

Informal note by the co-facilitators

on

SBSTA 56 agenda item 13
Rules, modalities and procedures for the mechanism established
by Article 6, paragraph 4, of the Paris Agreement and referred to in decision 3/CMA.3

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Note: The collection of views of Parties contained in this informal note has been prepared by the co-facilitators of the informal consultations on this agenda item under their own responsibility. They have been drawn from interventions of Parties made during the fifty-sixth session of the Subsidiary Body for Scientific and Technological Advice. The views are not exhaustive, have no formal status and should not be considered final in any way. They are intended to assist Parties in advancing discussions on this matter and do not prejudge further work or prevent Parties from expressing other views at any time. Parties' views on intersessional work that may be needed before the fifty-seventh session of the Subsidiary Body for Scientific and Technological Advice are not covered in this note. This document has not undergone editorial review.

I. Elements discussed at the informal consultations

1. The informal consultations on Subsidiary Body for Scientific and Technological Advice (SBSTA) agenda item 13 on rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement and referred to in decision 3/CMA.3 held at the fifty-sixth session of the SBSTA were co-facilitated by Mandy Rambharos (South Africa) and Kate Hancock (Australia).
2. Parties considered the following eight elements as mandated by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) through its decision 3/CMA.3, paragraph 7:
 - (a) Further responsibilities of the Supervisory Body and of Parties that host Article 6, paragraph 4, activities (hereinafter host Parties) 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 (Transition of clean development mechanism activities);
 - (c) Processes for implementation of chapter XI.B of the annex (Use of certified emission reductions towards first or first updated nationally determined contributions);
 - (d) 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;
 - (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 the delivery of overall mitigation in global emissions in accordance with chapter VIII of the annex (Delivering overall mitigation in global emissions);

(h) The consideration of whether activities could include emissions avoidance and conservation enhancement activities.

3. The following sections lists views of Parties on each element provided during the fifty-sixth session of the SBSTA, in the order of consideration at the session, noting that this is a non-exhaustive list, reflects diversity of Parties' positions, not an agreement, and Parties may provide additional views in the future sessions of the SBSTA.

II. Views of Parties provided at the informal consultations

- Environmental integrity and ambition need to be in the forefront of operationalizing Article 6.4;
- Capacity building is required to assist countries in addressing all elements of the mandate for operationalization of the 6.4 mechanism.

A. Share of proceeds

4. Regarding the share of proceeds to cover administrative expenses (SOP admin):

- It can be built on the model implemented under the clean development mechanism (CDM);
- It is to be charged at registration of activities and at issuance of Article 6, paragraph 4, emission reductions (A6.4ERs);
- At issuance, it is to be linked to the amount A6.4ERs being issued;
- A set of principles is to be set by the CMA, while levels are to be decided by the Supervisory Body based on the management plan of the Supervisory Body, which is under the supervision of the CMA;

5. Regarding 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 (SOP adaptation):

- A6.4ERs levied for SOP adaptation transferred to the Adaptation Fund is to be recorded for each activity and issuance in case the status of the activity and/or issuance changes in the future;
- How A6.4ERs levied for SOP adaptation will move needs consideration;
- There are differing roles and responsibilities of the SBSTA, the Supervisory Body and the Adaptation Fund in the implementation of SOP adaptation;
- Guidelines for monetizing collected A6.4ERs levied for SOP adaptation (e.g. price triggers, minimum volume, timing) is to be developed by the Adaptation Fund Board or the CMA;
- A specific account for A6.4ERs levied for SOP adaptation is needed in the mechanism registry;
- A specific process is needed to implement corresponding adjustment to the 5 per cent levied for SOP adaptation (as well as to A6.4ERs cancelled for overall mitigation in global emissions), including the first transfer in the mechanism registry and authorization of those units, while noting the need for defining "the first transfer" under the 6.4 mechanism;

- 5 per cent levy of issued A6.4ERs for SOP adaptation is mandatory for all activities and is always accompanied by corresponding adjustment;
 - A process is needed for the functioning of the pending accounts for SOP adaptation;
 - The fee charged at registration or at issuance should cover both SOP admin and SOP adaptation, while needing to determine the proportion of SOP adaptation in the fee (e.g. 20 or 30 per cent);
 - It can start with the CDM model with the allocation between SOP admin and SOP adaptation;
 - A periodic contribution from the remaining funds received from the share of proceeds for administrative expenses is to be made based on reviews conducted every two, three or five years;
 - A periodic contribution from the remaining funds received from the share of proceeds for administrative expenses is to be aligned with the review of the implementation of the share of proceeds that is to be conducted by the Supervisory Body in accordance with decision 3/CMA.3, paragraph 8 (i.e. no later than 2026 and every five years thereafter);
 - Sufficient period of time is needed for the mechanism established by Article 6, paragraph 4, (the 6.4 mechanism) becomes self-financing so that the status of the remaining funds is to be reviewed for a periodic contribution from the remaining funds received from the share of proceeds for administrative expenses.
6. Regarding overarching issues on the share of proceeds:
- Learning from the experience under the CDM may be useful;
 - Differing roles of, and division of labour between, the SBSTA and the Supervisory Body need to be maintained to avoid duplication and for timely response from the Supervisory Body to changing conditions;
 - Clarity is needed on who makes the revision of SOP and at what frequency;
 - It is useful to clarify how the process will work in practice (e.g. how to deduct A6.4ERs for SOP adaptation).

B. Overall mitigation in global emissions

7. Regarding the processes to effect overall mitigation in global emissions (OMGE):
- OMGE applies to both authorized and unauthorized A6.4ERs;
 - Application of corresponding adjustment to A6.4ERs cancelled for OMGE depends on whether the underlying issued A6.4ERs are authorized for use towards NDCs or other international mitigation purposes, as it is not mandatory if A6.4ERs are not authorized;
 - If the first transfer is the trigger of corresponding adjustment, corresponding adjustment is not applicable to OMGE;
 - The first transfer means a corresponding adjustment for OMGE in accordance with paragraphs 58 and 59 of the 6.4 RMP, and all A6.4ERs cancelled for OMGE require a corresponding adjustment;
 - Process related to first transfer of A6.4ERs needs elaboration, including the need for holding account, pending account and OMGE account;
 - First transfer may be defined as contained in decision 2/CMA.3;

- Process to implement corresponding adjustment needs elaboration (e.g. holding account and tracking of such A6.4ERs, relation to host Party's authorization);
- Process for activity participants to request for more than 2 per cent for OMGE can be considered;
- Additional OMGE over 2 per cent may be effected through voluntary cancellation for the purpose of OMGE as provided for in decision 3/CMA.3, annex, paragraph 70;
- OMGE is to be applied to certified emission reductions (CERs) that are transferred to the mechanism registry for use for the first and first updated nationally determined contributions (NDCs);
- OMGE is not to be applied to CERs that are transferred to the mechanism registry for use for the first and first updated NDCs;
- The Supervisory Body may be requested to annually report the amount of A6.4ERs cancelled for OMGE.

C. Transition of CDM activities to the 6.4 mechanism

8. Regarding principles:

- Clarity is needed on the transition process to assist the expedited operationalization of the 6.4 mechanism;
- The transition process is to facilitate streamlined, simplified, quick and smooth transition of activities;
- The rules, modalities and procedures for the 6.4 mechanism (6.4 RMP) apply to the transitioned activities, including corresponding adjustment;
- All of the 6.4 RMP must apply to all activities that request transition;
- All of the 6.4 RMP apply to transitioned activities; including on baselines and additionality as soon as the 6.4 methodologies are applied;
- As there is a clear guideline for CDM activity transition, it is to be a priority for the Supervisory Body;
- Clarity is needed as to which rules of the 6.4 RMP apply and which rules do not apply to the activities that transition, in particular relevant chapters and paragraphs, including the exception referred to in paragraph 73(d) of the 6.4 RMP;
- Environmental integrity and ambition need to be in the forefront of operationalizing Article 6.4;
- Transitioning of activities is to assist NDC enhancement processes;
- The work of the SBSTA and the Supervisory Body is to be conducted in tandem.

9. Regarding the process for transition of activities:

- Transitioned activities may, but are not required to, continue to apply CDM methodologies until the renewal of the current crediting period, therefore clarity is needed for situations where Parties that do not wish to apply existing CDM methodologies for transitioned activities;
- Until 31 December 2025 or the end of the current crediting period, if a transitioning CDM activity does not wish to apply its existing CDM

methodology or its current crediting period ends, the activity must comply with all rules in the 6.4 RMP;

- Clarity is needed on the length of the crediting period of transitioned activities, including the crediting period of the provisional cases under the temporary measures operated by the CDM Executive Board;
- No additional rules and requirements are needed regarding crediting period for transitioned activities;
- Transition process needs to be expedited and taken up immediately by the Supervisory Body so that no project participants miss the deadline that was established in the 6.4 RMP;
- Clarity is needed on the processes and timeline for submission by project participants of transition requests, approval of such requests by host Parties and actions by the Supervisory Body and the CDM Executive Board upon receipt of requests, including deregistration of the activity from the CDM, public availability of host Party approval and Supervisory Body acceptance, identification of when the application of the CDM methodology will cease;
- A transition request template or form is to be developed by the Supervisory Body;
- Clarity is needed on how to address the difference in the rates of SOP adaptation between the CDM and the 6.4 mechanism (2% versus 5%) and whether OMGE applies to transitioned activities;
- SOP and OMGE apply to transitioned CDM activities in accordance with paragraph 73(c) of the 6.4 RMP;
- Requirements are to be relaxed for projects requesting transition, e.g. no revalidation, flexibility on deadlines for submissions of transition requests or host Party approvals;
- Requirements for projects requesting transition contained in the 6.4 RMP, including on clearly defined deadlines, are not be relaxed;
- Clarity is needed whether 6.4 DOE accreditation includes both CDM and 6.4 activity design and methodologies within the verification scope that is applicable through 31 December 2025;
- No specific requirements or process are needed for the provisional cases;
- The Supervisory Body is to confirm deregistration of the CDM activity before registering under the 6.4 mechanism;
- Deregistration of the CDM activity is only to be taken after the transition of the activity is completed;
- Approval and authorization by the host Party may include conditions on crediting period, methodologies and issuance of A6.4ERs for a portion of emission reductions;
- More clarity is needed on the workflow to give project participants more certainty;
- A simplified approval letter of host Parties is to be considered, e.g. a single letter covering multiple activities;
- Assessment could be automated for new checks on limited elements;
- Clarity is needed on how the SOP admin already paid at registration under the CDM is dealt with for transitioning activities.

10. Regarding an expedited transition process for small-scale CDM project activities and CDM programmes of activities:

- Clarity is needed on the meaning of an expedited transition process and what processes could be expedited (e.g. validation of methodologies, verification);
- Expedited process could mean skipping the line upon communication of approval by the host Party;
- Process is to be expedited without skipping the national approval process;
- Priority is to be given to recently registered small-scale activities as well as activities that avoid locking in levels of emissions, technologies and carbon intensive practices.

D. Reporting by host Parties on 6.4 activities and A6.4ERs issued for them

11. General views:

- Transparency is the bedrock of a well-functioning market mechanism and reporting requirement form a key element of transparency;
- Reporting by host Parties includes reporting or indications that are specified in the 6.4 RMP including where there are overlaps;
- This element is not about renegotiating the role of Article 6.2 guidance in the 6.4 mechanism's implementation for Parties that authorize the use of and account for ITMOs in respect of A6.4ERs.

12. Regarding avoiding duplication of reporting information:

- The focus is to be on what adds value to the transparency of the system and not to impose additional and duplicating reporting requirements;
- Under the 6.4 mechanism, relevant information is highly centralized, therefore clarity is needed on what is relevant information for reporting by Parties;
- More requirements in addition to already comprehensive reporting requirements are not needed;
- Unnecessary duplication of reporting requirements is to be avoided in order not to overburden Parties, considering the capacity of host countries;
- Public information is to be available on 6.4 activities and A6.4ERs issued for those activities, also there are requirements under 6.2 regarding the information that DNAs will have to provide when approving activities and issuing A6.4ERs to be used as ITMOs.

13. Regarding the linkages with the 6.2 reporting:

- Simplified process for reporting of 6.4 activities is needed if they are subject to reporting under 6.2;
- 6.4 and 6.2 reporting cannot be identical, therefore the focus is to capture corresponding adjustment;
- Applying entire 6.2 reporting burden for 6.4 activities and A6.4ERs is to be avoided;
- There are not many overlaps in 6.2 and 6.4 reporting, as 6.4 reporting is on the activity level information, whereas 6.2 reporting is on the Party-level information;
- When a Party authorises A6.4ERs for use towards achievement of NDCs and/or for other international mitigation purposes, this triggers 6.2 reporting requirements and 6.2 guidance will be applied;

- There is no link to the Article 6 database as the mechanism registry links to the international registry, but not to the Article 6 database;
 - Reporting by host Parties under the 6.4 mechanism needs to be consistent with the 6.2 reporting guidance;
 - There is no exemption in 6.2 guidance on reporting of A6.4ERs when authorized as ITMOs;
 - Information in the Article 6 database and the Centralized Accounting and Reporting Platform (CARP) is to be detailed and easy to understand on 6.4 activities;
 - Detailed quantitative information is to be reported and collected through the mechanism registry, which should be connected to the Article 6 database;
 - Annual report to the CMA on the activities under the chapter on recording and tracking of 6.2 guidance is to clearly show quantitative information on the SOP adaptation and mandatory cancellation of A6.4ERs to deliver OMGE and quantitative information on the contribution of resources for adaptation and cancellation of ITMOs to deliver OMGE.
14. Regarding indication by host Parties for participating in the 6.4 mechanism:
- Clarity is needed on what ‘indicate’ means in the context of reporting;
 - Host Party are to submit an initial report containing the items of information included in paragraphs 26 and 27 of the RMP;
 - Some of the sections in the initial report could be reported by the host Party and some part could be provided by the Supervisory Body;
 - Identification of any further information in the initial report by the host Party is needed.
15. Regarding reporting by host Party pursuant to 6.4 rules:
- The format of the report such as form, template is to be defined;
 - The report could only focus on the corresponding adjustment related to A6.4ERs;
 - Host Party could provide a report with a summary of its participation in the 6.4 mechanism (e.g. number of activities, emission reduction potential of the activities);
 - Reporting of 6.4 activities and A6.4ERs issued will fall under the governance of the Supervisory Body;
 - Qualitative and quantitative information could help facilitate efficient reporting of host Parties applying 6.2 guidance in respect of their 6.4 activities;
 - In case quantitative information on 6.4 activities is generated and reported, the link of 6.4 reporting to the international registry could be developed by the secretariat or the Supervisory Body;
 - The Supervisory Body or the secretariat could develop pre-filled/standardized responses as a starting point for Parties to report;
 - Timing for indication of elements in paragraph 26 of the RMP as participation requirements of host Parties, the necessity for a template for such indication, and how to update them, as well as the same for optional national arrangements as per paragraph 27 of the RMP, and their public availability, may need to be determined.

E. The mechanism registry

16. Regarding the operation of the mechanism registry:
- The focus of consideration by the SBSTA should be on new elements compared to the CDM registry, for example, how to connect the mechanism registry with the 6.2 registries;
 - The mandate to the SBSTA is about the guidance on the operation of the mechanism registry, therefore designing of the mechanism registry is to be mandated to the Supervisory Body, which should be based on the best practice;
 - Clarity is needed on the division of labour between the SBSTA and the Supervisory Body;
 - It needs to build on, and learn from the experience in, the CDM registry and other existing registries;
 - Significant difference from the CDM registry includes functions for SOP adaptation and OMGE;
 - There is a need for an international registry to be up and running as the mechanism registry should connect to it;
 - It has links to national or international registries for cooperative approaches under Article 6, paragraph 2 (6.2 registries) and the CDM registry, therefore needs to be considered under an overall programme covering all these registries as an integrated infrastructure;
 - It may be a registry system with optional links to national registries without necessitating holding and transfer of units across registries or may be an integrated system where Parties have accounts and sub-accounts therein;
 - It can learn from the best practice of ICAO-CORSIA;
 - There is no consensus that ICAO-CORSIA applies the best practice;
 - What is the best practice is to be determined by the SBSTA/CMA;
 - Technical standards and compatibility with linked registries need to be considered;
 - Maintaining the information on activities and issuing identifiers of A6.4ERs will be among the required functions of the mechanism registry;
 - The mechanism registry does not deal with trading of units;
 - The mechanism registry is to identify the vintage of mitigation for each A6.4ER;
 - The mechanism registry needs accounts relating to SOP adaptation and OMGE;
 - The necessity of accounts for participating private entities needs to be assessed;
 - The 6.4 RMP already defines account types to be contained in the mechanism registry, hence what is needed to consider is how they function;
 - What need to be decided include: serial number rules for A6.4ERs; security measures; auditing procedure; and public availability of information contained in the mechanism registry;
 - Where to compile Parties' information needs to be considered;
 - A public webpage may be maintained to provide a summary of activities and A6.4ERs for each Party;

- Specific process for issuing A6.4ERs and the timing of authorization and corresponding adjustment by host Parties needs elaboration, in particular on effecting the first transfer and forwarding as separate steps;
- Possible gaps between the responsibilities of host Parties and the Supervisory Body in relation to national authorization needs reviewing;
- Procedure to issue and cancel A6.4ERs can draw on experience under the CDM;
- Cancellation of A6.4ERs for OMGE and deduction and transfer A6.4ERs for SOP adaptation are clearly required functions of the mechanism registry;
- The mechanism registry can learn from the process for voluntary cancellation in the CDM registry.

F. National arrangements

17. Regarding further responsibilities of the Supervisory Body and of host Parties of 6.4 activities in order for host Parties to elaborate and apply national arrangements:

- It might be premature to consider this element before the centralized system supervised by the Supervisory Body is established;
- Operationalization of the 6.4 mechanism needs to be prioritized;
- It needs to be addressed under the capacity building programme so that host Parties can be ready for applying national arrangements, by starting with a pilot programme;
- It needs to be taken into account that different Parties have different starting points in particular developing country Parties;
- Review of possible gaps in the 6.4 RMP with respect to the responsibilities of Parties and the Supervisory Body is needed.

G. Emission avoidance and conservation enhancement activities

18. Regarding the definitions and concepts:

- Clarity is needed on the concept of avoidance and conservation enhancement as they are not officially defined under UNFCCC or IPCC;
- Clarity is needed on why the term “avoidance” is needed;
- Clarity is needed on the issue of permanence;
- Clarity is needed from the Supervisory Body on the issue of baselines, additionality, permanence, leakage, etc;
- Emission avoidance includes emissions that are displaced or avoided through non-greenhouse gas emitting technologies or avoided emissions from planned fossil fuel-based projects/facilities for energy generation, transport, industries or land-use change from forest to agriculture;
- Emission avoidance does not include emission reductions or removals activities (e.g. transition to renewable energy, REDD+) which are defined as mitigation activities under IPCC.

19. Regarding the eligibility of emission avoidance and conservation enhancement activities:

- It is important to include emission avoidance as eligible activities;

- Emissions avoidance activities that comply with the 6.4 RMP are regarded as emission reduction activities and if not, they are not eligible activities;
 - It is possible to work on the basis of emission reductions and enhanced removals, rather than adding new categories such as emission avoidance and conservation enhancement activities;
 - Such activities can also undergo the 6.4 mechanism, as their specific cases may be accommodated.
20. Regarding the future work:
- This work is not required for operationalization of the mechanism and therefore not a priority;
 - The secretariat may review available literature, and CDM or other methodologies on what emission avoidance may include;
 - The Supervisory Body should consider how avoidance activities can be accommodated in the context of the work on methodologies.

H. Use of CERs towards the first or first updated NDCs

21. Regarding the use of certified emission reductions (CERs) towards the first or first updated nationally determined contributions (NDCs):
- According to the mandate only procedural aspects are left to consider (mechanics – movement and tagging);
 - Use of CERs towards the first or first updated NDCs is to be a part of a broader package for consideration of the mechanism registry, CDM registry and international and national registries;
 - The Supervisory Body is to ensure that CERs transferred to the mechanism registry are cancelled in the CDM registry;
 - the mechanism registry administrator may be requested to address how to label and track these as pre-2021 units;
 - These CERs are to be clearly labelled as such and are not A6.4ERs as they were not created in the A6.4 mechanism;
 - These CERs are subject to OMGE;
 - SOP and OMGE do not apply to transitioning CERs;
 - A procedure for triggering the transfer and use of these CERs may be needed;
 - Safeguarding measures are needed to prevent double use of these CERs;
 - Decision 3/CMA.3 already mentions transfer of CERs to the mechanism registry and identifying them as pre-2021 emission reductions;
 - Reporting by Parties could include how they have used CERs towards first and first updated NDCs;
 - The mechanism registry is to provide clear information on these CERs;
 - The objective of paragraph 75 of the RMP is to help Parties achieve their first NDCs, therefore the use of such CERs needs to be tracked and recorded against that achievement.