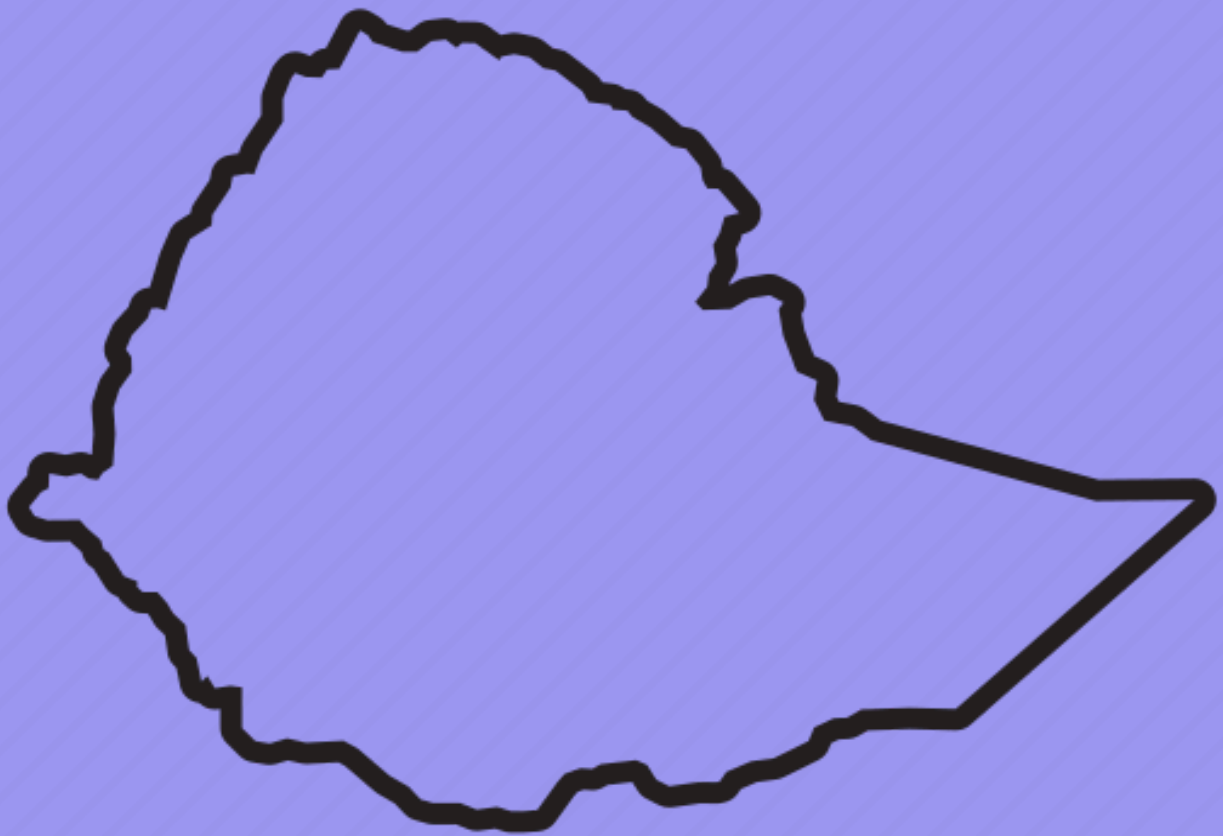


Guidance on How to Get Ready for Article 6 Implementation in Ethiopia





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Deliverable G

CFP ref. No.: CFP-11875-2023-03

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04 March 2024



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PREPARED UNDER

The Initiative for Climate Action Transparency (ICAT), supported by Austria, Canada, Germany, Italy, the Children's Investment Fund Foundation and the ClimateWorks Foundation.



Supported by:



 Federal Ministry
Republic of Austria
Climate Action, Environment,
Energy, Mobility,
Innovation and Technology

on the basis of a decision
by the German Bundestag



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

The ICAT project is managed by the United Nations Office for Project Services (UNOPS).



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Acronyms/abbreviations

BAU	Business as Usual
CO₂e	Carbon dioxide equivalent
CRGE	Climate-Resilient Green Economy Strategy
GACMO	Greenhouse Gas Abatement Cost Model
GEM	Green Economy Model
GHG	Greenhouse gas
GES	Global Environmental Solution
GWPs	Global warming potentials
ICAT	Initiative for Climate Action Transparency
IPCC	Intergovernmental Panel on Climate Change
IPPU	Industrial Process and Product Use
LUCF	Land use change and forestry
MRV	Measuring, Reporting and Verification
NDC	Nationally Determined Contributions
UNEP-CCC	UNEP Copenhagen Climate Centre
UNFCCC	United Nations Framework Convention on Climate Change
UNOPS	United Nations Organization for Procurement Services
10 YDP	Ten-year development plan

Technical summary

Understanding Article 6 of the Paris Agreement is crucial for Ethiopia's sustainable development and climate action efforts and Ethiopia can strengthen its position as a proactive player in the global fight against climate change and attract investments in low-carbon projects. The overall objective of this comprehensive approach is to guide Ethiopia in preparing for the successful implementation of Article 6 of the Paris Agreement. Leveraging the mechanisms and opportunities provided under Article 6 can help Ethiopia maximize the benefits of international cooperation in achieving climate goals. Ethiopia may utilize ITMOs, non-market approaches, and other cooperative mechanisms to enhance its mitigation efforts and contribute to global emission reduction targets. Prioritizing Article 6 readiness can help Ethiopia proactively prepare to engage in international market-based cooperation under the Paris Agreement. Establishing necessary organizational structures, frameworks, and processes will facilitate the approval, registration, and monitoring of mitigation activities for Ethiopia. Ethiopia prioritizes the proactive approach of international cooperation in the Article 6 implementation. Enhancing capacity to participate in market-based cooperative approaches can help Ethiopia access new sources of finance, technology, and expertise to support climate actions. Effective implementation of Article 6 mechanisms can drive positive environmental impact, promote sustainable development, and contribute significantly to addressing climate change challenges. Setting up carbon market mechanisms, ensuring environmental integrity, developing effective Monitoring, Reporting, and Verification (MRV) systems, and focusing on capacity building and training are pivotal components in this process. By establishing transparent governance structures, institutional framework, safeguarding environmental integrity, enhancing monitoring systems, investing in capacity building and avoiding double counting, Ethiopia can unlock the full potential of Article 6 for sustainable

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climate action and economic growth. By focusing on key elements such as establishing mitigation programs, setting up carbon market and/or non-market mechanisms, implementing robust MRV systems, and prioritizing capacity building and training initiatives, Ethiopia aims to enhance its climate efforts, attract investments in low-carbon projects, and strengthen its accountability and credibility in climate action. Ultimately, this guidance seeks to provide a strategic roadmap for Ethiopia as it navigates the complexities of implementing Article 6, fostering sustainable development, and making meaningful contributions to global climate mitigation efforts.

1. Introduction

Article 6 of the Paris agreement (PA) aims to improve the voluntary international cooperation. This is particularly accomplished through the cooperative approaches outlined in Article 6.2 (A6.2M), the new crediting mechanism established by Article 6.4 (A6.4M), which is generally acknowledged at the Kyoto Protocol's (KP) and Article 6.8. Through transactions of the internationally transferred mitigation outcomes (ITMOs), market-based cooperation (A6.2M) allows buyer countries to meet their NDC (mitigation) targets at lower costs and can enable future higher ambition in mitigation. Seller countries generate revenues and benefit from accelerated access to mitigation technologies that could not be mobilized through domestic resources. Adaptation actions are enhanced by financing through an earmarked tax on ITMO transfers and through adaptation co-benefits of the mitigation actions generating ITMOs. Non-market approaches cover most forms of international collaboration relating to the climate finance, technology development and transfer as well as capacity building.

Ethiopia has struggled to participate in the CDM in the early years; as a result, the sub-region had relatively little access to international carbon finance for mitigation action. This reduced access can be partially attributed to the fact that

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Ethiopia was comparatively late in establishing the necessary institutional frameworks for CDM participation, and in promoting the use of the CDM domestically. The country has initiated international collaboration to enhance the linkages and exploit synergies in achieving its NDC targets. But, participation in Article 6 under the Paris Agreement requires governments to develop and implement domestic processes, accounting and reporting procedures. Hence, to help the country fit to participation in Article 6, this guidance tool is developed. The tool has highlighted the major requirement of guidance on how to make ready Ethiopia for Article 6 implementation. In this guidance tool, Article 6 strategy of the country following weather Market (A6.2M) or non-market approach (A6.8M), major guiding principles, NDC governance, institutional framework and the M&E as well as MRV techniques are summarized.

2. Understanding Article 6 of the Paris Agreement

Article 6 of the Paris Agreement lays down the framework for cooperative approaches to achieving climate goals. It encompasses mechanisms for international cooperation, including ITMOs (Internationally Transferred Mitigation Outcomes) and non-market approaches. Understanding the intricacies of Article 6 is essential for Ethiopia to leverage the opportunities it offers for sustainable development and climate action.

The term Article 6 readiness can be understood to mean any actions a country has to undertake or organizational structures it has to put in place to be able to take full advantage of international market-based cooperation in the context of Article 6 of the Paris Agreement, and the awareness of non-market-based opportunities as they are recognized by Article 6.8. Under the PA, carbon markets acquire new and more nuanced features. All Parties to the Paris agreement (PA) have mitigation commitments, both developed and developing countries now must account, applying corresponding adjustment, for transfers of mitigation outcomes when they report on NDC implementation and

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achievement. In contrast to the situation under the CDM, host countries from developing countries must consider their own mitigation targets before authorizing transfers, avoiding overselling of ITMOs. To participate in market-based cooperation under the PA, West African countries will need to first evaluate how much mitigation needs to be achieved and retained towards their own NDC commitments. Even though LDCs may only be expected to make modest domestic contributions in the first NDC implementation periods in acknowledgement of their special circumstances, transparent accounting for and reporting on any internationally transferred mitigation outcomes (ITMO) will be crucial. Participation in Article 6 market-based cooperative approaches therefore requires a domestic framework that facilitates the approval and registration of mitigation activities and an authorization process for international transfers.

3. Leveraging the Benefits of Understanding Article 6 for Ethiopia

The intricacies of Article 6 of the Paris Agreement provide Ethiopia with a unique opportunity to enhance its climate actions and sustainable development initiatives. Understanding and effectively utilizing the mechanisms outlined in Article 6 can yield significant benefits for Ethiopia's climate goals and position the country as a key player in global climate cooperation. Some of the importance of understanding Article 6 for Ethiopia is discussed as follows.

3.1 Enhanced Cooperation and Partnerships

By comprehensively grasping the provisions of Article 6, Ethiopia can foster enhanced cooperation and partnerships on a global scale. This collaboration can facilitate access to expertise, technology, and financing, crucial for accelerating Ethiopia's transition to a low-carbon and climate-resilient economy.

3.2 Access to Finance and Technology

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Understanding the nuances of ITMOs and non-market approaches under Article 6 can enable Ethiopia to access international climate finance and technology transfer mechanisms. This access is pivotal in supporting Ethiopia's efforts in implementing sustainable projects and initiatives that mitigate emissions and build resilience.

3.3 Promotion of Sustainable Development

Leveraging the opportunities provided by Article 6 can further Ethiopia's sustainable development agenda. By aligning its climate goals with international best practices and commitments, Ethiopia can boost its position as a leader in environmentally responsible practices and policies.

4. Strategies for Harnessing the Benefits of Article 6

4.1 Capacity Building and Knowledge Sharing

Ethiopia should focus on capacity building initiatives and cooperation activities that enhance understanding of Article 6 among policymakers, stakeholders, and climate experts. This knowledge-sharing approach can empower Ethiopia to actively engage in international climate negotiations and initiatives.

4.2 Stakeholder Engagement

Engaging with a diverse range of stakeholders, including government bodies, private sector entities, civil society organizations, and international partners, is essential for maximizing the benefits derived from Article 6. Collaborative efforts can amplify the impact of Ethiopia's climate actions and promote inclusive and sustainable development. Policy Alignment and Action Plans: Ethiopia must align its national climate policies and action plans with the principles and objectives of Article 6. By integrating Article 6 mechanisms into its strategic frameworks, Ethiopia can effectively channel resources, investments, and expertise towards climate-resilient and low-carbon initiatives.

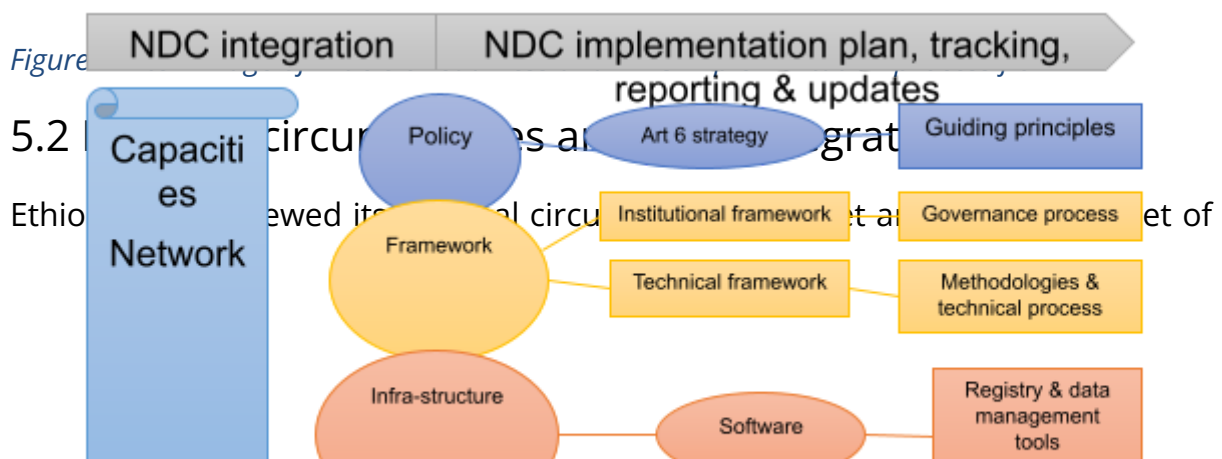
5. NDC features informing Article 6 strategy and guiding

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principles

5.1 General approaches and requirement for Article 6 readiness

The overview of the main readiness considerations for Article 6 from a host country perspective are illustrated in Figure 1. There is no imposed hierarchy for where to start the readiness 'journey', but the possibility to navigate your way based on the individually applicable starting point and prioritization. Approaching Article 6 planning processes requires a good understanding of the interconnectivity of required actions (Figure 1). With Article 6 country contextualized strategy, Ethiopia conditional based mitigation action implementation targets is highest (80%). So that, setting up a carbon market mechanism article 6 strategy provides the country with a unique opportunity to incentivize emission reductions and attract investments in low-carbon projects. Developing transparent governance structures, defining eligible activities, and establishing rules for trading emissions can foster a robust carbon market in Ethiopia. Ethiopia must design mechanisms that ensure transparency, accountability, and the integrity of emissions trading to unlock the full potential of a carbon market. Establishing technical and institutional frameworks, governance systems and developing robust methodologies for data collection, measuring, reporting and verification is also associated with infrastructure and registry and data management tools. Besides, setting Art 6 strategy, establishing an institutional framework and ensuring the governance system and MRV tools, infrastructure development for registry and data management tools in FDRE EPA or Ministry of Planning and Development of Ethiopia are highly important.



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reaching middle -income status through the green economy pathways as set out in its national Climate-Resilience and Green Economy (CRGE)¹ Strategy. Ethiopia strongly believes that current and historical responsibilities for GHG emissions as well as the capabilities mitigation are key considerations to attain sustainable development. As per the Article 6 of Paris agreement (PA), the country has prepared and submitted the first NDC to UNFCCC in 2017; later which has been updated and submitted in July 2021. The NDC update contributes towards the objective and long-term goal of the Paris Agreement through mitigation and adaptation actions.

Ethiopia has shown strong commitment to deploying domestic resources. It expresses a strong interest for voluntary cooperation in emerging international carbon markets governed by Article 6 of the Paris Agreement. The country sees carbon markets as instruments to increase mitigation ambition and places high importance on environmental integrity through robust accounting as well as the promotion of sustainable development. Ethiopia therefore invites interested Parties to explore possibilities for engaging in cooperative approaches through Article 6 Rulebook. Also, the country has long term low emission development (LT-LED) plan in which the stakeholder, sectors and international cooperating party has to consider while realizing Article 6 implementation.

In addition, Ethiopia needs to identify key climate challenges, mitigation priorities, existing capacities, and potential areas for international cooperation under Article 6. Also, the priority of readiness building has to be identified based on the Article 6 cooperation modalities such as market (A6.2) and non-market (A6.8) that the country wishes to participate. Furthermore, to fully get ready in Article 6 implementation, the country needs to identify, review and update all the relevant development policies, legislations, standards and guidelines that support the international cooperation.

¹ [Climate Resilient Green Economy \(CRGE\) Facility \(mofed.gov.et\)](https://mofed.gov.et)

5.3 Scope and coverage of the NDC

In the article 6 readiness, multiple categories of sectors including all relevant greenhouse gases defined by UNFCCC are included. Only mitigation actions of the greenhouse gas reduction options are entertained in the Article 6 implementation. In some cases, sectors are excluded from Article 6 implementation because of shortage of data, limited sector capability and unwillingness to implement the mitigation actions. The 2006 IPCC Guidance for National Greenhouse Gas Inventories is frequently used as a reference for sectors.

5.4 Description of conditionality of NDC targets

Most developing countries have included both unconditional and conditional targets in their NDCs, with few exceptions; unconditional targets are commonly understood to be funded through the mobilization of domestic resources, while conditional targets necessitate international support. However, there is some variation in the terminology used. In the context of market-based and non-market approaches to international cooperation, seller countries can benefit from well-defined demarcating conditionality at the activity level, which can inform both the government and its foreign partners about the sectors that require and should be prioritized for external support.

Additionally, a few host nations specifically plan to use market-based collaboration to meet their conditional goals. In order to safeguard host nations' sovereignty over NDC targets, it is crucial for activity developers and buyer countries to understand what portion of the NDC the host country hopes to accomplish domestically, with public climate finance. Few countries want to buy mitigation outcomes from the conditional components of host countries NDCs, by assuming the unconditional components can be achieved through domestic

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finance. The amount of mitigation outcomes from the conditional components transferred to the seller, shall be subject to corresponding adjustment and cannot be accounted by the host countries as conditional mitigation. In Ethiopian context, out of the total estimated cost of NDC implementation (\$316 billion between 2020 and 2030), about 20% of the total cost was planned to be covered by domestically mobilized finance. And, the remaining 80% of finance for the strategic action implementation of the updated NDC was planned to demand an international support (Figure 2).

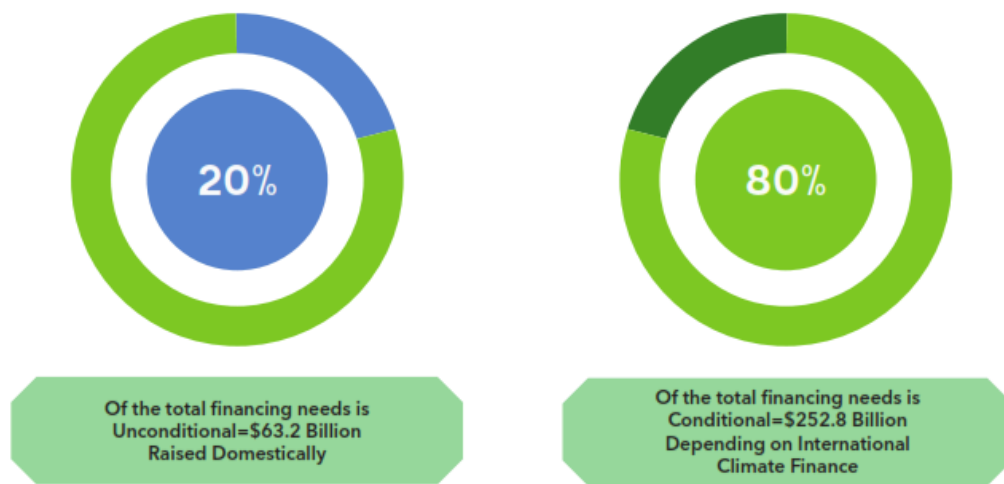


Figure 2 Conditionality of the NDC Update Mitigation actions (Source: World bank, 2021) ^{2,3}

5.5 Quantification of NDC targets and measures

According to international guidelines, Parties must communicate the data needed to track the implementation of the NDC's progress. Typically, NDC targets are expressed as mitigation potentials or absolute emission reductions. The quality of the models and underlying techniques used to determine the emission reductions included in the NDCs is a major determinant of the quality or environmental integrity of those reductions. Depending on the nation, several models are employed in NDCs; nevertheless, some prominent models include the Low Emissions Analysis Platform (LEAP), Excel-based computations, and in

² [Supporting Ethiopia's Nationally Determined Contributions \(NDC\) Update : Technical Report \(worldbank.org\)](https://www.worldbank.org)

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certain instances, integrated assessment models like the Green Economy Model (GEM). The underlying methodology might already reveal the degree of environmental integrity of the NDC targets, depending on the transparency level provided in the NDC, especially for buying entities. In Ethiopian case, a Green Economy Model (GEM) was utilized to calculate and set the targets (Table 1). As per the analysis, the emissions from industry and energy are expected to increase much faster than other sectors (Table 2). Nevertheless, the agricultural sector, particularly livestock, will remain the main contributor to GHG emissions in the coming years, followed by the land use change and forestry (LUCF) sectors. The sectors together will represent 83% (LUCF 35% and livestock 48%) of total BAU emissions in 2030. It is noteworthy that LUCF accounts for emissions from biomass use. Accordingly, the 2030 absolute emission level under the unconditional approach will be 347.3 Mt CO₂e, with a reduction of 68.8% (-277.7 Mt CO₂e) in the combined impacts of the unconditional and conditional pathways. While GHG emission projections in BAU will be 403.5 Mt CO₂e in 2030 (NDC, 2021).

Table 2 GHG emission projections in BAU, unconditional and conditional pathways

Sector	BAU emission projection (Mt CO ₂ e)			Unconditional emission projection (Mt CO ₂ e)		Conditional emission projection (incl. unconditional) (Mt CO ₂ e)	
	2020	2025	2030	2025	2030	2025	2030
Industry	5.9	12.7	26.1	12.9	27.3	10.2	22.6
Energy	10.7	14.4	20.0	12.7	14.9	10.4	9.5
LUCF	125.0	133.8	140.2	112.6	91.8	21.4	-99.9
Livestock	146.4	169.5	194.8	168.7	192.9	162.8	180.0
Managed Soils	5.8	8.1	11.0	8.0	10.9	8.0	10.6
Waste	9.1	10.3	11.5	9.4	9.5	6.0	2.9
TOTAL (Mt CO ₂ e)	302.9	348.8	403.5	324.3	347.3	218.8	125.8

5.6 Institutional Capacity Building about article 6 policy

Building institutional capacity is fundamental for the successful implementation

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of Article 6. Ethiopia should focus on enhancing the capabilities of relevant institutions, training personnel, and establishing dedicated units to oversee and manage climate actions under Article 6. Capacity building and training play a pivotal role in enhancing expertise, knowledge, and skills required for successful Article 6 implementation in Ethiopia. Prioritizing capacity building initiatives that focus on MRV, carbon market operations, and climate finance can empower stakeholders to engage effectively in emission reduction projects and carbon market activities. Conducting workshops, training sessions, and knowledge-sharing programs can build the necessary competencies and capabilities to support climate action implementation.

5.7 Transparency on Technology and sectoral trends

In order to meet the NDC targets for adaptation and mitigation, technology transfer is essential, and Article 6 can be a way to unlocking technology. Transparency is essential to achieving this, and nations should use NDC implementation plans to promote it. Additional instruments like the BTR or Technology Needs Assessments (TNA) can also help improve transparency. A mapping of the technologies used in the nation (such as the penetration rates of various technologies), ranked by their impact on climate change, should be part of NDC implementation plans. They could also go into further detail on the cost assumption of particular technologies or techniques.

Information on technologies that are available, what is needed, and how much it will cost should be disclosed or made public in order to encourage Article 6 cooperation. In order to help a nation's efforts to target the finest technology available and, thus, enable long-term transformational changes within the various sectors, engaged stakeholders and potential buyers need to know this information. In this sense, non-market ways to international collaboration could complement sectoral policies and assessments of technology needs.

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In Ethiopian context, the country explores and demands an international support on capacity building and technology transfer. The capacity building that has been identified in the updated NDCs implementation, Ethiopia has clearly shown technology gaps such as (1) strengthen MRV system and its institutional setup with adequate infrastructure, (2) tools/techniques to establish a public expenditure review framework across all government institutions at all levels that enable disaggregation of budgetary flows and allocations, (3) Integration of MRV/M&E with general national statistical data collection and management system, (4) Enhancement of accessibility and availability of data through the state-of-the art technology, (5) Strengthen the coordination among sectors and regional counterparts to ensure better implementation, monitoring and evaluation of NDC Update and (6) introduction of technology transfer including clean cement production, early warning systems, sustainable catchment and land use management. So that, non-market approach that an international cooperative helps to provide these technologies.

6. Governance and institutional framework

6.1 Stakeholder Engagement and Consultation

Effective stakeholder engagement is vital for promoting ownership, inclusivity, and transparency in the implementation of Article 6. Ethiopia prioritizes engaging a diverse range of stakeholders, including government agencies, private sector entities, civil society organizations, and local communities. Currently, about seven (7) economic sectors as stakeholders and two government coordinating bodies are responsible for the strategic mitigation action implementation and Greenhouse gas emission reduction report writing (Table 3). In addition, the private companies such as competent consulting firms, professional associations and community-based organizations that work on climate change area will be consulted.

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Table 3 National Stakeholders of the NDC and Article 6 implementation

No.	Name of stakeholder / coordinating office	Sector / emission sources
1	Federal Environmental Protection Authority of Ethiopia	Coordinating body
2	Ministry of Water and Energy	Energy sector
3	Ministry of Mining	Mining and related sector
4	Ministry of Urban and Infrastructure	Waste Management
5	Ministry of Transport and Logistics	Transport emission
6	Ministry of Agriculture	Agriculture sector
7	Ministry of Trade and Industry	Industry and Services sectors
8	Ethiopian Forestry Development	Forestry Sector
9	Ministry of Planning and Development	Coordinating body

6.2 Designing Governance Structures

Developing robust governance structures is essential for ensuring effective oversight, coordination, and decision-making in Article 6 activities. Ethiopia needs to design clear governance mechanisms that define roles, responsibilities, and accountability frameworks for climate actions. The design Ethiopia institution will responsible for the approval of activities under the Article 6.4 mechanism and authorization and administration of ITMO transfers will require a technical and procedural framework to comply with the rules that govern Article 6. With few exceptions, this is a novelty in the evolution of international carbon markets in developing countries under the UNFCCC. Any host country will need to establish the institutional capacity to administrate ITMO transfers through technical and legal guidance and procedures that ultimately lead to the authorization of ITMO transfers that align with the host countries' NDC objectives while following the Article 6.2 guidance and/or the rules of the Article 6.4 mechanism and national strategies. In addition, host countries will build the processes to report on its article 6 cooperation to the UNFCCC and in the context of the enhanced transparency framework (ETF)

6.3 Legal and Regulatory Framework Alignment

Aligning the legal and regulatory framework with the provisions of Article 6 is

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critical for creating an enabling environment for climate cooperation. Ethiopia should review and update existing laws and regulations to accommodate the requirements of Article 6, including market mechanisms, emission accounting rules, and monitoring frameworks. Depending on the mechanism that is being used, the Legal and Regulatory Framework Ethiopia will require accounting tools to track and monitor ITMO transfers leaving and entering the country. A domestic registry or access to an international registry for ITMOs will be required for Article 6.2 transactions and any transfer. Under the A6.4M, the MRV protocols for the activities and the mechanisms registry will support and deliver information for the monitoring, reporting and verification of activity emissions and resulting emission reductions (A6.4 ERs), on which basis host countries can ensure robust accounting.

6.4 Institutional arrangement

Ethiopia has progressively put in place an institutional architecture which follows sectoral approach to implement NDC interventions. In this regard, the Environmental Protection Authority (EPA) is the lead agency for the coordination of Ethiopia; in response to climate change and the Ministry of Planning and Development (MoPD) is the national focal point to the UNFCCC. EPA formulates environmental laws and standards; and develops, coordinates and guarantees the implementation of sectoral programs and plans. A CRGE Facility was established in 2013, overseen by Ministry of Finance, which is responsible for financial aspects of CRGE implementation which has shared indicators with the NDC, while the Environmental Protection Authority under the autonomy of Ministry of planning and development which is responsible for technical elements and day-to-day administration, as well as developing guidance and rules for CRGE and NDC implementation. The institutional arrangements reflect a cross-sectoral, multi-disciplinary approach organized through bodies like the inter-ministerial and management committee and allows for regional

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engagement. Most relevant line ministries have in-house CRGE directorates, units, or bureaus that focus on climate change policy implementation.

7. Monitoring, Reporting, and Verification (MRV) Systems

Developing effective MRV systems is critical for tracking progress, ensuring transparency, and verifying emission reductions in line with Article 6 activities. Countries need to focus on building robust MRV frameworks that enable accurate data collection, comprehensive reporting, and independent verification of emission reductions. By investing in MRV capacity, technology, and training, Ethiopia can strengthen its accountability and credibility in climate action implementation especially Article 6 readiness. Ethiopia is working towards meeting international best practices to demonstrate a high degree of ambition and climate policy leadership. Ethiopia will therefore perform mandatory reporting and accounting for market mechanisms, through making “Corresponding Adjustment” of emissions according to transfers of Internationally Transferred Mitigation Outcomes (ITMOs), as well as information on sustainable development promotion, environmental integrity and transparency. A detailed procedures will be adjusted to multilateral NDC accounting and reporting rules.

Moreover, the NDC MRV and M&E Framework fully integrates Ethiopia’s 10 Year Development Plan (10YDP⁴) targets and key performance indicators (KPIs) for each sector. The Planning and Development Commission (PDC) will lead the evaluation of progress of achieving the 10YDP targets against these KPIs. However, for NDC MRV and M&E, a subset of the more comprehensive 10YDP M&E framework is sufficient. Only those indicators that are relevant to determine emissions reductions, adaptation impacts or means of implementation will be considered in the NDC-specific MRV and M&E framework (Figure 3).

⁴ [eth215704.pdf \(fao.org\)](#)

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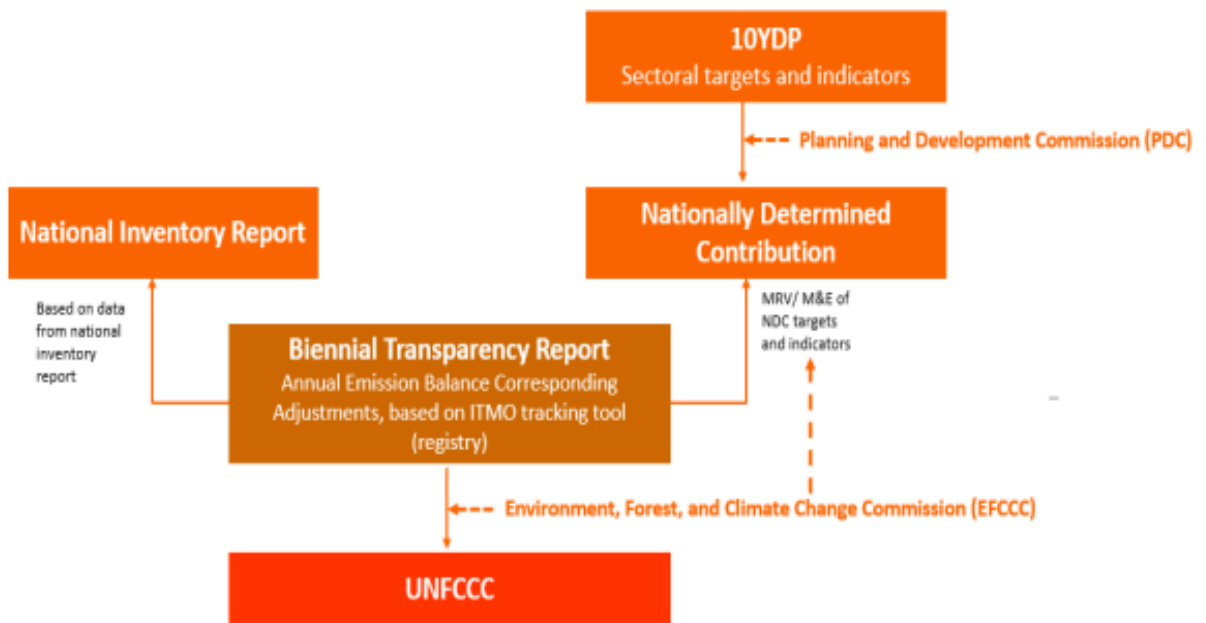


Figure 3 MRV and M&E Frameworks of Ethiopian NDC Update Implementation ⁵

8. Conclusion

Ethiopia's follows proactive efforts in implementing Article 6 highlight the country's commitment to sustainable development and climate action. Through a structured approach addressing mitigation programs, carbon market mechanisms, governance, and capacity building, Ethiopia aims to leverage Article 6 to drive positive change, both locally and on a global scale.

The country prepares Article 6 strategy and focus on collaboration, transparency, and accountability; and unlock the potential of Article 6 to drive sustainable development and meet the NDC targets. The country follows a comprehensive and systematic approach to establishing mitigation programs, setting up carbon market mechanisms, ensuring environmental integrity, avoiding double counting, implementing robust MRV systems, and prioritizing capacity building and training initiatives. In addition, the country focus to develop on robust monitoring and reporting systems, aligned with capacity building efforts, is crucial for ensuring effective implementation of Article 6, fostering transparency, and enhancing climate actions across various sectors in

⁵ FDRE EFCCC. (2021). [Ethiopia's updated NDC JULY 2021 Submission .pdf \(unfccc.int\)](#)

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the country.