

Draft elements for SBSTA agenda item 11 (b)

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

Informal note by the co-chairs

These draft elements have been prepared by the co-chairs of the negotiations on this agenda item under their own responsibility, on the basis of the views that Parties have submitted and the discussions in the round table. These elements are preliminary and should not be considered as final in any way; they are offered as a basis for work and do not prevent Parties from expressing their views at any time. For all draft elements, it is understood that there may be an alternative that there should be no such draft element. It is recognized that the outcome of deliberations on this item will form part of the overall outcome under the Paris Agreement work programme.

Elements of the rules, modalities and procedures:

1. PRINCIPLES

Potential element a: List of principles

Potential element b: No principles

2. DEFINITIONS

A. Definition of emission reductions

Possible further elements

- (i) Includes tonne(s) of CO₂e reduced
- (ii) Includes tonne(s) of CO₂e and other
- (iii) Includes tonne(s) of CO₂e avoided or removed
- (iv) Includes mitigation co-benefit of adaptation action, including economic diversification
- (v) Includes units as determined by the CMA/supervisory body (e.g. transitioned Kyoto units)

B. Definition of stakeholders

Possible further elements

- (i) Definition of local stakeholders
- (ii) Definition of global stakeholders

C. Other definitions

Possible further elements

- (i) Definition of NDC quotient

3. ROLE OF CMA

A. Authority of the CMA over the Article 6.4 mechanism

B. Guidance of the CMA

C. Review of the rules, modalities and procedures

4. SUPERVISORY BODY

A. Membership of the supervisory body

Potential element a: Similar to Executive Board of the Clean Development Mechanism

Potential element b: New body

Possible further elements

- (i) Acting in personal capacity
- (ii) Nomination by UN regional groups/also other groups
- (iii) Balanced representation of Parties to the Paris Agreement
- (iv) Balanced representation of developing and developed country Parties
- (v) Include members and/or observers from the private sector/non-governmental organizations
- (vi) Members need to have certain professional qualifications

B. Rules of procedure of the supervisory body

Potential element a: Start with rules of procedure of the Executive Board of the Clean Development Mechanism

Potential element b: New rules of procedure

Possible further elements

- (i) Conflict of interest policy

C. Functions of the supervisory body

Potential element a: Centralized system

Possible further elements

- (i) Operate at an executive level
- (ii) Developing methodologies, standards, procedures and guidance
- (iii) Accrediting and performance management of designated operational entities
- (iv) Registration/approval of mitigation activities
- (v) Issuance/creation of verified and certified emission reductions
- (vi) Establishment and operation of a registry
- (vii) Develop governance rules for its panels/committees
- (viii) Recommendations to the CMA on changes to adopted rules, modalities and procedures
- (ix) Seeking guidance from the CMA
- (x) Draw on experience from the clean development mechanism

Potential element b: Host Party-led system

Possible further elements

- (i) Developing international standards and international procedures
- (ii) Accrediting and performance management of designated operational entities
- (iii) Issuance/creation of verified and certified emission reductions
- (iv) Periodic certification of standards/programmes
- (v) Reviewing the implementation of processes by host Parties and ensuring consistency with processes by host Parties

Potential element c: Dual system (both centralized and host Party-led systems)

Possible further elements

- (i) Developing methodologies, standards, procedures and guidance
- (ii) Accrediting and performance management of designated operational entities
- (iii) Registration/approval of mitigation activities
- (iv) Issuance/creation of verified and certified emission reductions
- (v) Establishment and operation of a registry
- (vi) Recommendations to the CMA on changes to adopted rules, modalities and procedures
- (vii) Seeking guidance from the CMA
- (viii) For host Party-led system, developing international standards and international procedures
- (ix) For host Party-led system, reviewing the implementation of processes by host Parties and ensuring consistency with processes by host Parties
- (x) For host Party-led system, periodic certification of standards/programmes
- (xi) Consistent application by a Party of one of the above potential elements (a or b).

5. PARTICIPATION AND RESPONSIBILITIES OF PARTIES HOSTING MITIGATION ACTIVITIES UNDER ARTICLE 6.4

A. Participation requirements for Parties hosting mitigation activities

Possible further elements

- (i) Party to the Paris Agreement
- (ii) Has submitted and be currently maintaining a NDC
- (iii) Designation of competent national authority
- (iv) Have access to a system for holding emissions reductions (registry)
- (v) National inventory report
- (vi) If host Party-led system, have national standards and procedures for implementation of Article 6.4 activities

B. Responsibilities of Parties hosting mitigation activities

Possible further elements

- (i) Statement of voluntary participation
- (ii) Authorization of potential mitigation activities
- (iii) Contribution to fostering sustainable development
- (iv) Explanation as to how mitigation activity relates to the NDC (e.g. activity is inside/outside NDC)

- (v) Authorization of public/private entities participating in the mitigation activity
- (vi) Conformity with Sustainable Development Goals
- (vii) Conformity with human rights
- (viii) Conditions of withdrawal of authorization
- (ix) Reporting of Article 6.4 activities as per Article 13.7
- (x) If host Party-led functions, implementation of processes
- (xi) If host Party-led functions, notification of authorization of activities and verification and certification/issuance of emissions reductions
- (xii) If host Party-led functions, notification to the supervisory body of the mitigation activity cycle(s)
- (xiii) Ensuring compliance with relevant standards and procedures

6. PARTICIPATION AND RESPONSIBILITIES OF PARTIES USING EMISSION REDUCTIONS TOWARDS NDCs

A. Participation requirements for Parties using emissions reductions towards NDCs

Possible further elements

- (i) Party to the Paris Agreement
- (ii) Has submitted and be currently maintaining a NDC
- (iii) Designation of competent national authority
- (iv) Have access to a system for holding emissions reductions (registry)
- (v) National inventory report

C. Responsibilities of Parties using emission reductions towards NDCs

Possible further elements

- (i) Statement of voluntary participation
- (ii) Authorization of public/private entities participating in the mitigation activity
- (iii) Contribution to fostering sustainable development
- (iv) Conformity with Sustainable Development Goals
- (v) Conformity with human rights
- (vi) Conditions of withdrawal of authorization

7. PARTICIPATION BY OTHER ACTORS

A. Incentivising and facilitating participation by public and private entities

8. DESIGNATED OPERATIONAL ENTITIES

A. Accreditation of designated operational entities

B. Validation of mitigation activities

C. Verification and certification of emission reductions

9. ELIGIBLE MITIGATION ACTIVITIES

A. New mitigation activities - context of the host Party NDC

Potential element a: Mitigation activities can be outside or inside the host Party's NDC

Potential element b: Mitigation activities can only be inside the host Party's NDC

Potential element c: Mitigation activities can only be outside the host Party's NDC.

B. New mitigation activities – requirements

Possible further elements

- (i) Deliver real, measurable, and long- term benefits
- (ii) Be additional
- (iii) Approved methodology and baseline determination
- (iv) Approved crediting periods

C. New mitigation activities - scope of activities

Possible further elements

- (i) Projects
- (ii) Programmes of activities
- (iii) Sectoral approaches
- (iv) Other approaches approved by the supervisory body

D. Existing mitigation activities under the UNFCCC

Potential element a: Existing CDM/JI activities may become Article 6.4 activities

Potential sub-element (a): JI activities

Potential sub-element (b): CDM activities

Potential sub-element (c): JI and CDM activities

Potential element b: Existing CDM and JI activities may become Article 6.4 activities if they meet certain conditions

Potential element c: Existing CDM/JI activities may become Article 6.4 activities if the Host Party so agrees

Potential element d: No existing CDM or JI projects may become Article 6.4 activities

10. MITIGATION ACTIVITY CYCLE

A. Design and Validation

B. Registration

C. Implementing overall mitigation in global emissions

Potential element a: Discounting at verification or issuance

Potential element b: Cancellation post - issuance by host/using Party

Potential element c: Shortening crediting periods / dynamic baselines

Potential element d: Conservative baseline below business-as-usual / set at best available technology

Potential element e: Conservative default factors

Potential element f: Through additionality determination

Potential element g: Voluntary / aspirational

D. Monitoring

E. Verification and certification

F. Issuance

G. Levy of share of proceeds towards administration and adaptation

Possible further elements

- (i) Share of proceeds for adaptation to go to Adaptation Fund
- (ii) Share of proceeds for adaptation to go to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change
- (iii) Point of application/ rate and scale
- (iv) Level of share of proceeds for administrative expenses

H. Voluntary cancellation

I. Management of registry processes

J. Grievance processes/appeal rights

K. Protection of human rights

L. Referral of matters to Article 15 compliance committee

11. AVOIDING USE OF EMISSIONS REDUCTIONS RESULTING FROM MITIGATION ACTIVITIES BY MORE THAN ONE PARTY

A. Rules in relation to the use of emission reductions towards NDCs

Potential element a: Corresponding adjustment for all emission reductions, consistent with Article 6.2 guidance, at the point of international transfer.

Potential element b: Corresponding adjustment for emission reductions inside the host Party's NDC, consistent with Article 6.2 guidance at the point of international transfer, no corresponding adjustment for emission reductions outside the host Party's NDC.

Potential element c: Corresponding adjustment does not apply to Article 6.4. No corresponding adjustment for emission reductions inside or outside host Party NDC unless the certified emission reduction (units) are used towards the host Party NDC. Article 6.2 guidance does not apply to the initial transfer (forwarding) from the central registry to national registry.

Article 6.2 guidance only applies to second and subsequent international transfers.

B. Emissions reductions applied to purposes other than towards NDCs

Possible further elements

- (i) Towards other international mitigation action
- (ii) Towards voluntary climate actions, climate finance
- (iii) May require accounting in accordance with Article 6.2 guidance if used for non-UNFCCC purposes if created/issued from within the scope of a Host Party's NDC

C. Limits to trading/use of emission reductions from mitigation activities towards NDC

Possible further elements

- (i) Issuance in a manner that avoids market fluctuations
- (ii) Use of emission reductions must be supplemental to domestic action
- (iii) No secondary trading
- (iv) No speculative trading
- (v) No limits to trading
- (vi) No limits to use