

Introduction to Carbon Market Mechanisms Under Article 6 of the Paris Agreement

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Article 6 of the Paris Agreement: A New Era of Carbon Markets

Host country transfers Article 6.2 units (ITMOs) to **buyer country** through a bilateral agreement

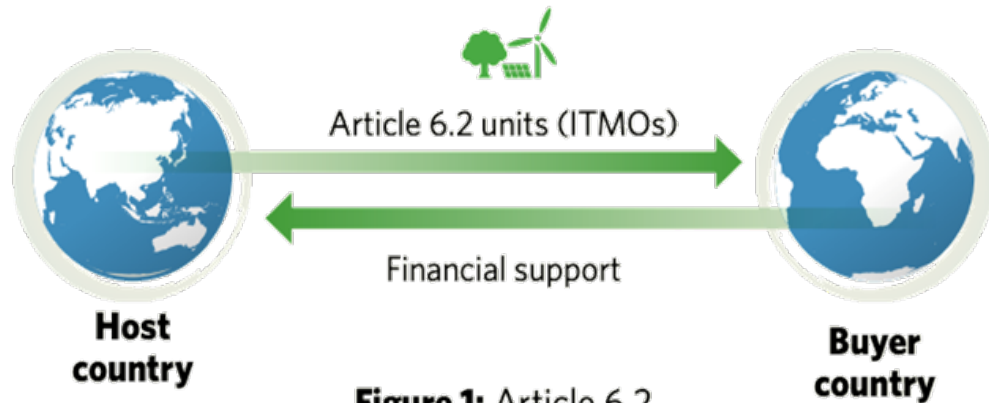


Figure 1: Article 6.2

Article 6.2

Host country generates units through a UNFCCC centralized mechanism and transfers them to buyer country and other buyers



Figure 2: Article 6.4

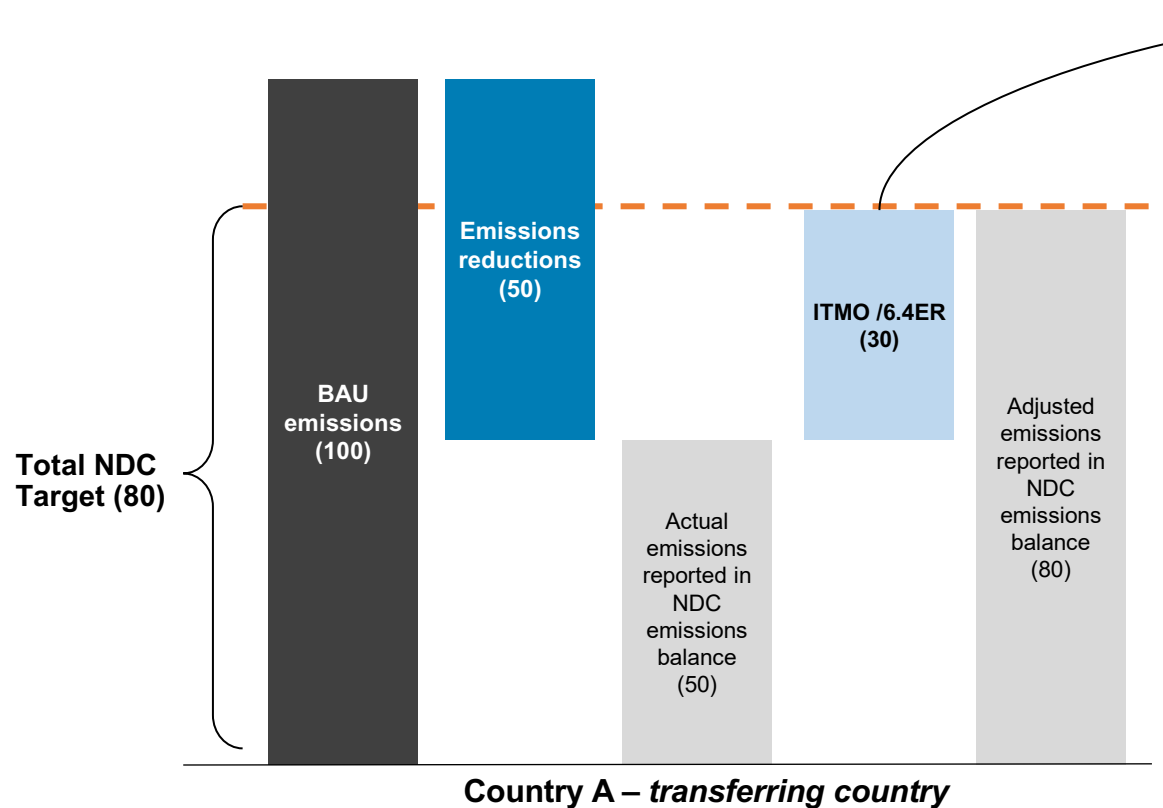
Article 6.4

Article 6.2 can also involve the private sector under the framework of a bilateral agreement or under “other international mitigation purposes”. The Paris Agreement Crediting Mechanism (PACM or Article 6.4) is designed to facilitate the participation of both private and public sectors

Carbon Accounting Under the Paris Agreement

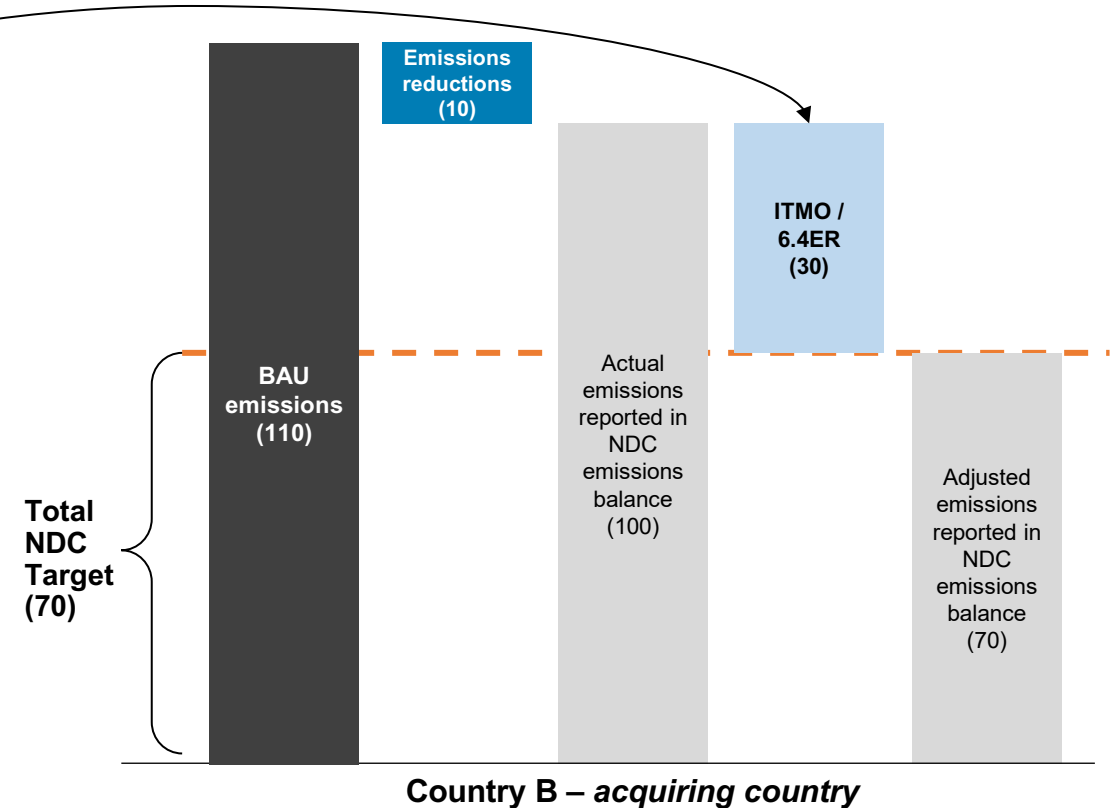
1

Adjustment made in the transferring country's GHG inventory so that only the tons that are **not exported** are counted towards its NDC.



2

Adjustment made in the receiving country's GHG inventory so that the tons that **are exported** are counted towards its NDC.



What is required for participation? All participants must



1. Be a Party to the Paris Agreement
2. Have prepared, communicated and be maintaining an NDC
3. Produce national inventories and track progress toward achieving NDC mitigation targets
4. Provide the most recent national inventory report
5. Have arrangements for authorizing the export of ITMOs for use toward achieving NDCs or other purposes
6. Have arrangements for tracking ITMOs (6.2)
7. Demonstrate that their participation contributes to NDC implementation, and
8. Demonstrate that participation contributes to their long-term low-emission development strategy, if they have one
9. Have designated a national authority for participation (6.4)

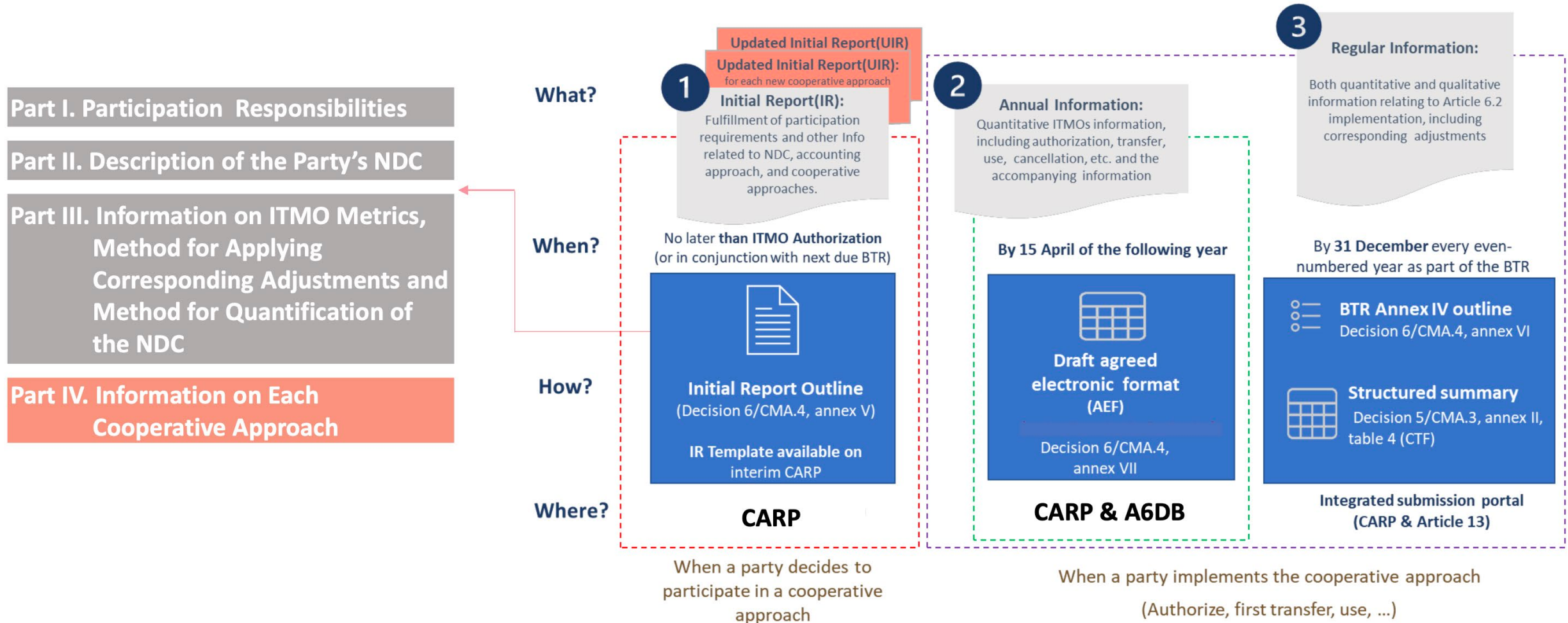
All first international transfers of Article 6 carbon credits require corresponding adjustments to avoid double counting of emission reductions

Options for Developing Registry Infrastructure

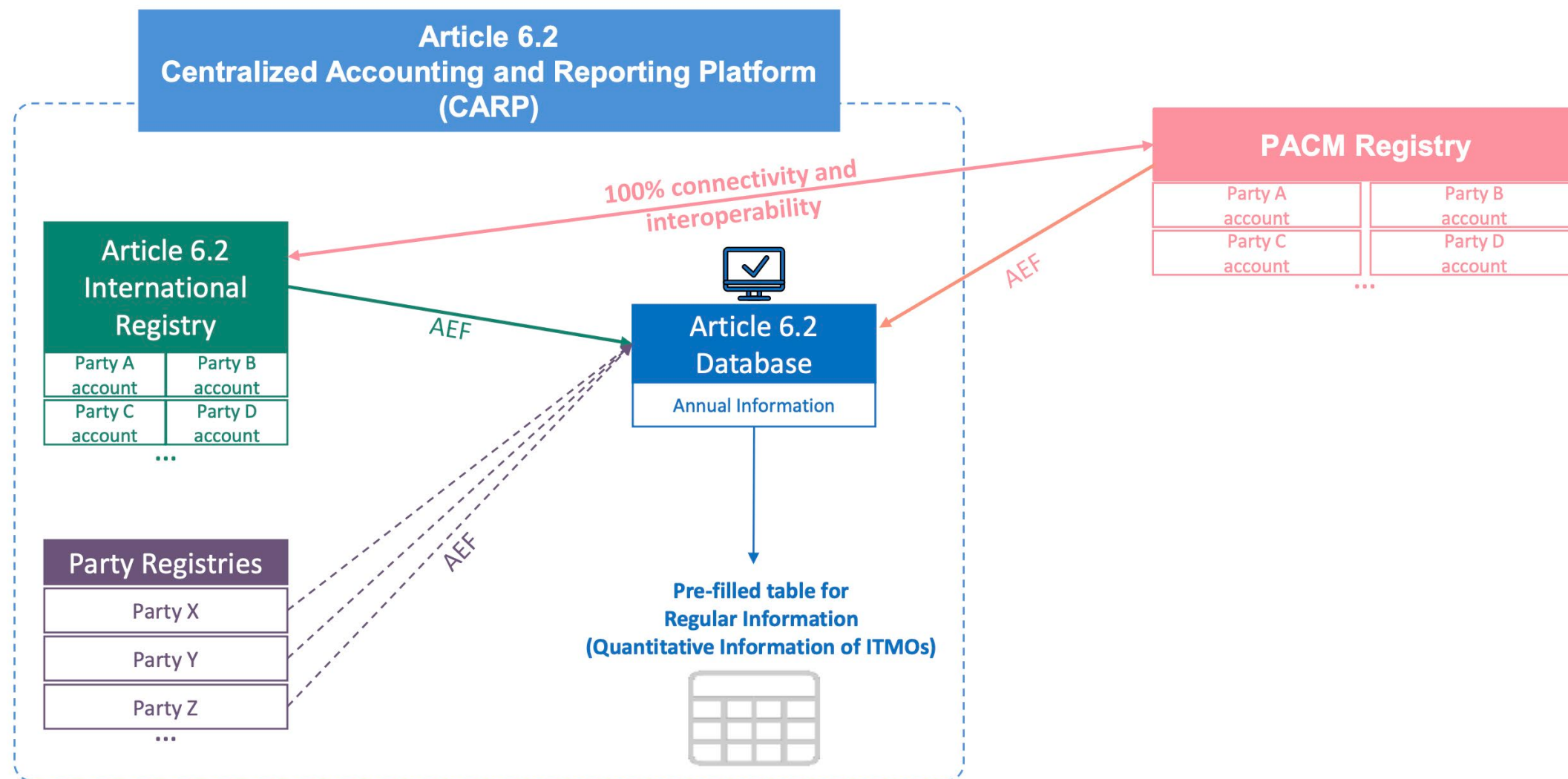
- **Domestic** – Develop a customized national registry.
- **International Registry developed by UNFCCC Secretariat** – use registry developed by United Nations Climate Change, which will perform functions agreed through negotiated decisions.
- **Public good initiatives by international organizations** – use registry services being developed by international organizations.
- **Third party developed infrastructure** – registry solutions have also been developed as commercial products.

Article 6.2 Reporting Requirements

- Participating Parties in Article 6.2 are required to fulfil the three main reporting obligations under the Article 6.2 guidance



Arrangements for Tracking ITMOs is Required for Article 6.2



Article 6.2 Bilateral Cooperation Agreements



Article 6.4 participation requires a designated national authority



Transition of Clean Development Mechanism to Article 6.4



Source: Compiled using data from United Nations Climate Change.

Prior Consideration Notifications



Source: Compiled using data from United Nations Climate Change.

Article 6 Readiness of CAREC Member Countries

Country	CDM Experience	JCM Experience	Result-Based Finance	Domestic Carbon Market	Conditional & Unconditional NDC	NDC Implementation Plan	Article 6 Strategy	Carbon Market Policy Status	Inter-Ministerial Committee	ITMO Authorization	ITMO Tracking Infrastructure	Regulations Authority	Bilateral Agreements	Pilot Projects	Expert Judgement
Afghanistan	low	low	low	low	low	low	low	low	low	low	low	low	low	low	low
Azerbaijan	high	low	high	high	low	low	low	high	low	low	low	high	low	low	low
Georgia	high	low	low	low	high	high	low	low	high	low	low	low	high	low	medium
Kazakhstan	low	low	high	high	high	high	low	high	high	low	high	low	high	low	high
Kyrgyz Republic	low	low	high	low	high	high	low	low	low	low	low	high	high	low	low
Pakistan	high	low	high	high	high	low	low	medium	high	low	high	high	low	low	low
Tajikistan	low	low	low	low	high	high	low	low	low	low	low	low	low	low	low
Turkmenistan	low	low	low	low	low	high	low	low	low	low	low	high	high	low	low
Uzbekistan	high	high	high	high	low	high	high	low	high	high	high	high	high	medium	medium
PRC	high	low	high	high	low	high	low	high	high	low	high	high	low	low	low
Mongolia	medium	high	high	low	high	high	low	medium	low	low	low	high	high	low	high



THANK YOU!





QUESTION AND ANSWER

