

A6.4-SBM016-AA-A17

Information note

Compilation of stakeholder inputs received on issues of ownership or control and security interests in the mechanism registry

Version 01.0



United Nations
Framework Convention on
Climate Change

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), through decision 3/CMA.3, adopted the rules, modalities and procedures (RMPs)¹ for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism), as contained in the annex to the decision. The decision requested the Supervisory Body of the Article 6.4 mechanism (SBM) to develop provisions for various processes necessary to operate the mechanism, including the mechanism registry (Registry). Requirements of the Registry are provided throughout the RMPs, including, but not limited to, in sections V.H, V.J, V.K, VI, VII and XI.B.²
2. The CMA, through decision 7/CMA.4, annex I, further elaborated the requirements of the Registry, including, but not limited to, in its sections II.A, II.B, IV and VI.³ The CMA, through decision 6/CMA.6, provided further guidance on the Registry, including in relation to authorization, interoperability and availability.⁴
3. The SBM, at its eleventh meeting, considered the “Draft procedure: Article 6.4 mechanism registry” and requested the secretariat to evaluate and incorporate a number of elements into the procedure; provide information on elements of the terms and conditions for users for consideration at the thirteenth session of the SBM; and prepare an information note on the legal, technical and financial implications of providing functionality for the treatment of financial security interests in Article 6.4 emission reductions (A6.4ERs) within the Registry for consideration by the SBM at a future meeting. The SBM also agreed to launch a call for public inputs on this matter after its eleventh meeting and requested the secretariat take these inputs into account when preparing the note.
4. The SBM, at its thirteenth meeting, considered the draft procedure and the “Terms and conditions for entities using the mechanism registry” and requested the secretariat to further develop the draft procedure for consideration at a future meeting, taking into account the guidance provided at the meeting. This guidance included the further development of the draft procedure in relation to issues of ownership or control and security interests. Relatedly, at its thirteenth meeting, the SBM further requested an analysis of the pros and cons related to framing users’ rights with regard to control versus confirming ownership of account holdings, including implications for processes and procedures, corporate due diligence and execution risk requirements, and liability protections for account holders.

¹ Decision 3/CMA.3 “Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement”. Annex. Available at: https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf#page=25

² Ibid.

³ Decision 7/CMA.4 “Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement”. Annex I. Available at: https://unfccc.int/sites/default/files/resource/cma2023_10a02E.pdf#page=37

⁴ Decision 6/CMA.6 “Further guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement”. Section III (Authorization of Article 6, paragraph 4, emission reductions). Available at: https://unfccc.int/sites/default/files/resource/cma2024_17a01_adv.pdf (Advance version in English language only).

5. The SBM, at its fifteenth meeting, adopted the “Procedure: Article 6.4 mechanism registry”⁵ and considered the information notes “Analysis of the pros and cons related to framing users’ rights with regard to control versus confirming ownership of account holdings”⁶ (Ownership information note) and “Legal, technical and financial implications of providing functionality for the treatment of financial security interests in A6.4ERs within the mechanism registry”⁷ (Security interest information note). The SBM requested the secretariat to launch a call for stakeholder input on both aforementioned information notes, including on the possibility of providing a functionality for security interest arrangements in the Registry through a pledge system, as explored in the latter information note, and present a compilation of the inputs received to the SBM at a future meeting.
6. The secretariat launched the call for inputs referred to in paragraph 5 above from 20 February through 7 April 2025.^{8,9}

2. Purpose

7. This information note has been prepared to provide the SBM with a summary of the inputs received in response to the call for inputs on the information notes as discussed in paragraph 5 above. As a summary, this information note could not comprehensively cover all inputs received by submitters. The secretariat recommends that the SBM review the inputs directly and use this information note to assist with its consideration of the matters.

3. Call for inputs on the Ownership information note

8. The SBM received eight inputs in response to the call for inputs on the Ownership information note. These inputs are available on the UNFCCC calls for input webpage.¹⁰ The table below provides the persons and organizations that submitted input.

Table 1. Inputs on ownership

Submitter	Date of submission
Rahul Goela	1 March 2025
Institute for Agriculture and Trade Policy	22 March 2025

⁵ A6.4-PROC-REGS-001. Available at: <https://unfccc.int/sites/default/files/resource/A6.4-PROC-REGS-001.pdf>

⁶ <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-AA-A11.pdf>

⁷ <https://unfccc.int/sites/default/files/resource/A64-SBM015-AA-A12.pdf>

⁸ Call for input 2025: Ownership of account holdings in the A6.4 mechanism registry. Available at: <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/a64-calls-for-input/call-for-input-2025-ownership-of-account-holdings-in-the-a64-mechanism-registry>

⁹ Call for input 2025: Provision of a functionality for security interest arrangements in the mechanism registry through a pledge system. Available at: <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/a64-calls-for-input/call-for-input-2025-provision-of-a-functionality-for-security-interest-arrangements-in-the-mechanism>

¹⁰ See footnote 8.

Submitter	Date of submission
Mungroo Z. B. A., Tupsee R. S. and Pierre J. D.	4 April 2025
Tupsee R. S., Mungroo Z. B. A. and Pierre J. D.	4 April 2025
Pierre J. D., Tupsee R. S. and Mungroo Z. B. A.	7 April 2025
World Bank	7 April 2025
International Emissions Trading Association (IETA)	7 April 2025
S&P Global Limited	7 April 2025

9. Views diverged with respect to whether and how the Registry should address ownership and how to navigate complexities of applicable law and enforcement. Submitters were divided on whether a recognition, or “presumption” of ownership would be practically feasible and valuable to bolster investment in the Article 6.4 mechanism market (including to enable effective security interests), and whether a recognition of ownership requires the Registry to determine itself subject to an applicable law.
10. Where submitters encouraged an acknowledgement of ownership, they diverged on whether and the extent to which the mechanism should provide a comprehensive legal framework to support international consistency of legal treatment of A6.4ERs and enforcement of proprietary rights, or whether this can, or should, be delegated to Parties.
11. Some submitters which encouraged the Registry to provide the supporting legal framework suggested that the Registry determine A6.4ERs as financial assets and provide comprehensive due diligence requirements around the market, with the Registry providing evidence of title; designating an applicable law for resolving all Registry-related disputes and governing user agreements; and requiring Parties to be subject to the legal framework and waive their sovereign immunities in certain situations.
12. Others encouraged an ownership-based system with more reliance on Parties for the supporting legal framework. To varying extents, submitters suggested relying on or requiring Parties to implement the legal and regulatory framework to support proper functioning of an ownership-based system — for example: making Parties responsible for aligning their own regulatory frameworks to global financial reporting standards and financial asset management with respect to A6.4ERs in the Registry; recognizing ownership/proprietary interests in the Registry; and providing clarity on transfers and enforcement of proprietary rights. These submitters, each to various extents, seem to propose that the Registry’s role should be creating a presumption of ownership in the Registry; facilitating ownership checks between account holders/Parties; creating account functions for custodians where security interests are facilitated; and developing dispute resolution processes which would include designating a jurisdiction as the applicable law for the Registry.
13. In contrast, other submitters encouraged the SBM to proceed with the development of the Registry framing users’ rights with regard to control. In this encouragement, many raised the complexities of developing a robust ownership-based systems, and conversely, the importance of ensuring operational efficiency and avoiding legal liabilities for the secretariat. Some of these submitters suggested that the Registry also avoid the complications and complexities of designating A6.4ERs as financial assets and noted that the International Institute for the Unification of Private Law (UNIDROIT) is currently

addressing this matter¹¹. In their endorsement of a control-based Registry, many submitters highlighted the importance of robust anti-money laundering and counter-terrorist financing processes to ensure that the Registry operation does not undermine the progress made by the mechanism in regard to the integrity of activities.

4. Call for inputs on the Security interest information note

14. The Supervisory Body received nine inputs in response to the call for inputs on the Security interest information note. These inputs are available on the UNFCCC stakeholder input webpage.¹² The table below provides the persons and organizations that submitted input.

Table 2. Inputs on security interest

Submitter	Date of submission
Rahul Goela	1 March 2025
Institute for Agriculture and Trade Policy	22 March 2025
Mungroo Z. B. A., Tupsee R. S. and Pierre J. D.	6 April 2025
Tupsee R. S., Mungroo Z. B. A. and Pierre J. D.	6 April 2025
Pierre J. D., Tupsee R. S. and Mungroo Z. B. A.	6 April 2025
World Bank	7 April 2025
IETA	7 April 2025
S&P Global Limited	7 April 2025
Shawn HE	7 April 2025

15. Across the inputs, the Supervisory Body received a range of diverse perspectives on the topic of whether and how the Registry should facilitate security interests. The majority of submitters were broadly supportive of the Registry facilitating security interests in some form, with many raising how transformational a well-designed system for this could be to reduce high finance costs and transaction complexities which disproportionately affect smaller-scale developers in developing countries; and to increase market participation with A6.4ERs mainstreaming as a stable and scalable investment.
16. Where submitters differed in their perspectives, was in respect of how the technical design of the Registry should facilitate security interests, whether addressing ownership is critical to such a system, and the intersection with issues of applicable law and enforcement, as discussed above in respect of the Ownership information note. Some submitters suggested that without a recognition of ownership, the system would provide no additional certainty to investors and recommended that the SBM not proceed with the development of such a system. Others suggested that security interests could be effectively implemented in respect of A6.4ERs in a control-based system.

¹¹ Study LXXXVI – Legal Nature of Verified Carbon Credits', International Institute for the Unification of Private Law. Available at: <https://www.unidroit.org/work-in-progress/verified-carbon-credits/#:~:text=The%20main%20objective%20of%20the,play%20a%20central%20role%20in>

¹² See footnote 9.

17. Few submitters specifically addressed or commented on the system of security interest facilitation proposed by the secretariat in the Security interest information note, with various submitters suggesting alternative systems. Some submitters proposed similar systems operating sub-account systems whereby accounts or units within could be designated to a security holder and immobilized unless their permission was granted. Many features of these systems are analogous to that proposed by the secretariat, with security holders protected similarly, transparency of interests in the Registry, and importantly, the Registries policies related to money-laundering and terrorist financing applying to security holders equally as other account holders.
18. Some submitters that directly addressed the system of security interest facilitation proposed by the secretariat emphasized the importance of enabling the enforcement or realization of security interests in the Registry without delay. Where the secretariat had proposed that both Parties to a security interest would need to mutually agree to enforce the interest and transfer the secured holdings entirely to the interest holder, submitters implied that the security holder should be able to enforce the interest without mutual agreement from the account holder. Some submitters also provided details on the technical capabilities they suggested would be necessary for effectively implementing the security interest system, such as ensuring that the pledge details were publicly available data fields for users, and that the Registry operated role-based access controls, as well as automated rules to maintain compliance. These suggestions align with the technical capabilities envisaged by the secretariat for operating the security interest system.

5. Recommendations to the Supervisory Body

19. The secretariat recommends that the SBM take note of the inputs received on the Ownership information note and the Security interest information note and proceed with further consideration of facilitating security interests in the Registry.

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Document information

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