

# The VCM after Glasgow

## How does the Art. 6 rulebook shape the market?

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*Innovate4Climate 2022*

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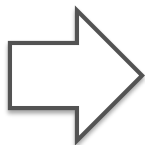
Nicolas Kreibich

## The Glasgow Decision on Article 6 Three approaches – three attempts to adopt a rulebook

- Guidance on Cooperative Approaches under Art. 6.2
- Rules, Modalities and Procedures for the Art. 6.4 Mechanism
- Work programme for non-market approaches under Article 6.8



Photo: UN News / Laura Quinones



### Internationally Transferred Mitigation Outcomes (ITMOs)

- Reported amounts (no certificates)
- Guidance allows ITMOs to be authorized, transferred and used

### Use Options for ITMOs



### Accounting, Reporting and Review

- Accounting through the application of “corresponding adjustments” if ITMOs are authorized for one of the uses
- Reporting obligations for participating Parties ([link to Transparency Framework](#))
- Review through Article 6 Technical Expert Review ([link to TER of the Transparency Framework](#))

### A6.4ERs – UN-certified Emission Reductions

- › Credits issued by the Supervisory Body

### Article 6.4 Activity Cycle

- › Detailed provisions (cp: CDM Project Cycle)
- › Supervisory Body: approval of methodologies, registration of activities, accreditation of DOEs, issuance of A6.4ERs
- › Host Party: Approval of activities, Authorization of A6.4ERs for specific uses (NDC, CORSIA, **VCM**)

### Peculiarities

- › non-authorized A6.4ERs (Contribution to host Party NDC, no CAs)
- › Strengthened provisions for baseline-setting and additionality
- › Safeguards and SD benefits
- › OMGE and SOP for adaptation

## Impacts of the Article 6 Rulebook on the VCM

### Application of CAs possible but not mandatory for voluntary uses

In addressing market activities and accounting among countries, the new rules also confirm that Article 6 does not regulate the voluntary market. Instead, the adopted rules for Article 6 are essential in marking the boundaries of government-led carbon markets and clarifying the space where the voluntary market can operate.



Leading up to Glasgow there were many debates about whether corresponding adjustments are necessary for voluntary market transactions. Verra always took a firm stand that such adjustments should not be mandated across the voluntary market by the Article 6 rules and we are grateful that countries have now confirmed this view.

While governments did not agree - nor were they ever expected to - the forms of claim that can be used by companies purchasing credits in the voluntary carbon market, the Article 6 outcome does provide a framework for the two routes for voluntary climate action that Gold Standard - and others - have envisioned:

- The purchase of adjusted credits, which are suitable for offsetting claims.
- The purchase of non-adjusted credits, which are compatible with non-offsetting claims - often described as an 'impact claim' or a 'contribution claim'.

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## What does this mean for the VCM and its stakeholders?

Certification standards, activity proponents and credit users

### Private certification standards

- Fundamental decision: Continuation of current *modus operandi* vs. integration under Art. 6.2 or even use of Art. 6.4 mechanism
- Integration of authorization and CAs into rules and infrastructure needed
- Potential regulation of claims

### Activity proponents and suppliers

- Choice of the host Party
- New working relationship with governments

### Credit user

- Choice of the type of credit (with/without CAs) to be used
- Adapt of corporate strategy and role of credits therein

## What does this mean for the VCM and its stakeholders?

### Host Parties

### **Strategic decision on whether and how to use the VCM**

- › Continuation of current *laissez-faire* approach
- › Increased oversight and overview
- › Full integration of VCM into Art. 6 strategy

### **Definition of VCM strategy (as part of broader Art. 6 strategy)**

- › Hedge against overselling risk
- › Define project eligibility criteria

### **Article 6 participation requirements**

- › Institutional and governance arrangements
- › Arrangements for ITMO tracking
- › Authorization process
- › Reporting requirements



### **New diversity of units and attributes**

The Art. 6 Rulebook allows for adjusted and non-adjusted units to be used for voluntary purposes. **How does this new diversity impact the processes and infrastructure of actors on the VCM?**

### **Capacity building**

Host Parties are confronted with numerous institutional, technical but also political challenges. **What are main barriers for host Parties and what kind of support is needed to overcome these challenges?**

### **New uncertainties**

Activity proponents and buyers will be confronted with new uncertainties related to the authorization of credits, the implementation of CAs and more generally political risks. **What are key risks that stakeholders are confronted with and what are possible ways to reduce the uncertainty on the market?**

**Thank you  
for your attention**

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