

## DRAFT TEXT

on

### Matters relating to Article 6 of the Paris Agreement: Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Version 3 of 12 November at 08:00

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#### Proposal by the President

#### Draft CMA decision on the rules, modalities and procedures for 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 Paris Agreement,*

*Also recalling* the tenth preambular paragraph of the Paris Agreement that takes into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities;

*Also 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,

*Also recalling* the mechanism established by Article 6, paragraph 4, of the Paris Agreement and the aims referred to there,

*Further recalling* decisions 8/CMA.1, 13/CMA.1 and 9/CMA.2;

*Cognizant of* decision X/CMP.16 {*matters relating to the CDM*};

1. *Adopts* the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, as contained in the annex;
2. *Designates* the body that will supervise the mechanism with its membership and rules of procedure as set out in the annex and names it the Supervisory Body;
3. *Invites* the nomination of members and alternate members for the Supervisory Body pursuant to paragraph 9 of the annex;
4. *Decides* that at least two meetings of the Supervisory Body shall be held in 2022;
5. *Requests* the Supervisory Body to:
  - (a) Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes, pursuant to chapter V.B - L of the annex (paragraphs 30–68) and chapter VIII (paragraphs 75 – 78) of the annex;
  - (b) In the context of developing and approving new methodologies for the mechanism:
    - (i) Review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate pursuant to chapter V.B of the annex (Methodologies), for the activities under the mechanism (hereinafter referred to as Article 6, paragraph 4 activities);
    - (ii) Consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to chapter V.B of the annex (Methodologies);

- (c) Review the sustainable development tool in use for the clean development mechanism and other tools and safeguards systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism by the end of 2023;
  - (d) Review the accreditation standards and procedures of the clean development mechanism with a view to applying them with revisions as appropriate, for the mechanism by the end of 2023;
  - (e) Expeditiously accredit operational entities as designated operational entities;
  - (f) Ensure the implementation of the requirements in paragraph 29 of the annex, in relation to least developed countries and small island developing States;
  - (g) Consider ways to encourage participation by small and micro businesses in the mechanism, in particular in least developed countries and small islands developing States;
  - (h) Consider opportunities to engage with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group;
  - (i) Consider the Gender Action Plan and the incorporation of relevant actions into the work of the Supervisory Body;
6. *Also requests* the Supervisory Body to elaborate and further develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022) on:
- (a) Its rules of procedure (including in relation to transparency of meetings), and to operate and hold meetings on the basis of the annex pending any further decisions by the CMA on the rules of procedure;
  - (b) Consider appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund;
  - (c) 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 chapter V of the annex (Activity cycle);
  - (d) The application of the requirements in chapter V.B (Methodologies) of the annex;
7. *Requests* the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022) on:
- (a) Further responsibilities of the Supervisory Body and Parties that host Article 6, paragraph 4 activities in order for such host Parties to elaborate and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;
  - (b) Processes for implementation of the transition of activities from the clean development mechanism to Article 6, paragraph 4 in accordance with chapter XI. A of the annex;
  - (c) Processes for implementation of chapter XI.B of the annex;
  - (d) Reporting by host Parties on their Article 6, paragraph 4, activities, and the A6.4ERs issued for the Article 6, paragraph 4 activities, while avoiding unnecessary duplication of reporting information that is already publicly available;
  - (e) The operation of the mechanism registry referred to in chapter VI of the annex (Mechanism registry);
  - (f) The processes necessary for implementation of 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 in accordance with chapter VII of the annex (Levy of share of proceeds for adaptation and administrative expenses);
  - (g) The processes necessary for delivery of overall mitigation in global emissions in accordance with chapter VIII of the annex;

- (h) Consideration of whether activities could include emissions avoidance and conservation enhancement activities;
8. *Requests* the Supervisory Body to evaluate the implementation of the share of proceeds set out in chapter VII of the annex (Share of proceeds) no later than 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimize the resources available to the Adaptation Fund for consideration and adoption by the CMA;
9. *Requests* the Supervisory Body to evaluate the implementation and the delivery of overall mitigation in global emissions set out in chapter VIII of the annex (Delivery of overall mitigation in global emissions), no later than 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimize the delivery of overall mitigation in global emissions, for consideration and adoption by the CMA;
10. *Decides* that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall review the rules, modalities and procedures for the mechanism at its tenth session (2028) with a view to completing the review by no later than at its twelfth session (2030);
11. *Requests* the Subsidiary Body for technological and scientific advice to develop recommendations with respect to the review referred to in paragraph 10 above, taking into account:
- (a) Any recommendations of the Supervisory Body pursuant to paragraphs 8 and 9 above;
- (b) Consideration of any need for further safeguards;
12. *Requests* the Supervisory Body to support the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) in considering ways to address any negative social or economic impacts, especially those on developing country Parties, resulting from Article 6, paragraph 4, activities, as requested by the forum;
13. *Notes with appreciation*, decision X/CMP.16, pursuant to which the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol allocated funds from the Trust Fund for the Clean Development Mechanism under Article 12 of the Kyoto Protocol to the Trust Fund for Supplementary Activities for the purpose of expediting implementation of the Article 6, paragraph 4 mechanism;
14. *Requests* the secretariat, including through its regional collaboration centers and in consultation with the Supervisory Body, to design and implement, in consultation with Parties, a capacity-building programme to assist Parties wishing to voluntarily participate in the mechanism to, inter alia:
- (a) Establish the necessary institutional arrangements to implement the requirements contained in the annex;
- (b) Develop the technical capacity to design and set baselines for application in host Parties;
15. *Takes note of* the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in this decision;
16. *Requests* that the actions called for in this decision be undertaken subject to the availability of financial resources;
17. *Invites* Parties to make contributions to the Trust Fund for Supplementary Activities for the purpose of operationalizing the mechanism, which shall be reimbursed upon request.

## Annex

### Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

#### I. Definitions

1. For the purpose of these rules, modalities and procedures:
  - (a) An “**Article 6, paragraph 4, activity**” is an activity that meets the requirements of Article<sup>1</sup> 6, paragraphs 4–6, these rules, modalities and procedures, and any further relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA);
  - (b) An “**Article 6, paragraph 4, emission reduction**” (A6.4ER) is issued for mitigation achieved pursuant to Article 6, paragraphs 4–6, these rules, modalities and procedures, and any further relevant decisions of the CMA. It is measured in carbon dioxide equivalent and is equal to 1 tonne of carbon dioxide equivalent calculated in accordance with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change and adopted by the CMA or in other metrics adopted by the CMA pursuant to these rules, modalities and procedures;
  - (c) [*Option A* “**International mitigation purposes**,” “**other purposes**,” and “**other international mitigation purposes**” have the same meanings as provided in paragraph 1(f) of the annex to decision X/CMA.3 (Guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement).]

#### II. Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

2. The CMA shall provide guidance to the Supervisory Body by taking decisions on, inter alia:
  - (a) The rules of procedure of the Supervisory Body;
  - (b) Recommendations made by the Supervisory Body relating to these rules, modalities and procedures;
  - (c) Matters relating to the operation of the mechanism established by Article 6, paragraph 4, as appropriate.

#### III. Supervisory Body

3. The Supervisory Body shall supervise the mechanism under the authority and guidance of the CMA and be fully accountable to the CMA.

##### A. Rules of procedure

4. The Supervisory Body shall comprise 12 members from Parties to the Paris Agreement, ensuring broad and equitable geographical representation and striving to ensure gender-balanced representation, as follows:
  - (a) Two members from each of the five United Nations regional groups;
  - (b) One member from the least developed countries;
  - (c) One member from small island developing States.
5. The CMA shall elect members and an alternate for each member of the Supervisory Body on the basis of nominations by the respective groups and constituencies.
6. Members and alternate members shall serve in their individual expert capacity.

<sup>1</sup> “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

7. Members and alternate members shall possess relevant scientific, technical, socioeconomic or legal expertise.
8. Members and alternate members shall serve for a term of two years.
9. Notwithstanding paragraph 8 above, in the first election of members and alternate members, the CMA shall elect half of the members and their alternate members for a term of three years and the other half for a term of two years. At the expiry of the term of these members and their alternate members and thereafter, the CMA shall elect replacement members and their alternate members for a term of two years. The members and their alternate members shall remain in office until their successors have been elected.
10. The term of service of a member shall start at the first meeting of the Supervisory Body in the calendar year following their election and shall end immediately before the first meeting of the Supervisory Body in the calendar year in which the term ends.
11. The maximum number of terms of any individual shall be two terms, whether consecutive or not and including any period as an alternate member.
12. If a member or alternate member resigns or is otherwise unable to continue as a member or alternate member, the Supervisory Body may decide, bearing in mind the proximity to the next session of the CMA, to appoint a replacement member or replacement alternate member from the same constituency to serve the remainder of the term on the basis of a nomination from the relevant constituency, in which case, the appointment shall count as one term.
13. Members and alternate members may be suspended or their membership terminated by the CMA if:
  - (a) They fail to disclose a conflict of interest;
  - (b) They fail to attend two consecutive meetings without proper justification.
14. Participation costs for members and alternate members will be covered by the share of proceeds for administrative expenses.
15. Members and alternate members shall avoid actual, potential and perceived conflicts of interest and shall:
  - (a) Declare any actual, potential or perceived conflict of interest at the start of a meeting;
  - (b) Recuse themselves from participating in any work of the Supervisory Body, including decision-making, in relation to which they have an actual, potential or perceived conflict of interest;
  - (c) Refrain from behaviour that may be incompatible with the requirements of independence and impartiality.
16. Members and alternate members shall ensure confidentiality, in line with relevant best practice and decisions of the CMA and the Supervisory Body.
17. At least three fourths of the members, including alternate members only when they are acting as members, shall constitute a quorum for meetings of the Supervisory Body.
18. Each year, the Supervisory Body shall elect a Chair and a Vice-Chair from among its members. The Chair and the Vice-Chair shall remain in office until their successors have been elected.
19. Meetings of the Supervisory Body shall be open to the public, unless closed for reasons of confidentiality.
20. Documents for meetings of the Supervisory Body shall be made publicly available, unless they are confidential.
21. The Supervisory Body shall ensure transparency of decision-making, make publicly available its decision-making framework and its decisions, including standards, procedures and related documents.
22. Decisions of the Supervisory Body shall be taken by consensus whenever possible. If all efforts at reaching consensus have been exhausted, decisions shall be put to vote and adopted by a majority of three fourths of the members, including alternate members only when they are acting as members, present and voting.
23. The Supervisory Body shall adopt reports on its meetings and make them publicly available.

## **B. Governance and functions**

24. The Supervisory Body shall, in accordance with relevant decisions of the CMA:
  - (a) Establish the requirements and processes necessary to operate the mechanism, relating to, inter alia:

- (i) The accreditation of operational entities as designated operational entities;
  - (ii) The development and/or approval of methodologies (hereinafter referred to as mechanism methodologies) and standardized baselines for Article 6, paragraph 4, activities;
  - (iii) The registration of activities as Article 6, paragraph 4, activities, the renewal of crediting periods of registered Article 6, paragraph 4, activities, and the issuance of A6.4ERs;
  - (iv) Ensuring that activities follow reasonable maximum time intervals between the steps in the activity cycle;
  - (v) The registry for the mechanism;
  - (vi) The share of proceeds levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation as set out in chapter VII below (Levy of share of proceeds for adaptation and administrative expenses);
  - (vii) The delivery of an overall mitigation in global emissions as set out in chapter VIII below (Delivering overall mitigation in global emissions);
  - (viii) The approval and supervision of host Party national arrangements for accreditation of operational entities, development of mechanism methodologies, including applying baselines and other methodological requirements as defined under chapter V.B below (Methodologies) and applying the crediting periods and renewal of crediting periods consistent with or more stringent than per chapter V. A, C and I below;
  - (ix) 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;
  - (x) Application of robust, social and environmental safeguards;
  - (xi) Development of tools and approaches to assess and report information about how each activity is fostering sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative;
  - (xiii) Ensuring that the mechanism facilitates the long-term goals of the Paris Agreement.
- (b) Accredite operational entities as designated operational entities;
  - (c) Support the implementation of the mechanism by, inter alia:
    - (i) Developing and maintaining a public website for information related to proposed and registered Article 6, paragraph 4, activities, subject to confidentiality;
    - (ii) Taking appropriate measures to promote the regional availability of designated operational entities in all regions;
    - (iii) Promoting public awareness of the mechanism;
    - (iv) Facilitating dialogue with host Parties and other stakeholders in the mechanism;
    - (v) Providing public information to the CMA on all registered Article 6, paragraph 4, activities hosted by each Party, and all A6.4ERs issued for those activities;
    - (vi) Implementing capacity-building activities.
  - (d) Report annually to the CMA.

### **C. Role of the secretariat**

25. Pursuant to Article 17 and in accordance with relevant decisions of the CMA, the secretariat shall serve as the secretariat of the Supervisory Body and perform its functions in the operation of the mechanism in accordance with these rules, modalities and procedures.

## **IV. Participation responsibilities**

26. Each host Party of Article 6, paragraph 4, activities shall, prior to participating in the mechanism, ensure that:
- (a) It is a Party to the Paris Agreement;
  - (b) It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraphs 2;
  - (c) It has designated a national authority for the mechanism and has communicated that designation to the secretariat;
  - (d) It has indicated publicly to the Supervisory Body how its participation in the mechanism contributes to sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative;
  - (e) It has indicated publicly to the Supervisory Body the types of Article 6, paragraph 4, activity that it would consider approving pursuant to chapter V.C below (Approval and authorization), and how such types of activity and any associated emission reductions would contribute to the achievement of its NDC, if applicable, to its long-term low GHG emissions development strategy, if it has submitted one, and to the long term goals of the Paris Agreement.
27. A host Party may specify to the Supervisory Body, prior to participating in the mechanism:
- (a) Baseline approaches and other methodological requirements, including additionality, to be applied for Article 6, paragraph 4, activities that it intends to host, in addition and subject to and consistent with these rules, modalities and procedures, under the supervision of the Supervisory Body, and subject to further relevant decisions of the CMA, with an explanation of how those approaches and requirements are compatible with its NDC, and if it has submitted one, its long-term low GHG emission development strategy;
  - (b) Crediting periods to be applied for Article 6, paragraph 4, activities that it intends to host, including whether the crediting periods may be renewed, subject to these rules, modalities and procedures and under the supervision of the Supervisory Body, and in accordance with further relevant decisions of the CMA, with an explanation of how those crediting periods are compatible with its NDC and, if it has submitted one, its long-term low GHG emission development strategy.
28. Each host Party shall ensure that, on a continuing basis:
- (a) It is maintaining an NDC in accordance with Article 4, paragraphs 2;
  - (b) Its participation in the mechanism contributes to the implementation of its NDC, and its long-term low GHG emission development strategy if it has submitted one;
29. In relation to the least developed countries and small island developing States, pursuant to Article 4, paragraph 6, their special circumstances shall be recognized where these rules, modalities and procedures relate to NDCs, and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to these rules, modalities and procedures.

## **V. Article 6, paragraph 4, activity cycle**

### **A. Activity design**

30. The public or private entities participating in an activity (hereinafter referred to as activity participants) that wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the requirements in this chapter and any other relevant requirements adopted by the CMA or the Supervisory Body.
31. The activity:
- (a) Shall be designed to achieve mitigation of GHG emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans (hereinafter collectively referred to as emission reductions) and not to lead to an increase in global emissions;
  - (b) May be a project, programme of activities, or other type of activity approved by the Supervisory Body;

- (c) Shall be designed to achieve emission reductions in the host Party;
  - (d) Shall also:
    - (i) Deliver real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b);
    - (ii) Minimize the risk of non-permanence of emission reductions over multiple NDC implementation periods, and, where reversals occur, ensure that these are addressed in full;
    - (iii) Minimize the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals;
    - (iv) Minimize and where possible, avoid negative environmental and social impacts;
  - (e) Shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation, local communities and indigenous peoples, as applicable;
  - (f) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of 5 years, renewable a maximum of twice, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice, that is appropriate to the activity and that is subject to approval by the Supervisory Body, or any shorter crediting period specified by the host Party pursuant to paragraph 27(b) above. The crediting period shall not start before 2021.
32. The activity shall apply a mechanism methodology that has been developed in accordance with chapter V.B below (Methodologies) and approved by the Supervisory Body following its technical assessment, in order to:
- (a) Set a baseline for the calculation of emission reductions to be achieved by the activity;
  - (b) Demonstrate the additionality of the activity;
  - (c) Ensure accurate monitoring of emission reductions;
  - (d) Calculate the emission reductions achieved by the activity.

## **B. Methodologies**

33. Mechanism methodologies shall encourage ambition over time, encourage broad participation, be real, transparent, conservative, credible, below business as usual, avoid leakage, where applicable recognize suppressed demand align to the long term temperature goal of the Paris Agreement, contribute to the equitable sharing of mitigation benefits between the participating Parties, and in respect of each participating Party, contribute to reducing emission levels in the host Party, align with its NDC, if applicable, its long-term low GHG emissions development strategy if it has submitted one and the long term goals of the Paris Agreement.
34. Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors and take into account uncertainty, leakage, policies and measures, and relevant circumstances including national, regional or local, social, economic, environmental and technological circumstances and address reversals where applicable.
35. Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body. Mechanism methodologies shall be approved by the Supervisory Body where they meet the requirements of these rules, modalities and procedures and the requirements established by the Supervisory Body.
36. Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraph 33 and 35 above and recognizing that a host Party may determine a more ambitious level at its discretion:
- (a) A performance-based approach, taking into account:
    - (i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate.



- (ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances.
  - (iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above.
- 37. Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party.
- 38. Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment, that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 above.
- 39. The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body.

## **C. Approval and authorization**

### *Option A*

- 40. The host Party shall provide to the Supervisory Body an approval of the activity, prior to a request for registration. The approval shall include:
  - (a) Confirmation that and information on how the activity fosters sustainable development in the host Party;
  - (b) Approval of any potential renewal of the crediting period, if the Party intends to allow the activity to continue beyond the first crediting period, where the Party has specified that the crediting periods of Article 6, paragraph 4, activities that it intends to host may be renewed pursuant to paragraph 27(b) above;
  - (c) Explanation of how the activity relates to the implementation of its NDC and how the expected emission reductions or removals contribute to the host Party's NDC and the purposes referred to in Article 6, paragraph 1;
- 41. The host Party shall, in conjunction with the approval referred to in paragraph 0 above, provide to the Supervisory Body the Article 6, paragraph 4 (b) authorization of public or private entities to participate in the activity as activity participants under the mechanism.
- 42. The host Party shall, in conjunction with the approval referred to in paragraph 40 above, provide a statement to the Supervisory Body specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes as defined in decision X/CMA.3 (Guidance for cooperative approaches referred to in Article 6, paragraph 2). If the Host Party authorizes any such uses, the Party may indicate relevant information on the authorization, such as any applicable terms and provisions. If the host Party authorizes A6.4 ERs for use for other international mitigation purposes, it shall specify how it defines "first transfer" consistent with paragraph 2 (b), annex to decision X/CMA.3.
- 43. A6.4ERs may only be used towards NDCs or towards international mitigation purposes if they are authorized in accordance with paragraph 42 above. The host Party shall apply corresponding adjustments for such A6.4ERs first transferred in accordance with chapters IX and X and shall apply corresponding adjustments for the associated A6.4ERs levied for a share of proceeds in accordance with chapter VII and cancelled for overall mitigation of global emissions in accordance with chapter VIII.
- 44. The host Party shall apply a corresponding adjustment for A6.4ERs that are authorized for other purposes, in accordance with chapter X, and shall apply corresponding adjustments for the associated A6.4ERs levied for a share of proceeds in accordance with chapter VII and cancelled for overall mitigation of global emissions in accordance with chapter VIII.
- 45. [A6.4ERs that are not authorized may only be used for other purposes which support the reduction of emissions levels in the host Party, and the host Party shall apply corresponding adjustments for the A6.4ERs levied for a

share of proceeds in accordance with chapter VII and cancelled for overall mitigation of global emissions in accordance with chapter VIII.]

46. Other participating Parties shall provide to the Supervisory Body the Article 6, paragraph 4 (b) authorization for public or private entities to participate in the activity as activity participants under the mechanism prior to any first transfer of any A6.4ERs to the mechanism registry account of such Party or public or private entity.

***Option B***

47. The host Party shall provide to the Supervisory Body an approval of the activity, prior to a request for registration. The approval shall include:
- (a) Confirmation that and information on how the activity fosters sustainable development in the host Party;
  - (b) Approval of any potential renewal of the crediting period, if the Party intends to allow the activity to continue beyond the first crediting period, where the Party has specified that the crediting periods of Article 6, paragraph 4, activities that it intends to host may be renewed pursuant to paragraph 27(b) above;
  - (c) Explanation of how the activity relates to and whether the activity is within the sectors and GHG covered by its NDC and how the expected emission reductions or removals contribute to, the host Party's NDC and the purposes referred to in Article 6, paragraph 1. The activity will be regarded as inside the NDC if the host Party does not provide any explanation. [Where the host Party is not able to determine whether the activity is within the sectors and GHG, paragraphs 43, 44 [ to 45] (option A) shall apply].
48. The host Party shall, in conjunction with the approval referred to in paragraph 40 above, provide to the Supervisory Body the Article 6, paragraph 4 (b) authorization of public or private entities to participate in the activity as activity participants under the mechanism.
49. The host Party shall, in conjunction with the approval referred to in paragraph 43 above, indicate to the Supervisory Body whether it authorizes A6.4ERs issued for the activity to be internationally transferred for use towards achievement of NDCs and/or whether it authorizes the A6.4ERs to be used for other international mitigation purposes (as defined in decision X/CMA.3 (Guidance for cooperative approaches referred to in Article 6, paragraph 2)).
50. Other participating Parties shall provide to the Supervisory Body the Article 6, paragraph 4 (b) authorization for public or private entities to participate in the activity as activity participants under the mechanism prior to any first transfer of any A6.4ERs to the mechanism registry account of such Party or public or private entity.

**D. Validation**

51. A designated operational entity shall independently assess the activity against the requirements set out in these rules, modalities and procedures, further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body (hereinafter referred to as validation).

**E. Registration**

52. If the designated operational entity concludes that the outcome of the validation is positive, it shall submit to the Supervisory Body a request for registration with the validation outcome in accordance with the relevant requirements adopted by the Supervisory Body.
53. The activity participants shall pay a share of proceeds, at a level determined by the CMA, taking into account the likely scale of the activity, to cover the administrative expenses for registering the activity when submitting a request for registration.
54. If the Supervisory Body decides that the validation and its outcome meet the relevant requirements adopted by the Supervisory Body, it shall register the activity as an Article 6, paragraph 4, activity.

**F. Monitoring**

55. The activity participants shall monitor emission reductions achieved by the activity during each monitoring period, in accordance with the relevant requirements adopted by the Supervisory Body. The activity participants shall also monitor potential reversals over a period to be decided by the Supervisory Body.

## **G. Verification and certification**

56. A designated operational entity shall independently review and determine the implementation of, and the emission reductions achieved by, the Article 6, paragraph 4, activity during the monitoring period (hereinafter referred to as verification) against the requirements set out in these rules, modalities and procedures, further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body, and provide written assurance of the verified emission reductions (hereinafter referred to as certification).

## **H. Issuance**

57. For the issuance of A6.4ERs, the designated operational entity shall submit to the Supervisory Body a request for issuance with the verification outcome and certification in accordance with the relevant requirements adopted by the Supervisory Body.
58. *Option A* A6.4ERs that are described in paragraphs 43 and 44 above that are authorized and require corresponding adjustments shall be issued as Paris Agreement Adjustment Units. [A6.4ERs described in paragraph 45 that are not authorized and therefore may only be used for other purposes which support the reduction of emissions levels in the host Party shall be issued as Paris Agreement Support Units].
59. If the Supervisory Body decides that the verification, certification and their outcome meet the relevant requirements adopted by the Supervisory Body, it shall approve the issuance of A6.4ERs.
60. The mechanism registry administrator shall, in accordance with the relevant requirements adopted by the Supervisory Body, issue the A6.4ERs into the mechanism registry.
61. *Option A* The mechanism registry shall distinguish A6.4ERs that are authorized for use towards the achievement of NDCs and/or for use for other international mitigation purposes pursuant to chapter V.C, including any specified uses for which the A6.4ERs are authorized.

*Option B* [The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use towards achievement of NDCs or authorized for other international mitigation purposes, in accordance with the host Party's approval of the registered Article 6, paragraph 4, activities as referred to in chapter V.C above (Approval and authorization)].

## **I. Renewal of the crediting period**

62. The crediting period of a registered Article 6, paragraph 4, activity may be renewed in accordance with further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body, if the host Party has approved such renewal in accordance with paragraph 47(b) above.
63. The renewal of a crediting period shall be approved by the Supervisory Body and the host Party following a technical assessment by a designated operational entity to determine necessary updates to the baseline, the additionality and the quantification of emission reductions.

## **J. First transfer from the mechanism registry**

64. At issuance, the mechanism registry administrator shall effect a first transfer of 5 per cent of the issued A6.4ERs to an account held by the Adaptation Fund in the mechanism registry for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.
65. At issuance, the mechanism registry administrator shall also effect a first transfer, for cancellation, [of a recommended minimum of 2 per cent of the issued A6.4ERs, to the account for cancellation for delivering an overall mitigation in global emissions in accordance with chapter VIII below (Delivering overall mitigation in global emissions)].
66. The mechanism registry administrator shall forward or effect a first transfer, as applicable the remaining issued A6.4ERs in accordance with the instructions of the activity participants, and with any further modalities adopted by the CMA and relevant requirements adopted by the Supervisory Body.

**K. Voluntary cancellation**

67. Activity participants may voluntarily request the mechanism registry administrator to cancel in the mechanism registry a specified amount of A6.4ERs issued in respect of their A6.4 activity.

**L. Other processes associated with Article 6, paragraph 4, activities**

68. Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body.

**VI. Mechanism registry**

69. The mechanism registry shall contain at least a pending account, holding account, retirement account, cancellation account, account for cancellation towards overall mitigation in global emissions and a share of proceeds for adaptation account, as well as a holding account for each Party and each public or private entity authorized per Article 6, paragraph 4 (b) by a Party that requests an account where that entity meets the requisite identification requirements developed by the Supervisory Body. The mechanism registry shall be connected to the international registry referred to in decision X/CMA.3 (Guidance on to cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement).
70. The mechanism registry shall be developed and operationalized in accordance with the relevant requirements adopted by the Supervisory Body, that shall include operating at best practice standards for registries.
71. The secretariat shall serve as the mechanism registry administrator and maintain and operate the mechanism registry under the supervision of the Supervisory Body.

**VII. Levy of share of proceeds for adaptation and administrative expenses**

72. The share of proceeds that is levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall be delivered to the Adaptation Fund pursuant to decisions 13/CMA.1 and 1/CMP.14.
73. 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 shall be comprised of:
- (a) A levy of 5 per cent of A6.4ERs at issuance; and
  - (b) A monetary contribution related to the scale of the 6.4 activity or to the number of A6.4ERs issued, to be set by the Supervisory Body; and
  - (c) After the 6.4 mechanism becomes self-financing, a periodic contribution from the remaining funds received from administrative expenses as per paragraph 74 below, after setting aside the operating costs for the 6.4 mechanism and an operating reserve, at a level, and with a frequency to be determined by the CMA.
74. The share of proceeds to cover administrative expenses shall be set in monetary terms at a level and implemented in a manner to be determined by the CMA.

**VIII. Delivering overall mitigation in global emissions***Option A*

75. Parties are encouraged to voluntarily cancel A6.4 ERs that are not used by any Party or non-Party. Parties that have cancelled A6.4ERs in accordance with this chapter shall apply a corresponding adjustment at first transfer and are encouraged to report the cancellation in accordance with chapter IV of decision X/CMA. 1. [X] per cent of 6.4ERs delivered to the Adaptation Fund shall be offered for cancellation for further mitigation in global emissions.

***Option B***

76. Delivery of overall mitigation in global emissions shall be enhanced through mandatory may be enhanced through voluntary cancellation of A6.4ERs that are also accounted for in accordance with the following:
- (a) The mechanism registry administrator shall effect a first transfer of a recommended minimum of 2 percent of the issued A6.4ERs to the cancellation account in the mechanism registry for overall mitigation in accordance with chapter V above (Article 6, paragraph 4, activity cycle), where those A6.4ERs shall be cancelled;
  - (b) The cancelled A6.4ERs shall not be further transferred or used for any purpose, including towards achievement of any NDC or for other international mitigation purposes or for other purposes;
  - (c) At first transfer of the remaining issued A6.4ERs, the host Party shall make a corresponding adjustment consistent with decision X/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement) for the number of issued A6.4ERs first transferred;
77. Parties, activity participants and stakeholders may also request the voluntary cancellation of A6.4ERs in the mechanism registry for the purpose of delivering further overall mitigation in global emissions.
78. Participating Parties that have cancelled A6.4ERs in accordance with this chapter shall apply a corresponding adjustment equivalent to the amount cancelled in accordance with Chapter III. B of decision X/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement).

**IX. Avoiding the use of emission reductions by more than one Party**

***Option A***

79. Where a host Party has authorized A6.4ERs for use towards the achievement of NDCs pursuant to chapter V.C above, it shall apply a corresponding adjustment for the first transfer of all authorized A6.4ERs, consistent with decision X/CMA.3 (Guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement).

***Option B***

A host Party shall, consistent with decision X/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement):

- (a) Apply a corresponding adjustment, for all A6.4ERs first transferred where they are from the sectors and GHG covered by its NDC unless the A6.4.ERs are not authorized to by the host Party to be used towards achievement of any NDC;
- (b) Apply a corresponding adjustment for all A6.4ERs first transferred where they are from the sectors and GHG not covered by its NDCs from [2031], unless the A6.4ERs are not authorized by the host Party to be used towards achievement of any NDC.

**X. Use of emission reductions for other international mitigation purposes**

***Option A***

80. Where a host Party has authorized A6.4ERs for use for other international mitigation purposes pursuant to chapter V.C above, it shall apply a corresponding adjustment for the first transfer of all authorized A6.4ERs, consistent with decision X/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2).

***Option B***

81. A host Party shall apply an adjustment for A6.4ERs consistent with chapter IX above (Avoiding the double use of emission reductions by more than one Party) and decision X/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2).

## **XI. Transition of clean development mechanism activities [and use of certified emission reductions towards first NDCs]**

### **A. Transition of clean development mechanism activities**

82. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol (CDM) or listed as provisional per the temporary measures adopted by the Executive Board of the CDM may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to all of the following conditions:
- (a) The request to transition the CDM project activity or programme of activity being made to the secretariat and the CDM host Party as defined per decision 3/CMP.1 (CDM host Party), by or on behalf of the project participants that were approved by that CDM host Party by no later than 31 December 2023;
  - (b) The approval for such transition of the CDM project activity or programme of activity being provided to the Supervisory Body by the CDM host Party by no later than 31 December 2025;
  - (c) Subject to (d) below, the compliance with these rules, modalities and procedures, and any further relevant decisions of the CMA, including on the application of a corresponding adjustment consistent with decision X/CMA.3 (Guidance relating to cooperative approaches referred to in Article 6, paragraph 2) and relevant requirements adopted by the Supervisory Body;
  - (d) The activity may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2025, following which, it shall apply an approved methodology pursuant to chapter V. B (Methodologies);
83. The Supervisory Body shall ensure that small-scale CDM project activities and CDM programme of activities undergo an expedited transition process in accordance with decisions of the Supervisory Body by prioritizing the requests to transition from such activities following the approval in paragraph 83(b) above.

### **B. [CER use towards first or first updated NDCs]**

84. Certified emission reductions (CERs) issued under the CDM may be used towards achievement of an NDC in accordance with the following conditions:
- (a) The CDM project activity or CDM programme of activities was registered on or after [1 January [2013][2016];
  - (b) The CERs shall be transferred to and held in the mechanism registry and identified as pre-2021 emission reductions;
  - (c) The CERs may be used towards achievement of the first NDC only;
  - (d) The CDM host Party shall not be required to apply a corresponding adjustment consistent with decision X/CMA.3 (Guidance for cooperative approaches referred to in Article 6, paragraph 2) in respect of the CERs and not be subject to the share of proceeds pursuant to chapter VII above;
  - (e) CERs not meeting the conditions in (a)-(d) above may only be used for achievement of an NDC in accordance with a future decision of the CMA.
  - (f) Temporary CERs and long term CERs shall not be used towards NDCs. ]
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