

Agenda item 3.5.

Paragraph 21 of the annotated agenda, Annex 4

Procedure: Article 6.4 mechanism registry

Article 6.4 Supervisory Body – 21st meeting

Bonn, Germany, 18 to 21 May 2026



Follow-up actions

1. Document with table detailing items from the cover note with their corresponding sections in the procedure or business rules, as applicable
2. Visual of Suspension, Terminations
3. Removing references to buffer pool and reversals
4. Removing reference changes to authorizations in business rules
5. Removing post-issuance authorizations for SOP Adaptation fund account
6. Changes for updates to AERs at the end of NDC period
7. Changes to Vintage year account and rounding



Key issues and proposed solutions

This proposed revision to the registry procedure includes updates regarding:

1. Implementation of CMA guidance relating to authorizations.
 - ***Excluding changes to authorizations***
2. Changes to Vintage year account and rounding
3. Changes for updates to AERs at the end of NDC period
4. Account opening processes.
5. Suspension, reactivation and termination of accounts (including dormant accounts).
6. Transfer procedures.
- ~~7. Interpretation of the Standard: Requirements for activities involving removals under the Article 6.4 mechanism.~~
8. The procedure's structure and other editorial fixes. (reference to glossary in relation to description of first transfer)



ACCOUNT OPENING CHANGES



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Updates to processes for account opening to:

- Clarify that activity participants must submit forms pertaining to opening accounts.
- Provide that upon opening an account, account holders must designate two authorized representatives.
- Clarify that the Adaptation Fund account operates as a holding account.



SUSPENSION, REACTIVATION AND TERMINATION



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Suspension, reactivation and termination of accounts

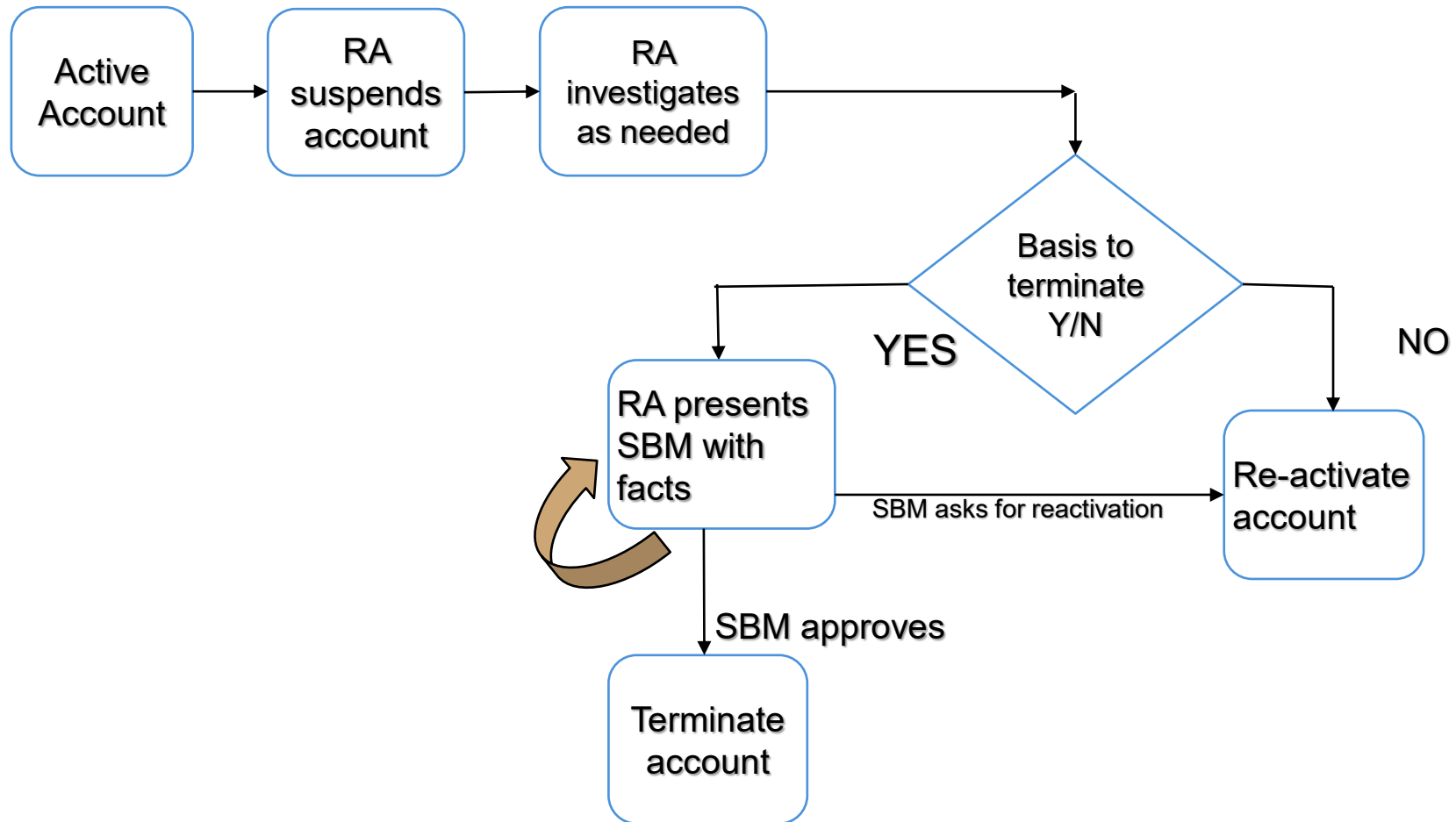
Updates provisions to:

- Provide for account statuses 'active', 'suspended' and 'terminated'.
- Update the circumstances for suspension and termination, including providing for the suspension and termination of Party accounts.
- Provide instruction on how any A6.4ERs or CERs held in accounts determined for termination shall be addressed.



Suspension and Termination Process flow

Registry Administrator (RA) has basis to suspend based on circumstances provided in Section 5.1 of procedure: e.g. suspected breach of T&C (including non-payment of fees)



Provides for **suspension** of accounts in following cases:

- **Entity accounts**
 - a) When an irregularity is detected;
 - b) When the entity has breached, or suspected to have breached the T&Cs and suspension is appropriate;
 - c) Exceptional circumstances where there is basis to do so;
 - d) When the entity requests the suspension of the account;
 - e) When account is pending termination;
 - f) When the authorizing Party has requested the entities account be suspended;
 - g) When the account is of an activity participant who has failed to submit a monitoring report by its due date pursuant to the Standard: Requirements for activities involving removals.



Provides for **suspension** of accounts in following cases (continued):

- **Party accounts**
 - a) When an irregularity is detected;
 - b) Exceptional circumstances where there is basis to do so;
 - c) When the Party has requested suspension of the account.



Suspension, reactivation and termination of accounts

Provides for **termination** of accounts in following cases:

- **Entity accounts**
 - a) When the entity has breached, or suspected to have breached the T&Cs and termination is appropriate;
 - b) Exceptional circumstances where there is basis to do so;
 - c) When the authorizing Party has requested the entity's account be terminated;
 - d) When the entity requests termination of the account.
- **Party accounts**
 - a) Exceptional circumstances where there is basis to do so;
 - b) When the Party requests termination of the account.

Dormant accounts

The ability to suspend or terminate dormant accounts (extended period of inactivity) is implicitly provided as such account holders would fail to pay required fees, amounting to a breach of the T&Cs.



Suspension, reactivation and termination of accounts

Process for **implementing termination** of accounts:

- A6.4ERs and CERs to remain in cancellation accounts upon termination (as these are end-of-life accounts). Holding accounts may not be terminated when holding A6.4ERs or CERs.
- If requested for termination and still holding A6.4ERs and CERs, holding accounts will be suspended pending transfer of A6.4ERs or CERs. If no instructions for transfer are received within 30 calendar days, any held A6.4ERs or CERs will be scheduled for administrative cancellation.
- Transfers to administrative cancellation account (i.e., to enable termination as above) will not be recorded as a first transfer.
- ~~Accounts updated from suspended to terminated on the 10th of each month.~~
- Termination of accounts, and related actions will only be initiated after consultation with the SBM, based on the findings shared:
 - a) Accounts will only be suspended by the Registry Administrator, and it will remain suspended unless it is reactivated following investigation into the breach, or***
 - b) Related concerns are brought to the attention of SBM, asking for approval to terminate the account.***



TRANSFERS



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Transfer procedures

This revised procedure introduces acceptance procedures for transfers in the mechanism registry. These procedures provide for the following process:

- When a transfer is proposed to another account holder:
 - a) The recipient account holder shall be notified of the requested transfer and may accept or decline;
 - b) If the recipient accepts, the transfer is made;
 - c) If the recipient declines, the transfer is voided and the requesting account holder is notified accordingly.
- When a transfer is proposed to an account of the same account holder it is processed automatically (no acceptance required).



VINTAGE YEAR ACCOUNTING AND ROUNDING



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Vintage year accounting and rounding

- Business rules pertaining to implementing the registry procedure (provided as Appendix two) will override the Standard: Addressing non-permanence and reversals in mechanism methodologies to implement CMA requirements for vintage year accounting and rounding for levies.
- Partial authorizations will be applied to levies proportionately.
- Where issuance request provides for both AERs and MCUs, AERs will be issued first.
- **Lets look at an example:**



Difference of vintage year accounting

Table below provides an example of how levies will be calculated at the vintage year level.

| Vintage year | Tonnes of CO ₂ e Reduced or removed | A6.4ERs issued | A6.4ERs forwarded to OMGE Cancellation account (2% rounded to next whole A6.4ER) | A6.4ERs forwarded to SOP account (5% rounded to next whole A6.4ER) |
|--------------|--|----------------|--|--|
| 2025 | 40 | 40 | 1 | 2 |
| 2026 | 30 | 30 | 1 | 2 |
| 2027 | 30 | 30 | 1 | 2 |



Difference of vintage year accounting (continued)

To compare, for an issuance request of 100 A6.4ERs:

- Once vintage year accounting is implemented with necessary ceiling rounding to comply with the CMA decisions, this results in a total of:
 - 6 A6.4ERs for the Adaptation Fund
 - 3 A6.4 ERs for the mandatory cancellation for OMGE account
- The equations provided by the Standard: Addressing non-permanence and reversals in mechanism methodologies would result in a total of:
 - 5 A6.4ERs for the Adaptation Fund
 - 2 A6.4 ERs for the mandatory cancellation for OMGE account

Notably, implementing vintage year accounting enables the identification of which specific A6.4ERs will be forwarded for the levies, with equal impact across all vintage years.



POST ISSUANCE AUTHORIZATIONS



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Post-issuance authorizations

- Only A6.4ERs held by activity participants and those forwarded and still held by Adaptation Fund account and OMGE accounts are eligible.
 - a) *To be discussed further at a future SBM meeting*
- The no-further-transfer rule (6/CMA.6) is not applied to forwarding from the pending account to the activity participant's account.
- ~~Buffer pool A6.4ERs are not eligible – they are not held by activity participants and have no CMA exemption.~~
- Same approach as pre-issuance authorizations: partial authorizations applied proportionally to levied portions and earlier serial numbers updated first.
- Implemented via business rules.



Forwarding from pending account to activity participants not included as a transfer

- All A6.4ERs are issued into the pending account and from there, forwarded to the account(s) provided for distribution.
- To implement 6/CMA.6 logically, rule that MCUs must not be transferred in the mechanism registry presumed not to apply to forwarding from pending account to activity participants account

Adaptation Fund account and mandatory cancellation for OMGE account eligible

- CMA specifically addresses MCUs held in Adaptation Fund account and OMGE mandatory cancellation account determining them eligible



Implementation of post-issuance authorizations

- Where a host Party provides a post-issuance authorization which is non-specific as to the application to MCUs issued from the activity (i.e., 20% of all issued MCUs between 2022 – 2024 to be post-issuance authorized, or a total number of 100 MCUs to be post-issuance authorized), this shall be implemented by the registry by applying:
 - Applying proportionately via applicable vintage years, to the extent possible;
 - Applying to the earlier applicable serial numbers of MCUs.
- The Procedure: Article 6.4 mechanism registry provides high level provisions for implementing post-issuance authorizations, noting that eligible applicable A6.4ERs shall be affected in the registry. Details on the implementation of this is left to the business rules.



CHANGES TO AUTHORIZATION



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Post-Issuance changes of authorization

- ~~Only AERs not yet transferred in or out of the mechanism registry are eligible (unless T&Cs allow otherwise).~~
- ~~Same logic as pre-issuance: changes apply to the first issued AERs unless specified.~~
- ~~If T&Cs allow changes after first transfer, this could create invalidities (e.g., MCU in an AER-only account). These cases will not be implemented until guidance is provided.~~
- ~~Issues involving A6.4ERs in connected registries are not covered; they will be handled through interoperability processes and escalated to the Supervisory Body if needed.~~
- ~~Implemented via business rules.~~
- *Will be implemented on a case-by-case basis after manual assessment by the secretariat as per CMA decision 4/CMA.6, covered already by the procedure – business rules 6,7 have been removed*



UPDATES TO AUTHORIZED A6.4ERS AT THE END OF THEIR APPLICABLE NDC PERIOD



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Updates to authorized A6.4ERs at the end of their applicable NDC period

- After the final date for first transfer, any non-first-transferred AERs are converted to MCUs (no further corresponding adjustment possible).
- Implemented via business rules.



Procedural basis

Decision 2/CMA.3 provides that:

- The corresponding adjustment to first transfer mitigation must be made in the vintage year for which the mitigation occurred (paragraphs 9(a) and 10(a));
- ITMOs must be used for NDC within the same NDC implementation period as which they occurred (paragraphs 9(b) and 10(b) (i.e. only vintages within the NDC implementation can be used))
- Each Party must finalize its additions and subtractions for NDC achievement before the initiation of the review of their BTR that contains information on the end year or end of the period of the NDC, or by a date to be determined by the CMA (paragraph 12)

Decision 4/CMA.6 provides that:

- Where a mitigation outcome has been authorized for OIMP its first transfer shall be recorded no later than 31 December of the year prior to the submission of the host Party's BTR that contains information on the end year or end of the period of the NDC.



Implication of 2/CMA.3 and 4/CMA.6 on registry

- For AMOs authorized for NDC use only: After a host Party's BTR containing information on the relevant years of the NDC has been initiated for review, they will be unable to undertake the corresponding adjustment to first transfer the authorized A6.4ER.
 - The authorization pursuant to this commitment to first transfer, is therefore no longer applicable after this date (i.e. an AMO cannot become an ITMO)
- For AMOs authorized for OIMP: After a host Party's BTR containing information on the relevant years of the NDC has been submitted, they will be unable to undertake the corresponding adjustment to first transfer the authorized A6.4ER.
 - The authorization pursuant to this commitment to first transfer, is therefore no longer applicable after this date (i.e. an AMO cannot become an ITMO)



Implementation in registry continued

To ensure the registry is accurate as to authorized A6.4ERs ability to be first transferred, after the final date for first transfer for each host Party:

- Any further issuance for vintages within the host Party's relevant NDC implementation period will be issued as MCUs
- Any authorized A6.4ERs that have not been first transferred, the registry will remove authorization information from the unit to be re-distinguished as MCUs e.g:

AER = CA0001-UN01-THA-9000-12000-2028-NIO-NC

MCU = UN01-THA-9000-12000-2028



Implementation in registry

Notably, final date for first transfer differs depending on what the A6.4ER was authorized for:

- a) For A6.4ERs authorized for NDC use only: the date of the initiation of the review of the final BTR for the NDC period in respect of which the A6.4ER was issued (2/CMA.3);
- b) For A6.4ERs authorized for OIMP: the date of the submission of the final BTR for the NDC period in respect of which the A6.4ER was issued, noting any respective A6.4ERs first transferred between 31 December the year prior to submission, and submission date will have been identified as first transferred inconsistent with 4/CMA.6, which will be picked up through technical expert review and actioned by registry on a case by case basis (4/CMA.6).



Implementation in registry

- The final date for first transfer differs depending on what the A6.4ER was authorized for (i.e. NDC vs OIMP vs NDC+OIMP)
- How the Registry Administrator will know when the relevant final date for first transfer (and use for NDC) is triggered is not clear
- While the procedure proposes the “rule” that applies and the required action to be taken by the Registry Administrator
- How and when the Registry Administrator will apply the rule and undertake the action will be addressed in a future iteration of the procedure (following consideration of the broader accounting implications CN that will come at a future meeting)



BUFFER POOL AND REVERSALS



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Interpretation of the Standard: Requirements for activities involving removals under the Article 6.4 mechanism

~~The Standard: Requirements for activities involving removals under the Article 6.4 mechanism provides that if activity participants fail to submit a monitoring report by its due date, the operations of issuance, transfer, and cancellation of A6.4ERs resulting from the activity for which the monitoring report was due shall be suspended.~~

~~Current registry design does not allow for operations pertaining to specific A6.4ERs to be suspended. Instead, the mechanism system will implement this as follows:~~

- ~~• The A6.4 Mechanism Information System will prevent issuance from these activities.~~
- ~~• The mechanism registry will suspend the account(s) of the activity participant, thereby preventing the transfer or cancellation of any A6.4ERs from the activity which are held by the activity participant.~~
- Will be listed and discussed as a separate item at a future SBM meeting once more clarity emerges*



Editorial Improvements

- Numerous editorial updates to enhance clarity and readability.
- Streamlined text and improved navigation throughout the procedure.

Changes are not shown in yellow highlight as substantial restructuring made highlighting impractical.



Recommendations to the Supervisory Body

The secretariat recommends that the Supervisory Body:

- Agrees to separate the buffer pool and reversal risk related updates to be removed from this update of the registry procedure, this will be listed as a separate item at a future SBM meeting
- Adopts the updated registry procedure:
 - a) **Without** the updates related to reversals and buffer pool.
 - b) **With** the understanding that changes to authorizations will be handled on case-by-case basis until more clarity is available
 - c) **With** Vintage year accounting as mentioned
 - d) Post-Issuance authorization:
 - **Without** post-issuance authorization for SOP Adaption Fund (to be clarified at a future meeting)
 - e) **With** changes to updates of AERs at the end of NDC period
 - f) **With** changes to the termination process which will involve the SBM
 - g) **With** updates to transfer procedures, account opening & editorials remain as mentioned
- Takes note of the business rules included in Appendix Two.

