

DRAFT TEXT

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Proposal by the President

Draft decision -/CMA.4

Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling the mechanism established by Article 6, paragraph 4, of the Paris Agreement and the aims referred to therein,

Also recalling Article 6, paragraph 1, of the Paris Agreement,

Further recalling the eleventh preambular paragraph of the Paris Agreement, acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity,

Recalling decision 3/CMA.3 and its annex, containing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement,

Also recalling that, pursuant to decision 2/CMA.3, annex, paragraph 1(g), Article 6, paragraph 4, emission reductions, when they are authorized for use towards achievement of nationally determined contributions and/or authorized for use for other international mitigation purposes, are internationally transferred mitigation outcomes and relevant guidance under Article 6, paragraph 2, of the Paris Agreement applies,

1. *Decides* to elaborate the processes referred to in decision 3/CMA.3, paragraph 7(b–g), on the basis of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, contained in annex I;
2. *Welcomes* the designation of national authorities for the mechanism by 28 Parties as at 18 November 2022;
3. *Reminds* Parties wishing to participate in the mechanism to designate a national authority for the mechanism and communicate that designation to the secretariat;
4. *Notes* that the Supervisory Body for the mechanism held its 1st meeting in July 2022 after the final nominations to the Supervisory Body had been received in June 2022 and held three meetings in total in 2022;
5. *Welcomes* the annual report for 2022 of the Supervisory Body to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and its addendum;¹
6. *Commends* the work undertaken by the Supervisory Body since its inception to address the mandates given by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session;²

¹ FCCC/PA/CMA/2022/6 and Add.1.

² Decision 3/CMA.3, para. 6.

7. *Adopts* the rules of procedure of the Supervisory Body, contained in annex II;
8. *Requests* the Subsidiary Body for Scientific and Technological Advice to continue its consideration of, and to develop, on the basis of the rules, modalities and procedures for the mechanism contained in the annex to decision 3/CMA.3, recommendations, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session (November 2024), on further responsibilities of the Supervisory Body and of Parties that host Article 6, paragraph 4, activities in order for such host Parties to elaborate on and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;
9. *Also requests* the Subsidiary Body for Scientific and Technological Advice to continue its consideration of, and to develop, on the basis of the rules, modalities and procedures for the mechanism and elaboration thereon, recommendations for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023) on:
 - (a) Consideration of whether Article 6, paragraph 4, activities could include emission avoidance and conservation enhancement activities;
 - (b) Connection of the mechanism registry to the international registry as per paragraph 63 of the rules, modalities and procedures for the mechanism, as well as to other registries referred to in decision 2/CMA.3, annex, paragraph 29, if applicable, including the nature and extent of interoperable features;
 - (c) Provision of a statement by the host Party to the Supervisory Body specifying whether it authorizes Article 6, paragraph 4, emission reductions issued for an Article 6, paragraph 4, activity for use towards achievement of nationally determined contributions and/or for other international mitigation purposes, as defined in decision 2/CMA.3, in accordance with paragraph 42 of the rules, modalities and procedures, including its timing, relevant information on the authorization and any revisions;
10. *Invites* Parties and admitted observer organizations to submit, via the submission portal,³ by 15 March 2023, their views on the matters referred to in paragraph 9 above, and *requests* the secretariat to prepare a synthesis report on the submissions for consideration by the Subsidiary Body for Scientific and Technological Advice at its fifty-eighth session (June 2023);
11. *Requests* the secretariat to organize a technical expert dialogue, to be held between the fifty-eighth and fifty-ninth (November–December 2023) sessions of the Subsidiary Body for Scientific and Technological Advice, to consider the matters referred to in paragraph 9 above, taking into account the submissions and the synthesis report referred to in paragraph 10 above, ensuring broad participation of Parties;
12. *Also requests* the secretariat to expedite the implementation of the capacity-building programme referred to in decision 3/CMA.3, paragraph 14, within a time frame in which elements are prioritized that are more urgent and relevant to enabling Parties to participate in the mechanism, taking into account the work it has already initiated under the capacity-building programme, and to report regularly on the status of its implementation to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;
13. *Notes* that the levels of share of proceeds for administrative expenses contained in annex I, chapter V, are to be reviewed periodically⁴ for the sound operation of the Supervisory Body and for enabling a periodic contribution of funds to the Adaptation Fund;
14. *Also notes* that the Supervisory Body will determine a specific level for each fee type, within the maximum level therein, when developing procedures for processing requests in the activity cycle under the mechanism, with the intention to set the fee levels low where appropriate;
15. *Further notes* that, for the monetary contributions from individual Article 6, paragraph 4, activities to the Adaptation Fund in accordance with the rules, modalities and

³ <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>.

⁴ See decision 3/CMA.3, para. 8.

procedures for the mechanism,⁵ the Supervisory Body agreed to deduct 3 per cent of the issuance fee paid for each request for issuance of Article 6, paragraph 4, emission reductions and collectively transfer them annually to the Adaptation Fund;

16. *Notes* that the level and process for monetary contributions from individual Article 6, paragraph 4, activities to the Adaptation Fund may be modified by the Supervisory Body in future on the basis of its review of the implementation of the provision;

17. *Decides* that the level and frequency of a periodic contribution from the remaining funds received from the share of proceeds for administrative expenses to the Adaptation Fund shall be determined by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the basis of annual reviews of the status of those funds;

18. *Acknowledges* the work undertaken by the Supervisory Body based on the request from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement in decision 3/CMA.3, paragraph 6(c–d);

19. *Invites* Parties and admitted observer organizations to submit, via the submission portal, by 15 March 2023, their views on activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, in addition to the activities referred to in chapter V of the rules, modalities and procedures;

20. *Requests* the Supervisory Body to consider the views of Parties and observers in elaborating and further developing recommendations on activities involving removals, as referred to in paragraph 19 above, on the basis of the rules, modalities and procedures, and taking into account the mandate provided to the Supervisory Body contained in paragraph 24(a)(ix) of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session;

21. *Also requests* the Supervisory Body to elaborate and further develop recommendations, on the basis of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session, on the application of the requirements referred to in chapter V.B (Methodologies) of the rules, modalities and procedures;

22. *Further requests* the Supervisory Body, while developing the recommendations referred to in paragraphs 20–21 above, to consider broader inputs from stakeholders provided in a structured public consultation process;

23. *Requests* the Supervisory Body to facilitate the tasks related to the transition of clean development mechanism activities to the mechanism by:⁶

(d) Developing and operationalizing a procedure for requesting transition, which includes relevant forms, by no later than June 2023;

(e) Developing and operationalizing the transition process and reporting back to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session;

24. *Expresses its appreciation* for the transfer of funds from the Trust Fund for the Clean Development Mechanism to the Trust Fund for Supplementary Activities for the work of the Supervisory Body carried out in accordance with decision 2/CMP.16, paragraphs 18–19;

25. *Takes note* of the agreed resource allocation plan of the Supervisory Body for 2023,⁷ which provides an estimated budget for its work, as outlined in its workplan for 2023, and other activities deemed essential for operationalizing the mechanism;

26. *Requests* the Supervisory Body to reinforce its support structure and allocate dedicated resources to support the work of the Supervisory Body;

⁵ Decision 3/CMA.3, annex, para. 67(b).

⁶ See decision 3/CMA.3, annex, chap. XI.A.

⁷ Supervisory Body document A6.4-SB003-A01.

27. *Also requests* the secretariat to take necessary steps to establish a separate trust fund for the receipt of the shares of proceeds to cover administrative expenses charged as fees under the mechanism and other contributions;
28. *Takes note* of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in this decision;
29. *Requests* that the actions called for in this decision be undertaken subject to the availability of financial resources.

Annex I

Elaboration of the processes defined in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

I. Processes for implementing the transition of activities from the clean development mechanism to the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Crediting period

1. Pursuant to paragraph 73 of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP),⁸ registered project activities under the clean development mechanism (CDM) may transition to the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) subject to the conditions referred to in paragraph 73 of the RMP, including the requirements regarding the activity design elaborated in chapter I.B below, and if their crediting periods would have been active as of 1 January 2021 had the crediting under the CDM continued after the end of the second commitment period of the Kyoto Protocol.

2. The crediting period type (i.e. renewable or fixed) and the remaining number of renewals of the crediting period, if it is renewable, of CDM project activities that transition to the Article 6.4 mechanism shall not change at the time of or after the transition.

3. The current crediting period of CDM project activities that transition to the Article 6.4 mechanism shall end, whichever is earlier:

(a) When the current crediting period would have ended had the crediting period under the CDM continued after the end of the second commitment period of the Kyoto Protocol;

(b) On 31 December 2025, if the crediting period is renewable;

(c) On the date determined under the conditions of the crediting period that may be specified by the respective host Parties in accordance with paragraph 27(b) of the RMP.

4. For CDM project activities with a renewable crediting period, once renewed under the Article 6.4 mechanism, the length of each of the remaining crediting periods of the transitioned project activities shall be consistent with the relevant rules under the Article 6.4 mechanism.

5. The principles referred to in paragraphs 1–4 above shall also apply to the CDM programmes of activities (PoAs) and the component project activities (CPAs) therein that transition to the Article 6.4 mechanism in terms of the PoA period and the crediting period of CPAs respectively.

B. Activity design

6. The activity types of registered CDM project activities and PoAs and the CPAs therein, as well as those in the requests for registration, renewal and issuance listed as provisional (provisional requests) under the temporary measures adopted by the Executive Board of the CDM at its 108th meeting (temporary measures), that transition to the Article 6.4 mechanism (transitioning activities) shall be among those indicated by their respective host Parties in accordance with paragraph 26(e) of the RMP.

⁸ Decision 3/CMA.3, annex.

7. Pursuant to paragraph 73(c) of the RMP, transitioning activities shall demonstrate compliance with the requirements of the RMP in accordance with guidance to be provided by the Supervisory Body.
8. The CDM methodologies applied to transitioning activities shall meet the methodological requirements that may be specified by the respective host Parties in accordance with paragraph 27(a) of the RMP, taking into account the condition referred to in paragraph 73(d) of the RMP. If the CDM methodologies do not meet these requirements, they shall be replaced accordingly.
9. In the absence of an applicable mechanism methodology, transitioning activities with a crediting period ending before 31 December 2025 may apply interim solutions to be provided by the Supervisory Body with regard to the provision in paragraph 73(d) of the RMP.
10. Transitioning activities shall apply the same global warming potential values as applicable to any activities under the Article 6.4 mechanism (Article 6.4 activities) in accordance with relevant decisions of the CMA.

C. Transition process

11. Pursuant to paragraph 73(a) of the RMP, the project participants of a registered CDM project activity or the coordinating/managing entity of a registered CDM PoA that are approved by the CDM host Party, or an entity acting on their behalf, that wish to transition the activity to the Article 6.4 mechanism shall submit a request for such transition to the secretariat and to the designated national authority (DNA) for the Article 6.4 mechanism of the CDM host Party, as designated in accordance with paragraph 26(c) of the RMP, informing the DNA for the CDM of the same Party by no later than 31 December 2023 in accordance with the procedure to be developed by the Supervisory Body.
12. Pursuant to paragraph 73(b) of the RMP, the DNA for the Article 6.4 mechanism of a CDM host Party, if it approves the transition, shall provide the approval to the Supervisory Body by no later than 31 December 2025 in accordance with the procedure to be developed by the Supervisory Body.
13. Requests for transition and host Party approvals of provisional requests under the temporary measures and other participating Party approvals of activity participants shall be submitted in accordance with paragraphs 11–12 above, as applicable. Requests for transition of provisional requests for renewal and issuance under the temporary measures shall be processed only after the respective underlying CDM activities have successfully transitioned to the Article 6.4 mechanism.
14. Requests for transition of CDM activities and provisional requests under the temporary measures submitted to the secretariat shall be subject to the share of proceeds to cover administrative expenses and/or the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation applicable under the Article 6.4 mechanism in the following manner:
 - (a) Requests for transition of CDM activities are subject to the share of proceeds applicable to requests for registration under the Article 6.4 mechanism;
 - (b) Provisional requests for registration under the temporary measures are subject to the share of proceeds applicable to requests for registration under the Article 6.4 mechanism;
 - (c) Provisional inclusion of CPAs under the temporary measures are subject to the share of proceeds applicable to inclusion of CPAs in a registered PoA under the Article 6.4 mechanism;
 - (d) Provisional requests for renewal under the temporary measures are subject to the share of proceeds applicable to requests for renewal under the Article 6.4 mechanism;
 - (e) Provisional requests for issuance under the temporary measures are subject to the share of proceeds applicable to requests for issuance under the Article 6.4 mechanism.

15. For requests for transition of CDM activities and provisional requests under the temporary measures that are approved by the Supervisory Body, the effective date of transition may be deemed as 1 January 2021 at the earliest, irrespective of the date of approval of the requests by the Supervisory Body.

16. Once the transition is approved by the Supervisory Body, the activities and requests are subject to all relevant requirements under the Article 6.4 mechanism at all subsequent steps in the mechanism's activity cycle, taking into account the provisions on the applied methodologies contained in paragraphs 27(a) and 73(d) of the RMP, as described in paragraphs 8–9 above.

17. The Supervisory Body shall effect the transition of CDM activities, noting that such CDM activities are deregistered from the CDM automatically from the date of transition pursuant to decision 2/CMP.16, paragraph 12.

II. Processes for implementing chapter XI.B (Use of certified emission reductions towards first or first updated nationally determined contributions) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Transfer of certified emission reductions from the clean development mechanism registry

18. The transfer of certified emission reductions (CERs) to the mechanism registry referred to in chapter VI of the RMP that are eligible for such transfer as per paragraph 75 of the RMP (eligible CERs), when the transfer is initiated by the project participants or the Parties holding eligible CERs in the CDM registry or the Trustee of the Adaptation Fund in accordance with the modalities contained in decision -/CMP.17,⁹ shall be communicated by the CDM Registry Administrator to the mechanism registry administrator in accordance with the modalities contained in that decision and any other relevant guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. The transfer data shall include the full serial numbers of the eligible CERs and the identification of the receiving account. All transfer data shall be subject to a reconciliation process to be developed and implemented by the registry administrators of the two registries (the secretariat).

19. The mechanism registry administrator shall check the transfer data received from the CDM registry and shall record transferred eligible CERs in the receiving accounts as communicated by the CDM Registry Administrator. The mechanism registry shall assign unique identifiers to received CERs, as per the applicable rules for serialization of units in the mechanism registry to be developed by the Supervisory Body, and shall track, display and report on CERs as related to pre-2021 emission reductions pursuant to paragraph 75(b) of the RMP. The mechanism registry shall also track the original Kyoto Protocol serial numbers of the received CERs.

20. The mechanism registry may continue to receive transfers of CERs from the CDM registry until a date to be determined by the CMA.

21. Transactions of CERs shall adhere to the modalities in accordance with **chapter IV below** (Operation of the mechanism registry).

⁹ Draft decision entitled "Matters relating to the clean development mechanism" proposed under agenda item 5 of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventeenth session.

B. Use of certified emission reductions towards achievement of nationally determined contributions

22. Parties may use CERs transferred to the mechanism registry towards achievement of their first or first updated NDCs by retiring the CERs in accordance with the modalities to be adopted by the CMA and/or the relevant requirements and procedures to be adopted by the Supervisory Body.

23. For use of CERs towards achievement of their first or first updated NDCs, using Parties shall apply the guidance on the use of internationally transferred mitigation outcomes (ITMOs) towards the achievement of NDCs mutatis mutandis by subtracting the quantity of CERs retired in the mechanism registry in the calculation of the emissions balance in accordance with paragraphs 7–8 of the annex to decision 2/CMA.3, noting that the host Party shall not be required to apply a corresponding adjustment as per paragraph 75(d) of the RMP.

24. Parties that use CERs towards achievement of their first or first updated NDCs shall:

(a) Report for each year of the NDC implementation period the amounts of CERs used for that purpose in the row “Any other information consistent with decisions adopted by the CMA on reporting under Article 6 (para. 77(d)(iii) of the MPGs)” of table 4 in annex II to decision 5/CMA.3;

(b) Include the relevant subtractions, determined in accordance with paragraph 23 above, in the row “Total quantitative corresponding adjustments used to calculate the emissions balance referred to in para. 23(k)(i), annex to decision 2/CMA.3, in accordance with the Party’s method for applying corresponding adjustments consistent with section III.B, annex to decision 2/CMA.3 (Application of corresponding adjustments) (para. 23(g), annex to decision 2/CMA.3)” of table 4 in annex II to decision 5/CMA.3.

III. Reporting by host Parties on their Article 6, paragraph 4, activities and the Article 6, paragraph 4, emission reductions issued for those activities

25. Host Parties shall provide to the Supervisory Body the information referred to in paragraphs 26–28 of the RMP relating to the participation responsibilities of host Parties in accordance with the modalities to be specified by the Supervisory Body. The Supervisory Body shall promptly make the received information publicly available on the UNFCCC website. In this context:

(a) The information on the status as a Party under the Paris Agreement referred to in paragraph 26(a) of the RMP is deemed to have been provided if the instruments of ratification, acceptance, approval or accession have been deposited with the Depositary in accordance with Article 20 of the Paris Agreement;

(b) The information on the preparation, communication and maintenance of NDCs referred to in paragraphs 26(b) and 28(a) of the RMP is deemed to have been provided if it has been communicated to the secretariat in accordance with Article 4, paragraph 2, of the Paris Agreement and is still valid.

26. Pursuant to paragraphs 40, 41 and 45 of the RMP, host Parties and other participating Parties shall provide to the Supervisory Body the information referred to in these paragraphs relating to the approval of specific activities by a host Party, authorization of specific activity participants by a host Party and authorization of activity participants by another participating Party respectively, in accordance with the modalities to be specified by the Supervisory Body.

IV. Operation of the mechanism registry

A. Form and functions

27. Pursuant to paragraphs 64–65 of the RMP, the mechanism registry shall:

(a) Take the form of a standardized electronic database and shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP;

(b) Be consistent with the requirements for registries contained in the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and further relevant decisions of the CMA;

(c) Be hosted and maintained by the secretariat.

28. The mechanism registry shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP as units. Each unit shall be indivisible and transactions in the mechanism registry may only involve full units.

29. The mechanism registry shall track:

(a) A6.4ERs authorized for use towards achievement of NDCs and/or for other international mitigation purposes pursuant to paragraph 42 of the RMP (authorized A6.4ERs);

(b) A6.4ERs not specified as authorized for use towards achievement of NDCs and/or for other international mitigation purposes (mitigation contribution A6.4ERs), which may be used, inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the host Party.

30. Each A6.4ER or CER tracked in the mechanism registry shall have a unique identifier assigned in accordance with the modalities to be developed by the Supervisory Body and consistently with the guidance adopted by the CMA for registries under cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement.

31. Each A6.4ER or CER shall be held in only one account in the mechanism registry at a time.

32. Pursuant to paragraph 63 of the RMP, the mechanism registry shall have at a minimum the following account types, to be opened in accordance with the requirements and procedures to be adopted by the Supervisory Body:

(a) Pending account, to which all A6.4ERs shall be issued;

(b) Holding account, which may acquire A6.4ERs or CERs tracked in the mechanism registry;

(c) Share of proceeds for adaptation account, which receives A6.4ERs in accordance with paragraph 58 of the RMP;

(d) Account for mandatory cancellation of A6.4ERs for overall mitigation in global emissions (OMGE) in accordance with paragraph 59 of the RMP (mandatory cancellation for OMGE account);

(e) Account for voluntary cancellation of A6.4ERs for OMGE in accordance with paragraph 70 of the RMP (voluntary cancellation for OMGE account);

(f) Retirement account for A6.4ERs and CERs;

(g) Account for cancellation of A6.4ERs for other international mitigation purposes;

(h) Account for voluntary cancellation of A6.4ERs for other purposes;

(i) Account for administrative cancellation of A6.4ERs and CERs tracked in the mechanism registry for corrective actions and other purposes, as necessary.

33. Pursuant to paragraph 63 of the RMP, Parties and entities authorized by a participating Party as activity participants may request to open holding accounts in the mechanism registry in accordance with the requirements and procedures to be adopted by the Supervisory Body. The opening of such an account shall be approved by the participating Party that authorized participation. Such holding accounts shall be associated with the Party that authorized participation.

34. Pursuant to paragraph 55 of the RMP, the mechanism registry shall allow account holders to see the authorization status and the first transfer status of A6.4ERs held in their holding accounts. The mechanism registry shall also allow account holders to see if a transaction is the first transfer in the transaction history of their accounts.

B. Transaction procedure

35. The mechanism registry shall perform issuance, forwarding, first transfer, transfer, cancellation, voluntary cancellation and retirement of A6.4ERs or, where applicable, of CERs transferred to the mechanism registry in accordance with paragraph 75 of the RMP.

36. A transaction that meets the definition of first transfer pursuant to paragraph 2 of the annex to decision 2/CMA.3 and relevant decisions of the CMA shall be distinguished as a first transfer in the mechanism registry.

37. Pursuant to paragraph 54 of the RMP, upon being instructed by the Supervisory Body, the mechanism registry administrator shall issue all authorized A6.4ERs and mitigation contribution A6.4ERs into the pending account.

38. Pursuant to paragraph 55 of the RMP, the mechanism registry administrator shall, at the time of the issuance of A6.4ERs, assign their authorization status in accordance with the statement by the host Party provided to the Supervisory Body pursuant to paragraph 42 of the RMP.

39. Pursuant to paragraph 58 of the RMP, the mechanism registry administrator shall forward 5 per cent of issued authorized A6.4ERs and mitigation contribution A6.4ERs in the pending account immediately to the share of proceeds for adaptation account held by the Adaptation Fund and, if the issued A6.4ERs are authorized, shall distinguish the forwarding as effecting a first transfer. This first transfer shall be subject to a corresponding adjustment.

40. Pursuant to paragraphs 59 and 69 of the RMP, the mechanism registry administrator shall cancel a minimum of 2 per cent of issued authorized A6.4ERs and mitigation contribution A6.4ERs in the pending account immediately to the mandatory cancellation for OMGE account, and if the issued A6.4ERs are authorized, shall distinguish the cancellation as a first transfer. This first transfer shall be subject to a corresponding adjustment.

41. Pursuant to paragraph 60 of the RMP, the mechanism registry administrator shall forward or effect a first transfer of, as applicable, the remaining A6.4ERs to the holding accounts of activity participants and participating Parties involved, in accordance with the instructions of the activity participants.

42. Account holders may request transfer, cancellation or voluntary cancellation of A6.4ERs or CERs held in their holding accounts in accordance with relevant requirements and procedures to be adopted by the Supervisory Body.

43. Account holders may acquire A6.4ERs or CERs in the mechanism registry in their holding accounts in accordance with relevant requirements and procedures adopted by the Supervisory Body.

44. Each participating Party may request opening a retirement account, as needed. A retirement account may acquire A6.4ERs authorized for use towards achievement of NDCs or CERs in the mechanism registry only from accounts associated with the participating Party for which the retirement account was opened.

45. A6.4ERs or CERs transferred to any cancellation account or retirement account shall not be further transferred.

C. Information

46. The mechanism registry shall enable, for each participating Party, the automatic prefilling of the agreed electronic format and of other quantitative information requirements pursuant to chapter IV (Reporting) of the annex to decision 2/CMA.3 in relation to authorized A6.4ERs and the creation of records of ITMOs in the accounts of the international registry so as to enable tracking pursuant to chapter VI.A (Tracking) of the annex to decision 2/CMA.3.

47. The mechanism registry shall enable the production and dissemination of reports to the DNAs of Parties participating in the Article 6.4 mechanism on the holdings and transaction history in relation to accounts and transactions associated with the respective Party.

48. The mechanism registry shall make non-confidential information publicly available and provide a publicly accessible interface through the Internet.

D. Connection with the international registry

49. Pursuant to paragraph 63 of the RMP, the mechanism registry shall be connected to the international registry. The connection shall allow for automated pulling and viewing of data and information on holdings and the action history of authorized A6.4ERs for use by participating Parties that have an account in the international registry.

V. Processes necessary for implementing the share of proceeds to cover administrative expenses and the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation

A. Share of proceeds for administrative expenses

50. The share of proceeds to cover administrative expenses shall comprise:

- (a) A fee charged for a request for registration of an Article 6.4 activity (the registration fee);
- (b) A fee charged for inclusion of CPAs in a registered PoA (the inclusion fee);
- (c) A fee charged for a request for issuance of A6.4ERs for a registered Article 6.4 activity (the issuance fee);
- (d) A fee charged for a request for renewal of crediting period or PoA period for a registered Article 6.4 project activity and PoA, respectively, and for renewal of CPAs included in a registered PoA (the renewal fee);
- (e) A fee charged for a request for approval of a post-registration change for a registered Article 6.4 activity (the post-registration change fee).

51. The registration fee shall be multi-tiered fixed rates for stand-alone activities, tiered by the estimated annual average emission reductions or removals over the first crediting period, if it is renewable, or over the entire crediting period, if it is fixed, and a fixed rate for PoAs set at the following levels, and shall be deemed to be fully consumed for processing the request and not deemed an advance payment of the issuance fee referred to in paragraph 53 below:

- (a) A maximum of USD 2,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of up to 15,000 tonnes of carbon dioxide equivalent (t CO₂ eq);

(b) A maximum of USD 6,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of between 15,001 and 50,000 t CO₂ eq;

(c) A maximum of USD 12,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of over 50,000 t CO₂ eq or for a PoA.

52. The inclusion fee shall be a maximum of USD 1,000 per inclusion.

53. The issuance fee shall be a proportional levy to the amount of A6.4ERs requested for issuance, set at a maximum of USD 0.20 per A6.4ER requested for issuance.

54. The renewal fee shall be at the same level as the registration fee applicable to the activity based on its scale of emission reductions or removals or inclusion fee, as applicable.

55. The post-registration change fee shall be a fixed rate, set at maximum of USD 2,000 per request. If the proposed change increases the scale of the activity to bring the scale to a higher tier of the fee structure, the difference from the paid registration fee shall be payable in addition to the fixed-rate post-registration change fee.

56. All the fees referred to in paragraphs 50–55 above shall be paid at the time of submission of the respective requests. The initiation of processing of a request shall be subject to the payment of the fee.

57. The paid fees may be reimbursed partially or in full under certain conditions, to be specified by the Supervisory Body.

58. All the fees referred to in paragraphs 50–55 above shall be waived for activities in the least developed countries and small island developing States.

59. The Supervisory Body may adjust and implement the fee structure and levels within the boundary to be set by the CMA, on the basis of the guiding principles of balancing the income and the expenditure, enabling long-term sound operation of the Article 6.4 mechanism, being fair to activity participants, ensuring administrative efficiency, and providing predictability to activity participants and the Supervisory Body.

B. Share of proceeds for adaptation

60. The Adaptation Fund Board and its support structure shall develop and implement a strategy on monetizing A6.4ERs in the share of proceeds for adaptation account held by the Adaptation Fund in the mechanism registry, and inform the state of monetization annually to the CMA.

61. Pursuant to paragraph 67(b) of the RMP, the secretariat shall transfer the monetary contributions from individual Article 6.4 activities as set by the Supervisory Body to the Adaptation Fund annually.

62. Pursuant to paragraph 67(c) of the RMP, the Supervisory Body shall review annually the state of the remaining funds as a result of the income from the fees referred to in paragraphs 50–55 above and the expenditure for operating the Article 6.4 mechanism, decide the timing and the amount of funds to be transferred to the Adaptation Fund after setting aside the operational reserve for at least three years based on the projection of surplus of funds, implement the transfer accordingly and report to the CMA on the state of the transfer annually.

VI. Processes necessary for delivering overall mitigation in global emissions

63. Mandatory cancellations of A6.4ERs for the delivery of OMGE referred to in paragraph 59 of the RMP shall apply to A6.4ERs, in accordance with chapter IV.B above (Transaction procedure).

64. Pursuant to paragraph 69(a) of the RMP, activity participants may request mandatory cancellations for OMGE in addition to the mandatory cancellation of a minimum of 2 per cent of issued A6.4ERs as part of their activity documentation by indicating such increase in their request for issuance of A6.4ERs in accordance with the procedures to be developed by the Supervisory Body.

65. Pursuant to paragraph 70 of the RMP, Parties, activity participants and stakeholders may request voluntary cancellation of A6.4ERs in the mechanism registry for the purpose of delivering further OMGE that has been correspondingly adjusted in accordance with chapter III.B of the annex to decision 2/CMA.3, in accordance with the procedures to be developed by the Supervisory Body.

66. Public availability of information pertaining to mandatory and voluntary cancellations for OMGE, linkages and information exchange with the Article 6 database referred to in the annex to decision 2/CMA.3 and the mechanism registry shall be in accordance with the modalities for the Article 6 database and the mechanism registry respectively.

67. The Supervisory Body shall provide, in its annual reports to the CMA, information on aggregated amounts that were cancelled for OMGE together with any relevant qualitative information, distinguishing between mandatory and voluntary cancellations for OMGE.

Annex II

Rules of procedure of the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

{Text to be added from the annex I of annual report of the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.}
