p>2.3 B: However, the mitigation outcome transferred may be used</p> <p>2.3.1 Option 1: for purposes other than towards achievement of an NDC;</p> <p>2.3.2 Option 2: [within the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)] [another scheme].</p> <p>The authorization granted to you under sec. 1.6 extends to such use.</p>	<ul style="list-style-type: none"> • This provision includes two sub-option: <ul style="list-style-type: none"> ◦ 1. The use for any purpose other than NDC fulfilment; and ◦ 2. A specific use only (such as for ICAO/CORSIA); • The authorization of use must be given (Article 6.3 PA, mutatis mutandis).
<p>2.4 [Host country] will not use the mitigation outcome transferred to demonstrate achievement of its own nationally determined contribution, and [host country] guarantees that a corresponding adjustment be made, by adding or subtracting the mitigation outcome transferred to the level of anthropogenic emissions by sources and/or removals by sink covered in [host country’s] nationally determined contribution.</p>	<ul style="list-style-type: none"> • Guarantee to perform a corresponding adjustment; • Particular language is informed by the EU submission of 5 October 2018 (“Views on Accounting”).
<p>3 Other Provisions</p>	<ul style="list-style-type: none"> • Other Provisions; • There is wide discretion on these points; • They may be used to secure additionality or to impose specific reporting notifications (though with accurate registries, those may not be necessary).

<p>3.1 The calculation of the [Activity's] mitigation outcome [from the cooperative approach in question] shall be based on the following: _____.</p>	<ul style="list-style-type: none"> • Optional requirements for mitigation outcome calculation.
<p>3.2 The additionality of the measure shall be demonstrated for each sub-measure during verification, it being understood _____.</p>	<ul style="list-style-type: none"> • Optional additional test (for programs).
<p>3.3 You must notify the following office once the transfer in accordance with section 1.4 is complete or, at the latest by _____, specifying the identity of the transferee and the type of use or the type of the intended use: [contact details].</p>	<ul style="list-style-type: none"> • Optional reporting obligation
<p>This letter of approval is done in [two] originals in the English language.</p>	<ul style="list-style-type: none"> • Depending on the number of participants, the letter may be issued in one or several originals.
<p>ANNEX I: Description of the specific [cooperative approach] [intervention] resulting in a mitigation outcome</p>	<ul style="list-style-type: none"> • Description of intervention

1.1. Work Model II: Approval Notice under Article 6.4 PA

Issuing Authority	<ul style="list-style-type: none"> National authority as per para. 48 (d) of the Draft CMA decision containing draft rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (“CMA Decision 2”).
Approval Notice concerning the activity “_____” (“Activity”) implemented in accordance with Article 6.4 Paris Agreement	<ul style="list-style-type: none"> Integrated Letter of Approval covering all required approvals and authorizations of the host country <ul style="list-style-type: none"> Approval of the activity; Approval of use of emission reductions; Authorization of participation of non-state actors;
[Recipient of Notice:] _____	<ul style="list-style-type: none"> Replicating the practice from the Clean Development Mechanism (CDM) and Joint Implementation (JI), a non-state actor (in the wide meaning of the Paris Agreement, i.e. including sub-national authorities) would usually propose an activity and ask for a letter of approval; this non-state actor would be the recipient of the notice.
With respect to your request of _____, we issue the following approval notice:	<ul style="list-style-type: none"> The standard process would consist in the relevant proponent submitting an approval request;
1. Activity and Participation	<ul style="list-style-type: none"> First core section on approvals of measure and participation
The Activity as further described in Annex I is recognized as contributing to the mitigation of greenhouse gas emissions and as supporting sustainable development in [host country].	<ul style="list-style-type: none"> Specific description of emission reduction measure (“Activity”); Confirmation that Activity promotes sustainable development.
In particular, _____ [if host country has specific SDG catalogue to verify].	<ul style="list-style-type: none"> Depending on the practice of the host country, the sustainable development contribution can be further defined.
As a result, the Activity may be included in the mechanism referred to in Article 6.4 of the Paris Agreement.	<ul style="list-style-type: none"> Specific approval of country participation in the measure.
You [as well as _____] are authorized to participate in the Activity in accordance with Article 6.4 (b) of the Paris Agreement.	<ul style="list-style-type: none"> Authorization of non-state actors to participate.
2. Use of Emission Reductions	<ul style="list-style-type: none"> Second core section on use of ERs and corresponding adjustments;

	<ul style="list-style-type: none"> • Different options (called “Modes”) and sub-options (“Option 1” and “Option 2”)
<p>MODE A: Emission reductions, emission removals and/or avoided emissions resulting from the Activity shall not be used by another Party to the Paris Agreement to demonstrate achievement of its nationally determined contribution as referred to in Article 6.5 of the Paris Agreement.</p> <p>MODE A: [Host country] retains the exclusive right to use the emission reductions resulting from the Activity towards its own nationally determined contribution.</p>	<ul style="list-style-type: none"> • Mode A: ERs will be used by host country.
<p>MODE B: Emission reductions resulting from the Activity may be used by another Party to the Paris Agreement to demonstrate achievement of its nationally determined contribution as referred to in Article 6.5 of the Paris Agreement.</p>	<ul style="list-style-type: none"> • Mode B: ERs for use by another Party.
<p>MODE C: Emission reductions resulting from the Activity may not be used to demonstrate achievement of any nationally determined contribution as referred to in Article 6.5 of the Paris Agreement, including that of the [host country]. Instead, they may only be claimed and/or used</p> <p>OPTION 1: by persons or entities outside the scope of any Party’s nationally determined contribution.</p> <p>OPTION 2: [within the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)] [another scheme]</p>	<ul style="list-style-type: none"> • Mode C – Option 1: ERs for use by non-state actors or non-Parties; • Mode C – Option 2: ERs for use in a specific context (e.g. ICAO).
<p>MODE B and MODE C: This transfer of use applies to the</p> <p>first ____ tCO₂eq. in emission reductions generated by the Activity prior to 1 January 2026 (“Transfer Amount I”);</p> <p>first ____ tCO₂eq. in emission reductions generated by the Activity prior to 1 January 2031 (“Transfer Amount II”);</p>	<ul style="list-style-type: none"> • Limitation in total amount and generation of ERs; • Link to NDC timelines (NDC target 2025 and NDC target 2030).
<p>MODE B and MODE C [Host country] will not use the emission reductions concerned to demonstrate achievement of its own nationally determined contribution., and [host country] guarantees that a</p>	<ul style="list-style-type: none"> • Guarantee to perform a corresponding adjustment;

<p>corresponding adjustment be made, by adding or subtracting Transfer Amount I and Transfer Amount II to the level of anthropogenic emissions by sources and/or removals by sink covered in [host country's] nationally determined contribution up until 31 December 2025 and 31 December 2030, respectively.</p>	<ul style="list-style-type: none"> Particular language is informed by the EU submission of 5 October 2018 (“Views on Accounting”).
<p>3. Conditions Precedent</p>	<ul style="list-style-type: none"> Overall conditionality of LoA
<p>You must register the Activity with the Supervisory Board by ____ at the latest (“Registration Deadline”).</p> <p>[MODE B only] The other participating Party (“Investor Party”) must authorize the use of the emission reductions resulting from the Activity by the Registration Deadline.</p>	<ul style="list-style-type: none"> First condition relates to the latest registration date; Second condition relates to the investor country LoA – note that this approval is strictly required only under Mode B; Modes A and C may be developed without an investor Party (“Unilateral Activities”).
<p>4. Term</p>	<p>Further restriction (duration of approval)</p>
<p>The authorization as laid out in sections 1 and 2 above applies to emission reductions achieved by the Activity between _____ and 31 December 2030.</p>	<ul style="list-style-type: none"> Cut-off date for all approvals and authorizations.
<p>5. Cooperative Approaches (Article 6.2 PA)</p>	<ul style="list-style-type: none"> Relationship with Article 6.2 PA
<p>[MODE B only] This approval notice also represents [host country's] authorization in accordance with Articles 6.2 and 6.3 of the Paris Agreement.</p>	<ul style="list-style-type: none"> Provision reflects that a Mode B transaction under Article 6.4 PA is also a transaction under Article 6.2 PA.
<p>6. Other Provisions (for discussion)</p>	<ul style="list-style-type: none"> Other terms.
<p>[MODE B only] Upon the transfer of any amount of emission reductions to the Investor Party, you must permanently retire an equivalent of 1/10th of such amount in emission reductions generated by the Activity, by another activity implemented under the mechanism referred to in Article 6.4 of the Paris Agreement, or by a project or program implemented under the mechanisms of the Kyoto Protocol.</p> <p>[Activity Specifics, e.g. For the calculation of emission reductions, methodology ____ – as approved by the Supervisory Body – must be used.]</p> <p>[Reporting obligations].</p>	<ul style="list-style-type: none"> Optional clause to secure an overall mitigation benefit; Specific instructions for the realization of the Activity; Reporting obligations (though registry functions may make specific information obligations redundant).

<p>This letter of approval is done in [two] originals in the English language.</p>	<ul style="list-style-type: none"> Depending on the number of participants, the letter may be issued in one or several originals.
<p><i>Annex:</i> <i>Description of [cooperative approach] [intervention]</i></p>	<ul style="list-style-type: none"> Detailed description.