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West Africa Alliance On Carbon Markets And Climate Finance

Checklist
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DETERMINING ADDITIONALITY

Article 6 activities, as outlined in the Paris Agreement, are required to demonstrate additionality. This means that there must be evidence showing that these activities would not have been undertaken without the incentives provided by the market mechanism. The demonstration of additionality involves conducting a thorough and robust assessment, taking into account all pertinent national policies. Effective additionality assessment not only enhances the credibility of climate actions but also instils confidence in stakeholders and investors, reinforcing the overall success of climate initiatives.

This checklist can be used to ensure activities and programmes deemed eligible in a given country contribute to the overall integrity and effectiveness of climate actions, notably by complying with robust additionality criteria.

Checklist 1. Steps and guidelines for the demonstration and assessment of additionality

Steps	Guiding questions
Eligibility Pre-Check	Does the Article 6 activity align with the long-term goals of the Paris Agreement and avoids locking in emissions levels, technologies or carbon-intensive practices? • Is the Article 6 activity absent from any relevant negative list, including those adopted by the Article 6.4 Supervisory Body or the respective host country? • If the host country has communicated a LT-LEDS, does the proposed activity and its emissions scenario align with the host country's LT-LEDS scenario for the entire crediting period? • If the host country has not communicated a LT-LEDS, is it ensured that the activity does not lead to a lock-in of current emission levels or continuation of emissions-intensive practices (e.g., by prolonging the lifetime of installations using emissions-intensive technologies or by constructing new

	installations using emissions-intensive technologies)?
Public notification of intent to earn carbon revenue prior to the start date of the activity	Have the activity participants publicly notified their intent to earn carbon revenue **before the activity's start date**?
Determination of regulatory additionality	Is the activity not directly mandated by law or regulation? • Are there no existing or forthcoming laws and/or regulations requiring or motivating the implementation of the activity during its crediting period?
Evaluation of inherent financial non-additionality risk of the specific activity type within the applicable geographic area	The outcome of this evaluation determines whether a barrier analysis should be incorporated in the investment analysis. If the inherent financial non-additionality risk is considered as low, barriers shall not be included in the subsequent step. If the answer to the following question is "yes", it suggests that the activity is likely to have a low inherent financial non-additionality risk: • Is the revenue from the sale of mitigation outcomes the sole source of revenue or savings of the activity?
Determination of financial additionality of the activity through an investment analysis	Would the proposed activity have occurred without the expected revenues from the mechanism? • Has the activity developer identified realistic alternative(s) to the mitigation activity in similar social, economic, and regional contexts? • Has the activity developer identified an economic assessment parameter (e.g. internal rate of return, payback period) to demonstrate that the mitigation activity would not be deemed economically / financially feasible, considering all revenues and savings generated by the mitigation activity? • Has the activity developer considered all revenues and savings generated for the activity, including any policy-related incentives and subsidies (e.g., grants, reverse auctions, contracts for difference), avoided carbon taxes, financial impacts of emissions trading schemes, etc. in this analysis? • For activities with medium to high-risk inherent financial non-additionality risk: ○ Has the activity listed and characterised prevalent non-monetary barriers to the activity type implementation (e.g., unavailability of the technology, lack of human capacity)?

- Does the monitoring plan provided by the activity developer include how the barriers will be overcome?
- Has the activity developer provided evidence of the barriers and how the mechanism will help overcome them?
- Has the activity developer described the applicability and suitability of an investment analysis?

- Is the activity financially attractive compared to a viable alternative?
  - If yes, the activity cannot be considered additional.
  - If not, the activity can be deemed as financially "unattractive" and thus financially additional.

Source: Authors, based on II-AMT 2023; UNFCCC 2023

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