



16 September 2022

**Technical paper on processes necessary for the delivery of
overall mitigation in global emissions**

I. Introduction

A. Background and mandate

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its fifty-sixth session, requested the secretariat to prepare, with a view to facilitating the understanding of the relevant issues but without prejudging possible outcomes, and considering the views expressed by Parties at that session¹ and taking into account paragraph 29 of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, where applicable, technical papers without formal status on, *inter alia*, reporting by host Parties on their Article 6, paragraph 4, activities, and the Article 6, paragraph 4, emission reductions issued for the activities, while avoiding unnecessary duplication of reporting information that is already publicly available.

2. The SBSTA also requested the secretariat, before SBSTA 57 (November 2022), to organize a series of virtual technical workshops followed by an in-person technical workshop with possibility of virtual participation, to consider the elements on reporting referred to in paragraph 1 above, taking into account the submissions by Parties and this technical paper, ensuring broad participation of Parties.

B. Purpose and scope

3. This technical paper discusses how the processes necessary for the delivery of OMGE in accordance with chapter VIII of the annex to decision 3/CMA.3 (“Delivering overall mitigation in global emissions”) may be implemented and identifies issues and proposes options and solutions for addressing those issues.

4. The delivery of OMGE is achieved through cancellation of Article 6, paragraph 4 emission reduction (A6.4ERs), in accordance with chapter VIII of the annex to decision 3/CMA.3, or through cancellations of internationally transferred mitigation outcomes (ITMOs), in accordance with chapter VII of the annex to decision 2/CMA.3. This paper addresses solely the process of cancellations of A6.4ERs for the purpose of the delivery of OMGE.

5. Understanding this technical paper requires good familiarity with the Glasgow outcome on Article 6.4.

6. This technical paper should be read in conjunction with the technical papers on the mechanism registry, on reporting and on infrastructure and is aligned with those technical papers.

II. Process

A. Mandatory cancellations

7. Mandatory cancellation of A6.4ERs for OMGE is effected through a first transfer of a minimum of 2 per cent of the issued A6.4ERs to the cancellation account in the mechanism registry for OMGE. The mechanism registry administrator initiates this transfer to the OMGE cancellation account of the mechanism registry.

8. As the quantity of A6.4ERs to be cancelled represents a minimum, it is necessary to specify how this minimum can be increased. Two options, not mutually exclusive, appear to be available:

¹Including through the informal note prepared by the co-facilitators at the informal consultations under SBSTA 56 agenda item 13.

(a) The percentage of A6.4ERs to be cancelled is specified by the activity participants on an ongoing basis if, for example, multiple issuances for the activity are expected owing to multiple crediting periods.

(b) The percentage of A6.4ERs to be cancelled is to be specified by the CMA in a future decision, and it would be at least 2 per cent.

9. From the point of view of the implementation of the mechanism registry, option (b) does not require immediate clarification, as a global parameter (i.e. “minimum percentage for mandatory cancellations for OMGE”) will be foreseen. However, if option (a) is a valid option, it would require confirmation and/or further clarification, as it directly impacts the functions of the mechanism registry and the processes supporting it.

10. Based on paragraph 69 of the annex to decision 3/CMA.3, it would appear that mandatory cancellations of A6.4ERs are effected for A6.4ERs authorized for use towards the achievement of nationally determined contributions (NDCs) and/or for use for other international mitigation purposes. If an A6.4ER is not authorized, or if it is authorized for another purpose than for use towards the achievement of NDCs and/or for use for other international mitigation purposes, then no mandatory cancellation for OMGE would apply upon issuance of such A6.4ER. This is also linked to what is referred to first transfer in the Article 6.4 decision.

11. The mechanism registry will ensure that:

(a) Only A6.4ERs are transferred to the cancellation account for OMGE (i.e. no other types of units may be transferred to that account);

(b) A6.4ERs transferred to the cancellation account for OMGE are considered as first transferred and flagged accordingly;

(c) The first transfer of A6.4ERs to the cancellation account for OMGE occurs simultaneously with the issuance of these A6.4ERs and is indivisible and irreducible with the issuance transaction, i.e. the issuance and the cancellation transactions occur together (normal and expected scenario) or not at all (in case of problems);

(d) A6.4ERs that have been mandatorily cancelled for OMGE are not allowed to be transferred or used for any purpose.

B. Voluntary cancellations

12. Parties, activity participants and stakeholders may also request the voluntary cancellation of A6.4ERs in the mechanism registry for the purpose of delivering further OMGE that have been correspondingly adjusted.

13. As the mechanism registry will need to enforce access control policies through, inter alia, the authentication and authorization of its users, it will be needed to define precisely the stakeholders referred to in paragraph 70 of the annex to decision 3/CMA.3. This definition is probably best left up to the Supervisory Body.

14. Based on paragraph 70 of the annex to decision 3/CMA.3, it appears that cancellations of A6.4ERs for OMGE may only be effected for A6.4ERs authorized for use towards the achievement of NDCs and/or for use for other international mitigation purposes, have been first transferred and have been correspondingly adjusted. A Party, activity participant or another stakeholder may therefore not be able to voluntarily cancel A6.4ERs for OMGE unless the A6.4ERs meet these requirements, in particular if the A6.4ERs have been authorized and issued, but not yet subject to a first transfer and corresponding adjustment or if the units being voluntarily cancelled are not A6.4ERs.

15. For transparency, reporting and accounting purposes, it is suggested that the mechanism registry administrator establish a dedicated account for voluntary cancellations for OMGE, to complement the (mandatory) account for cancellations for OMGE referred to in paragraph A.7 above.

16. It is assumed that A6.4ERs held in the share of proceeds for adaptation account of the mechanism registry may be voluntarily cancelled for OMGE.

17. The mechanism registry will ensure that:

- (a) Only A6.4ERs can be voluntarily cancelled for OMGE;
- (b) A6.4ERs that have been voluntarily cancelled for OMGE are not allowed to be transferred or used for any purpose;
- (c) The “first transfer” status of the A6.4ERs involved in the transfer to the voluntary cancellation for OMGE is as specified by the host Party.

C. Rounding

18. Rounding of the amount of A6.4ERs to be cancelled for OMGE is unavoidable if the number of A6.4ERs to be issued is determined ahead of time, as will be the case.

19. It is therefore suggested that the 2 per cent value be rounded up; that is, to the smallest integer that is not less than the 2 per cent value. For example, if 4321 A6.4ERs need to be issued, then the amount of A6.4ERs to be cancelled for OMGE is 87.

D. Information related to cancellations for OMGE

20. To ensure robust accounting and tracking of all information, as well as to anticipate the support of future reporting and analysis needs, it is important that the mechanism registry keep track of all information related to the transaction that led to the cancellation of A6.4ERs for the purpose of OMGE, including the following:

- (a) User initiating the transaction;
- (b) Originating account;
- (c) Destination account;
- (d) Date and time;
- (e) A6.4ERs involved in the transaction,² including:
 - a. Serial numbers
 - b. Host Party;
 - c. Activity;
 - d. Activity type;
 - e. Sector;
 - f. Vintage;
 - g. Authorization status of the A6.4ERs;
 - h. First transfer status;
- (f) Status of the transaction, including any error code(s) if the transaction fails;
- (g) Comment(s) or remark(s) related to the transaction, as provided by the user initiating the transaction through the user interface of the mechanism registry.

21. The mechanism registry will be designed to ensure that its administrator and user(s) who have initiated voluntary cancellation for OMGE are authorized to view, consult and/or search the full details of these transactions and will prevent access to these transactions by any other users. Other stakeholders, such as other Parties and activity participants, may consult public information in relation to these transactions through the UNFCCC website, in accordance with section III below.

² See the technical paper on the mechanism registry for the complete list of attributes.

22. The information referred to in paragraph 18 above should be stored in the mechanism registry database for the duration of its operation and for a reasonable period after the end of its operation (e.g. five years).

23. The consistency between the transactional records related to OMGE cancellations and the holding of A6.4ERs in the OMGE cancellation accounts should be guaranteed by the design and implementation of the mechanism registry software, and a verification of the consistency between the transactional records and the content of the OMGE cancellation accounts should be performed either upon each cancellation taking place and/or on a daily basis.

III. Linkage to Article 6 database

24. The Article 6 database will contain annual information on ITMOs submitted by Parties and will enable the identification of inconsistencies, including inconsistencies related to cancellations for OMGE.³ ITMOs are A6.4ERs when they are authorized for use towards achievement of NDCs and/or authorized for use for other international mitigation purposes.⁴

25. Consequently, in order to enable and facilitate the work of the secretariat with regards to the identification of inconsistencies within the Article 6 database, the information related to transfers of authorized A6.4ERs to the (mandatory) cancellation account for OMGE, and the information related to transfers of authorized A6.4ERs to the voluntary cancellation for OMGE, as contained in the mechanism registry, should be sent by the mechanism registry to the Article 6 database.

26. The information sent should include the content described in paragraph 19 above and be in a format that is compatible with the agreed electronic format (AEF) referred to in paragraph 20 of the annex to decision 2/CMA.3, in order to remove any duplication of work within the mechanism registry (see section IV on reporting below).

27. The information on transfers of authorized A6.4ERs to the mandatory or voluntary cancellation account for OMGE should be sent to the Article 6 database regularly – for example, on a monthly basis, which appears to be an adequate frequency to keep the data in the Article 6 database up to date for ongoing consistency checks without too much additional effort related to the transfer of this data. This information should be complete, i.e. it should contain all cancellations for OMGE to date, and not only the last or the most recent ones. This will ensure that the Article 6 database information, as it pertains to OMGE cancellations stemming from the mechanism registry, is consistent with the records of the mechanism registry in the presence of bugs, corrections or other similar issues, without the need to establish a costly reconciliation process between both systems.

IV. Reporting

28. It is suggested that the mechanism registry administrator report on mandatory and voluntary cancellations for OMGE by making the information referred to in paragraph II.D.20 above publicly available on the UNFCCC website, in two formats:

- (a) A user-friendly format that is easily viewable and searchable by the public;
- (b) A format that is compatible with the AEF, including as part of the full set of data to be made available to host Parties and other participating Parties in relation to their transactions with A6.4ERs, which Parties may use at their discretion, including during the preparation of their AEF.

29. The public information related to cancellations for OMGE could be made available as soon as possible after such cancellation takes place, bearing any technical constraints that may impair immediate publication of these transactions. Alternatively, this public

³ Decision 2/CMA.3, annex, paragraphs 20, 23, 32 and 33.

⁴ Decision 2/CMA.3, annex, paragraph 1(g).

information could be made available monthly to align it with the overall reporting practice of the mechanism registry.

30. It is suggested that aggregate information on cancellations for OMGE be provided in the reports of the Supervisory Body to the CMA, in conjunction with any relevant qualitative information and distinguishing between mandatory and voluntary cancellations for OMGE and cancellations for OMGE initiated by the Trustee of the Adaptation Fund. The qualitative information provided could cover issues related to the proper execution of cancellations for OMGE, including issues reported by activity participants and improvements made by the mechanism registry administrators to alleviate these issues during the reporting period.

V. Summary of options and possible solutions

31. The table below provides a summary of options and possible solutions related to the processes necessary for the delivery of OMGE, together with the relevant paragraph(s) of this technical paper where the issue is discussed.

| <i>Option and/or possible solution(s)</i> | <i>Paragraph(s)</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Clarify the process used to increase the minimum quantity (i.e. 2 per cent) of A6.4ERs to be transferred to the (mandatory) cancellation account for OMGE. | II.A.8, II.A.9 |
| Define the stakeholders who may voluntarily cancel A6.4ERs for OMGE. | II.B.12 |
| Confirm that only authorized A6.4ERs can be cancelled for OMGE, either mandatorily or voluntarily. | II.A.10, II.B.14 |
| Establish a voluntary cancellation account for OMGE. | II.B.15 |
| Endorse, take note of, or provide guidance on, as appropriate, the rounding methodology to be applied to cancellations for OMGE. | II.C.18II. C.19 |
| Provide guidance on the linkage between the mechanism registry and the Article 6 database with regards to information on cancellations for OMGE. | III.24– III.27 |
| Define reporting requirements for cancellations for OMGE. | IV.28– IV.30 |