

# ARTICLE 6 PARAGRAPH 2



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## WHAT IS ARTICLE 6 PARAGRAPH 2 OF THE PARIS AGREEMENT?

Article 6 of the Paris Agreement, referred to as Cooperative Approaches, is where carbon pricing, carbon markets, carbon offsets, and nature-based solutions (NBS) are being built. Article 6 opens the door for countries to participate in various forms of carbon markets.

**Article 6 paragraph 2 (Article 6.2) creates the structure for trading greenhouse gas emissions between parties (countries) of the Paris Agreement in order to meet nationally determined contributions (NDCs).** Countries can either: 1) trade emissions between each other through their existing emissions trading systems (ETs), or directly on the registry database (currently under construction) if a party does not have an existing ETS system in place; or 2) by trading internationally transferred mitigation outcomes (ITMOs), units that function like offsets. Both forms of carbon pricing and trading can be used to meet a party's NDCs.



## RELEVANCE TO COP 28

At the moment, the architecture of the Article 6.2 “registry database” is still being built and several components are under discussion. Discussions are based on what will count as an ITMO, timeframes, and how to trade across various emissions trading system platforms. If a party does not have an ETS, they will have access to the registry database. The database is being set up to track emission, registry records, transfers of units, authorizations and cancellations to name a few. **The registry database will essentially act as a system to track carbon pricing and trading.**

This has been a point of contention between countries that have existing ETSs based mostly in developed countries, and countries that do not have systems based mostly in developing countries, or are in the process of setting up their greenhouse gas inventories as a precursor to building an ETS system. For countries that do not have ETS systems and plan to use the Article 6.2 registry database, questions remain regarding training and resources for greenhouse gas inventories and tracking within developing countries.

A key tension point is whether or not ITMOs will have a distinguishable “unique identifier”, a permanent reference number so that emissions units can be tracked after they are traded through the registry and the labyrinth of ETSs, and when the emissions units will be canceled so that fraud and continued trading does not occur with the same unit of emissions over and over. Each tradable unit is a representation of one ton of pollution. Each unit is supposed to be canceled after a trade, but how to track the units and cancel them is still under discussion. Negotiations at COP 28 will aim to clarify these tension points.

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## WHY IS ARTICLE 6.2 IMPORTANT FOR INDIGENOUS PEOPLES?

There are plans to link Article 6.2 with Article 6.4 (the offsets mechanism database). It is not clear how an ITMO and an offset will differ. **Carbon offsets have serious implications to Free, Prior and Informed Consent (FPIC)** and the inherent rights of Indigenous Peoples as outlined in the United Nations Declaration on the Rights of Indigenous Peoples. For almost two decades IEN has witnessed the clean development mechanism (CDM) of the Kyoto Protocol pave the way for large-scale offsets programs that fail to uphold the rights of Indigenous Peoples and jurisdictional authority, and sell these credits to polluting facilities that impact Indigenous Peoples and local communities. Further, the **Article 6.2 global registry will be the first ever carbon trading platform of this scale, size and reach.**



One of the lesser examined but crucially concerning aspects of carbon markets is of the communities that will continue to be negatively impacted by enterprises that purchase offsets in order to continue to pollute. Territories near mining, oil extraction and refineries, cement factories, hydroelectric dams and other renewable energy sites will continue to be impacted by pollution, land degradation, poverty entrenchment, and worker dependency, regardless of the alleged carbon status of the site. Whether the corporation is buying credits to offset pollution through the registry database or selling credits in the mechanism database, Indigenous Peoples will be impacted at both ends of the carbon market chain. **Carbon markets linked through Article 6.2 and Article 6.4 guarantee that fossil fuels will continue to be extracted and slow down any real transition away from fossil fuels.**

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## DEBUNKING MYTHS

### WHAT THEY SAY

### WHAT WE SAY

**Article 6.2 will incentivise countries to build greenhouse gas inventories and allow us to track global emissions.**

Carbon trading has not worked for over 20 years. Evidence demonstrates how the market is subject to boom and bust cycles, price shocks, fraudulent reselling of units, and inaccurate data. Basing our hopes on mainstream economics boosting another financialized market is too dangerous. We do not have time for more economic accounting that benefits the same polluters causing climate change! **We must phase-out fossil fuels at source!**

**Article 6.2 will finally create a global carbon trading market and build a reliable system.**

Carbon markets are fundamentally flawed. They do not reduce emissions and have included fraud and double-counting. Article 6.2 will be no different. Communities on both ends of the carbon markets are impacted by carbon trading, pricing and offsets.

**Article 6.2 will ratchet down emissions once it is up and running.**

After 20 years of carbon trading and markets, there is no evidence to indicate with certainty that carbon markets reduce emissions. **The linking between the registry database and the mechanism database of Article 6.4 proves that carbon offsets will continue to derail any moves to phase-out fossil fuels at source.**

**Article 6.2 ITMOs will support emissions reductions.**

There is no clear accounting of an ITMO. An ITMO appears to function exactly like an offset. What is the difference between an ITMO and a carbon offset? What will count as an ITMO? No more carbon trading and pricing! No more carbon offsets! Keep it in the ground!