

## SGT-MRV WORKSHOP SERIES ON ARTICLE 6 (WORKSHOP 2)

### - REPORTING AND CORRESPONDING ADJUSTMENTS UNDER ARTICLE 6

#### - WORKSHOP MATERIAL

#### OVERVIEW

This piloting workshop is focused on the requirements for reporting and the application of corresponding adjustments under Article 6 of the Paris Agreement. This topic is described further in the accompanying policy brief, *An Introduction to Reporting and Corresponding Adjustments*.

This case study is designed to encourage government experts to consider the different approaches to the application of corresponding adjustments permitted under Article 6.2 guidance, and the implications of choosing one approach over another. The choice that governments make for their method of applying corresponding adjustments is an important one, which may have a bearing on their ease of accounting, their certainty and perception of progress towards their NDC, and potentially whether their NDC is ultimately met.

#### BACKGROUND

Under Article 6.2 guidance, governments have several different choices with respect to the application of corresponding adjustments:

1. **Adjustment method.** Parties with single-year NDCs (e.g., a 20% reduction from 1990 levels by 2030, with no annual targets in the period to 2030) can choose whether to apply:
  - a. A **trajectory-based approach**, under which the government outlines an indicative trajectory for their emissions during the NDC implementation period, and annually applies corresponding adjustments for ITMO transfers and use during the period.
  - b. An **averaging approach**, under which the government takes the cumulative amount of ITMOs transferred or used to date and divides this by the number of years that have passed so far in the NDC implementation period. It applies indicative corresponding adjustments for each year, and a final corresponding adjustment to the average amount in the final year.
2. **Adjustment timing.** Parties can choose to authorise ITMOs for use towards another government's NDC, or for 'other international mitigation purposes', such as use towards the aviation sector's CORSIA scheme or use in the voluntary carbon market. When authorising ITMOs for other international mitigation purposes, a government can choose any of the following milestones as the trigger for applying a corresponding adjustment:
  - a. **Authorisation:** The time of authorising the ITMOs for use, which may be prior to their creation.

- b. **Issuance:** The issuance of ITMOs to represent verified emission reductions or removals, which will have already been achieved – possibly in a previous year.
- c. **Use or cancellation:** The use or cancellation of ITMOs, which could be around the time of issuance or could only occur years later (if at all).

## CASE STUDY STRUCTURE

After a short introduction, participants will be allocated to a breakout group and asked to write corresponding adjustment data for the illustrative scenarios listed below. Participants may choose to work together in their breakout group or to work independently. **Participants will have 20 minutes for this work.**

Participants will then be invited back to the main plenary room, to share the outcomes of their work. **(10 minutes).**

Following this, participants will be invited to consider the implications of these scenarios, and the pros and cons of different approaches **(15 minutes)**. Participants may want to consider the following questions in this time, reflecting on their experience of the case study:

1. What difference do different approaches make for achievement of a government's NDC?
2. What difference do the different approaches make for the government's *perception* of its progress towards its NDC during the implementation period?
3. Did it feel important when the government was missing its indicative trajectory, even though this is *indicative*?
4. Considering that this was a highly simplified case study, do any of the models feel too complex to manage in a real-world scenario where a government may be dealing with ITMOs from multiple different projects?

## CASE STUDY

Pacifica, a country and party to the Paris Agreement, has an NDC target that will require its GHG emissions to reduce from 400MtCO<sub>2e</sub> in 2021 to 360MtCO<sub>2e</sub> in 2030. It has a single-year target, with no interim targets between 2021 and 2030.

The government of Pacifica has decided to use Article 6.2 as a seller country, authorizing mitigation outcomes from projects hosted within its jurisdiction, for use towards other international mitigation purposes. It will therefore need to fulfil the Article 6.2 reporting requirements, including:

1. Providing annual information to the UNFCCC on its use of Article 6.2.
2. Providing regular information as part of its Biennial Transparency Reports (submitted every two years from 2024), when it will apply corresponding adjustments.

The country's inventory emissions for its NDC period, prior to any application of corresponding adjustments are below. The figures provided are MtCO<sub>2e</sub>.

### Table 1: Information on inventory emissions and NDC target of Government of Pacifica

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GHG inventory	400	392	374	352	364	341	353	350	342	331
NDC target										360

Information on the ITMOs authorized by the government is summarised below. This includes the volume of emission reductions and removals in MtCO<sub>2</sub>e, as well as the year in which the ITMOs were both issued and cancelled. In some cases, the cancellation took place across several years.

**Table 2: Information on ITMOs authorized by the Government of Pacifica**

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
ITMO occurrence	10	15	20	25	25	25	30	30	30	30
Year of issuance	2023	2023	2025	2025	2027	2027	2030	2030	2030	2032
Year of cancellation	2024	2024	75% 2026, 25% 2028	60% 2026, 40% 2028	2030	2030	2032	50% 2030, 50% 2032	2031	2034
NDC target										360

Summarised below are three different scenarios for the country's application of corresponding adjustments. You are asked to follow the instructions for each scenario, to complete corresponding adjustment data for the government.

### SCENARIO A

In this scenario, the government has decided to follow a trajectory-based approach to the application of corresponding adjustments, providing an indicative emissions trajectory and recording corresponding adjustments annually alongside this. They have decided to treat the issuance of ITMOs as the trigger for applying a corresponding adjustment.

**Task:** Using the GHG inventory below and in Table 1, and the issuance data in Table 2, can you provide the emissions balance for each year of the NDC implementation period?

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GHG inventory	400	392	374	352	364	357	353	350	342	331
Indicative trajectory	400	395	390	385	380	375	370	365	360	355

Emissions balance	410	407	394	377	389	382	383	381	372	361
NDC target										360

## SCENARIO B

In this scenario, the government has decided to follow a trajectory-based approach to the application of corresponding adjustments, providing an indicative emissions trajectory and recording corresponding adjustments annually alongside this. However they have decided to treat the use or cancellation of ITMOs as the trigger for applying a corresponding adjustment.

**Task:** Using the GHG inventory below and in Table 1, and the issuance and year of cancellation data in Table 2, can you show what the emissions balance data would look like if the table were filled in:

1. Shortly after 2026, with data up until that point
2. Shortly after 2028, with data up until that point

As a reminder, corresponding adjustments should be applied for the year in which the ITMO occurred rather than the year of cancellation. However, a corresponding adjustment is not applied until the ITMO has been cancelled, meaning that cancellations after 2027 will not be reflected in the first emissions balance row and cancellations after 2029 will not be reflected in either scenario.

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GHG inventory	400	392	374	352	364	357	353	350	342	331
Indicative trajectory	400	395	390	385	380	375	370	365	360	355
Emissions balance (up to 2026)										
Emissions balance (										
NDC target										360

## SCENARIO C

In this scenario, the government has decided to follow an averaging approach to the application of corresponding adjustments. This means they will take the cumulative amount of ITMOs transferred or used to date and divide this by the number of years that have passed so far in the NDC implementation period. They will then apply indicative corresponding adjustments for each

year, and a final corresponding adjustment to the average amount in the final year. They have decided to treat the issuance of ITMOs as the trigger for applying a corresponding adjustment.

**Task:** Using the GHG inventory below and in Table 1, and the issuance data in Table 2, can you provide the emissions balance for each year of the NDC implementation period?

As a guide to how to calculate this, the first two years have been completed for you.

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GHG inventory	400	392	374	352	364	341	353	350	342	331
Average annual ITMOs	10	12.5								
Emissions balance	410	404.5								
NDC target										355