



**Verified Carbon  
Standard**

A VERRA STANDARD

# Article 6 Label Guidance



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Verra’s certification programs include the [Verified Carbon Standard \(VCS\) Program](#) and its [Jurisdictional and Nested REDD+ \(JNR\) framework](#), the [Climate, Community & Biodiversity Standards \(CCBS\) Program](#), the [Sustainable Development Verified Impact Standard \(SD VISta\) Program](#), and the [Plastic Waste Reduction Program](#).

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# 1 INTRODUCTION

This document provides guidance for how Verified Carbon Units (VCUs) under the Verified Carbon Standard (VCS) Program may receive Article 6 Labels to indicate they have been authorized for specific uses by host countries under Article 6 of the Paris Agreement.

Verra's implementation of these labels brings the VCS into alignment with how signatory countries to the Paris Agreement (referred to as "Parties") are to account for their climate action. Article 6 Labels are optional under the VCS Program, as not all uses of VCUs require authorization from host Parties, but the labels are necessary for retirement against certain retirement purposes in the Verra Registry.

This document may be updated to align with UNFCCC guidance, including but not limited to decision 2/CMA.3 and other decisions under the Paris Agreement. Readers must ensure that they are using the most current version of the document.

# 2 BACKGROUND

The [Paris Agreement](#) is an international treaty adopted at COP21 in 2015 under the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#). Parties to the Paris Agreement are to set out their goals for reducing emissions – and adapting to climate change – in plans referred to as Nationally Determined Contributions (NDCs). Most NDCs are implemented over a five-year NDC implementation period, although some periods are longer, but each Party is to submit an updated NDC every five years in a manner that progressively raises the ambition of their climate mitigation targets over time.

Article 6 of the Paris Agreement provides an accounting framework for countries to cooperate and internationally transfer 'mitigation outcomes' when achieving their NDCs.<sup>1</sup> This framework seeks to avoid situations of double counting that can result in a net increase in emissions.

## Authorization and corresponding adjustments

Host Parties provide authorization, via Letters of Authorization (LOAs), for specific uses of the mitigation outcomes that VCUs represent (greenhouse gas emissions reductions and removals). The requirement for authorization was originally established under Article 6.3 of the Paris Agreement and its scope has been subsequently expanded.<sup>2</sup>

The authorization by a host Party brings the mitigation outcomes represented by VCUs within the accounting that Parties undertake in determining whether they achieve the emission targets set out in their NDCs. Where a mitigation outcome is achieved within one Party's national boundaries and is

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<sup>1</sup> [Decision 2/CMA.3](#) under the Paris Agreement.

<sup>2</sup> [Decision 2/CMA.3](#), Annex, paragraph 1(f).

transferred to another Party for use towards its NDC, the following ‘corresponding adjustments’ are required to ensure the mitigation outcomes are only counted towards one Party’s NDC:<sup>3</sup>

- The **acquiring Party** deducts the quantity of transferred tonnes of CO<sub>2</sub>e from its national emissions total, thus helping it to achieve the emission target set in its NDC;
- The **transferring Party** – or host Party in the case of VCU – adds the quantity of transferred tonnes to its national emissions total. This cancels out the emission reduction or removals that the project has caused in the transferring Party’s national emissions and means that the Party no longer counts them towards the achievement of its NDC. Because higher levels of national emissions are being accounted for, the adjustment restores the pressure exerted by the NDC on the transferring Party to implement mitigation opportunities.

Corresponding adjustments are a form of double-entry bookkeeping. In practice, the application of corresponding adjustments is more complex because adjustments for a full NDC implementation period will typically involve some form of scaling to apply to the single-year targets that are commonly used in NDCs.<sup>4</sup> In order to keep track of transfers, and the obligations to apply corresponding adjustments, Parties are required under the Article 6 rules to submit annual data on transactions to the UNFCCC.<sup>5</sup> The formal corresponding adjustments that Parties make are communicated to the UNFCCC through Parties’ Biennial Transparency Reports (BTRs).<sup>6</sup> The first BTRs are to be submitted by Parties to the UNFCCC by the end of 2024.<sup>7</sup>

## Authorized uses

The authorized uses under Article 6 are as follows:<sup>8</sup>

- **NDC use** – Use by an acquiring Party towards the achievement of its NDC. This includes the use of VCUs towards compliance obligations established by governments under emissions trading systems or carbon taxes if the mitigation outcomes they represent are eventually used by the Party towards the achievement of its NDC. Such NDC use by an acquiring Party is only allowed under the Article 6 rules if the host Party has authorized the use towards an NDC.
- **International mitigation purposes other than NDCs** – This refers to uses established by international treaties other than the Paris Agreement. The only current example is the use by airlines of eligible credits under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) operated by the International Civil Aviation Organization (ICAO). The rules for Article 6 require that such uses must be authorized by host Parties. Equivalent uses may be

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<sup>3</sup> Decision 2/CMA.3, Annex, paragraph 8.

<sup>4</sup> Decision 2/CMA.3, Annex, paragraph 7.

<sup>5</sup> Decision 2/CMA.3, Annex, paragraph 20.

<sup>6</sup> Decision 2/CMA.3, Annex, paragraph 23.

<sup>7</sup> Decision 18/CMA.1, paragraph 3.

<sup>8</sup> Decision 2/CMA.3, annex, paragraph 1(d) and 1(f).

established in the future to mitigate emissions from international shipping in the context of the International Maritime Organization (IMO).

- **Other purposes** — This refers to all potential other purposes, including use towards voluntary emissions pledges in the context of the voluntary carbon market. The Article 6 rules do not require such uses to be authorized and leave it to host Parties to decide if they wish to provide such authorization. Nevertheless, some voluntary market buyers may wish their credits to be authorized for ‘other purposes’ and therefore to be subject to a corresponding adjustment, because this reduces any possibility that the host Party’s own mitigation effort will decline because of the project having made emission reductions or removals in the country.

Verra offers three different Article 6 Labels – one for each of the authorized uses. A VCU may hold all three labels if the LOA includes all authorized uses.

Only the original purpose of authorization – NDC use – involves adjustments that are truly ‘corresponding’. In this case, adjustments by the transferring and acquiring Parties must correspond in that they must be equal and opposite. However, adjustments for use toward ‘international mitigation purposes’ and ‘other purposes’ are in fact only applied by host Parties. In these cases, there is no acquiring Party involved in the transactions. To adhere to common usage of the term, however, this document also refers to such adjustments as ‘corresponding adjustments.’

## First transfer conditions

Authorization does not always immediately trigger an obligation to apply corresponding adjustments. The Article 6 rules state that corresponding adjustments are needed when the appropriate use has been authorized and a ‘first transfer’ occurs.<sup>9</sup> These rules also allow host Parties some flexibility to define what conditions comprise a ‘first transfer’:<sup>10</sup>

- **In the case of authorizations for NDC use**, the ‘first transfer’ is always the ‘first international transfer’ of a mitigation outcome. This refers to a transfer of a credit, or of the mitigation outcome that it represents, to a compliance program registry or national registry of another Party.
- **In the cases of authorization for ‘international mitigation purposes’ and ‘other purposes’**, the host Party may choose one of the following ‘first transfer conditions’: authorization of the VCU, issuance of the VCU, or use of the VCU.

Verra’s understanding is that the first transfer conditions for ‘international mitigation purposes’ and ‘other purposes’ do not include ‘first international transfer’ because it has not been commonplace for independent crediting programs to transfer credits to other registries (although this is expected to grow as compliance programs increasingly accept independently certified credits). However, the mitigation outcome represented by a VCU can move from the host country without a transfer of the VCU itself,

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<sup>9</sup> Decision 2/CMA.3, annex, paragraph 8.

<sup>10</sup> Decision 2/CMA.3, annex, paragraph 2.

such as when cancelling VCUs before equivalent units are issued in another registry or when retiring VCUs for compliance purposes in the Verra Registry when the VCUs originated in another country.

Verra’s implementation of Article 6 Labels recognizes that some host Parties wish to allow multiple authorized uses that include NDC use (e.g., NDC use + international mitigation purposes, or ‘all uses’). This may be attractive to host Parties wishing to remain open to a range of potential VCU buyers and opportunities for project investment. However, it is not possible for such multiple uses to specify authorization, issuance or use as first transfer conditions, as these are not permitted for NDC use under the Article 6 rules.

Verra therefore intends to accept ‘first international transfer’ as the first transfer condition for multiple authorized uses that include NDC use. This recognizes that in practice the first international transfer and use conditions are often one and the same action in the way that registries are implemented. The possible first transfer conditions are shown in Table 1 below, together with an indication of the actions on the Verra Registry that correspond to the first transfer conditions.

**Table 1 – Authorized uses and possible first transfer conditions**

Authorized uses	FIRST TRANSFER CONDITIONS			
	Authorization	Issuance	First international transfer	Use*
NDC use	No	No	Yes	No
International mitigation purposes	Yes	Yes	No	Yes
Other purposes	Yes	Yes	No	Yes
Multiple uses including NDC use	No	No	Yes	No
Implementing actions on the Verra Registry that correspond to first transfer condition	Verra acceptance of an LOA	Issuance of a VCU	<ul style="list-style-type: none"> <li>• Transfer of a VCU to a compliance program registry or national registry (export)</li> <li>• VCU cancellation as a prerequisite to issuance of an equivalent unit in a compliance program registry or national registry (export)</li> <li>• VCU retirement for a compliance market purpose when the VCU originated in another country</li> </ul>	VCU retirement for CORSIA or a voluntary market purpose
* Referred to in the Article 6 rules as “use or cancellation” (decision 2/CMA.3, annex, paragraph 2), following the terminology used by CORSIA. The use of a VCU towards any form of goal or claim is referred to as “retirement” in the VCS (see VCS Program Definitions).				

The variety of possible first transfer conditions means that the same types of transactions may trigger different Parties’ obligations to apply corresponding adjustments at different times. For example, a host Party authorizing VCUs for use under CORSIA (international mitigation purposes) will be obliged to apply corresponding adjustments earlier if it selects authorization or issuance as the first transfer condition

than if it selects ‘use’. Its selection of ‘use’ also means it will only need to apply corresponding adjustments if the VCU is in fact used for that purpose and not, for example, if they are used towards a voluntary emissions pledge. However, the buyer of the VCUs may still be assured that if it uses the VCUs towards a CORSIA obligation the host country will thereafter be obliged by the Article 6 rules to apply the corresponding adjustments.

## Application of Article 6 Labels to VCUs

The eligibility and processes for Article 6 Labels are set out in the following sections. For Verra to accept an LOA as the basis for an Article 6 Label, it must include all the information set out in section 3, including information on the authorized uses that a host Party wishes to specify and the first transfer condition the host Party wishes to select.

Each host Party is required to communicate its method for applying corresponding adjustments to the UNFCCC, including if and how it will scale corresponding adjustments to apply to single-year NDC targets.<sup>11</sup> Verra will monitor Parties’ submissions to the UNFCCC – including both annual transaction information and Parties’ BTRs – to determine when the appropriate corresponding adjustments have been applied by the host Party. This information will be publicly available.

There are two situations in which Verra envisages it will need to withdraw Article 6 Labels:

- **Non-application of a corresponding adjustment.** This would be deemed to occur if the obligation to apply corresponding adjustments has been triggered by the first transfer condition, but the adjustments have still not been made two years after the last BTR in which they should have been applied. This is in line with emerging best practice, as evidenced by the assessment criteria for the Core Carbon Principles of the Integrity Council for the Voluntary Carbon Market (ICVCM).<sup>12</sup>
- **Non-use of the authorization.** If the first transfer condition (e.g., use) is not met in relation to the NDC implementation period in which the mitigation occurred, there is no need for the host Party to apply a corresponding adjustment, but it is also not possible to apply a corresponding adjustment for that VCU in the next NDC implementation period. This is because the host Party must apply corresponding adjustments to the calendar year in which the mitigation outcome occurred.<sup>13</sup>

Note, it is not Verra’s role to enforce the application of corresponding adjustments by Parties. However, if VCUs have been retired, Verra will inform the affected account holders in advance of any impending withdrawal of the Article 6 Label as a result of a failure to apply corresponding adjustments. This to allow a period of time for account holders or project proponents to request the host Party to apply the corresponding adjustment.

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<sup>11</sup> Decision 2/CMA.3, annex, paragraph 18(c).

<sup>12</sup> Page 101, Assessment Framework for the Core Carbon Principles, ICVCM, July 2023 (<https://icvcm.org>).

<sup>13</sup> Decision 2/CMA.3, annex, paragraph 8(a).



## 3 ARTICLE 6 LABEL ELIGIBILITY

### Eligibility Criteria

VCUs are eligible for Article 6 Label(s) where they meet the following eligibility criteria:

- 1) VCUs represent GHG emissions reductions and removals from 1 January 2021 onward.
- 2) A LOA containing the information listed under 'Letter of Authorization' below has been uploaded to the Verra registry.
- 3) The Letter of Authorization was issued by the authority designated by the host Party to provide authorization under Article 6 of the Paris Agreement.
- 4) VCUs meet all criteria specified in the LOA.
- 5) The host Party is still able to apply a corresponding adjustment for the calendar year in which the mitigation outcome occurred.<sup>14</sup>

### Letters of Authorization (LOA)

The following information should be included in LOAs as the basis for the approval of Article 6 Labels:<sup>15</sup>

- 1) Date of authorization
- 2) Competent authority: The authority designated by the host Party to issue authorizations under Article 6 of the Paris Agreement
- 3) Authority representative: Name and title of the person executing the LOA and signing on behalf of the Authority
- 4) Authority contact information: Mailing address; phone number; email address
- 5) Issuing program: Verified Carbon Standard (VCS) Program, as the crediting program under which the project is listed or registered, or under which issuance is expected to occur
- 6) Project identification: VCS Project Name and VCS Project ID as shown on the Verra Registry, where the project is listed or registered under the VCS, or the project name from planning documents if the Project ID is unavailable
- 7) Project location: Municipality (if applicable); Province/State; Country

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<sup>14</sup> This will no longer be possible after the host Party has completed its accounting for the relevant NDC period (decision 2/CMA.3, annex paragraph 8(a)).

<sup>15</sup> Publicly available information, including domestic regulations or guidance by the competent authority that are in force at the time of the authorization maybe used to supplement the information contained in a LOA.

- 8) Authorized use(s): The host Party authorizes the mitigation outcomes, in the form of VCU, for use towards (see Section 2):
  - a. 'All uses', or
  - b. One or more of the following: 'NDC use', 'international mitigation purposes', 'other purposes'
- 9) First transfer condition (see Section 2 and Table 1):
  - a. For 'all uses' and multiple uses including NDC use: 'First international transfer'
  - b. For 'international mitigation purposes' and 'other purposes': 'Authorization', 'issuance', or 'use'
- 10) Commitment to corresponding adjustments: The host Party commits to apply corresponding adjustments pursuant to relevant decisions under the Paris Agreement – where subject to the relevant 'first transfer condition' – and not use the authorized mitigation outcomes towards the achievement of its NDC.

In some cases, a host Party may wish to specify volume or timing-related limits on the authorization of VCUs in a LOA. Verra will apply Article 6 Labels to VCUs that can reasonably be identified as meeting relevant limitations.

A Letter of Authorization (LOA) template is downloadable on the Verra website. The template is intended to assist project proponents in approaching a host Party to request Article 6 authorization. However, using the template is optional and the host Party may provide a LOA in any format of their choice, provided all required information is included.

## 4 ARTICLE 6 LABEL PROCESS

### Obtaining Article 6 Labels

The VCS Program allows VCUs to be designated with Labels. See [VCS Program](#) and the [VCS Labels](#) websites for details on label requirements and processes.

Project proponents may upload signed LOAs to the Verra Registry at any time after a project is listed on the registry. Verra reviews uploaded LOAs against the information listed in Section 3 before they are presented publicly.

Project proponents may request Article 6 Labels during a project's verification approval request, or at any time thereafter, through the Verra Registry under 'Additional Certifications' on the project's Verification Summary page.

The project proponent may apply for up to three Article 6 Labels, which transparently display the host Party authorized use(s) specified in the LOA. The three available Article 6 Labels are:

- **Article 6 Authorized – NDC Use**
- **Article 6 Authorized – International mitigation purposes**

- **Article 6 Authorized – Other purposes**

An Article 6 Label request will be assessed after the project’s relevant verification is approved for VCU issuance. Verra assesses whether the eligibility criteria contained in Section 3 are met before approving or rejecting the Article 6 Label(s). Approved Article 6 Labels for VCUs will be publicly visible on the Verra Registry.

## Retirement of VCUs with Article 6 Labels

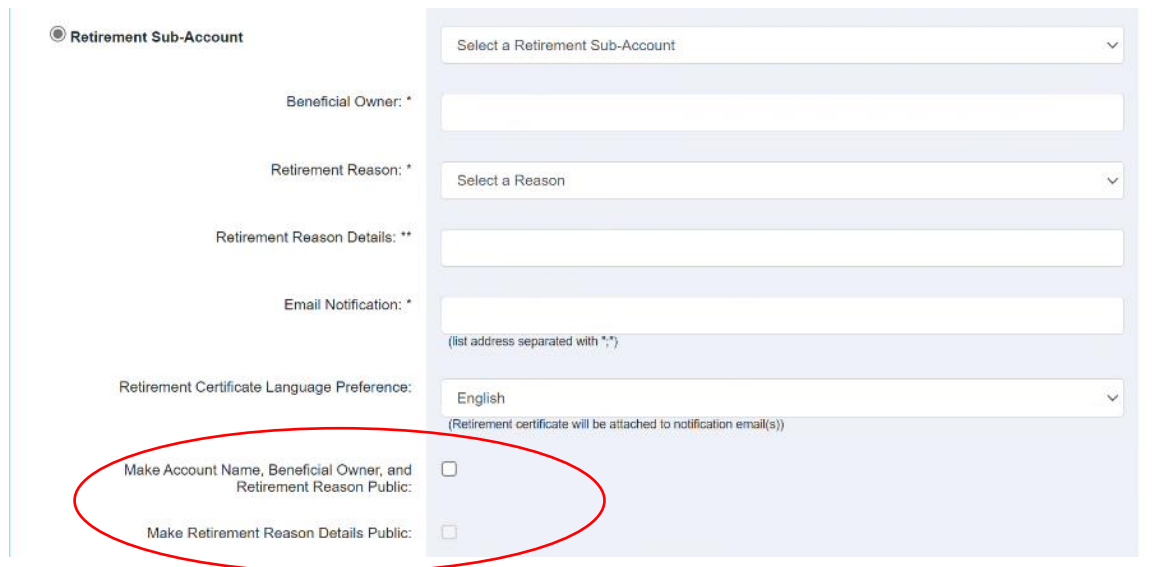
The retirement of VCUs with Article 6 Labels proceeds in the same way as VCUs without such labels. However, VCUs retired against certain retirement purposes must have the appropriate Article 6 Label:

- VCUs with vintages from 2021 onwards that are retired against any CORSIA retirement reason must have an 'Article 6 Authorized – International mitigation purposes' label;
- Where it implies an international transfer of the mitigation outcomes represented by the VCUs, VCUs with vintages from 2021 onwards that are retired against any compliance-related retirement reasons must have an 'Article 6 Authorized – NDC use' label.<sup>16</sup>

Information on retirements of VCUs authorized by host Parties, including Article 6 Labels, quantities, retirement reasons, and beneficiaries, will be publicly available on the Verra Registry.

Until public designation is automated on the Verra Registry, registry account holders retiring VCUs with Article 6 Labels must mark this information to be made public during the retirement transaction, as specified in Figure 1.

Figure 1: Public Retirement Details Required for VCUs with Article 6 Labels



Retirement Sub-Account
   
 Select a Retirement Sub-Account
   
 Beneficial Owner: \*
   
 Retirement Reason: \*
   
 Select a Reason
   
 Retirement Reason Details: \*\*
   
 Email Notification: \*
   
 (list address separated with ",")
   
 Retirement Certificate Language Preference:
   
 English
   
 (Retirement certificate will be attached to notification email(s))
   
 Make Account Name, Beneficial Owner, and Retirement Reason Public: 
  
 Make Retirement Reason Details Public:

<sup>16</sup> Retirement of VCUs from projects located domestically in the country of the compliance program do not constitute an international transfer so do not require the 'Article 6 authorized – NDC use' label.

## 5 CORRESPONDING ADJUSTMENTS

The status of VCUs with Article 6 Labels (as well as information on host Party authorizations, VCS project ID, and VCU vintage) can be publicly viewed through the 'Public Reports tab' for the VCS on the Verra Registry. Host Parties that have provided Article 6 authorizations can monitor this information to determine if and when 'first transfer conditions have been met, thus triggering obligations for the host Party to apply and report corresponding adjustments to the UNFCCC in their annual data submissions and BTRs.

Verra will monitor these Parties' submissions to the UNFCCC to assess whether the host Party has made the applicable corresponding adjustment(s) and will make this information public. If evidence of a corresponding adjustment is not observed within two years of its required application pursuant to Article 6, Verra will withdraw the Article 6 Labels from relevant VCUs on the Verra Registry and inform the affected Account Holders. If VCUs have been retired, Verra will inform the affected account holders in advance of any impending withdrawal of the Article 6 Label to allow a period of time for account holders or project proponents to request the host Party to apply the corresponding adjustment.

Verra will also withdraw the Article 6 Label where the host Party has already completed its accounting for the relevant NDC period and is therefore no longer able to apply a corresponding adjustment if it.

## 6 LIMITATION OF LIABILITY

Verra shall not be liable with respect to any claims whatsoever arising out of any Article 6 labeling within the Verra Registry, whether for consequential, special, punitive, or exemplary damages or otherwise, including without limitation losses resulting from claims of any nature (including in respect of any erroneous labeling) brought against Verra by registry account holders, project proponents, VVBs, or any other third party.

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# APPENDIX 1 DOCUMENT HISTORY

Version	Date	Comment
v1.0	29 August 2023	Initial version of Article 6 Label Guidance released.



## Standards for a Sustainable Future



**Verified Carbon  
Standard**



**Jurisdictional  
& Nested REDD+**



**Climate, Community  
& Biodiversity Standards**



**Sustainable Development  
Verified Impact Standard**



**Plastic Waste  
Reduction Standard**