

DRAFT TEXT

on

SBSTA 57 agenda item 16

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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[Recommendation to the CMA for inclusion in the draft CMA decision on guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement

{Some elements of the cover decision reflected in the SBSTA Chairs note have not been included in this version, as these may be considered under CMA agenda item 14.}

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling the mechanism established by Article 6, paragraph 4, of the Paris Agreement and the aims thereof,

Also recalling decision 3/CMA.3 and its annex, containing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement,

1. *Elaborates on* the processes defined in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, as contained in the annex;

2. *Requests* the Subsidiary Body for Scientific and Technological Advice to continue its consideration of and to develop, on the basis of the rules, modalities and procedures for the mechanism, recommendations, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November 2023), on:

(a) Further responsibilities of the Supervisory Body and of Parties that host Article 6, paragraph 4, activities in order for such host Parties to elaborate on and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;

(b) Consideration of whether Article 6, paragraph 4, activities could include emission avoidance and conservation enhancement activities;

(c) Interoperability and connections between the mechanism registry and the international registry [and other registries as per paragraph 29 of the annex to decision 2/CMA.3], including the method for automated pulling and viewing of data referred to in paragraph XX of the annex;

3. *Also requests* the secretariat to prepare a technical paper on the matter referred to in paragraph 2(b) above on the basis of submissions from Parties in 2022 and available relevant literature for consideration by the Subsidiary Body for Scientific and Technological Advice;

4. *Further requests* the secretariat to expedite the implementation of the capacity-building programme referred to in paragraph 14 of decision 3/CMA.3 within a time frame that prioritizes elements that are more urgent and relevant to enable Parties to participate in the mechanism established by Article 6, paragraph 4, of the Paris Agreement, taking into account the work it has already initiated on the design of the capacity-building programme, and to report regularly on the status of its implementation to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;

5. *Invites* Parties and admitted observer organizations to submit, via the submission portal,¹ their views on issues discussed under this agenda item at the fifty-seventh session of the Subsidiary Body for Scientific and Technological Advice;

6. {Placeholder for further work *to be done by the Supervisory Body*}

¹ <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>.

Annex

Elaboration of the processes defined in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

I. Processes for implementation of the transition of activities from the clean development mechanism to the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Crediting period

1. Pursuant to paragraph 73 of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP),² registered project activities under the clean development mechanism (CDM) may transition to the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) subject to all of the conditions referred to in paragraph 73 of the RMP, including requirements regarding the activity design as elaborated in chapter B below, and if their crediting periods would have been active as at 1 January 2021 had the crediting under the CDM continued after the end of the second commitment period of the Kyoto Protocol.

2. The crediting period type (i.e. renewable or fixed) and the remaining number of renewals of the crediting period, if it is renewable, of CDM project activities that transition to the Article 6.4 mechanism shall not change at the time of or after the transition.

3. The current crediting period of CDM project activities that transition to the Article 6.4 mechanism shall end, whichever is earlier:

(a) When the current crediting period would have ended had the crediting period continued after the end of the second commitment period of the Kyoto Protocol;

(b) On 31 December 2025, if the crediting period is renewable;

(c) On the date determined under the conditions on the crediting period that may be specified by the **respective** host Parties in accordance with paragraph 27(b) of the RMP.

4. For CDM project activities with a **renewable** crediting period, once renewed under the Article 6.4 mechanism, the length of each of the remaining crediting periods of the transitioned project activities shall **be consistent with** the relevant rules under the Article 6.4 mechanism [but the total length of the crediting period(s) under the Article 6.4 mechanism shall not exceed five years].

5. The principles referred to in paragraphs **1–4** above shall also apply to the CDM programmes of activities (PoAs) and the component project activities (CPAs) therein that transition to the Article 6.4 mechanism in terms of the PoA period and the crediting period of CPAs, respectively.

B. Activity design

6. The activity types of registered CDM project activities, PoAs and the CPAs therein, as well as those in the requests for registration, renewal and issuance listed as provisional (provisional requests) under the temporary measures adopted by the Executive Board of the CDM at its 108th meeting (temporary measures), that transition to the Article 6.4 mechanism shall be among those indicated by their respective host Parties in accordance with paragraph 26(e) of the RMP.

² Decision 3/CMA.3, annex.

7. **Option 1:** Pursuant to paragraph 73(c) of the RMP, registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that transition to the Article 6.4 mechanism shall specifically demonstrate compliance with the following requirements contained in paragraphs 31(d)(i), 31(d)(ii), 31(d)(iv), 31(e) and 38 of the RMP **respectively**, in accordance with the means of such demonstration to be specified by the Supervisory Body:

(a) The activity shall deliver real, measurable and long-term benefits related to climate change in accordance with paragraph 37(b) of decision 1/CP.21;

(b) The activity shall minimize the risk of non-permanence of emission reductions over multiple nationally determined contribution (NDC) implementation periods and, where reversals occur, ensure that these are addressed in full;

(c) The activity shall minimize and, where possible, avoid negative **environmental and** social impacts;

(d) The activity shall undergo new local and, where appropriate, subnational stakeholder consultation consistently with applicable domestic arrangements in relation to public participation and local communities and indigenous peoples, as applicable;

(e) The activity shall be designed to achieve mitigation of GHG emissions that is additional, in accordance with paragraphs 31(a) and 38 of the RMP.

Option 2: Pursuant to paragraph 73(c) of the RMP, registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that transition to the Article 6.4 mechanism shall demonstrate compliance with the requirements of the RMP, in accordance with guidance to be provided by the Supervisory Body.

Option 3: {no text}

8. The CDM methodologies applied to registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that transition to the Article 6.4 mechanism shall meet the methodological requirements that may be specified by the respective host Parties in accordance with paragraph 27(a) of the RMP, taking into account the condition referred to in paragraph 73(d) of the RMP. If the CDM methodologies do not meet this requirement, they shall be replaced accordingly.

9. **Option 1:** Notwithstanding the provisions in paragraph 73(d) of the RMP or paragraph 8 above, the registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that request transition to the Article 6.4 mechanism with the crediting period ending before 31 December 2025 may apply, for requesting renewal under the Article 6.4 mechanism, an interim methodology which is either its current approved CDM methodology or a methodology applicable to the activity in accordance with guidance provided by the Supervisory Body as an interim measure until an applicable mechanism methodology becomes available.

Option 2: Notwithstanding the provisions in paragraph 73(d) of the RMP or paragraph 8 above, for requests for transition for which renewal is already due under the Article 6.4 mechanism, the processing of requests for transition shall commence when an applicable mechanism methodology becomes available.

Option 3: In the absence of applicable mechanism methodologies, the registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that request transition to the Article 6.4 mechanism with the crediting period ending before 31 December 2025 may apply interim solutions to be provided by the Supervisory Body with regard to the provision in paragraph 73(d) of the RMP.

10. In line with decision 18/CMA.1, annex, paragraph 37, registered CDM project activities, PoAs and the CPAs therein **as well as** provisional requests under the temporary measures that transition to the Article 6.4 mechanism shall apply the 100-year time-horizon global warming potential values from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change or the 100-year time-horizon global warming potential values from a subsequent assessment report of the Intergovernmental Panel on Climate Change, as agreed upon by the Conference of the Parties serving as the meeting of the Parties to the Paris

Agreement (CMA), to calculate emission reductions or removals for the period after 31 December 2020.

10alt Registered CDM project activities, PoAs and the CPAs therein as well as provisional requests under the temporary measures that transition to the Article 6.4 mechanism shall apply the same global warming potential values as applicable to any Article 6.4 activities in accordance with relevant decision by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA).

C. Transition process

11. Pursuant to paragraph 73(a) of the RMP, the project participants of a registered CDM project activity or the coordinating/managing entity of a registered CDM PoA that are authorized by the host Party, or an entity acting on their behalf, that wish to transition the activity to the Article 6.4 mechanism shall submit a request for such transition to the secretariat and to the designated national authority (DNA) for the Article 6.4 mechanism of the host Party as designated in accordance with paragraph 26(c) of the RMP, informing the DNA for the CDM, by no later than 31 December 2023 in accordance with the procedure to be developed by the Supervisory Body.

12. Pursuant to paragraph 73(b) of the RMP, the DNA for the Article 6.4 mechanism of a host Party, if it approves the transition, shall provide the approval to the Supervisory Body by no later than 31 December 2025 in accordance with the procedure to be developed by the Supervisory Body.

13. [The DNAs for the Article 6.4 mechanism of Parties other than the host Party participating in a registered CDM activity for which the transition is requested, if the Parties wish to continue to participate in the activity, shall provide an authorization of activity participants to the Supervisory Body prior to the forwarding or first transfer of Article 6, paragraph 4, emission reductions (A6.4ERs) issued for the activity to the activity participants at the latest.]

14. Requests for transition and host Party approvals of provisional requests under the temporary measures, and other participating Party approvals of activity participants, shall be submitted [in accordance with paragraphs 9–11 above mutatis mutandis, to be specified by the Supervisory Body]. Requests for transition of provisional requests for renewal and issuance under the temporary measures shall be processed only after the respective underlying CDM activities have successfully transitioned to the Article 6.4 mechanism.

15. Requests for transition of CDM activities and provisional requests under the temporary measures submitted to the secretariat shall be subject to the share of proceeds to cover administrative expenses and/or 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 applicable under the Article 6.4 mechanism in the following manner:

(a) [Requests for transition of CDM activities are subject to the share of proceeds applicable to requests for registration under the Article 6.4 mechanism;]

(b) Provisional requests for registration under the temporary measures are subject to the share of proceeds applicable to requests for registration under the Article 6.4 mechanism;

(c) Provisional requests for renewal under the temporary measures are subject to the share of proceeds applicable to requests for renewal under the Article 6.4 mechanism;

(d) Provisional requests for issuance under the temporary measures are subject to the share of proceeds applicable to requests for issuance under the Article 6.4 mechanism.

16. For requests for transition of CDM activities and provisional requests under the temporary measures that are successfully approved by the Supervisory Body, the effective date of transition and the start of the crediting period under the Article 6.4 mechanism [may be deemed as 1 January 2021 at the earliest, irrespective of the date of approval of the requests

by the Supervisory Body][shall be the date of approval of the request by the Supervisory Body].

17. Once the transition is approved by the Supervisory Body, the activities and requests are subject to all relevant requirements under the Article 6.4 mechanism at all subsequent steps in the mechanism activity cycle[, including the provisions on delivering overall mitigation in global emissions referred to in chapter VIII of the RMP and corresponding adjustment referred to in chapters IX–X of the RMP, in relation to A6.4ERs issued for the activities] consistently with the RMP, taking into account the provisions on the applied methodologies contained in paragraphs 27(a) and 73(d) of the RMP, as described in paragraphs 8–9 above.

18. **Option 1:** The Supervisory Body shall effect the transition of CDM activities when such CDM activities have been deregistered from the CDM.

Option 2: The Supervisory Body shall effect the transition of CDM activities noting that such CDM activities are deregistered from the CDM automatically from the date of transition pursuant to decision 2/CMP.16, paragraph 12.

II. Processes for implementing chapter XI.B (Use of certified emission reductions towards first or first updated nationally determined contributions) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Transfer of certified emission reductions from the clean development registry

19. The transfer of certified emission reductions (CERs) to the mechanism registry referred to in chapter VI of the RMP that are eligible for such transfer as per paragraph 75 of the RMP (eligible CERs), when the transfer is initiated [by the owner of the CERs in the CDM registry] in accordance with the modalities contained in decision -/CMP.17, shall be communicated by the CDM registry administrator to the mechanism registry administrator in accordance with relevant guidance by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. The transfer data shall include the full serial numbers of the eligible CERs and the identification of the receiving account. All transfer data shall be subject to a reconciliation process to be developed and implemented by the registry administrators of the two registries (the secretariat).

20. [The mechanism registry administrator shall check the transfer data received from the CDM registry and shall record transferred eligible CERs in the receiving accounts as communicated from the CDM registry administrator. The mechanism registry administrator may reject the transfer data, communicating the reason to the CDM registry administrator.]

21. The mechanism registry shall assign unique identifiers to received CERs, as per the applicable rules for serialization of units in the mechanism registry to be developed by the Supervisory Body, and shall track, display and report on CERs as related to pre-2021 emission reductions pursuant to paragraph 75(b) of the RMP. The mechanism registry shall also track the original Kyoto Protocol serial numbers of the received CERs.

22. [The mechanism registry may continue to receive transfers of CERs from the CDM registry until [31 December 2030][31 December 2025][the initiation of the review of the first biennial transparency report that contains information on the end year or end of the period of the NDC, by a date to be determined by the CMA]].

23. [Transactions of CERs shall adhere to the modalities to be adopted by the CMA and/or the relevant requirements and procedures to be adopted by the Supervisory Body.]

B. Use of certified emission reductions towards achievement of nationally determined contributions

24. Parties may use CERs transferred to the mechanism registry towards achievement of their first or first updated NDCs by retiring the CERs in accordance with the modalities to be adopted by the CMA and/or the relevant requirements and procedures to be adopted by the Supervisory Body.

25. For use of CERs towards achievement of their first or first updated NDCs, using Parties shall apply the guidance on the use of internationally transferred mitigation outcomes (ITMOs) towards the achievement of NDCs mutatis mutandis by subtracting the quantity of CERs retired in the mechanism registry in the calculation of the emissions balance in accordance with paragraphs 7–8 in the annex in decision 2/CMA.3, noting that the host Party shall not be required to apply corresponding adjustment as per paragraph 75(d) of the RMP.

26. [Transferred CERs may be used for purposes other than towards achievement of first or first updated NDCs by the [host Parties][project participants] of the CDM activities to which the CERs were issued.]

27. Parties shall, if they have used CERs towards achievement of their first or first updated NDCs, report the amounts of CERs used for that purpose

Option 1: [in the number of ITMOs used for each year of the NDC implementation period in the structured summary³] in the row ‘Any other information consistent with decisions adopted by the CMA on reporting under Article 6 (para. 77(d)(iii) of the MPGs)’ of table 3,⁴ with the information on the quantity of CERs used in each year in addition to the ITMOs recorded, as used in the Article 6 database for those years.

Option 2: in an additional row titled ‘Annual quantity of CERs used towards achievement of the NDC’ in the structured summary⁵ inserted after the row ‘Annual quantity of ITMOs used towards achievement of the NDC (para. 23(e), annex to decision 2/CMA.3) (para. 77(d)(ii) of the MPGs)’ of table 4.⁶

Option 3: as amounts of CERs used towards achievement of their NDCs in the structured summary⁷ in the row ‘Assessment of the achievement of the Party’s NDC under Article 4 of the Paris Agreement (para. 70 of the MPGs)’ of table 4.⁸

III. Reporting by host Parties on their Article 6, paragraph 4, activities and the Article 6, paragraph 4, emission reductions issued for those activities

28. Information on activities requested for registration and registered under the Article 6.4 mechanism hosted by each Party, as well as A6.4ERs issued for registered activities, is deemed to be provided by host Parties through the Supervisory Body in accordance with paragraph 24(c)(v) of the RMP.

29. Host Parties shall provide to the Supervisory Body the information referred to in paragraphs 26–28 of the RMP relating to the participation responsibilities of host Parties in accordance with the modalities to be specified by the [Supervisory Body][CMA]. The Supervisory Body shall promptly make the received information publicly available on the UNFCCC website. [In this context:

³ Decision 5/CMA.3, annex II.

⁴ 3. Structured summary: Methodologies and accounting approaches – consistency with Article 4, paragraphs 13 and 14, of the Paris Agreement and with decision 4/CMA.1.

⁵ Decision 5/CMA.3, annex II.

⁶ 4. Structured summary: Tracking progress made in implementing and achieving the NDC under Article 4 of the Paris Agreement.

⁷ Decision 5/CMA.3, annex II.

⁸ 4. Structured summary: Tracking progress made in implementing and achieving the NDC under Article 4 of the Paris Agreement.

(a) The information on the status as a Party under the Paris Agreement referred to in paragraph 26(a) of the RMP is deemed to have been provided if the instruments of ratification, acceptance, approval or accession have been deposited with the Depository in accordance with Article 20 of the Paris Agreement;

(b) The information on the preparation, communication and maintenance of NDCs referred to in paragraphs 26(b) and 28(a) of the RMP is deemed to have been provided if it has been communicated to the secretariat in accordance with Article 4, paragraph 2, of the Paris Agreement **and is still valid.**]

30. [Host Parties shall provide an initial report referred to in decision 2/CMA.3, paragraph 18,

Option 1: no later than when providing a statement to the Supervisory Body specifying that it authorizes A6.4ERs issued for a mechanism activity for the first time for any Article 6, paragraph 4, activity.

Option 2: no later than when A6.4ERs are authorized for the purpose through which they will become ITMOs from an Article 6, paragraph 4, activity or where practical (in the view of the host Party) in conjunction with the next biennial transparency report due pursuant to decision 18/CMA.1 for the period of NDC implementation.]

[30alt A host Party participating in the Article 6.4 mechanism shall submit an initial report pursuant to paragraph 18 of the annex to decision 2/CMA.3 and paragraphs 26–27 of the annex to decision 3/CMA.3 no later than the time of the first authorization of A6.4ERs for the purpose through which they will become ITMOs or where practical (in the view of the host Party) in conjunction with the next biennial transparency report due, pursuant to decision 18/CMA.1 for the period of NDC implementation.]

31. Pursuant to paragraphs 40, 41 and 45 of the RMP, host Parties and other participating Parties shall provide to the Supervisory Body the information referred to in these paragraphs relating to the approval of specific activities by a host Party, authorization of specific activity participants by a host Party and authorization of activity participants by another participating Party, respectively, in accordance with the modalities to be specified by the Supervisory Body.

32. Pursuant to paragraph 42 of the RMP, the host Party shall provide to the Supervisory Body [a statement] 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 2/CMA.3], in accordance with the modalities to be specified by the Supervisory Body],

Option 1 {at registration}: prior to the registration of each activity in accordance with the modalities to be specified by the Supervisory Body applicable for the entire crediting period cycles of the activity.

Option 1.1: *no further text*

Option 1.2: unless the host Party issues a revised statement [at the time of renewal of the crediting period of the activity], which shall be applicable only for A6.4ERs issued after the revision.

Option 2 {at issuance}: after registration of the activity,

Option 2.1: and prior to each issuance of A6.4ERs for the activity in accordance with the modalities to be specified by the Supervisory Body.

Option 2.2: and prior to the first issuance of A6.4ERs for the activity in accordance with the modalities to be specified by the Supervisory Body, applicable for the entire crediting period cycles of the activity [unless the host Party issues a revised statement [at the time of renewal of the crediting period of the activity], which shall be applicable only for A6.4ERs issued after the revision].

Option 2_{bis} {prior to the first transfer}: and prior to the first transfer of the A6.4ERs

Option 3 {at any time}:

Option 3.1: at any time as per the host Party's [discretion][terms and provisions] and may be revised at any time, which shall be applicable only for A6.4ERs issued after the revision.

Option 3.2: at any time as per the host Party's agreements with the project participants or agreements with other participating Parties.

IV. Operation of the mechanism registry

A. Form and functions

33. Pursuant to paragraphs 64–65 of the RMP, the mechanism registry shall:

- (a) Take the form of a standardized electronic database and shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP;
- (b) Be consistent with the requirements for registries as contained in the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and further relevant decisions by the CMA;
- (c) Be hosted and maintained by the secretariat;
- (d) [Process and maintain data consistently;]
- (e) [Align its nomenclatures with the nomenclatures relevant to reporting of information on ITMOs as per decision 2/CMA.3, and any further relevant decisions of the CMA, as maintained on the centralized accounting and reporting platform referred to in paragraph 35 of the annex to decision 2/CMA.3.]

34. The mechanism registry shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP as units. Each unit shall be indivisible and transactions in the mechanism registry may only involve full units.

35. Each A6.4ER or CER tracked in the mechanism registry shall have a unique identifier assigned in accordance with the modalities to be developed by the Supervisory Body and consistently with the guidance adopted by the CMA for the international registry under cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (the international registry).

36. Each A6.4ER or CER shall be held in only one account in the mechanism registry at a time.

37. **Option 1:** The mechanism registry issues A6.4ERs in the pending account and transfers all authorized A6.4ERs to accounts in the international registry[or to accounts of other registries as per paragraph 29 of the annex to decision 2/CMA.3]. *{this option may not be consistent with paras 58 and 59 of the RMPs, as paras 58 and 59 mention first transfer to the account of the Adaptation Fund and the mandatory cancellation account for OMG in the mechanism registry, no matter if the ERs are authorized or non-authorized, whereas this option involves transfers to other than the prescribed accounts in the mechanism registry}*

Option 2: {No text}

38. Pursuant to paragraph 63 of the RMP, the mechanism registry shall have at the minimum the following account types, to be opened in accordance with requirements and procedures to be adopted by the Supervisory Body:

- (a) Pending account to which all A6.4ERs shall be issued;
- (b) Holding account, which may acquire A6.4ERs or CERs tracked in the mechanism registry;
- (c) Share of proceeds for adaptation account, which receives A6.4ERs in accordance with paragraph 58 of the RMP;

- (d) Account for mandatory cancellation of A6.4ERs[and CERs] for overall mitigation in global emissions (OMGE) in accordance with paragraph 59 of the RMP (mandatory cancellation for OMGE account);
- (e) Account for voluntary cancellation of A6.4ERs for overall mitigation in global emissions in accordance with paragraph 70 of the RMP (voluntary cancellation for OMGE account);
- (f) **Retirement account**
- (i) [of authorized A6.4ERs [for use towards NDC];]
- (ii) [of non-authorized A6.4ERs];]
- (iii) [of CERs for use towards first or first updated NDC;]
- (g) [Account for cancellation for international mitigation purposes of A6.4ERs authorized for use for other international mitigation purposes;]
- (h) [Account for voluntary cancellation for other purposes of A6.4ERs [and CERs] tracked in the mechanism registry;]
- (i) [Account for administrative cancellation of A6.4ERs and CERs tracked in the mechanism registry for corrective actions and other purposes, as necessary.]

39. Pursuant to paragraph 63 of the RMP, Parties and entities authorized by a participating Party as activity participants may request to open holding accounts in the mechanism registry in accordance with requirements and procedures to be adopted by the Supervisory Body. [The opening of such an account shall be approved by the participating Party that authorized participation]. Such holding accounts shall be associated with the Party that authorized participation.

40. Pursuant to paragraph 55 of the RMP, the mechanism registry shall allow account holders to see the authorization status and the first transfer status of A6.4ERs held in their holding accounts. The mechanism registry shall also allow account holders to see if a transaction is the first transfer in the transaction history of their accounts.

B. Transaction procedure

41. The mechanism registry shall perform issuance, forwarding, [transfer,] [authorization,] [cancellation, voluntary cancellation and retirement of A6.4ERs or, where applicable, of CERs transferred to the mechanism registry in accordance with paragraph 75 of the RMP, consistently with the guidance on the international registry [to be adopted by CMA 4 and any further relevant decisions by the CMA].

42. A transaction that meets the definition of first transfer pursuant to paragraph 2 of the annex to decision 2/CMA.3 shall be [labelled] [distinguished] as a first transfer in the mechanism registry. For A6.4ERs authorized to be used towards either NDC or OIMP, the first transfer [label shall be applied] [shall be distinguished] at the earlier point in time of the possible transactions that may constitute a first transfer, taking into account the definition of first transfer as specified by the host Party pursuant to paragraph 42 of the RMP and paragraphs 58–59 of the RMP. *{to be aligned with 6.2 text as applicable}*

43. Pursuant to paragraph 54 of the RMP, upon being instructed by the Supervisory Body, the mechanism registry administrator shall issue A6.4ERs into a pending account.

44. Pursuant to paragraph 55 of the RMP, the mechanism registry administrator shall, at the time of the issuance of A6.4ERs, assign their authorization status in accordance with the statement by the host Party provided to the Supervisory Body pursuant to paragraph 42 of the RMP. [In case the statement is not available at the time of issuance, the authorization status shall be assigned as non-authorized [until authorization is provided]].

Option 1 {Mechanism registry scope limited to holding only non-authorized A6.4ERs as per option 1 in para 37 above}

45. Pursuant to paragraph 58 of the RMP, the mechanism registry administrator shall immediately forward 5 per cent of issued non-authorized A6.4ERs to the share of proceeds for adaptation account held by the Adaptation Fund in the mechanism registry, and shall immediately transfer 5 per cent of issued authorized A6.4ERs to the share of proceeds for adaptation account held by the Adaptation Fund in the international registry *{Requires opening such account in the international registry}*.

46. Pursuant to paragraphs 59 and 69 of the RMP, the mechanism registry administrator shall immediately cancel a minimum of 2 per cent of issued non-authorized A6.4ERs to the mandatory cancellation for OMGE account of the mechanism registry and shall immediately transfer a minimum of 2 per cent of issued authorized A6.4ERs to the account for mandatory cancellation of authorized A6.4ERs for OMGE in the international registry. *{Requires opening such account in the international registry}*.

47. Pursuant to paragraphs 58–59 of the RMP, the transactions in paragraphs 45–46 above shall be [labelled][distinguished] as first transfers[, subject to the provision of the authorization statement by the host Party pursuant to paragraph 42 of the RMP].

48. The remaining authorized A6.4ERs shall be immediately transferred to the international registry into holding accounts [of activity participants and participating Parties] and/or relevant cancellation accounts, in accordance with the instructions of the activity participants. The transfer shall be [labelled][distinguished] as a first transfer in accordance with the specification for first transfer in the statement by the host Party, as applicable.

49. Pursuant to paragraph 60 of the RMP, the mechanism registry administrator shall forward [of activity participants and participating Parties], or effect cancellation or voluntary cancellation of, the remaining non-authorized A6.4ERs in accordance with the instructions of the activity participants, in compliance with any further modalities that may be adopted by the CMA and relevant requirements and procedures to be adopted by the Supervisory Body.

{End option 1}

Option 2 *{The mechanism registry tracks both authorized and non-authorized A6.4ERs}*

50. Pursuant to paragraph 58 of the RMP, the mechanism registry administrator shall [forward][transfer] 5 per cent of issued A6.4ERs in the pending account immediately to the share of proceeds for adaptation account held by the Adaptation Fund, and shall [label][distinguish] the [forwarding][transfer] as a first transfer[, subject to the provision of the authorization statement by the host Party pursuant to paragraph 42 of the RMP].

51. Pursuant to paragraphs 59 and 69 of the RMP, the mechanism registry administrator shall cancel a minimum of 2 per cent of issued A6.4ERs in the pending account immediately to the mandatory cancellation for OMGE account, and shall [label][distinguish] the cancellation as a first transfer[, subject to the provision of the authorization statement by the host Party pursuant to paragraph 42 of the RMP].

52. Pursuant to paragraph 60 of the RMP, the mechanism registry administrator shall

{Option 2.1 can be combined with any of options 2.2.1-2.2.2. Options 2.2.1-2.2.2 are mutually exclusive.}

Option 2.1 *{Forwarding/transferring is conditional to the authorization statement being provided}*: [Forward][Transfer], or effect cancellation or voluntary cancellation of, the remaining A6.4ERs, subject to the provision of the authorization statement by the host Party pursuant to paragraph 42 of the RMP.

Option 2.2 *{Definition of forwarding}*

Option 2.2.1 *{Forwarding defined as transfer to holding accounts associated with the host Party}*: Forward to accounts associated with the host Party, transfer to accounts associated with other participating Parties, or effect cancellation or voluntary cancellation of the remaining A6.4ERs

Option 2.2.2 *{Forwarding defined as transfer of non-authorized A6.4ERs to holding accounts}*: Forward, or effect cancellation or voluntary cancellation of, the remaining non-authorized A6.4ERs, or transfer or effect cancellation or voluntary cancellation of, the remaining authorized A6.4ERs

in accordance with the instructions of the activity participants.

53. The [forwarding,][transfer,] cancellation or voluntary cancellation of the remaining authorized A6.4ERs shall be [labelled][distinguished] as a first transfer in accordance with the specification in the statement by the host Party, as applicable.

54. [The forwarding of the remaining A6.4ERs shall be only to the holding accounts of activity participants and participating Parties involved.]

{End option 2}

55. [The [forwarding][transferring] of non-authorized A6.4ERs shall be only to an account associated with the host Party.]

56. Account holders may request transfer, cancellation or voluntary cancellation of A6.4ERs or CERs held in their holding accounts in accordance with relevant requirements and procedures to be adopted by the Supervisory Body.

57. Account holders may acquire A6.4ERs or CERs in the mechanism registry in their holding accounts in accordance with relevant requirements and procedures adopted by the Supervisory Body.

58. Each participating Party may request opening a retirement [towards NDC] account, as needed. A retirement towards NDC account may acquire A6.4ERs or CERs in the mechanism registry only from accounts associated with the participating Party for which the retirement account was opened.

59. A6.4ERs or CERs transferred to any cancellation account or retirement account shall not be further transferred.

{The following paragraph may be needed if the option in paragraph 32 above, where the host Party may revise the statement of authorization on the use of A6.4ERs that also applies retroactively to already issued A6.4ERs is chosen}

60. If the host Party provides a revised statement on the authorization referred to in paragraph 42 of the RMP that changes the authorization status of already issued A6.4ERs, the mechanism registry administrator shall update the authorization status of A6.4ERs accordingly[.]

Option 1: and shall propagate the information on the change of status to any other connected registry that has acquired and holds authorized A6.4ERs to update their authorization status as applicable.

Option 2: *No further text if no interoperability.*

{The following paragraph may be needed if option 1 in paragraph 37 above is adopted and the mechanism registry holds only unauthorized A6.4ERs}

61. If the host Party provides a revised statement on the authorization referred to in paragraph 42 of the RMP that results in the authorization of previously non-authorized A6.4ERs, the affected A6.4ERs shall be transferred immediately to [the relevant account][the account of the same account holder opened in the international registry].*{assumes that the account is opened as a preliminary step}*

C. Information

62. The mechanism registry shall enable, for each participating Party, the automatic [prefilling of the agreed electronic format and of other quantitative information requirements pursuant to chapter IV (Reporting) of the annex to decision 2/CMA.3 in relation to authorized A6.4ERs][creation of records of ITMOs in the accounts of the international registry so as to enable tracking pursuant to chapter VI.A (Tracking) of the annex to decision 2/CMA.3].

63. The mechanism registry shall enable the production and dissemination of reports to the DNAs of Parties participating in the Article 6.4 mechanism on the holdings and transaction history in relation to accounts and transactions associated with the respective Party.

64. The mechanism registry shall make the appropriate data sets available to the Article 6 database referred to in paragraph 32 of the annex to decision 2/CMA.3 to assist with the consistency check as per paragraph 33(a) of the same annex.

65. The mechanism registry shall make non-confidential information publicly available and provide a publicly accessible interface through the Internet.

D. Interoperability

{ Option 1 includes option 2. Option 3 may be combined with either option 1 or 2 }

66. Consistency between the mechanism registry and the international registry shall be maintained through point-to-point means and/or via implementation of the two registries using one internally consistent database.

Option 1 {Connection to the international registry supporting multiple tracking methods}

67. Pursuant to paragraph 63 of the RMP, the connection to the international registry shall be unidirectional from the mechanism registry to the international registry [and shall enable the transfer of authorized A6.4ERs].

68. Furthermore, information on authorized A6.4ER holdings in, and the transaction history of, the mechanism registry shall be made available to the international registry through a method for automated pulling and viewing of data. The exposure of data to account holders in the international registry shall be subject to relevant provisions of the international registry procedure.

69. The mechanism registry shall make available a method for automated pulling and viewing of data on all unit holdings by, and the transaction history of, participating Party accounts opened in the mechanism registry to the participating Party registries pursuant to paragraph 29 of the annex to decision 2/CMA.3.

Option 2 {Connection to the international registry limited to viewing information}

70. Information on authorized A6.4ER holdings in, and the transaction history of, the mechanism registry shall be made available to the international registry through a method for automated pulling and viewing of data. The exposure of data to account holders in the international registry shall be subject to relevant provisions of the international registry procedure.

Option 3 {Connection to registries pursuant to paragraph 29, annex, decision 2/CMA.3}

71. The mechanism registry shall be connected to the transaction log service of the international registry [in accordance with future CMA decisions]. Participating Party registries pursuant to paragraph 29 of the annex to decision 2/CMA.3 may connect to the mechanism registry through the transaction log service of the international registry in accordance with the requirements for connecting registry systems to the transaction log service of the international registry.

V. Processes necessary for implementing 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

A. Share of proceeds for administrative expenses

72. The share of proceeds to cover administrative expenses shall comprise:

(a) A fee charged for a request for registration of an activity under the Article 6.4 mechanism (the registration fee);

(b) [A fee charged for inclusion of component project activities in a registered PoA (inclusion fee);]

(c) A fee charged for a request for issuance of A6.4ERs for a registered Article 6.4 mechanism activity (the issuance fee);

(d) A fee charged for a request for renewal of crediting period or PoA period for a registered Article 6.4 mechanism activity (the renewal fee);

(e) A fee charged for a request for approval of post-registration change for a registered Article 6.4 mechanism activity (the post-registration change fee).

73. The registration fee shall be multi-tiered fixed rates for stand-alone activities, tiered by the estimated annual average emission reductions or removals over the first crediting period, if it is renewable, or the entire crediting period, if it is fixed, and a fixed rate for PoAs set at the following levels, and shall be deemed to be fully consumed for processing the request:

[Placeholder of level to be recommended by the Supervisory Body]

74. The issuance fee shall be a proportional levy to the amount of A6.4ERs requested for issuance, set at *[placeholder for the level to be recommended by the Supervisory Body]*.

75. The renewal fee shall be at the same level as the registration fee applicable to the activity based on its scale of emission reductions or removals.

76. The post-registration change fee shall be a fixed rate, set at *[placeholder for the level to be recommended by the Supervisory Body]*. If the proposed change increases the scale of the activity to bring the scale to a higher tier of the fee structure, the difference from the paid registration fee shall be payable in addition to the fixed-rate post-registration change fee.

77. All the fees referred to in paragraph 61 above shall be paid at the submission of the respective requests. The initiation of processing a request shall be subject to the payment of the fee.

78. All the fees referred to in paragraph 61 above shall be waived for activities in the least developed countries and small island developing States.

79. The Supervisory Body may adjust and implement the fee structure and levels within the boundary to be set by the CMA, on the basis of the guiding principles of balancing the income and the expenditure, enabling long-term sound operation of the Article 6.4 mechanism, being fair to activity participants, ensuring administrative efficiency, and providing predictability to activity participants and the Supervisory Body.

B. Share of proceeds for adaptation

80. The Adaptation Fund Board and its support structure shall develop and implement a strategy on monetization of A6.4ERs in the account held by the Adaptation Fund in the mechanism registry, and inform the state of monetization annually to the CMA.

81. Pursuant to paragraph 67(b) of the RMP, the secretariat shall transfer the monetary contributions from individual Article 6.4 mechanism activities as set by the Supervisory Body to the Adaptation Fund annually.

82. Pursuant to paragraph 67(c) of the RMP, the Supervisory Body shall review annually the state of the remaining funds as a result of the income from the fees referred to in paragraph 61 above and the expenditure for operating the Article 6.4 mechanism, decide the timing and the amount of funds to be transferred to the Adaptation Fund after setting aside the operational reserve for at least [five] [three] years based on the projection of surplus of funds, implement the transfer accordingly and report to the CMA on the state of the transfer annually.

VI. Processes necessary for delivering overall mitigation in global emissions

A. **[Mandatory cancellations]**

83. [Mandatory cancellations of A6.4ERs for the delivery of OMGE referred to in paragraph 69 of the RMP shall also apply to A6.4ERs that are not authorized in accordance with paragraph 42 of the RMP.]

84. [[Mandatory] cancellations for OMGE shall [also] apply to CERs at the time of their transfer to the mechanism registry pursuant to paragraph 75 of the RMP.]

85. Pursuant to paragraph 69(a), activity participants may request [mandatory] cancellations for OMGE of more than 2 per cent of issued A6.4ERs as part of their activity documentation by indicating such increase in their request for issuance of A6.4ERs in accordance with procedures to be developed by the Supervisory Body.

B. **[Voluntary cancellations]**

86.

[Pursuant to paragraph 70 of the RMP, Parties, activity participants and stakeholders may request voluntary cancellation of A6.4ERs in the mechanism registry for the purpose of delivering further OMGE that have been correspondingly adjusted in accordance with chapter III.B of the annex to decision 2/CMA.3, in accordance with procedure to be developed by the Supervisory Body.]

87. [Voluntary cancellations for OMGE may also be requested for A6.4ERs that are not authorized in accordance with paragraph 42 of the RMP [and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP].

C. **[Reporting]**

88. Public availability of information pertaining to mandatory and voluntary cancellations for OMGE, linkages and information exchange with the Article 6 database referred to in the annex to decision 2/CMA.3 and the mechanism registry shall be in accordance with the modalities for the Article 6 database and the mechanism registry, respectively.

89. The Supervisory Body shall provide, in its annual reports to the CMA, information on aggregated amounts that were cancelled for OMGE together with any relevant qualitative information, distinguishing between mandatory and voluntary cancellations for OMGE.]

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