

# Carbon Market Mechanisms Working Group Newsletter



## About the Carbon Market Mechanisms Working Group

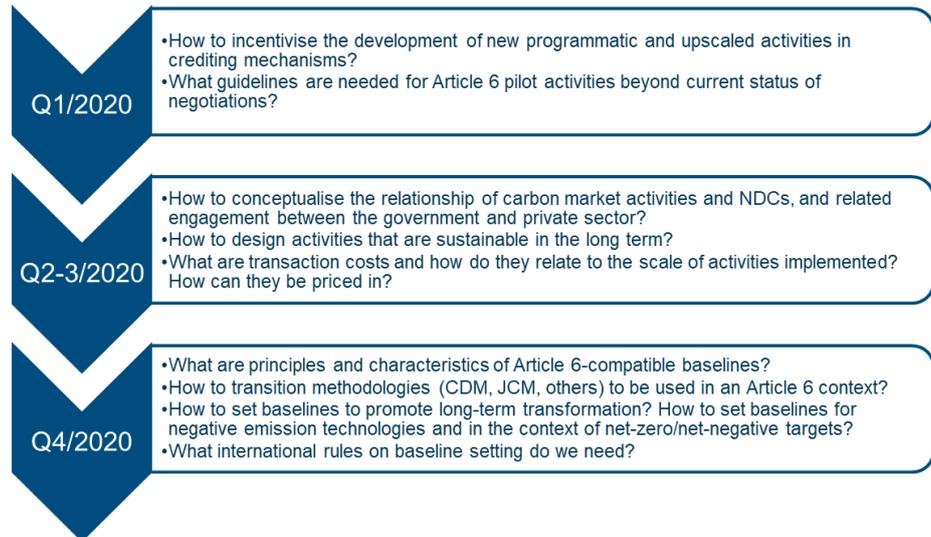
In designing new approaches to market-based cooperation set up under Article 6.2-6.7 of the Paris Agreement (PA) and guided by the principles enshrined in Article 6.1, Parties to the PA must consider experience and build on successful models that mobilised funding for low-carbon and resilient development at scale and increased ambition in mitigation action around the world. In line with this goal, the Carbon Market Mechanisms Working Group (CMM-WG), chaired by Perspectives Climate Research and supported by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), aims to facilitate a continuous dialogue among stakeholders, focusing on up-scaled and programmatic approaches to market-based cooperation, in the context of achievement and ambition raising of Nationally Determined Contributions (NDCs). In regular meetings, stakeholders can share lessons learned, challenges encountered, and success stories from their activities. Discussion papers on key issues in future international, market-based cooperation are also produced and circulated to consolidate a common understanding of technical issues. By fostering up-scaled approaches, the initiative aims to contribute to transformational change towards low-carbon and climate resilient development.

## Achievements in 2020

In 2020, Perspectives organised:

- 3 stakeholder meetings,
- 2 consultation sessions with technical experts under the CMM-WG, and
- 2 background papers.

The topics of the stakeholder meetings increased in specificity throughout the year, focusing on the following questions:



### *Discussion Paper: Setting Crediting Baselines*

One of the most recent outputs of the CMM-WG is the publication of a discussion paper, "[Setting crediting baselines under Article 6 of the Paris Agreement](#)". Developed with inputs from the working group, the paper highlights several key conclusions from the year's activities that relate to baseline setting for market-based cooperation through crediting mechanisms. Most importantly, the crediting baseline must be set in a way to secure NDC achievement of the host country. Conservative baselines do not lead automatically to higher ambition in mitigation action of the host country.

Additionally, Article 6-compatible baseline setting approaches share many common aspects, but there is no one-size-fits-all approach. An important challenge in Article 6 baseline setting is the trade-off between accuracy of the baseline through ex-post validation of parameters and investment security.

Another important conclusion is that methodologies approved by the Clean Development Mechanism (CDM) or other existing crediting mechanisms can be important for Article 6 activities, but they need to be complemented by approaches that ensure the consideration of host country policies and NDC targets in crediting baselines.

In the long term, Article 6 baselines must be in line with net-zero pathways, while also acknowledging differences in country contexts and capacity levels. New baseline setting approaches must be developed for crediting activities.

## PLANS FOR 2021

In 2021, the Working Group intends to continue to foster a ‘safe space’ for discussion among like-minded stakeholders, bringing expert perspectives from academia, consultancy, and host country governments into in-depth conversations regarding mitigation activities at scale.

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*Work will be organised in three work streams:*

*(1) General exchange on challenges and opportunities in Article 6 piloting*

*(2) Methodologies in Article 6 cooperation*

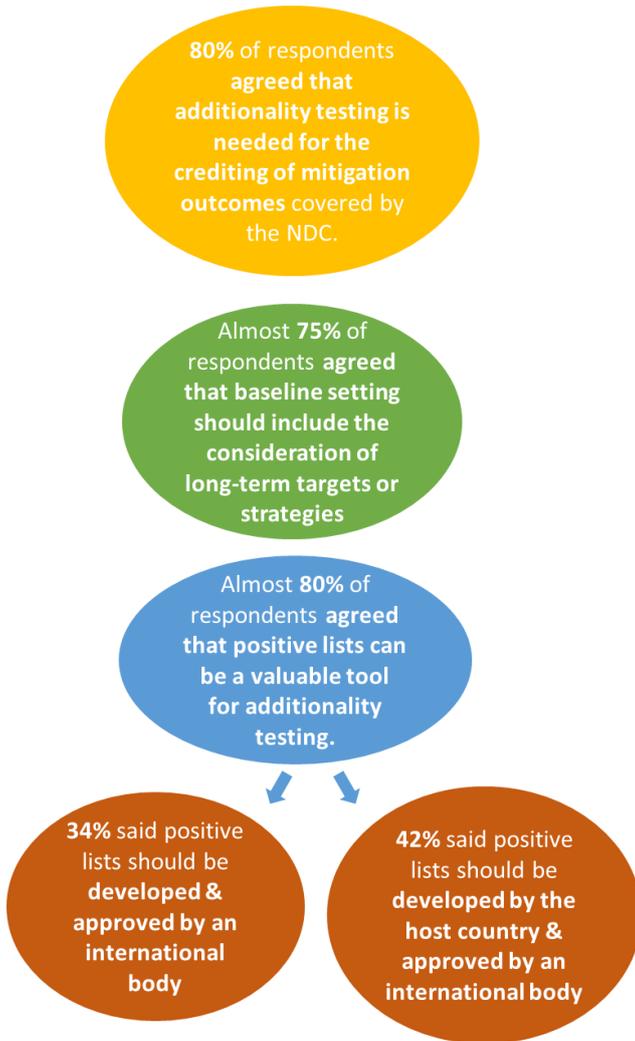
*(3) Accounting, Oversight, and Transparency in Article 6 cooperation*  
*There will be accompanying publications, regular newsletters, and a dedicated MS Teams channel for sharing information.*

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**On March 22, a workshop with technical experts was completed, diving deeper into the issues related to Article 6 methodologies for additionality determination and baseline setting.** The first topic discussed at the workshop was the concept of additionality in the PA context and differences to the concept of ongoing need of finance and vulnerability. The second topic focused on linking additionality determination and baseline setting to the NDC of the country and implications for attribution of mitigation outcomes. Finally, alignment of dynamic baselines with long-term net zero pathways of countries with different responsibilities and capabilities was discussed.

**A second workshop was held on May 3. Here, the host country perspective and oversight on carbon market methodologies was discussed in three discussion groups.** One group discussed how host countries can develop positive lists to facilitate the identification of activities that are additional to the NDC. A second topic discussed was how baseline setting can be used by host countries as a tool to ensure mitigation benefits accrue for NDC implementation. A third group discussed what capacities must be built in host countries and how to maximise synergies with NDC processes and ensure durable impact.

In the time leading up to both meetings, Perspectives Climate Research launched a **survey on additionality determination and baseline setting**, gathering a broad range of opinions to facilitate a continuous dialogue on technical issues among key carbon market stakeholders. The majority of the currently 67 respondents are consultants and carbon project developers, closely followed by academics:



The results of this survey will feed into the new working paper to be published in the coming months. **At the virtual Innovate 4 Climate Conference in May 2021, CMM-WG members will reflect on topics discussed at the CMM-WG.** Please find further information on the I4C and CMM-WG website in due course.

**Future workshops of the CMM-WG in 2021 will dive into the issues related to accounting, oversight, and transparency. We look forward to continuing the dialogue on how Article 6 cooperation can deliver on increased ambition!**



*Check the CMM-WG website for latest updates and register to receive the CMM-WG newsletter:  
<https://www.perspectives.cc/wg/carbon-market-mechanisms-working-group/>*