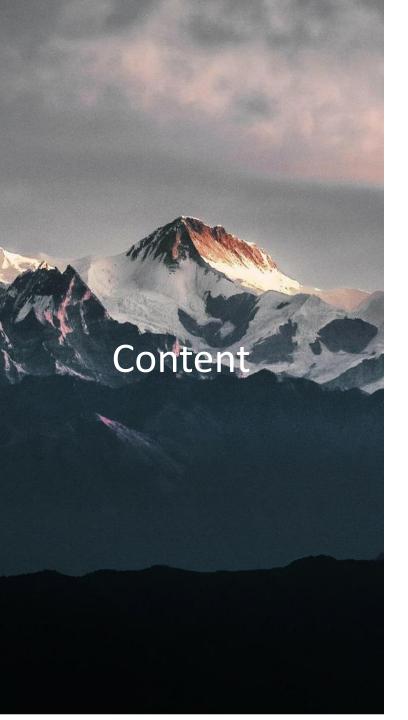




# The Article 6.2 Project Development Cycle

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Regional Workshop on Article 6 and Carbon Pricing



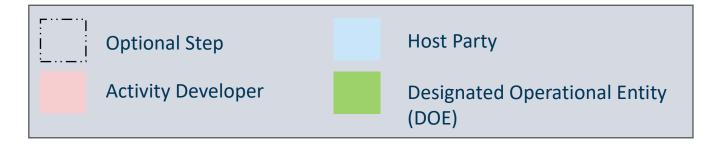


## Activity Development Step-by-Step:

- From Project Developer and Host Country perspective
- Outlining processes, required skills, data/information and timelines

## Article 6 Activity Development Overview





Scoping of Activities

Development of Activity

Validation

Registration

Implementation + Monitoring

Verification

Issuance

Authorisation (different timings possible)

Ca. 1 - 3 months

Ca. 6 - 12 months

Ca. 10 - 24 months

Ca. 1 - 3 months

Usually annual

Ca. 2 - 6 months





Ensure that your activity meets **Article 6.2 requirements** (Decision 2/CMA.3)

- ✓ Real, verified and additional
- ✓ Conservative baseline (below BAU\*)
- ✓ Minimise/prevent negative economic, social and environmental impacts
- ✓ Minimise the risk of non-permanence across several NDC periods and in case of reversals address them in full
- ✓ Consistency with host party's sustainable development targets





Ensure that activity aligns wit **host country's NDC &** (if available) **LT-LEDS\*** targets:

- ✓ Activity type is included in the host country's conditional NDC targets
- ✓ Alignment of the activity with host party policies, strategies, laws, regulations
- ✓ In line with host country's eligibility list (if available)

Ensure that the activity is in line with the **rules** (e.g. bilateral agreement, MoU etc.) that are agreed upon **between the parties** cooperating







Documentation outlining the activity design:

- Brief concept (MAIN)
- Comprehensive Design Document (MADD)

## Mitigation Activity Idea Note (MAIN)



- → Activity developer to describe mitigation activity in **brief concept note**:
  - Activity overview
  - Methodology to be used
  - Financial model
  - Implementation plan
  - → Host country to **assess activity**:
    - reject activity or ask for clarification
    - issue "letter of intent"





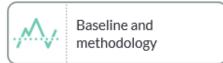
## Mitigation Activity Design Document(MADD)



→ Activity developer to fully describe mitigation activity





























- → Host country to assess activity:
  - reject activity, ask for clarifications or
  - issue "letter of approval"



## Selecting a carbon market methodology



- Carbon market methodology needs to meet basic Article 6.2 requirements
- Current options:
  - Selecting an existing VCM or CDM methodology and apply certain adjustments
  - Develop a new methodology/approach
  - Wait for the new Article 6.4 methodologies to be available
- Potential adjustment required in existing VCM or CDM methodologies
  - Applying a discount factor to ensure that baseline is below BAU
  - Apply an investment analysis to demonstrate financial additionality (instead of barrier test) as requested by some ITMO buyers
  - Other host country- or buyer-specific requirements



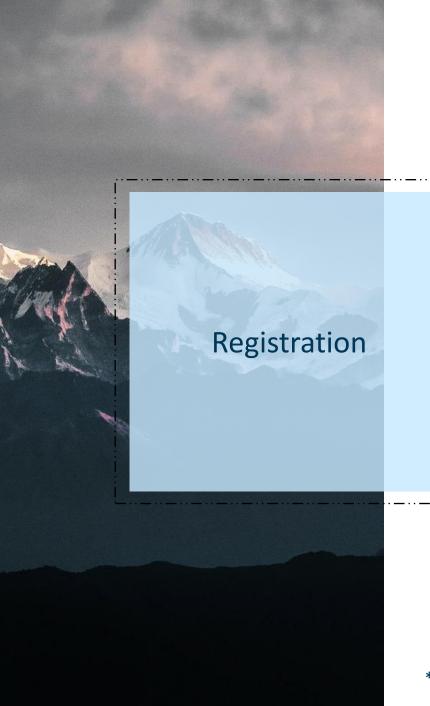


Designated operational entities (**DOEs**) = qualified, independent third-party **auditors** who are approved by the independent crediting mechanism or by the host party



→ carries out a **desk review** of all documentation (MADD, additional evidence) and might conduct an **on-site assessments** to identify risks and point out requests for improvements



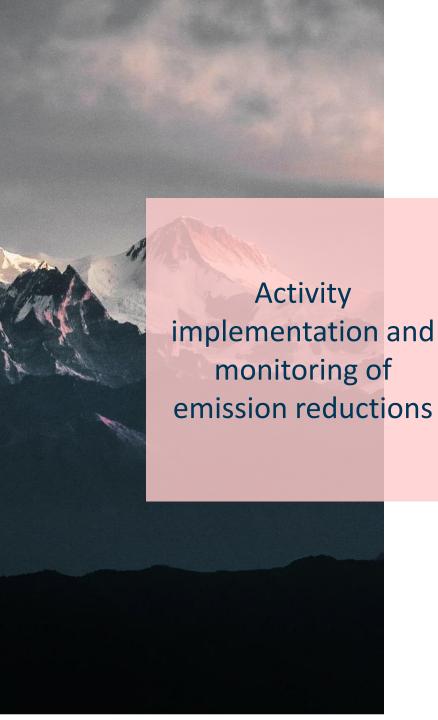




Host countries can have their **own registry**, use the **international registry** implemented by the UNFCCC or **independent standards registries** 

- → allows the tracking of ITMOs\* including through unique identifiers:
- tracking of authorization
- first transfer
- transfer
- acquisition
- use towards NDCs
- authorization for use towards other international mitigation purposes
- voluntary cancellation

<sup>\*</sup> Internationally Transferred Mitigation Outcomes







The activity developer implements the activity alongside a monitoring plan for achieved emission reductions:

- Data collection, processes and storage,
- Quality assurance
- Reporting
- → Improvements or changes to activity design might be needed







Periodic independent review of the activity's achieved mitigation outcomes and compliance with A6.2 rules

→ DOE provides verification statement

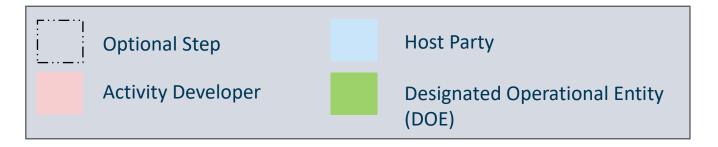




- The activity participant or the DOE (if applicable) submit the verification report to the crediting mechanism operator.
- An issuance fee might apply
- Upon successful review the registry operator issues ITMOs
- Transfer of ITMOs requires authorisation by host party
- activity participants can now transfer the ITMOs to the account of the acquiring party or retire them
  - → rules and requirements regarding the transfer process defined by the host and buying parties must be followed

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#### **Activity Development requires:**

- Profound understanding of the national context (policies, targets and strategies)
- Technical carbon market expertise on methodologie requirements
- Private sector buy-in
- Stakeholder support and commitment
- Government support
- Time
- Funds

→ It's a joint effort!



