



Informal Dialogue on Article 6 of the Paris Agreement
Accounting in multiple metrics

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Roundtable on
Climate Change and
Sustainable Transition

Art 6.2 metrics

- Metrics are referred to in a number of places
 - Decision
 - Art 2: Elaboration of further guidance for non-GHG metrics determined by participating Parties, including on methods for conversion between metrics pursuant to Chapter III of the annex (Corresponding Adjustments) and Chapter IV of the annex (Reporting) by no later than its third session;
 - Annex
 - Art 1: or in other non- greenhouse gas (GHG) metrics determined by participating Parties that are consistent with the nationally determined contributions (NDCs) of the participating Parties; ????
 - Art 7: For ITMOs measured in tCO₂ eq, each participating Party shall apply corresponding adjustments, consistent with this guidance and relevant decisions of the CMA.
 - Art 10: ...non-GHG metrics determined by the participating Parties engaging in a cooperative approach involving ITMOs traded in the same non-GHG metric shall apply corresponding adjustments in a buffer registry by applying an addition to and subtraction from the annual level of the relevant non-GHG indicator ??????

Principle

- *The fundamental accounting principle that must be applied in the accounting related to the use of ITMOs towards an NDC, or in the use of ITMOs for any purpose for that matter, is that the corresponding adjustment that is applied by the using Party cannot be higher than the actual mitigation outcome that took place in the Issuing Party. That needs to be true in all metrics, be they the metric of the NDC of the Using Party, or in CO₂.*

Issuance of ITMOs

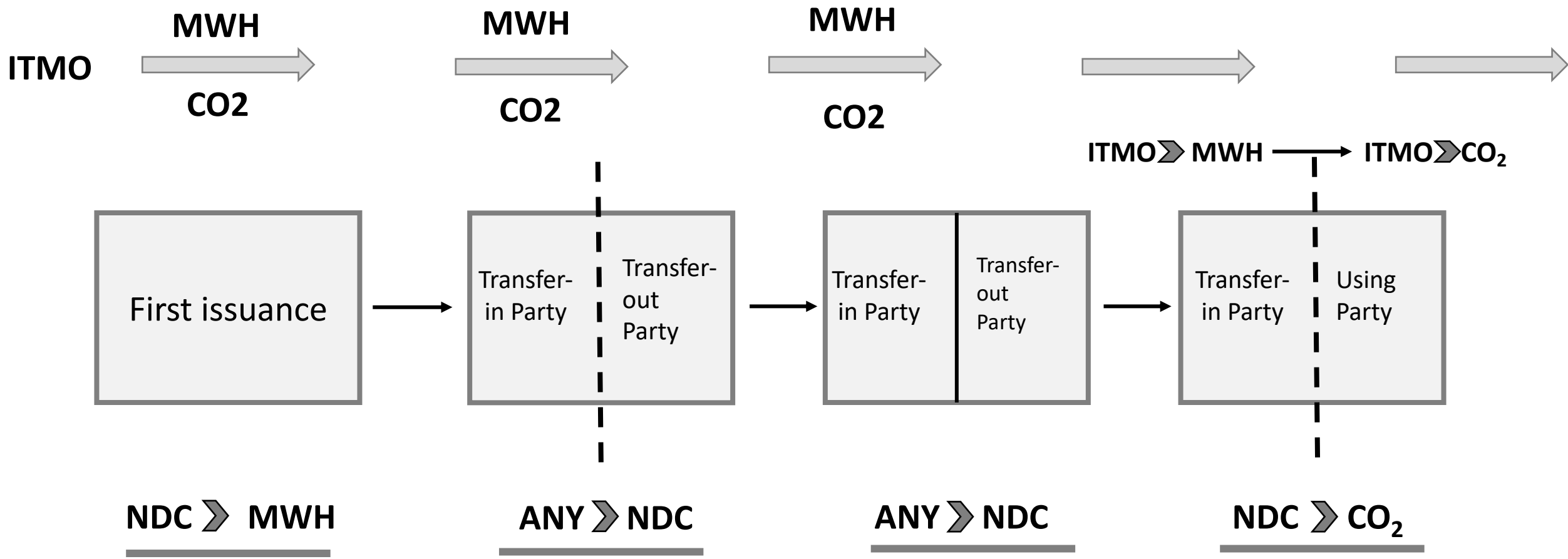
- ITMOs can be issued from inside NDCs, as well as from outside the NDC.
- If they are issued from inside the NDC they will be issued in the metric of the NDC
- If they are issued from outside the NDC they may be issued in a metric that is different from the metric of the NDC
- ITMOs can only be issued from a quantified (part) of an NDC or from outside the NDC if it is quantified in some way
- For a corresponding adjustment to be made the ITMO needs to be in the metric of the NDC of the First Issuing Party (at the time of first issuance) and that of the Using Party (at the time of use towards and NDC).

Usage of ITMOs

- **First Issuing Party(FIP):** this is the Party where the mitigation action takes place, and the mitigation outcome may take place. It will generate a mitigation outcome that will become an ITMO once it is transferred internationally
- **(Transfer in)(TI)/(Transfer out) (TO)**
- **Using Party(UP):** it is the Party which uses the ITMO towards its NDC. It will be a Transfer IN Party that then decides to use the ITMO, if it has ownership over it

Types of transfers and market participants:

- **Bilateral transfers.** In this case the transaction, and transfer, is intended for the use of the Party where the ITMO it is transferred to, and there is no intention to undertake further transfers and the creation of an ITMO secondary market.
- **Secondary market transfer.** In this case the transfer is made to an entity which may or may not use it for compliance with its NDC, and may further transfer it inside or outside that Party's registry.



Conversions

Scenario	Issued from FIP/o-NDC	Convert to FIP NDC metric	Issued from FIP/i-NDC	Using Party metric	Conversion to UP NDC metric
1	In the metric of the FIP NDC	No	x	Same as FIP	No
2	In non-FIP NDC metric	Yes	x	Same as FIP	No
3	In metric of the FIP NDC	No	x	Different from FIP	Yes
4	In non-FIP NDC metric	Yes	x	Different from FIP	Yes
5	x		Yes	Same as FIP	No
6	x		Yes	No	Yes
7	x		No		
8	x		No		

Reporting / Initial reporting

Pra 18

Communicate the ITMO metrics and the method for corresponding adjustments for multi- year/single year NDCs that will be applied consistently throughout the period of NDC implementation;

It is unclear if ALL parties need to report ALL ITMOs, or if this refer only to First Issuance and Use ITMOs

Reporting/Regular reporting

Para 21d

How corresponding adjustments undertaken in the latest reporting period, pursuant to chapter III (Corresponding adjustments) are representative of progress towards implementation and achievement of its NDC and ensure that participation in cooperative approaches does not lead to a net increase in emissions within and between NDC implementation periods;

- In response to this requirement, it will probably be necessary to declare
 - The metric of the NDC and the ITMOs that will be used
 - How any conversion was undertaken

Conclusions

- ITMOs can only be issued in the metric of the ISSUING Party NDC (with a GHG value attached)
- If NDC of Issuing Party & Using Party are in the same metric
 - NO CONVERSION REQUIRED
- IF NDC of Issuing Party & Using Party are in different metrics
 - CONVERSION REQUIRED
- Between ISSUANCE and USE the ITMO, if there is secondary market, ITMOs circulates in the metric that it was issued in.

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