



**Summary report
of pilot activity
development for
Nordic Initiative
for Cooperative
Approaches (NICA)**

Developing a Nordic approach
for ambitious and inclusive
carbon market cooperation

Partners

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Introduction

International cooperation and private sector engagement are crucial for achieving the transformation set out by the Paris Agreement and the UN Sustainable Development Goals. When used responsibly, carbon market mechanisms can help countries to harness the expertise and financial resources of private companies in support of these goals. Nordic countries have pioneered engagement in international carbon markets for over twenty years and are taking a leadership role in fostering a new generation of carbon market cooperation in support of the Paris Agreement.

The Nordic Initiative for Cooperative Approaches (NICA) aims to support the operationalisation of robust and sustainable carbon market cooperation under Article 6 of the Paris Agreement through capacity building via practical pilot activities. NICA has been developing a Nordic approach for carbon market cooperation that addresses the new participation requirements of the Paris Agreement, designed to meet international criteria while promoting Nordic priorities. NICA is also exploring opportunities for piloting carbon market cooperation with potential partner countries, particularly in East-Africa.

Article 6 piloting is a powerful approach to developing best practices and building capacity. By combining technical assistance and practical implementation of concrete activities, Nordic public and private actors can develop necessary expertise and methodologies while delivering robust and sustainable mitigation action through carbon markets for the benefit of all partners.

Carbon market cooperation as a multi-purpose tool for mitigation

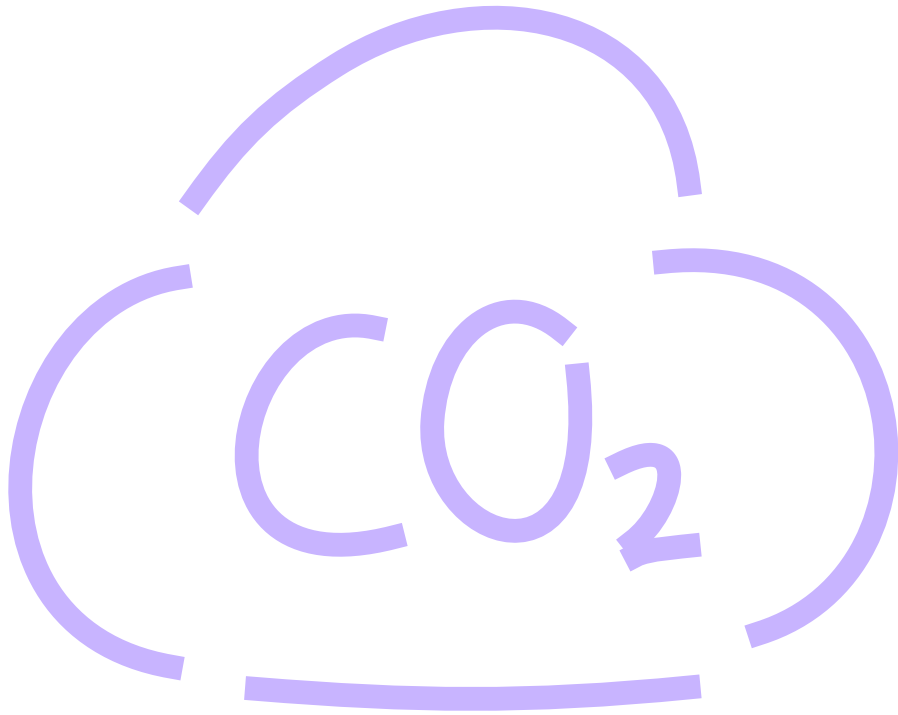
Harnessing market forces to drive mitigation and sustainable development

Carbon markets enable voluntary cooperation to support climate change mitigation and sustainable development. They allow public and private actors from different countries to join forces to design, finance and implement activities to reduce emissions or remove carbon dioxide from the atmosphere that would otherwise not happen (i.e. that are additional). Carbon markets mobilise the private sector to identify and realise the most cost-effective additional mitigation opportunities, helping to make the most of limited resources. Moreover, mitigation activities can contribute to sustainable development impacts, including in the areas of clean energy, water and air, food security and gender equality, as well as to adaptation in some activities.

HIGHLIGHT 1

Cost-effectiveness of Article 6

A study commissioned by the World Bank in 2019 concluded that there are notable potential benefits for all parties from cooperating under Article 6 to implement Nationally Determined Contributions (NDCs). Cooperation could potentially reduce costs by about USD 250 billion per year by 2030 compared to implementing NDCs without cooperation. Cost reductions from cooperative implementation are achieved through improved economic efficiency. If countries invest these cost savings in enhancing further their climate actions, Article 6 could facilitate 50% more mitigation, approximately 5 GtCO₂/year in 2030. However, robust rules are critical to obtaining these benefits.



Using carbon markets to meet targets and increase ambition

Carbon market cooperation can be used in various ways, for example to offer greater flexibility to increase compliance with mitigation targets, encourage greater ambition for mitigation beyond existing targets and deliver results-based financing. During the Kyoto era, carbon markets were sometimes criticised for being a zero-sum game that replaced emission reductions at home with emission reductions abroad.¹ However, under the Kyoto Protocol, carbon market cooperation has already been used (e.g. by Sweden) to promote greater ambition in exceeding compliance targets by cancelling Certified Emission Reductions, applying conservative baselines and using carbon market activities for results-based climate financing. This demonstrates that the impact of carbon markets depends on their implementation.

Furthermore, voluntary carbon markets emerged in parallel with the Kyoto Protocol, typically motivated by the buyers' desire to voluntarily compensate their carbon footprint. Unlike compliance use, the voluntary cancellation of carbon credits is a non-zero-sum game by design: assuming that emissions are reduced in countries without targets and that the buyer would not have reduced its carbon footprint in the absence of the voluntary compensation, it delivers mitigation beyond existing targets.

¹ Carbon finance projects have limited crediting periods whereas the technical lifetimes are, in some cases, longer, i.e. leading to net mitigation impacts. Furthermore, offering the ability to use cost-effective mechanisms likely helped in achieving agreement on the implementation of the Kyoto Protocol and setting binding mitigation targets.

Carbon market cooperation from Kyoto to Paris

A new generation of carbon market cooperation under the Paris Agreement

The Paris Agreement introduces the next generation of carbon market cooperation, explicitly designed to promote greater ambition and alignment with the long-term goals of the Paris Agreement, including limiting the increase in the global average temperature to 1.5°C. Furthermore, the Paris Agreement extended mitigation targets to all countries through Nationally Determined Contributions (NDCs). The Paris Agreement requires countries participating in carbon market cooperation to ensure that they meet international requirements relating to environmental integrity, transparency, robust accounting and sustainable development. The new generation of carbon market cooperation must identify and deliver mitigation opportunities that are additional to measures implemented by countries domestically to meet their targets. The Paris Agreement requires countries to increase the ambition of their mitigation targets over time, which also raises the bar for carbon market cooperation. This fundamentally changes the incentive structure for those engaging in carbon markets, since achieving NDC targets now requires host countries to implement the cheapest mitigation options domestically, while carbon market cooperation should mobilise additional measures considered 'high-hanging fruit', which are more expensive or face other barriers.

The mitigation achieved through carbon market cooperation can be shared by the host country and other partners. The host country can choose to authorise a portion of the mitigation outcomes for use by partners as internationally transferred mitigation outcomes

(ITMOs) and count the rest towards its own NDC targets. ITMOs represent mitigation outcomes that the host country does not count towards its NDC. To facilitate this, host countries must apply so-called corresponding adjustments to their emissions balance for all ITMOs that they authorise. Host countries can authorise ITMOs for use towards other countries' NDCs, in which case the using country also makes the corresponding adjustment to its emissions balance. ITMOs can also be authorised for other uses beyond NDCs, for example meeting mitigation targets for international airlines and/or raising global mitigation ambition through voluntary carbon markets.

Participating countries need capacity and institutional processes to make informed decisions about carbon market cooperation to ensure that it does not undermine the host countries' ability to meet their targets cost-effectively and focuses on activities that require international support. Countries need to set up national criteria and systems for assessing, authorising and tracking carbon market cooperation activities and reporting to the Paris Agreement how relevant requirements are met.

Learning from the Kyoto Protocol

The Kyoto Protocol offers valuable insights and lessons for carbon market cooperation under the Paris Agreement. The Kyoto Protocol introduced two baseline-and-credit mechanisms, the Clean Development Mechanism (CDM) and Joint Implementation

(JI) was designed for issuing carbon credits for emission reductions in developing countries without mitigation targets and developed countries with mitigation targets respectively. The CDM also promoted sustainable development in the host country as a key objective. Each carbon credit represents one metric tonne of carbon dioxide equivalent of real, additional, verified and permanent mitigation outcomes that have been quantified against an approved baseline. The Kyoto Protocol also includes rules for international emissions trading of various Kyoto units between developed countries.

The CDM was internationally supervised while for developed countries JI offered the option of national or international supervision. The Paris Agreement introduced a new internationally supervised baseline-and-credit mechanism (Article 6.4 Mechanism, A6.4M) that replaces the CDM and JI. The Paris Agreement also includes rules for cooperation involving the international transfer of mitigation outcomes (hereafter referred to as Article 6.2 cooperative approaches). Such cooperative approaches can include the use of carbon credits generated under the A6.4M and/or under national or bi-/multilateral frameworks.

The Kyoto experience shows that ensuring the environmental integrity of carbon market cooperation is a challenging and time-consuming process that requires accountable governance, robust data and special expertise as well as continuous improvements based on lessons learned. This implies costs and uncertainties but is crucial for ensuring that carbon market cooperation supports, and does not undermine, global mitigation efforts and sustainable development.

Piloting is valuable for learning by doing and capacity building. International supervision can promote, but does not guarantee, public trust in the environmental integrity of carbon market cooperation. Transparency and stakeholder consultations are crucial for enabling public scrutiny, which in turn is invaluable for improving standards over time and enhancing trust in carbon market cooperation.

Over the years, the CDM's ability to ensure additionality, provide valid baselines and promote sustainable development has been scrutinised and criticised by some stakeholders. The CDM rules and procedures have been evolving on an ongoing basis to address these concerns. The current CDM standards and procedures, including over 250 internationally approved methodologies and tools that have been applied in over 8000 projects and programmes, embody more than twenty years of global learning by doing. JI has received less attention, but the national processes of some host countries were criticised for lacking environmental integrity and transparency. Independent crediting standards that emerged alongside the Kyoto Protocol's carbon markets to cater for voluntary demand for carbon credits build heavily on the CDM but also cover activities such as avoided deforestation and forestry that were excluded or largely by-passed by the CDM due to its permanence requirements.

Over time, the distinction between compliance and voluntary carbon markets has diminished, as the CDM also caters for voluntary carbon markets while many independent standards also

cater for various compliance carbon pricing schemes. This evolution is now progressing further, as some independent standards are aligning with Article 6 of the Paris Agreement with the aim of issuing carbon credits that qualify under Article 6.2 cooperative approaches, and Article 6.2 cooperative approaches and the A6.4M can also cater for voluntary purposes (Highlight 2).

HIGHLIGHT 2

Aligning voluntary carbon markets with the Paris Agreement

In the era of the Kyoto Protocol, voluntary carbon markets focused on generating carbon credits in developing countries and the United States, which did not have targets under the Kyoto Protocol, for voluntary use mainly by non-state actors (e.g. companies, individuals). The Kyoto Protocol's mechanisms were originally used by countries for complying with the Kyoto targets as well as companies for complying with regional and national schemes designed to contribute to these targets, such as the EU emissions trading system.

The Paris Agreement extends mitigation targets to all countries. As a result, the distinction between voluntary and compliance carbon markets has become increasingly blurred. Many independent standards are already generating carbon credits eligible under national compliance schemes and also taking steps to cater for Article 6.2 cooperative approaches. Voluntary and compliance efforts aim to contribute to the same long-term global goal of transitioning to net-zero emissions, and consistent accounting is needed to track their collective impact on global net emissions.

Carbon credits generated under independent standards can seek ITMO authorisation by host countries under Article 6. In the future, independent standards could issue carbon credits with and without ITMO status. Host countries could authorise ITMOs for use towards buyer countries' NDCs, international airlines' targets and/or voluntary purposes. The use of ITMOs for voluntary purposes represents mitigation beyond existing NDC targets. Carbon credits without ITMO authorisation represent mitigation towards a host country's NDC targets and could be used, for example, for delivering results-based climate financing to the host country.

Nordic pioneers of carbon market cooperation

Two decades of Nordic experience in carbon market cooperation

Nordic countries are among the global pioneers of international carbon market cooperation. They started engaging in piloting mechanisms even before the rules had been adopted. Sweden participated in Activities Implemented Jointly (AIJ) starting in 1997. Finland started its CDM/JI Pilot Programme in 1999, Sweden its own procurement programme in 2002, Denmark in 2003 and Norway in 2007. The Nordic countries have also joined international carbon funds, such as the World Bank's Prototype Carbon Fund (PCF, established in 1999), the Baltic Sea Region Testing Ground Facility (TGF, established in 2003) and the Nefco Carbon Fund (NeCF). Both TGF and NeCF programmes have been administered by Nefco. Nordic support to the CDM and JI continued until 2012 and 2021 respectively under various bilateral and multilateral programmes. As carbon markets evolved, Nordic countries continued to push their frontiers by pioneering innovations such as programmatic and standardised approaches to facilitate small-scale activities and scaled-up crediting, especially in Least Developed Countries. Since 2018, Nordic countries have been piloting Article 6. They have also explored opportunities to promote sustainable development, including by supporting the Sustainable Development Initiative (SDI).

Furthermore, Nordic countries supported Nationally Appropriate Mitigation Actions (NAMA) design from 2011 to 2018 under the Nordic Partnership Initiative on Upscaled Mitigation Action (NPI) and have supported carbon pricing since 2011 under the Partnership for Market Readiness and its successor, the Partnership for Market Implementation.

In the era of the Paris Agreement, the Nordic countries can continue to lead by example. They can engage with partners across the world to support the transition to climate neutrality and develop pilot projects to explore modalities for implementing Article 6 of the Paris Agreement, highlighting the need for robust rules that contribute to increased ambition and appropriate safeguards. Several Nordic countries have signed up to the international San José Principles for High Ambition and Integrity in International Carbon Markets².

HIGHLIGHT 3

Nordic statements relevant to Article 6 cooperation

In their Vision 2030³, the Nordic countries have stated that “Agenda 2030 and the Paris Agreement show the way, but we need to work even more ambitiously and faster”.

In the Helsinki Declaration on Nordic Carbon Neutrality⁴, the Nordic countries have jointly stated that they aim to “catalyse global mitigation efforts to limit the increase in the global average temperature to 1.5°C” and “continue to engage with partners across the world to support the transition to climate neutrality, by offering support in developing appropriate policy frameworks, financing climate action as well as through the innovative solutions Nordic companies can supply”. They aim to “enable Nordic industry and business to take a leading role in the green transformation of the global economy” and “encourage Nordic companies, investors, local governments, cities, organizations and consumers to step up their efforts towards carbon neutrality”.

In November 2021, the Nordic countries stated that they “will continue developing pilot projects to explore modalities for implementing Article 6 of the Paris Agreement, highlighting the need for robust rules contributing to increased ambition and appropriate safeguards”⁵.

The Nordic climate-business networks have called for governments to “finalise the rules for international market mechanisms under Article 6 of the Paris Agreement to support cost-effective mitigation efforts, create a level playing field and minimise carbon leakage while enabling greater ambition”⁶.

2 <https://cambioclimatico.go.cr/sanjoseprinciples/about-the-san-jose-principles/>

3 <https://www.norden.org/en/declaration/our-vision-2030>

4 <https://www.norden.org/en/declaration/declaration-nordic-carbon-neutrality>

5 <https://www.norden.org/en/news/nordic-ministers-climate-and-environment-road-cop26-and-beyond>

6 <https://calloncarbon.com/>

Nordic Initiative for Cooperative Approaches (NICA)

Building on the success of the Nordic-funded NPI, the Nordic Initiative for Cooperative Approaches (NICA) was launched in 2018 to contribute to the operationalisation of Article 6 and accelerate ambition in climate action. NICA is funded by Finland, Norway, Sweden, the Nordic Environment Finance Corporation (Nefco) and the Nordic Council of Ministers' Working Group for Climate and Air. Iceland and Denmark have also participated in NICA work.

NICA strives to demonstrate how international partnerships can scale up and accelerate ambitious climate action, promote sustainable development and harness private sector finance and innovation. It aims to build capacity and foster partnerships among the Nordic public and private actors, and their global peers for collaboration that is compatible with the Paris Agreement. NICA activities aim to contribute to the development of robust and practical international rules under Article 6 of the Paris Agreement, with a focus on baseline-and credit approaches (hereafter referred to as Article 6 cooperation).

Since 2019, NICA has been exploring the design of potential Article 6 piloting activities.

A proposal for a general framework for Nordic countries' Article 6 cooperation (the NICA Framework) was completed in early 2022.⁷ The proposal for a NICA framework for Nordic Article 6 cooperation is designed to meet the international rules for Article 6 and

promote Nordic priorities. It draws on a desk study of international rules and best practices for carbon market cooperation as well as Nordic policies and priorities, and interviews with Nordic public and private stakeholders.

⁷ The work was carried out by Perspectives Climate Group in partnership with Carbon Limits and Atlas Environmental Law Advisory in close collaboration with NICA.

Joining forces in the Nordics to develop best practices for carbon markets

Promoting best practices and Nordic priorities with Nordic Article 6 cooperation

There are many reasons to participate in Nordic Article 6 cooperation. Active engagement in the development and/or utilisation of Article 6 cooperation strengthens the position of Nordic actors as advocates for greater ambition and environmental integrity and global leaders in the transition to carbon neutrality and beyond - noting that Article 6 is a key design feature of the Paris Agreement and arguably an important element for developing countries.

As highlighted in the Swedish report "The pathway to a climate-positive future - strategy and action plan for achieving negative greenhouse gas emissions after 2045"⁸, supplementing domestic action with carbon market cooperation can increase flexibility and cost-effectiveness, thus providing opportunities for setting and meeting more ambitious targets than would be possible through domestic action alone.

Nordic countries that do not intend to buy ITMOs for their own use may wish to participate in Nordic Article 6 piloting to develop robust practical approaches for use by other actors motivated by contributions to capacity building, environmental integrity, sustainable development and/or increased global ambition. ITMOs can be utilised for any voluntary targets beyond compliance and also as a means to verify effectiveness of climate finance through robust monitoring requirements.

⁸ <https://www.regeringen.se/4a9e84/contentassets/1c43bca1d0e74d44af84a0e2387bfbcc/vagen-till-enklimatpositiv-framtid-sou-20204>

Participating in concrete Article 6 piloting is an effective means to build capacity among Nordic actors and their international partners. It can inform the international negotiations on the operationalisation of Article 6 rules. Best practices for Article 6 cooperation could also be used by voluntary carbon markets to promote the alignment of all carbon market cooperation with the Paris Agreement. Nordic Article 6 cooperation could support activities both within and outside the Nordic region.

To operationalise Article 6 cooperation, there is a need to quickly develop and elaborate approaches to allow the operationalisation of agreed principles and apply them in different contexts and to activities of different types, scope and scale. Piloting can be a powerful tool for developing, road-testing and operationalising robust Article 6 cooperation through concrete mitigation actions. It can provide valuable insights for elaborating the various outstanding technical details of the Article 6 rules that remain under negotiation.

There are numerous Article 6 piloting activities around the world. Leadership is crucial for demonstrating that robust approaches are both feasible and beneficial to all participants. Cooperation should focus on high-hanging fruit that can drive transformational change and sustainable development in host countries. Furthermore, cooperation and coordination across activities is key to promoting consistency and sharing lessons across a wide range of stakeholders, including voluntary carbon markets. Leadership, cooperation and coordination can accelerate a race to the top and

help meet the Paris Agreement's long-term temperature goal of limiting global warming to 1.5°C as well as the United Nations Sustainable Development Goals (SDGs) under Agenda 2030. Nordic Article 6 cooperation can play a role in ensuring that Article 6 cooperation does not become a race to the bottom and undermine the achievement of the Paris Agreement's goals.

HIGHLIGHT 4

Scoping of Article 6 piloting

Many countries worldwide are beginning to develop the national modalities, procedures and regulations needed to operationalise Article 6. The setting up of such modalities, procedures (incl. registry, MRV, ITMO administration) and institutional arrangements would need to go hand in hand with practical applications in the form of real piloting to enable practical experience and learning about practical implications.

Developing an Article 6 pilot activities in combination with specific technical assistance could provide real added value to the whole Article 6 readiness process. Article 6 piloting can benefit from synergies and partnerships associated with relevant past and ongoing Nordic initiatives, including the Beyond the Grid Fund for Africa, and the Modern Cooking Facility for Africa managed by Nefco. Building a pilot activity on existing initiatives and adding components that would otherwise not be materialised without carbon finance would reduce risks compared to developing a brand new pilot activity.

Proposed NICA framework for Nordic Article 6 cooperation

The proposed NICA framework is designed to meet all relevant Article 6 rules while promoting Nordic priorities. It is also aligned with the San José Principles for High Ambition and Integrity in International Carbon Markets.

It includes a proposed vision for Nordic Article 6 cooperation and identifies international requirements and guidance for Article 6 cooperation as well as related Nordic priorities and recommendations for a Nordic approach for designing and implementing robust and feasible mitigation activities in line with international requirements and Nordic priorities. It also provides recommendations for the development of a common Nordic reporting platform for Article 6 and a harmonised Nordic approach to capacity building.

To promote consistency and best practice across different forms of carbon market cooperation, the proposed NICA framework recommends that the criteria and guidance for the international Article 6.4 Mechanism be applied to all carbon market cooperation as well as to carbon credits that are not generated under the mechanism (e.g. carbon credits generated under bilateral frameworks) and those used for voluntary purposes. It also includes recommendations to promote the consistency of Nordic reporting on Article 6 cooperation to the Paris Agreement and Nordic support for building Article 6 capacity and readiness.

The proposed NICA Framework should be reviewed and revised at appropriate intervals to incorporate lessons learned from piloting and the evolution of relevant rules and guidance. Furthermore, the proposed NICA Framework could benefit from Nordic engagement in international initiatives to operationalise Article 6.

HIGHLIGHT 5

Nordic Article 6 cooperation: Proposed vision, key criteria and proposed Nordic priorities

Proposed vision for Nordic Article 6 cooperation

Nordic actors engage in international carbon market cooperation to promote greater ambition of global climate action by supporting environmentally and socially sustainable mitigation activities that are compatible with the transition needed to limit global warming to 1.5°C and meet the United Nations Sustainable Development Goals.

Key international criteria and proposed Nordic priorities for robust and impactful Article 6 cooperation:

- **Ensuring environmental integrity of mitigation outcomes** - Nordic countries recognise that the Paris Agreement requires ensuring the environmental integrity of mitigation outcomes of Article 6 cooperation. Nordic Article 6 cooperation strives to demonstrate the feasibility and benefits of ensuring environmental integrity.
- **Promoting ambition** - Nordic countries recognise that the Paris Agreement requires carbon market cooperation to encourage greater ambition and alignment with partner countries' NDCs, long-term low emission development strategies and the long-term goals of the Paris Agreement. Nordic Article 6 cooperation aims to

support all participants to increase ambition and strives to demonstrate alignment with national and global goals.

- **Applying robust accounting, including ensuring the avoidance of double counting** - Nordic countries recognise that the Paris Agreement requires the application of robust accounting, including the avoidance of double counting, for Article 6 cooperation. Nordic Article 6 cooperation strives to demonstrate the feasibility and benefits of robust accounting.
- **Promoting sustainable development, especially gender equality** - Nordic countries recognise that the Paris Agreement requires the application of robust social and environmental safeguards, engagement of local stakeholders and promotion of sustainable development in carbon market cooperation. Nordic Article 6 cooperation supports activities that are aligned with the UN SDGs, the partner country's sustainable development plans and priorities and the social and environmental criteria applied in Nordic international development cooperation. Nordic Article 6 cooperation strives to demonstrate that robust approaches relating to safeguards, stakeholder engagement and sustainable development (including adaptation) co-benefits are feasible and beneficial and key to fostering the acceptability, ownership and sustainability of the results achieved under Article 6 cooperation. A particular priority for Nordic Article 6 cooperation is to promote gender equality.

Additional goals and proposed Nordic priorities for robust and impactful Article 6 cooperation:

- **Enabling transformational change** - Nordic countries recognise the importance of achieving transformational change in line with the long-term goals of the Paris Agreement and the UN SDGs. Nordic Article 6 cooperation strives to explore ways to operationalise the goal of transformational change and support activities that can pave the way for transformational change in the long term.
- **Fostering a just and inclusive transition towards the 1.5-degree pathway** - Nordic countries recognise that to achieve transformational change the transition towards the 1.5-degree pathway must be done in a just and inclusive way. Nordic countries also recognise that the Paris Agreement requires equitable sharing of mitigation benefits between participating parties and respect, promotion and consideration of obligations with regard to human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with

disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity. Nordic Article 6 cooperation strives to contribute to the operationalisation of these goals.

- **Facilitating private sector participation** - Nordic countries recognise the importance of private sector participation in mitigation action, including through public-private partnerships. Nordic Article 6 cooperation strives to incentivise and facilitate private sector participation, especially small- and medium-sized enterprises.
- **Embracing prompt action and learning by doing** - Nordic countries recognise prompt action and learning by doing as valuable means for developing capacity and robust approaches to operationalising Article 6. Nordic Article 6 cooperation supports prompt action and gathers and shares practical experience through learning-by-doing, recognising the importance of continuous review and improvements.
- **Fostering partnerships and synergies** - Nordic countries recognise the importance of partnerships and synergies, including building on Nordic strengths, for maximising the impact, effectiveness and sustainability of Nordic cooperation. Nordic Article 6 cooperation fosters partnerships and synergies that support the robust and streamlined operationalisation of Article 6 and promotes coordination between Nordic actors and countries as well as with other international and host country actors and stakeholders.

Exploring potential pilot designs and partner countries

As part of the development of the proposed NICA framework, an initial assessment of five potential partner countries was carried out to evaluate the readiness and interest for potential Article 6 cooperation based on the proposed NICA framework principles. The countries represent different geographies and levels of economic development. Highlight 6 summarises the key findings of this assessment.

Interest and potential for Article 6 cooperation has been explored in more detail under NICA in East-Africa. The status of Article 6 readiness was assessed based on a detailed mapping exercise and by conducting interviews and consultations with key stakeholders. As part of this work, Mitigation Activity Idea Notes (MAINs) were developed for two potential piloting activities, one for rural electrification with productive uses of electricity and another for sustainable transport solutions/e-mobility.

HIGHLIGHT 6

Initial assessment of potential partner countries for Article 6 cooperation

An initial assessment of the readiness and interest in Article 6 cooperation of five countries representing different geographies and levels of economic development, completed in February 2022, identified the following common trends:

- **A lack of capacity, institutional structures and processes** to design and implement Article 6 cooperation and transfers. This can be expected, given that the rules for Article 6 cooperation were only adopted in November 2021 at the Glasgow climate conference (COP26). All countries are seeking support for capacity-building activities, recognising opportunities to make use of existing structures that govern climate change policies and the CDM framework.
- All assessed countries have **experience with carbon markets**, both voluntary and compliance, although their levels of exposure vary significantly. This constitutes a good starting point for exploring opportunities for Article 6 cooperation and indicates a certain degree of involvement by the private sector.
- All assessed countries **emphasise the contribution to sustainable development**, especially on gender equality and human rights, and the need to ensure that mitigation activities also contribute to the achievement of the Sustainable Development Goals. This is in line with Nordic priorities.
- **Article 6 cooperation is being piloted in almost all of the assessed countries.** In some cases, there are several active donors supporting Article 6 piloting.
- **NDC ambition** was not significantly increased in the latest round of updates to the NDC. More efforts are required, especially from countries responsible for a significant volume of emissions. All countries mention in their NDC the **intention to use market mechanisms and cooperation under Article 6**. One of the assessed countries had yet to submit an updated NDC to the Paris Agreement at the time of the assessment.
- All assessed countries host an **embassy or consulate from at least one of the Nordic countries**. Nordic private companies are present in all assessed countries. This signals the potential to **harness private sector cooperation** from companies of both the host countries and the Nordics that are already active or willing to engage in carbon markets.

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