
Article 6 and the Voluntary Carbon Markets

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Outline

01 Brief Overview of Article 6

02 Key Decisions in Article 6

03 Deep Dive: Corresponding Adjustments

04 Timeline

05 Questions

01 Brief Overview of Article 6

Pre-Article 6 = Kyoto Protocol established centralized organization for trading credits (CDM)

Article 6 = Split into three mechanisms, still being negotiated.

6.2

- Country-to-country trading of internationally transferred mitigation outcomes (ITMOs)
- ITMOs will be developed and approved within countries, based on general A6 guidance

6.4

- UN Supervisory Body will develop methodologies and approvals for carbon credit trading; clear role for projects
- Likely similar to CDM, though role unclear

6.8

- Non-market approach to assist in implementation of NDCs
- Very unclear and broad

01 Brief Overview of Article 6

Potential role for voluntary offsets?

6.2

- REDD+, which can include soil carbon activities
- Other government-led soil carbon efforts

6.4

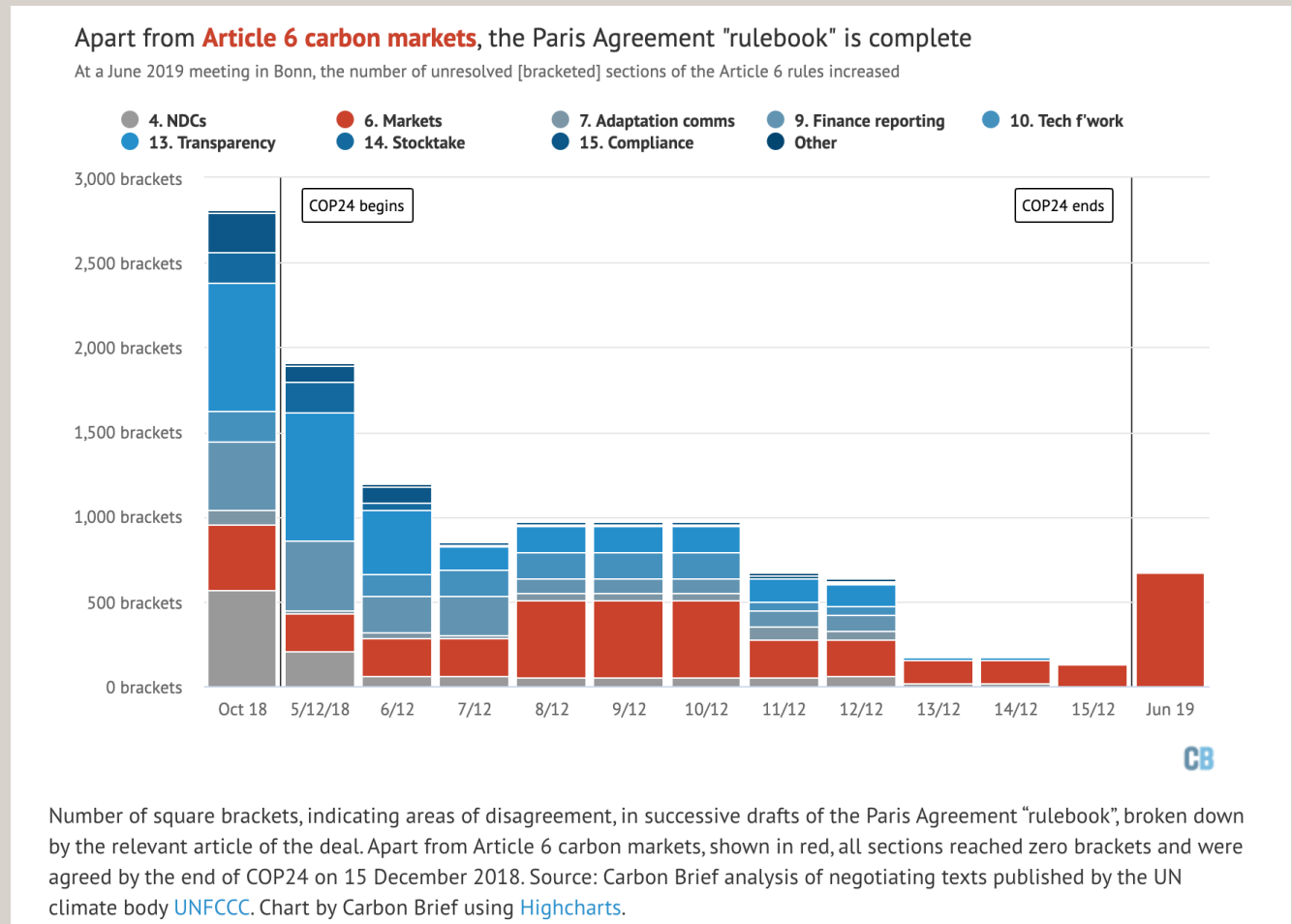
- CDM had few land-based methodologies, but a 6.4 Supervisory Body may allow for new, innovative methodologies

6.8

- Unclear

02 Key Decisions in Article 6

1. Overall Mitigation of Global Emissions (OMGE)
2. Share of Proceeds
3. Transition of Kyoto units
4. Single vs. Multi-year targets
5. All sectors
6. Corresponding adjustments (inside/outside)
7. Mitigation purposes other than NDC



<https://www.carbonbrief.org/in-depth-q-and-a-how-article-6-carbon-markets-could-make-or-break-the-paris-agreement#:~:text=Whereas%20Article%206.2%20involves%20trading,participation%20in%20the%20Paris%20process.>

02 Key Decisions in Article 6

All Sectors

- Latest text keeps Article 6 open to all sectors
- Permanence: “minimizing the risk of non-permanence of mitigation and when reversals of emissions removals occur, ensuring that these are addressed in full”.
- “Emissions reductions and removals”

Mitigation Purposes other than NDC

- CA needed for mitigation purposes other than NDC?
- What is defined as a mitigation purpose? CORSIA is included here, but perhaps the voluntary markets too?

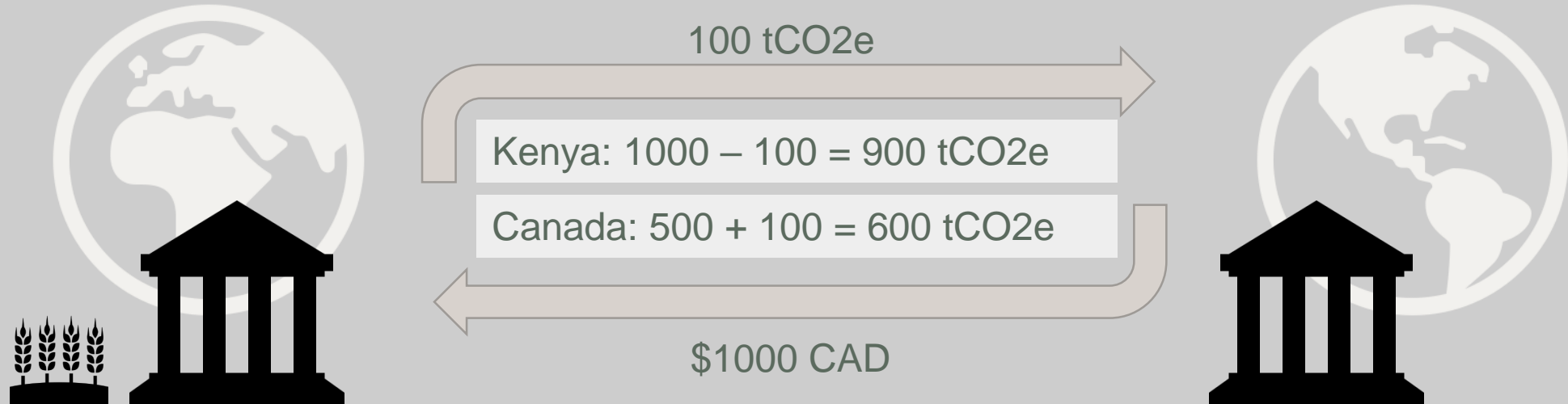
*6.4, third draft:
NDCs or for other international mitigation purposes or for other purposes

Corresponding Adjustments

- If an offset is traded internationally, how and when should host and buyer countries account for this transfer?
- CA needed for both 6.2 and 6.4?
- Inside/outside debate: Does a CA need to occur regardless of if the offset happens inside an NDC?

03 Deep Dive: Corresponding Adjustments

Article 6 transaction: Government-to-government



Soil carbon in offset project: 100 tCO2e
ERs across all sectors: 1000 tCO2e

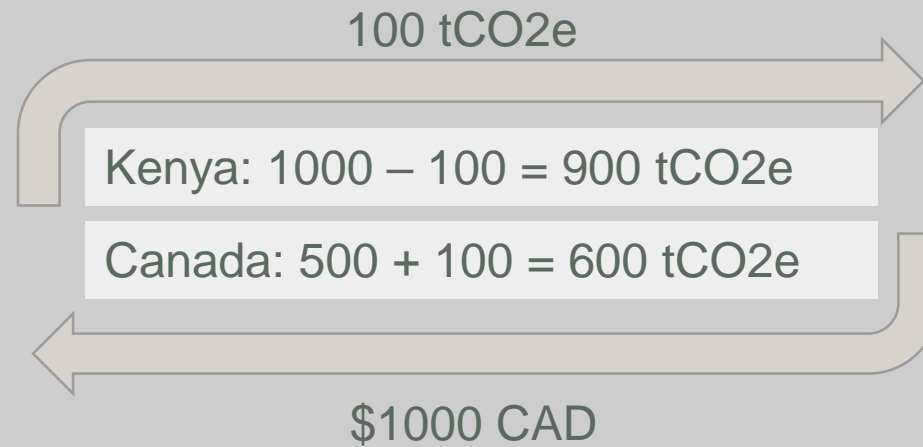
ERs across all sectors: 500 tCO2e

03 Deep Dive: Corresponding Adjustments

Voluntary carbon transaction: Business-to-business **WITH** CA



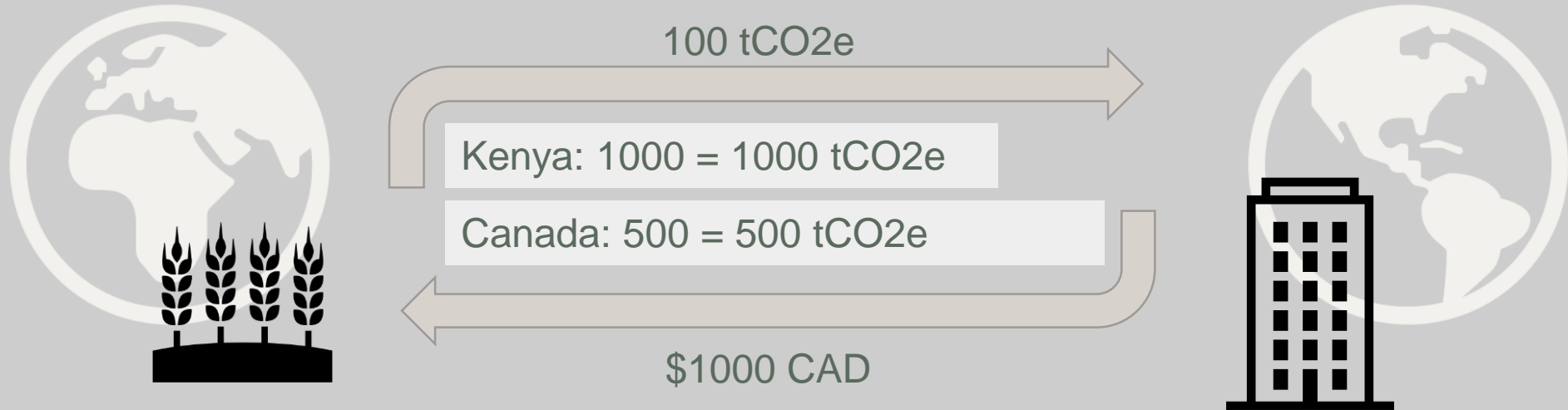
Soil carbon in offset project: 100 tCO₂e
ERs across all sectors: 1000 tCO₂e



ERs across all sectors: 500 tCO₂e

03 Deep Dive: Corresponding Adjustments

Voluntary carbon transaction: Business-to-business **WITHOUT** CA



Soil carbon in offset project: 100 tCO2e
ERs across all sectors: 1000 tCO2e

ERs across all sectors: 500 tCO2e

03

Deep Dive: Corresponding Adjustments

Gold Standard

Public comment open Jun-Sept 2020

Voluntary buyers should either:

1. Make a corresponding adjustment for offsetting claims, or
2. Make an alternative “financing” claim (e.g., the company helped finance a country’s obligation under the Paris Agreement)

Verra

Public comment open Aug – Oct 2020

Not required but driven by market demand for all domestic and international voluntary transactions.

Buyers might follow different guidance around whether a CA is necessary or not, such as through ICROA, Science-based targets, WRI’s GHG Protocol, etc.

Offsets with a corresponding adjustment will be labeled as “Pending Article 6” if there is a letter of intent, then converted to “Article 6 compliant” once the CA has been made.

American Carbon Registry

Public comment open Oct – Dec 2020

Voluntary buyers do not need a CA when the transaction occurs domestically.

When it is an international transaction, voluntary buyers must:

1. Make a corresponding adjustment for voluntary offsetting of scope 1 or 2 emissions.
2. Make an alternative “financing” claim or NDC achievement claim (this type of claim includes voluntary compensation for Scope 3 emissions).

03 Deep Dive: Corresponding Adjustments

Other Considerations

- **ICROA** has produced a whitepaper on CAs, arguing that a CA is not necessary for domestic or international transactions.
- Other working groups led by EDF, WWF, etc are working on guidance here.

04 Timeline



05 Discussion

What can happen before Article 6 is finalized?

1. Countries can be prepared for A6 via technical and feasibility studies
 - Ex: Colombia Renare
2. Countries can forge ahead with their own A6 criteria, if they expect it will meet A6 rules.
 - Ex: Switzerland – Peru IMTO deal, JCM, etc
3. Voluntary standards can try to anticipate A6 rules around corresponding adjustments.
 - Ex: Public comment periods by Verra, ACR, CAR
4. Domestic schemes not impacted by A6
 - Ex: California ETS, Colombia carbon tax
5. Countries can make clear roles for voluntary offsetting
 - Ex: UK Woodland Carbon Code, Brazil's recent announcement

05 Questions?

Thank you!

If you have further questions,
please email me at

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