

Subsidiary Body for Scientific and Technological Advice

Chair's summary, informal technical expert dialogue on Article 6 of the Paris Agreement

Baselines and additionality for the 6.4 mechanism

Background

In relation to Article 6 of the Paris Agreement¹, The SBSTA Chair, Mr. Tosi Mpanu Mpanu, organized an informal technical expert dialogue on the issue of baselines and additionality for the 6.4 mechanism on 14 October 2021. At the request of the SBSTA Chair, the dialogue was facilitated by Mr. Peer Stiansen of Norway and Mr. Hugh Sealy of Barbados. This summary is produced by the SBSTA Chair under his own authority.

This summary aims to capture possible options for further consideration by Parties and Heads of Delegation. It is informal in nature, has no status, and does not provide negotiation text. It does not attempt to provide a record of all views expressed during the dialogue and in submissions, nor indicate the support each of the options appeared to have.

In relation to the topic of the dialogue, as at 20 October 2021, one submission from a Party had been received.² This summary includes content from Party interventions that relate to options. Submissions made in 2021 by Parties during other informal technical expert dialogues/informal consultations covering the same or related issues are also referred to as necessary.

The informal technical expert dialogue

Interventions made responded to guiding questions provided by the SBSTA Chair:

Guiding Questions

- How could a country identify what is its most ambitious baseline for a given 6.4 activity?
- How could an approach or hierarchy take into account considerable local or regional differences in implementation and the Paris Agreement goals?
- What guidance needs to come from the 6.4 body and how can it support countries in setting baselines for a given sector/technology?
- How do these issues relate to the rest of the package (Article 6/the wider Glasgow outcome) and how could resolving these issues contribute to reaching consensus?

An informal technical information slide pack in relation to these issues was prepared by the secretariat.³

Points for further consideration

Interventions focused on a number of options for consideration, as set out below. In each case, the option has been introduced by at least one Party/group, but this summary does not seek to indicate

¹ Documents relating to Article 6 negotiations since 2016 can be accessed here: <https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

² <https://unfccc.int/process-and-meetings/the-paris-agreement/cooperative-implementation/submissions-informal-technical-expert-dialogues-on-article-6-of-the-paris-agreement#eq-2>

³ [https://unfccc.int/sites/default/files/resource/Art.%206%20 presentation ITEDs Baseline%20and%20additionality.pdf](https://unfccc.int/sites/default/files/resource/Art.%206%20presentation_ITEDs_Baseline%20and%20additionality.pdf)

how much support there is among Parties for each option, as Parties are familiar with the views expressed in submissions and interventions. Options identified below are **bolded and placed together**. Non-bolded text represents proposals that did not appear to have alternative proposals or options. Argumentation is not provided in this note given the high level of familiarity of Parties with this topic resulting from earlier work.

General points

Interventions identified a general understanding that the issue of baselines and additionality would need to be addressed substantively in the CMA.3 decisions and could not be postponed until later, nor fully delegated to the Supervisory Body. However, interventions also recognized that the Supervisory Body would implement the provisions agreed by the CMA.

Principles

- Principles for baselines in 6.4 - application to 6.2 cooperative approaches
 - **General baseline principles should be set for 6.2 and 6.4, but implementation will be different between cooperative approaches and the 6.4 mechanism because of their different natures**
 - **Cooperative approaches that are baseline and crediting approaches akin to the 6.4 mechanism use a similar baseline approach as applied under the 6.4 mechanism**
- Principles for baselines (*options not mutually exclusive in all cases*)
 - **Alignment with the NDC and LT-LED of the host Party, and 1.5**
 - **Ambition over time**
 - **Enabling broad participation**
 - **Real, transparent, conservative and credible**
 - **Avoiding leakage**
 - **Recognizing suppressed demand**
 - **Below business as usual**

Baselines

- Range of baseline approaches to include in menu or hierarchy (*where still unresolved - general understanding that range would include best available technology, performance based and benchmark, so these are not included in this list*)
 - Historical emissions
 - **Includes historical emissions as a basis for calculating the baseline**
 - **With a discount factor when calculating 6.4 ERs to be credited**
 - **Without a discount factor when calculating 6.4 ERs to be credited**
 - **Historical emissions for some scopes, sectors and activity types only**
 - **Does not include historical emissions as a basis for calculating the baseline**
 - Business as usual/projected emissions
 - **Includes business as usual/projected emissions**
 - **With a discount factor when calculating 6.4 ERs to be credited**
 - **Without a discount factor when calculating 6.4 ERs to be credited**
 - **Does not include business as usual/projected emissions**

- Menu or hierarchy
 - **Hierarchy of baseline approaches (in this order: forward looking baselines (best available technology), performance based (including benchmark), business as usual (taking into account economic attractiveness) and actual/historical) with justification by the participants for a given choice where not best available technology**
 - **Menu (forward looking baselines (best available technology), performance based (including benchmark), business as usual (taking into account economic attractiveness) and actual/historical) with justification by the participants for a given choice**
- Implementation of baselines (*options not mutually exclusive in all cases*)
 - **COP25 3rd PT, paragraph 35 good basis for principles**
 - **Address uncertainty**
 - **Assumptions, methodologies, parameters, data sources and key factors, should be transformative**
 - **Avoid locking in high carbon intensive levels of emissions**
 - **Equitable sharing of mitigation benefits between host Party and other Party**
 - **Relationship to NDC**
 - **Inclusion of relevant national policies and plans when setting baselines**
 - **There is a difference between project baseline and NDC baseline**
 - **Broad application of approved standards – applicable to activities implemented in all countries when approved**

Additionality

- Additionality
 - Definition (*options not mutually exclusive in all cases*)
 - **Would not have occurred in the absence of**
 - **The activity**
 - **The 6.4 mechanism**
 - **Complementary to the implementation of the NDC (unconditional component, inside NDC)**
 - **Outside the NDC (conditional component)**
 - **Regulatory additionality**
 - Additionality exemptions
 - **Deemed automatically additional when from certain activities in LDCs and SIDs**
 - **No such deeming for certain activities in LDCs and SIDs**

Host Party role in baseline setting/activity approval

- Baseline approaches (*options not mutually exclusive in all cases*)
 - **Host Party may determine which baseline approaches apply in its country**
 - **Decides which national policies and circumstances to take into account**
 - **Sets prior eligibility rules for projects and criteria**
 - **Host Party required to justify baselines for its country to the Supervisory Body**
 - **Host Party to explain how the methodology is compatible with NDC and LT-LEDS**
 - **The host Party may consider an activity is not consistent with the NDC and request a more ambitious approach of the project participant (COP25, 3rd PT paragraph 27)**

- **The Supervisory Body approves all baseline approaches in all participating countries**
- Other
 - The prior communication can include criteria regarding additionality, criteria for eligibility of activities, determination of baseline and crediting period (COP25 3rd PT paragraph 27)
 - At verification stage, host Party to verify the coherence with NDC, together with DOE

Functions of the Supervisory Body

- General
 - General responsibility for the mechanism's contribution to the Paris Agreement
 - Ensuring the mechanism facilitates host Parties' implementation of their nationally determined contributions needs to be a key function (COP25 3rd PT paragraph 24 b (vi))
- Baseline approaches
 - Selection to be justified by the project participant, agreed by the host Party and approved by the Supervisory Body
 - Are sector specific, region-specific, site specific, so to be included in the methodology based on principles established by CMA and Supervisory Body
 - The Supervisory Body considers the needs the host Party has identified regarding its participation.
- Methodologies
 - Outline the procedures for developing methodologies
 - Provide guidance on calculation methods
 - Allow for input by independent experts
 - Review submitted methodologies - characteristics, assumptions and methods used
 - Approve baseline standards, methodologies, tools, standardized baselines
 - Ensure the CMA principles are followed
- LDCs/SIDS
 - Give special consideration in respect of setting baselines for defined sectors, upon request from an LDC/SID
 - Waive additionality requirements upon request from LDC/SIDS
 - When determining baselines, take into account LDCs/SIDS and low income countries

Capacity-building

- By Supervisory Body
 - Develop a toolbox to assist Parties in baseline setting and additionality demonstration
 - Have a dedicated work programme for LDCs and SIDs to develop relevant methodologies and standardized baselines
 - Capacity building and regulatory roles have to be kept separate
 - Be responsive to host Parties, and support them doing mitigation strategies
- By Regional Collaboration Centers
 - Use them because separate from Supervisory Body
 - Develop a capacity-building programme for developing country Parties

Sector specific comments

- Forestry and other mitigation and removal activities:
 - Baselines for forestry and land use activities defined as estimated carbon stock in scenario that would have occurred within project boundary in absence of project activity, taking into account existing relevant legislation, as well as national, regional or local circumstances, including through barrier analysis with sufficient justification for choice provided.
 - Crediting periods for forestry activities - a maximum of 15 years renewable twice
 - Removals to be real, measurable and verifiable
 - Methodologies for the projects should provide for the leakage tools. Provide for sufficient safeguards against non-permanence
 - Ensure a sufficient mandate for a comprehensive work program in addressing issues related to non-permanence, leakage and uncertainties.
- Land use
 - SBSTA needs to develop further guidance

Other points

- General textual suggestions
 - COP25 3rd PT paragraph 35 - clarify to which principle the 'as appropriate' applies to
 - COP25 3rd PT, paragraph 35 requires further detail to guide the 6.4 SB
