



GLOSSARY

ARTICLE 6 OF THE PARIS AGREEMENT

GLOSSARY TERMS

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Approval

A term that is used for several different purposes within the rules, modalities and procedures for Article 6.4, including the two outlined here. First, host Parties may choose to provide approval to the *Supervisory Body* for Clean Development Mechanism (CDM) project activities or programmes of activities within their jurisdiction to transition to, and therefore be registered under, the new *Article 6.4 Mechanism*. Second, Host Parties may also choose to provide approval to the Supervisory Body for new project activities or programmes of activities within their jurisdiction to request registration under the Article 6.4 Mechanism. It should be noted that an approval for project activities or programmes of activities to request registration is distinct from the *authorisation* of *ITMOs* for use towards NDCs and/or other international mitigation outcomes. In other words, a host Party may choose to approve a request for registration, but not provide an authorisation that would obligate it to apply a *corresponding adjustment*. In such cases, the mitigation outcomes will be classified as *Mitigation Contribution* units.

Article 6 Database

An online database that will be developed by the UNFCCC Secretariat and housed within the *Centralised Accounting and Reporting Platform*. The database will record and compile information submitted annually by Parties using Article 6, including on their application of *corresponding adjustments*, their *emission balances*, and their transfer, acquisition, holding or cancellation of *Internationally Transferred Mitigation Outcomes* (ITMOs).

Article 6.4 Mechanism

A new crediting mechanism established under Article 6 that will be operated by the UNFCCC Secretariat and will effectively replace the Clean Development Mechanism (CDM). The Article 6.4 Mechanism has a *Supervisory Body* with representation from different regional groups within the UNFCCC, which is tasked with developing the requirements and processes needed to operate the Mechanism, including for developing and/or approving *methodologies*, registering activities, accrediting third-party verification bodies, and managing the Article 6.4 *Registry*. The Article 6.4 Mechanism has several differences from the CDM, including that host Parties have a greater ability to dictate some elements of the design of projects within their

jurisdiction (under the supervision of the Supervisory Body), including baseline approaches, other methodological requirements and the length of the crediting period.

Authorisation

A statement by a Party that mitigation outcomes may be used towards the NDC of a Party other than the Party in which the mitigation outcome was generated (the 'host Party') and/or may be used for *international mitigation purposes* other than use towards an NDC and/or for other purposes. Where an authorisation is provided for the use of mitigation outcomes towards any of these purposes, the mitigation outcome is treated as an ITMO and the host country is obligated to apply a *corresponding adjustment* following the 'first transfer' of the ITMO.

Centralised Accounting and Reporting Platform

An online platform that will be developed by the UNFCCC Secretariat. The platform will include a submission portal for the submission of information by Parties using Article 6 as part of their *reporting* obligations. This information will be published on the platform, where it is not considered by the Party to be confidential. In addition, the Platform will include reports from *Technical Expert Reviews*, as well as templates and guidance for Parties to support their submission of information. The *Article 6 Database* and International Registry (see *Registry*) will be housed within the Platform, as distinct parts.

Cooperative approach

A cooperative approach represents cooperation between two Parties under Article 6.2, involving the *international transfer of mitigation outcomes* for use towards an NDC. Unless otherwise clarified through future guidance, it is understood that any unilateral *authorisations* of ITMOs by a host Party for use towards *other international mitigation purposes* does not represent a cooperative approach. Each time a Party enters into a new cooperative approach (i.e., cooperating with another Party) it must submit an updated initial report with information on this new cooperative approach.

Corresponding adjustment

In cases where a host Party *authorises* the use of ITMOs towards another Party's NDC or towards *other international mitigation purposes*, it is obliged to apply a corresponding adjustment following the first transfer of the ITMOs. This is essentially an accounting adjustment, which the Party must apply when it next submits its Biennial Transparency Report (BTR) to the UNFCCC. For every ITMO first transferred, the Party must *add* to its *emissions balance* to reflect the transfer, i.e., move it further from achievement of its NDC target level. At the same time, a Party that uses ITMOs generated in another Party's jurisdiction towards its own NDC must also apply a corresponding adjustment, but in the case of a using Party it *reduces* its emissions balance to reflect the use, i.e., move it closer to achievement of its NDC target level.

Double counting

While double counting is only referenced infrequently in Article 6 decisions, its avoidance is one of the primary objectives of these international instruments. Double counting can occur in multiple ways:

- Double claim – when two or more entities claim the same mitigation outcome. This might occur by:
 - The originating Party (where the mitigation activity took place) transferring mitigation outcomes for use by other Parties towards their NDCs, without making a corresponding adjustment.
- Double use – when the same mitigation outcome is used two or more times. This might occur by:
 - Two entities using the same mitigation outcome towards their NDC accounting; or
 - The same mitigation outcome is used towards targets in two different systems (e.g. achievement of an NDC, and compliance with CORSIA obligations); or
 - same mitigation outcome is used twice by the same Party or entity, for instance if a company used the same mitigation outcome to claim carbon neutrality in two separate years.

- Double registration – when the same mitigation activity is registered in two or more different programmes (which may contribute to two different mitigation objectives).
- Double issuance – when credit is issued two or more times from the same mitigation outcome. Double issuance may occur as a result of double registration.

Emissions balance

A Party's emissions balance is a combination of the Party's national inventory emission levels in a given year (within the scope of its NDC), adjusted to reflect any **first transfers** or use of **ITMOs**. For example, if a Party were to have inventory emissions of 100MtCO₂e in 2023 but had first transferred 5MtCO₂e of ITMOs generated in its jurisdiction and had used no ITMOs generated in other jurisdictions, its emissions balance would be 105MtCO₂e.

Environmental Integrity

Environmental integrity is understood as the implementation of actions that ensure additional, effective, measurable and verifiable reduction of GHG emissions. Thus, mitigation results must be observed in actual mitigation actions. This provides assurance that the mitigation results will indeed be sustainable in the long term. While experts may take different views on the requirements that must be met for environmental integrity to be ensured, the term is treated in a particular way under Article 6. Parties that use Article 6 are required as part of their **reporting** – their Initial Report and Regular Information – to describe how their **cooperative approaches** ensure environmental integrity. This description must include how it is ensured that there is no net increase in global emissions; how the quality of mitigation outcomes is ensured through the setting of baselines, management of leakage and robust, transparent governance; and how the risk of non-permanence of mitigation outcomes is minimized and, if reversals do occur, how these are addressed in full.

First transfer

The action that triggers the obligation for a host Party to apply a **corresponding adjustment**. In cases where ITMOs are **authorised** for use towards NDCs, the first transfer is the first international transfer of the ITMO. In cases where ITMOs are

authorised for use towards *other international mitigation purposes*, the host Party can select whether the first transfer will be treated as (a) the 'authorisation' of the ITMOs; (b) the issuance of the ITMOs; or (c) the use or cancellation of the ITMOs. (In other words, the first transfer is not, in this case, actually a first transfer.).

Internationally Transferred Mitigation Outcome

A mitigation outcome (typically one tonne of CO₂e reduced or removed) that has been *authorised* by the host Party for use towards another Party's NDC and/or *other international mitigation purposes*. ITMOs must be real, additional and verified; they may represent either emission reductions or removals (with the inclusion of emissions avoidance still under consideration); they must represent mitigation from 2021 onward; and they may either be measured in tCO₂e or *non-greenhouse gas metrics* where these are consistent with the NDCs of the participating Parties.

Methodology

The approach – or method - that a given activity must take to calculate the emission reductions or removals achieved as a result of its activity, including how it must take into account factors such as leakage. Each methodology is specific to a type of activity, such as renewable energy production, the distribution of lower-emission and cleaner cookstoves or the afforestation of areas of land. The *Article 6.4 Mechanism* will approve methodologies for use by projects on the basis of a set of guiding principles endorsed by Parties at COP26, as well as further decisions adopted by Parties at future COPs. It will, as part of this, review and adopt – with any required changes to align with its new principles – methodologies adopted under the Clean Development Mechanism.

Mitigation contribution

The *Article 6.4 Mechanism* will issue both Units that have been *authorised* by the project's host Party for use towards other NDCs and/or *Other International Mitigation Purposes* (and will therefore be subject to a *corresponding adjustment*) and Units that have not been authorised for such uses by a project's host Party, and therefore will

not be subject to a corresponding adjustment. At COP27, guidance for Article 6.4 described this second category of Units as 'mitigation contribution' Units, which contribute to the reduction of emission levels in the host Party. The guidance outlined a series of uses that these Units may be used towards – results-based climate finance, domestic mitigation pricing schemes or domestic price-based measures, though was not definitive that these were the only possible uses.

Non-greenhouse gas metrics

Parties have the option, under Article 6, to *authorise* and transfer *ITMOs* that are not measured in tonnes of CO₂e but are instead measured in other non-greenhouse gas metrics, where these are consistent with the NDCs of participating Parties. This could, for instance, include renewable energy capacity installed, if this metric were to be included within the Parties' NDCs. If Parties cooperate on the basis of ITMOs that represent non-greenhouse gas metrics, they must apply *corresponding adjustments* in a slightly different way, resulting in an adjusted 'indicator' rather than '*emissions balance*'. Further guidance is expected from the UNFCCC on the use of Article 6 for transfers applying non-greenhouse gas metrics.

(Other) International Mitigation Purposes

Purposes that a host Party may *authorise* ITMOs to be used towards, in addition to use towards another Party's NDC. This concept is divided into two. Firstly, International Mitigation Purposes other than use towards NDCs, which is generally understood to include use towards CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation, and could also include other applications. Secondly, Other Purposes, which is generally understood to include the voluntary carbon market, though its meaning is left open and is at the discretion of the host Party to determine. When ITMOs are authorised for use towards Other International Mitigation Purposes (or one of its two parts), the host Party is obliged to apply a *corresponding adjustment* following *first transfer*.

Overall Mitigation in Global Emissions

A cancellation of a portion of mitigation outcomes, with the intention that these represent an additional climate contribution that cannot be counted towards the NDC, compliance obligation or voluntary target of a using Party or entity. Within the new

Article 6.4 mechanism, at least 2% of Emission Reduction Units will be transferred for cancellation at the point of issuance, meaning that these Units will not be transferred to the account of the project developer. The host Party is required to apply a *corresponding adjustment* for these Units if it provided an *authorisation* for the issued Units but is not required to do so if no authorisation was provided. For uses of Article 6.2 other than through the Article 6.4 mechanism, Parties and stakeholder are 'strongly encouraged' to cancel a volume of ITMOs that is commensurate to the requirements under Article 6.4.

Registry

Each Party that uses Article 6 must have, or have access to, a registry that has the ability to record actions related to *ITMOs*, such as their *authorisation*, *first transfer* and use, and that tracks and accounts for ITMOs through unique identifiers (e.g., a serial code that allows each ITMO to be distinguished). These registries are not required to be electronic though in many cases will be. The UNFCCC will establish an International Registry that Parties may choose to use, which will have distinct sections for each Party that uses it. This will be linked to the *Article 6.4 Mechanism Registry*, which will be distinct and will be where Units issued by the Article 6.4 Mechanism are issued, tracked, transferred and retired.

Reporting requirements

When a Party makes its first *authorisation* under Article 6.2, it triggers a series of reporting requirements that complement the Party's other reporting requirements under the Paris Agreement, e.g., to submit Biennial Transparency Reports. This includes (1) an initial report, in which the Party provides information to demonstrate that it meets the participation responsibilities of Article 6 and on the nature of the *cooperative approach* and the resulting ITMOs (with a requirement to update this initial report for each new cooperative approach); (2) annual information related to ITMOs, including their authorisation, transfer, acquisition and use, and; (3) regular information as part of the Party's Biennial Transparency Reports, including information on the Party's cooperative approaches and the formal application of *corresponding adjustments*. Information submitted by Parties through these reports is, where not considered confidential by a Party, recorded and made publicly available on the *Centralised Accounting and Reporting Platform* and, where applicable, its *Article 6 Database*.

Share of Proceeds

There are two distinct shares of proceeds under the [Article 6.4 mechanism](#). The first is a diversion of 5% of Emission Reduction Units issued under the Article 6.4 mechanism, with these Units not transferred to the account of the relevant project developer but instead to an account held by the UNFCCC's Adaptation Fund with the intention that these are sold to raise revenue for adaptation-based projects. In addition, a portion of revenues from fees paid to the Article 6.4 mechanism secretariat by project developers will be transferred to the Adaptation Fund. The second is a share of proceeds to cover administrative costs of the secretariat managing the Article 6.4 mechanism, including fees related to registration, issuance, renewal of crediting periods, and post-registration changes to project design. For uses of Article 6.2 other than through the Article 6.4 mechanism, Parties and stakeholder are 'strongly encouraged' to contribute resources to adaptation that are commensurate to the share of proceeds requirements under Article 6.4.

Supervisory Body

The Supervisory Body is responsible for supervising the [Article 6.4 Mechanism](#). It is fully accountable to, and must follow guidance adopted, by the relevant body under the UNFCCC: the group of countries who have signed and ratified the Paris Agreement (CMA). The Supervisory Body includes representation from different regional groups within the UNFCCC and meets on a regular basis throughout the year, with its meetings generally public unless closed for reasons of confidentiality. Its tasks include developing the requirements and processes needed to operate the Mechanism, including for developing and/or approving [methodologies](#), registering activities, accrediting third-party verification bodies, and managing the Article 6.4 [Registry](#). It also reports to the CMA on an annual basis and provides recommendations that may be adopted.

Technical Expert Review

The Article 6 Technical Expert Review is distinct but linked to the Technical Expert Review of information provided by Parties through their Biennial Transparency Reports. Technical Expert Reviews are undertaken by teams of at least two experts who have undergone training and involves a review of information submitted by a Party through its Initial Reports, Annual Information and Regular Information. The

Technical Expert Review is primarily focused on the consistency of information reported with the reporting requirements established under the UNFCCC, with other information submitted by the Party and with the information submitted by other Parties with which the Party is cooperating. It may also identify capacity-needs and make recommendations to the Party to address any inconsistencies. Its recommendations are passed to the UNFCCC Secretariat and published on the *Centralised Accounting and Reporting Platform*, subject to confidentiality restrictions.