

How Article 6 brings Article 5.2 REDD+ to Global Carbon Markets

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This year, the [World Meteorological Society](#) reported that there is an 80% likelihood that we will exceed 1.5°C for at least one of the next five years. We are truly in the eleventh hour.

Article 6 can become the lynchpin in the Paris Agreement's efforts to slow climate change, engage the private sector and support the Global South. We cannot make the same mistakes as we did with the Clean Development Mechanism (CDM). Atmospheric integrity is essential to success.

Article 6 must deliver real, additional, and verified emission reductions and removals with the necessary speed and scale. "Verified" means that these emission reductions and removals adhere to CMA (Conference of Parties serving to the Paris Agreement) guidance, including undergoing multiple technical expert reviews under the Paris Agreement.

For rainforest nations, Article 6 must become a robust finance tool to support efforts under Article 5.2 to conserve rainforests through the sale of *Internationally Transferred Mitigation Outcomes* (ITMOs).

Article 5.2: Will the Real REDD+ step Forward?

The purpose of Article 5.2 is the same today as it was two decades ago: *to support national efforts to slow, stop, and reverse tropical deforestation under the UNFCCC*. Article 5.2 works. Last year marked the 10th anniversary of its implementation. Since the Warsaw Framework for REDD+ was adopted, 65 developing countries have since reported efforts to reduce deforestation and forest degradation to the UN Climate Change secretariat. In an article celebrating this milestone, the UNFCCC [reported](#):

"REDD+ activities implemented by developing countries cover a forest area of about 1.35 billion hectares – approximately 62% of forest area in developing countries. Moreover, 17 countries reported a reduction of 11.6 billion tons of carbon dioxide, fulfilling the requirements to obtain results-based finance."

Although Article 5.2 has achieved 11.6 billion tons of emission reductions and removals, only those attained from 2021 onwards count towards Article 6 as ITMOs. This decision was made at the Glasgow COP in 2021, leaving out all the hard work by countries over the preceding decade. For Article 5.2, therefore, this



means that the verified 4,839,390 tons from Suriname for 2021 are the first REDD+ ITMOs available to the market with Honduras being the immediate next country and others follow suit with their 2021 and later vintages¹. For a full overview of the Suriname 2021 issuance, we suggest reviewing Suriname's Initial Report for Article 6.2 REDD+ ITMOs, which can be found [here](#).

While the term REDD+ is enshrined in Article 5.2, it was never patented by the UNFCCC. To the layman this gives the impression that all forestry projects claiming to be REDD+ are somehow linked to Article 5.2. Nothing could be further from the truth.

Voluntary forestry carbon projects have no methodological or legal connection to the Paris Agreement or the UNFCCC. In fact, around 90% are based on avoidance methodologies, which are not permitted by the UNFCCC – as clearly stated within Paragraphs 6 and 3 of the SBSTA conclusion on Article 6.2 and 6.4 respectively agreed in Bonn in June this year².

- 1 These verified tons and the technical reports published by the UNFCCC Secretariat are available here: <https://redd.unfccc.int/submissions.html?country=sur>
- 2 Article 6.2; 6. The SBSTA took note of the work undertaken in response to paragraph 16(b)(ii) of decision 6/CMA.4 related to whether internationally transferred mitigation outcomes (ITMOs) could include emission avoidance, and agreed to continue consideration of this matter at SBSTA 68 (2028); The SBSTA notes that in the absence of further guidance by the CMA, the current guidance applies, and notes that emission avoidance is not included in the current guidance; Article 6.4; 3. The SBSTA took note of the work undertaken in response to paragraph 9(a) of decision 7/CMA.4 on consideration of whether Article 6, paragraph 4, activities could include emission avoidance and conservation enhancement, and agreed to continue consideration of this matter at SBSTA 68; The SBSTA notes that in the absence of further guidance by the CMA, the current rules, modalities, and procedures (RMPs) apply, and that emissions avoidance is not included in the current RMPs; The SBSTA further notes that conservation enhancement is not a separate category of activity in the current RMPs.



Further, Article 5.2 requires netted national accounting. This means no credit is given for conserving one area of forest if deforestation occurs elsewhere in the country. Thus, Article 5.2 disqualifies all forest projects from the voluntary carbon standards.

The voluntary carbon markets were finally exposed for the lack of environmental integrity and other financial irregularities that always existed. Multiple scientific studies and media articles covered the issue, including [The Guardian](#), [Science Journal](#), [Bloomberg](#). The markets then crashed and corporate demand is drying up.

Article 5.2 & Private Finance

From design, UNFCCC REDD+ was always intended for the markets. Period. The COP decided that “result-based finance provided to developing country Parties that is new, additional and predictable may come from a variety of sources public and private, bilateral and multilateral, including alternative sources”³. UNFCCC REDD+ includes market-readiness, considering result-based actions must be fully measured, reported, and verified and uploaded in the [UNFCCC Lima info hub](#) and be linked to any future market registry that the Convention and or CMA would develop for Decision 9/CP.19.

Further, decision 14/CP.19, paragraph 15, notes that result-based actions may be eligible to appropriate market-based approaches that could be developed by the Conference of the Parties, as per decision 2/CP.17, paragraph 65, and may be subject to any further specific modalities for verification consistent with any relevant decision of the Conference of the Parties.

We note that these further specific modalities for verification are those developed by the CMA under the Paris Agreement for Article 6.2, as the cooperative approaches defined in these decisions do not exclude the forest sector. For this reason, Article 6.2 rules for verification (and for all other matters pertaining to ITMOs) are complementary to the Article 5.2 decisions for REDD+, effectively addressing paragraph 15 of decision 14/CP.19.

As recently as COP27, Sharm El Sheikh, the Cover Decision reiterated the role of private finance for Article 5.2 in supporting developing country efforts with the inclusion of footnote 30. It refers to previously recognized COP decisions 1/CP.16, and 9/CP.19 that encourage private sector finance for developing countries in return for accomplished emission reductions or removals under the REDD+ mechanism.

Then, at COP28 Dubai, the UAE Consensus Agreement achieved a milestone by recognizing the need to reverse deforestation by 2030 in accordance with the rules and methodologies already agreed under Article 5.2 of the Paris Agreement:

“...the need for enhanced support and investment, including through financial resources, technology transfer and capacity-building, for efforts towards halting and reversing deforestation and forest degradation by 2030 in the context of sustainable development and poverty eradication, in accordance with Article 5 of the Paris Agreement...”

These agreements now pave the way for the full implementation of Article 5.2 using subsequently agreed Article 6 assessment/verification requirements to leverage carbon market finance for sovereign nations for conserving rainforests at national level. But how does Article 5.2 work and how can Article 6.2 bring it to market?

3 Decision 2/CP.17, paragraph 65.

How does Article 5.2 work?

REDD+ was enshrined in Article 5.2 of the Paris Agreement in 2015. Today, it remains the *only* global system under the Paris Agreement that can halt and reverse deforestation by 2030. All countries have agreed to reduce their emissions according to the national targets or NDCs that they have set for themselves. Developing countries can use Article 5.2 to meet their NDCs – it delivers emission reductions and removals cost-effectively while protecting their forests.

To participate in Article 5.2, a developing country begins by fulfilling the four core elements of the UNFCCC REDD+ framework:

- i. Finalize a National REDD+ Strategy or Action Plan which addresses the causes of deforestation and forest degradation, as well as critical issues such as land tenure, governance, gender equality, and the rights of indigenous people and local communities.
- ii. Establish a National Forest Monitoring System to measure the impact of REDD+ activities. Countries must measure forest-related emissions and removals using IPCC's guidelines and guidance (Decision 4/CP.15, para 1(c)), consistent with their national GHG inventory (Decision 12/CP.17, para 8). The system uses a combination of remote sensing and ground-based forest carbon inventory approaches (Decision 4/CP.15, para 1(d)(i)).
- iii. Construct a forest reference level (FREL/FRL)⁴, that serves as a benchmark for assessing the impact of REDD+ activities. A step-wise approach is embedded, enabling developing countries to improve and update their FREL/FRL by incorporating better data or improved methodologies, ideally every 5 years (Decision 12/CP.17, para 10).

- iv. Institute a Safeguards Information System to monitor and report on the Cancun safeguards agreed under the UNFCCC in 2010. The climate negotiators who created REDD+ were clear that preserving and protecting rainforests cannot cause negative social and environmental impacts.

Verification

Countries must implement the national strategy and other policies over a period of years in an effort to slow, stop or reverse deforestation, and then prove that these efforts have been successful. A country's performance is then reported and verified through the UNFCCC's Measuring, Reporting and Verification (MRV) system, which was designed by many decisions made by over 190 countries at COP sessions. The estimate of emission reductions and removals then undergoes analysis and assessment by independent international experts, chosen from the UNFCCC Roster of Experts.

The COP decided on a two-step, independent verification, based on a peer-review process facilitated by the UNFCCC. For the FREL/FRL and the REDD+ results, separately, the UNFCCC Secretariat coordinates an independent technical assessment. Experts are nominated by Parties and are trained and certified by the UNFCCC. They work to develop technical assessment reports, containing issues and areas for improvement. Each technical assessment takes about 9-12 months, followed by a one-week UNFCCC verification meeting held in UNFCCC headquarters in Bonn, Germany.

4 Forest reference emissions level/forest reference level.

For the verification of FREL/FRL, LULUCF experts will conduct a thorough and comprehensive assessment of the submitted data and information, which shall be sufficient to fully reconstruct all estimates. Then, they will prepare a report. Verification reports are published by the UNFCCC Secretariat via the [UNFCCC REDD+ Web Platform](#). The reports contain the technical annex with the FREL/FRL or the REDD+ results, its analysis, areas for technical improvement identified as well as any comments and/or responses by the Party concerned, including areas for further improvement and capacity-building needs.

REDD+ results are emission reductions or removals reported through a biennial report under the Paris Agreement, or Biennial Transparency Report (BTR). The BTR is a key element in a country's obligations, demonstrating how the REDD+ mechanism is integrated into and compliant with the Paris Agreement. The final emission reductions and removals are also posted to the REDD+ Info Hub as "REDD+ Results".

REDD+ results that are converted to ITMOs shall comply with CMA decisions, including the additional verification requirements, such as an additional technical expert review including a consistency check of all information submitted by the Party under the Paris Agreement: its initial report on the cooperative approach, regular information (through BTRs) and annual information reported, as explained more in detailed in the next section.



A Robust MRV System

In a similar vein to criticisms of the PA, some say Article 5.2 is not strict enough on Parties. One common, yet unjustified, criticism is that this MRV system is weak, and that sovereign nations have the right to ignore the UNFCCC review. But none have! It makes no sense for a country to ignore a review or not respond to UNFCCC expert comments. The UNFCCC REDD+ MRV process is publicly available online. Ignoring negative assessments will compromise financial market values.

Since inception, very few countries have successfully gone through the MRV process on first attempt. In fact, 85% of the countries that have submitted FREL/FRL under REDD+ have been informed of necessary areas of improvements and capacity building needs and have resubmitted the RL which incorporate improvements requested by reviewers. Similarly, about 48% of the countries that have submitted for REDD+ Results have also resubmitted to address critical comments by the international expert reviewers. This should not be seen as a criticism, but a strength of a robust verification system, part of the stepwise approach described above.



Table 1: Proportion of Modified FREL/FRLs and REDD+ Results under UNFC

Modified FREL/FRL submitted to UNFCCC after Technical assessment work		
Modified FREL/FRL	Number of Submissions	%
Modified	64	85%
Non-modified	3	4%
Ongoing	8	11%
Total	75	100%

Modified REDD+ Technical Assessment submitted to UNFCCC after Technical Analysis Week		
Modified FREL/FRL	Number of Submissions	%
Modified	13	48%
Non-modified	10	37%
Ongoing	4	15%
Total	27	100%

Source: UNFCCC REDD+ Platform: <https://redd.unfccc.int/>

How Article 6 works for Article 5.2

Under the Paris Agreement, developing countries may issue REDD+ Results under Article 5.2 that can be classified as ITMOs under Article 6.2 by adhering to related CMA guidance and fulfilling the participation, reporting and verification requirements therein. Figure 1 below outlines these steps.

This means that REDD+ ITMOs must be issued and authorized by host governments (Artikel 6.3 Paris Agreement), following the procedures related to Article 6.2 of the Paris Agreement and CMA decisions, including an Initial Report, Annual Information and Regular Information.

These decisions include participation requirements (Decision 2/CMA.3, Annex, para 4), application of corresponding adjustments (Decision 2/CMA.3, Annex, paras 7-16), recording, and tracking (Decision 2/CMA.3, Annex, sections V and VI), see also Figure 1.

The information submitted by Parties to the UNFCCC in relation to retirements, cancellation, and use is integrated in the Centralized Accounting and Reporting Platform (CARP, Decision 2/CMA.3, annex, section C). It is important to note that the UNFCCC Secretariat has a role to check the consistency of the information reported by Parties as part of the Article 6 database (Decision 2/CMA.3, annex, para 33 (a)) and notifying Parties of any inconsistencies (Decision 2/CMA.3, annex, para 33 (b)).

In section *How does Article 5.2 work?* above we explained steps 1 through 8, as shown in Figure 1. Below we discuss A through K for Article 6.2.

Step A.

Submit an Article 6, paragraph 2, Initial Report⁵.

Participating Parties shall submit an Initial Report no later than the authorization of ITMOs⁶, or where practical, in conjunction with the next BTR. The initial report includes comprehensive information to demonstrate that parties fulfill the participation requirements, metrics and the method for applying corresponding adjustments, the quantification of ITMOs, among other requirements. The submission of an initial report or an updated initial report triggers an Article 6 technical expert review.

Step B.

Complete the Article 6 technical expert review⁷.

An Article 6 technical expert review consists of a desk or centralized review of the consistency of the information submitted by the Party. The Article 6 technical expert review team prepares a report on its review that includes recommendations to the participating Party on how to improve consistency with this guidance and relevant decisions of the CMA. The reports shall be made publicly available on the centralized accounting and recording platform (CARP)⁸.

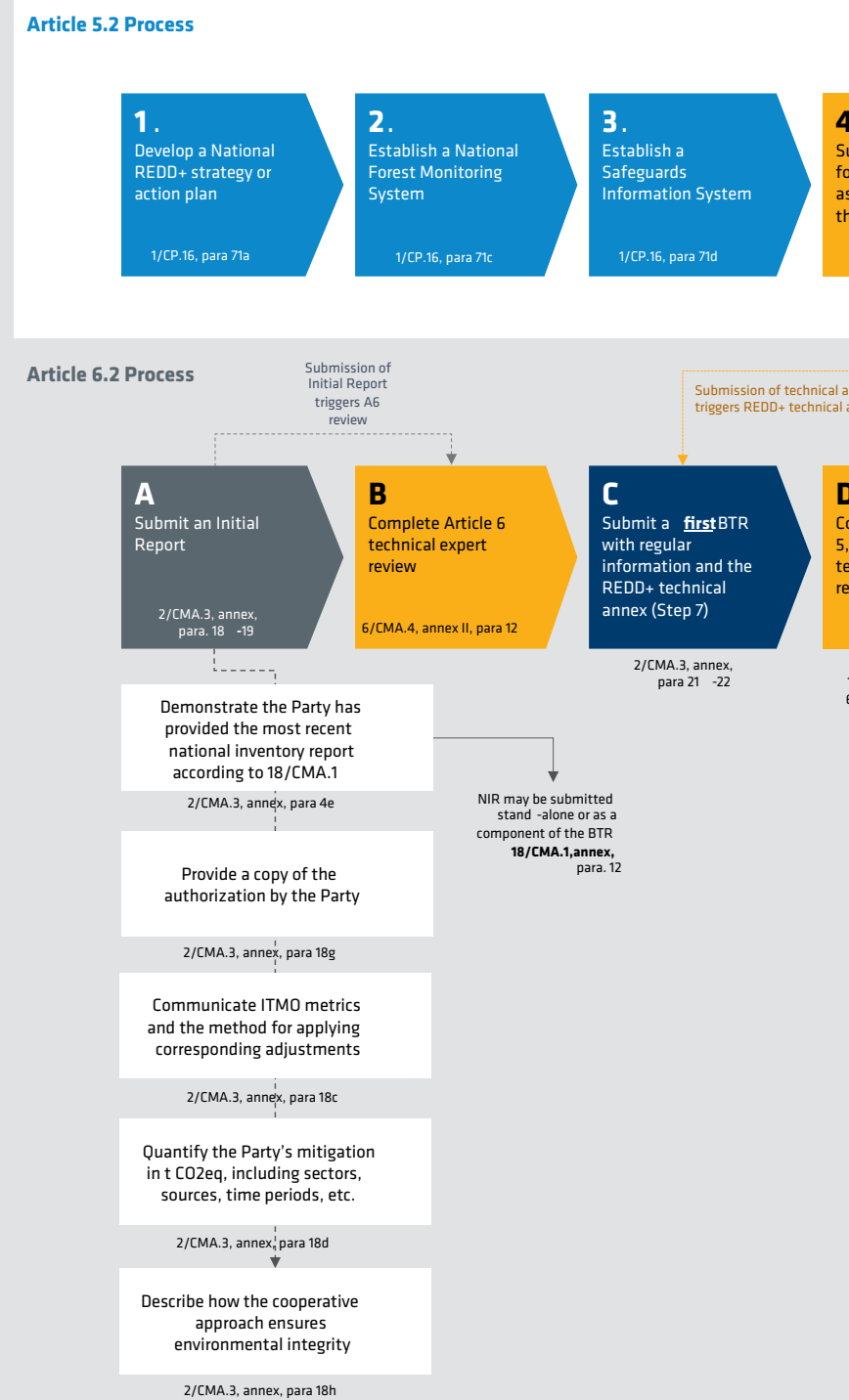
5 Decision 2/CMA.3, annex, paragraphs 18-19.

6 Decision 2/CMA.3, annex, paragraphs 18-19.

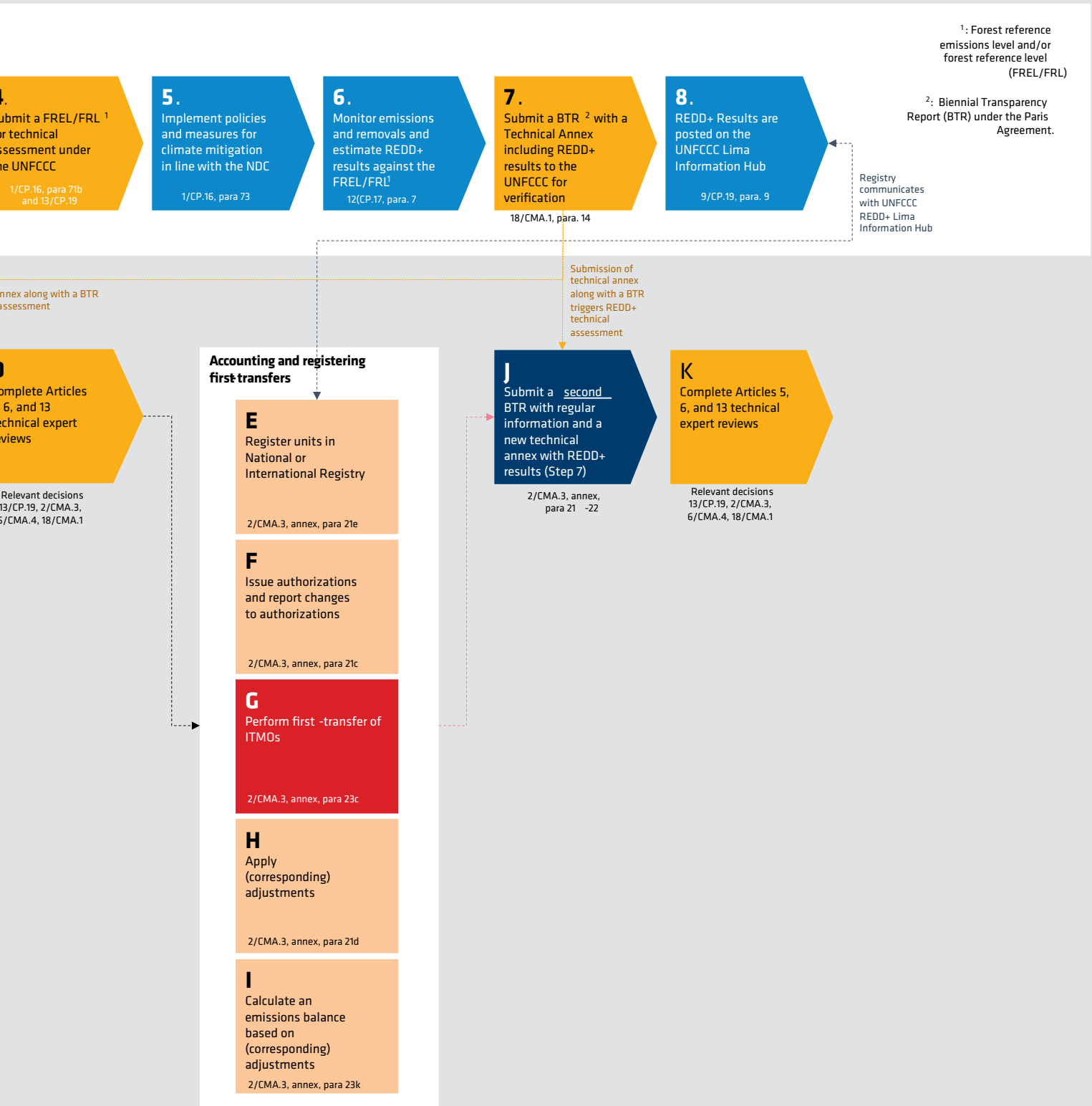
7 Decision 2/CMA.3, annex, paragraphs 25-28.

8 Decision 2/CMA.3, annex, paragraphs 28.

Figure 1: Steps for integrating the implementation of Article 5.2 and 6.2 for REDD+ cooperative approaches following CMA guidance and decisions.



Source: Coalition for Rainforest Nations.



Article 6.2 participation requirements

Each Party participating in a cooperative approach that involves the use of ITMOs shall ensure that its participation is consistent with this guidance and relevant decisions of the CMA 2/CMA.3, annex, **paragraph 3**

It is a Party to the Paris Agreement

2/CMA.3, annex, para 4a

It has prepared, communicated, and is maintaining an NDC

2/CMA.3, annex, para 4b

It has arrangements in place for authorizing ITMOs

2/CMA.3, annex, para 4c

Achieving consistency with CMA decisions

"Information submitted by a participating Party is considered to be consistent with CMA guidelines when all of the following requirements are met": 6/CMA.4, annex II, **paragraph 3**

The information is complete, transparent, and consistent with CMA decisions

6/CMA.4, annex II, para. 3a

The information is consistent across the different reporting requirements

6/CMA.4, annex II, para. 3b

Including:

- Initial Report
- Updated Initial Report
- Annual Information
- Regular information
- Structured summary

Source: Coalition for Rainforest Nations.

Step C. Submit a first Biennial Transparency Report (BTR), including regular information

Just as in step 7 where developing countries submit their REDD+ results via a technical annex to the BTR, for purposes of Article 6.2 reporting, countries must use this same reporting vehicle to report regular information on the cooperative approaches being implemented and reported through the Initial Reports.

Step D. Complete the Articles 6 and 13 technical expert reviews.

The Article 6 technical expert review (TER) is briefly described under Step B, which is also triggered by the submission of regular information in the BTR (steps C and J). As part of the Article 6 TER, the newly submitted regular information will be checked against the Initial Report and Annual Information⁹ submitted by countries. According to decisions 18/CMA.1 and 6/CMA.4, the TER for Articles 5, 6, and 13 may occur in conjunction, allowing for a broader consistency check.

⁹ Each participating Party shall, on an annual basis by no later than 15 April of the following year and in an agreed electronic format, submit for recording in the Article 6 database the following information on Annual information on authorization of ITMOs for use towards achievement of NDCs, authorization of ITMOs for use towards other international mitigation purposes, first transfer, transfer, acquisition, holdings, cancellation, voluntary cancellation, voluntary cancellation of mitigation outcomes or ITMOs towards overall mitigation in global emissions, and use towards NDCs.

It has arrangements in place for tracking ITMOs

2/CMA.3, annex, para 4d

It has provided the most recent national inventory

2/CMA.3, annex, para 4e

Parties report on how they are fulfilling the participation requirements as part of regular information (via BTRs) – Steps C and J above.
2/CMA.3, annex I, paragraph 21a

Regular information is within the scope of the Article 6 Technical Expert Review, including how Parties fulfill the participation requirements Steps B, D, K above
6/CMA.4, annex II, paragraph 3b

The information is consistent across all Parties participating in the same cooperative approach

6/CMA.4, annex II, para. 3c

Steps E - I.

Authorize first-transfers of ITMOs and calculate the emissions balance.

Parties shall report regular information via the BTR, including annual quantity of ITMOs transferred¹⁰, annual quantity of ITMOs used towards the achievement of NDCs¹¹ or for other international mitigation purposes¹², net annual quantity of ITMOs¹³, total quantitative corresponding adjustments used to calculate the emissions balance¹⁴, annual emissions balance¹⁵, the amounts per cooperative approach, sector, transferring Party, using Party and vintages¹⁶, among others.

The REDD+ results published on the UNFCCC Lima Information Hub (Step 8) are registered in the national or international registry used by the participating Party (Step E). Subsequently, host Parties issue the authorizations (and report any changes to them), as reflected in Step F. For authorized ITMOs, the host

Parties perform the first-transfer of ITMOs (Step G) and apply the (corresponding) adjustments in Step H. Based on the adjustments made, the host Party calculates the emissions balance (Step I) and reports them in the upcoming (second) BTR (Step J), which triggers an Article 6 TER.

Step J.

Submit a second BTR, which may include new REDD+ results and regular information.

This second BTR includes regular information and annual information reported biennially, in line with CMA guidelines. The Article 6 TER is triggered by the submission of regular information annexed to the second BTR. This second BTR may include a new set of REDD+ results, also triggering an Article 5 technical assessment. At this stage, these steps become cyclical with new information being provided biennially, and new TERs being triggered as a result of this.

¹⁰ Decision 2/CMA.3, annex, paragraph 23c.

¹¹ Decision 2/CMA.3, annex, paragraph 23e.

¹² Decision 2/CMA.3, annex, paragraph 23d.

¹³ Decision 2/CMA.3, annex, paragraph 23f.

¹⁴ Decision 2/CMA.3, annex, paragraph 23g.

¹⁵ Decision 2/CMA.3, annex, paragraph 23k.

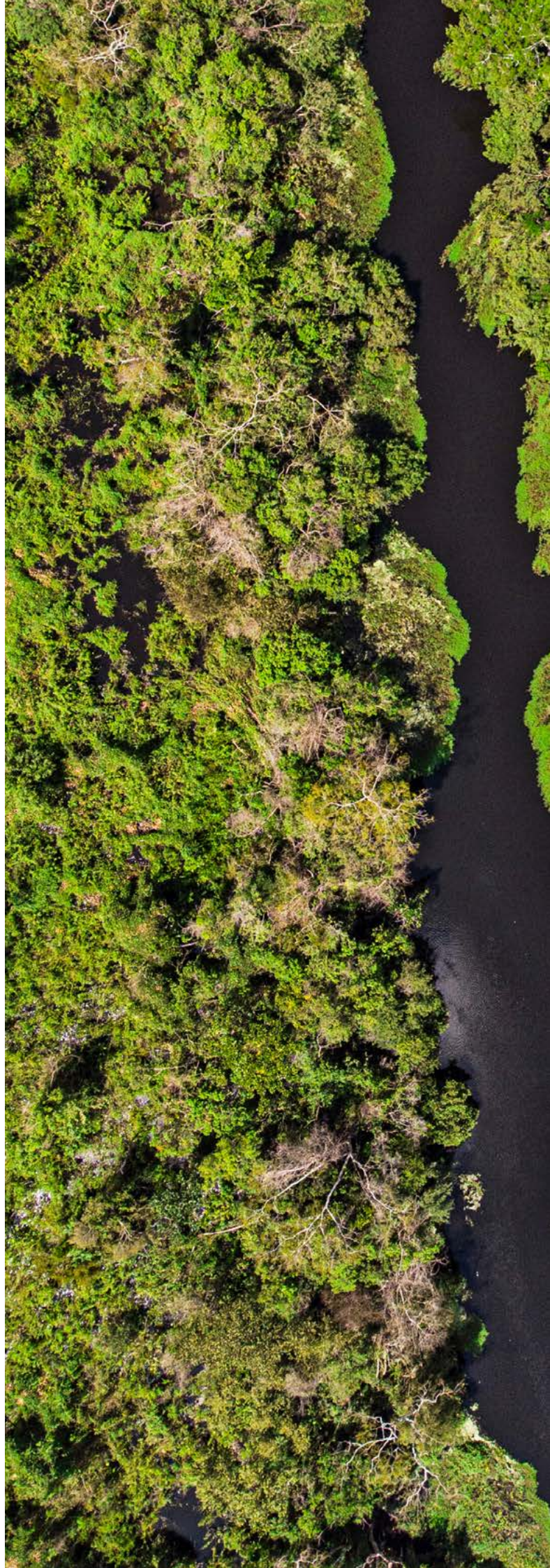
¹⁶ Decision 2/CMA.3, annex, paragraph 23l.

Step K.
Complete the Articles 5, 6 and 13 technical expert reviews.

The Article 6 TER triggered by the submission of regular information annexed to the BTR now includes information from the initial report, any updated initial report, annual information and regular information, as well as the structured summary including the emissions balance. Participation in cooperative approaches is consistent with CMA decisions once the information submitted by participating Parties is complete, transparent, consistent across all submissions by each participating Party and across participating Parties in the same cooperative approach.

17 Decision 6/CMA.4, annex II, paragraph 3b.

18 Decision 6/CMA.4, annex II, paragraph 3.



Conclusion

The real REDD+ under Article 5.2's national scale net reductions and removals, including three independent assessments/verifications, provides the highest quality ITMOs available today. By purchasing Article 5.2 REDD+ ITMOs, the buyer becomes fully Paris Agreement compliant while supporting climate, biodiversity, and rural/indigenous livelihoods.

Article 5.2 is voluntary and underpinned by financial incentives, or payment, for verified results. All these efforts by rainforest nations are additional. Further, all reversals must be netted and captured within annual and regular information and subsequent BTRs. If reversals exceed results, they must be replaced by future credits until the 'account' is positive again. As mentioned, for a case study, we suggest reviewing Suriname's Initial Report for Article 5.2 REDD+ ITMOs, which can be found [here](#). In addition to Article 6 requirements, Suriname is formalizing a revenue distribution model, financial systems to administer revenues, and a process to assess key performance indicators, including an annual audit.

The Paris Agreement goal is for global emissions and removals to be in balance by 2050. Many rainforest countries, like Suriname, are now in balance or are net carbon removers. They have already reached the point that all countries must be at in a quarter of a century. We need to help them remain there and further increase the removal capacity for the benefit of future generations.



Latest SPAR6C toolbox guide launch

The latest SPAR6C Guide 'Promoting Ambition and Transformational Change Under Article 6' will be launched at a webinar on Thursday, 26th September 2024. Tune in at

Session 1: 9:00 AM CEST

Register at <https://tinyurl.com/SPAR6C1>

Session 2: 3:00 PM CEST

Register at <https://tinyurl.com/SPAR6C>

Art. 6.4 Supervisory Body Meeting Reports

The Carbon Mechanisms project publishes reports for each meeting of the Supervisory Body for the Art. 6.4 mechanism. Browse all reports at www.carbon-mechanisms.de/en/publications

Glossary

All Carbon Market terms and abbreviations are explained in detail in our online glossary. View it here: www.carbon-mechanisms.de/en/glossary