

# Scope for Further Refinements

## Strategic Guidance for Country System Assessments

### Scope for Further Refinements

The carbon market landscape continues to evolve rapidly and this chapter highlights the scope for further work needed to keep this document aligned with evolving global standards and ensure that it remains relevant to a dynamic and fast-changing carbon market landscape.

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The carbon market landscape continues to evolve rapidly, and it is crucial that countries embrace the ability to adapt and reflect the latest market developments. Scope for Further Refinements highlights the scope for further work needed to keep this document aligned with evolving global standards and ensure that it remains relevant to a dynamic and fast-changing carbon market landscape. By staying abreast of the latest progressions in the market, we can ensure that the document provides the most accurate and comprehensive information to users.

### **Increased adoption of legal and institutional frameworks to support ERC ecosystem**

One key consideration for keeping guidelines relevant is the increased adoption of legal frameworks and institutions to support ERC markets. There will be a clear need to review and update the guideposts for green status and country exemplars across all components of the guidelines as more countries develop the necessary infrastructure and regulatory frameworks to support ERC markets. This should consider new market standards for best practices across the core components highlighted within the report, reflecting deepening maturity of both exemplar and developing markets.

Furthermore, as more countries adopt legal and institutional frameworks to support their ERC markets, it may become necessary to reconsider the rating scale used in the guidelines to better reflect increasingly mature market practices.

These Guidelines recognize the potential to adopt a more robust 1–5 rating scale, with a score of 1 indicating basic compliance with guidelines, while a score of 5 indicates best-practice advanced practice. The revised rating scale could also include specific criteria for each level, such as evidence of transparency, stakeholder engagement, and alignment with national policies and goals. By updating the rating scale, countries will be better equipped to assess their progress in implementing the guidelines and identify areas for improvement, ultimately leading to further development of their ERC markets.

### **Developments relating to the implementation of Article 6**

The ongoing development of Article 6.2 and 6.4 mechanisms related to the international transfer of mitigation outcomes and corresponding adjustments warrants close attention as the carbon market continues to evolve. Currently, the regulations, operating guardrails, and reporting and accountability mechanisms that are in place to guide ITMO transactions are still in their nascent stages and have yet to be fully fleshed out. The initial decisions regarding cooperative approaches referred to in Article 6 have been adopted by the United Nations Framework Convention on Climate Change (UNFCCC), as outlined in the ‘Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its fourth session, held in Sharm el-Sheikh from 6 to 20 November 2022’ released on 17 March 2023. These outcomes provide initial guidance on Article 6 transactions, reporting, review, infrastructure, and capacity building.

It is important to note, however, that the UNFCCC Supervisory Body is currently working towards building a more robust mechanism for the operationalization of Article 6, as established in the Paris Agreement. Recent strategic meetings, held on 5 and 6 March 2023, were conducted to discuss, and develop further guidance towards this objective. As such, a limited number of countries have so far implemented such practices within their frameworks. As rules become clearer and more countries develop the necessary infrastructure to support the transfer of mitigation outcomes, it is crucial to remain up to date with guiding regulations and market best practices, which will impact the guideposts for green of relevant sections in the framework, such as Section D1: Defined Corresponding Adjustments Mechanism.

### **Changes made by standard-setting bodies regarding types of methodologies accepted in the international carbon market**

Changes made by standard-setting bodies regarding the types of methodologies that are accepted and considered in the international carbon market should also be carefully monitored and assessed. Such changes can have a significant impact on the types of credits that will be adopted by countries, affecting the overall structure of the market. By keeping track of any such changes, and assessing their implications, the guidelines can be updated to reflect the latest developments in the market and provide better guidance to countries on selecting the most appropriate methodologies to support their ERC markets. Ultimately, this will help to ensure that the guidelines remain up-to-date and relevant to the evolving needs of the international carbon market.



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