

A6.4-SBM020-AA-A07

Concept note

Registry processes for suspension, termination and reactivation of accounts

Version 01.0



United Nations
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TABLE OF CONTENTS**Page**

1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	3
3. KEY ISSUES AND PROPOSED SOLUTIONS – TERMINATION OF ACCOUNTS	3
3.1. Account status updates enabling the suspension, reactivation and termination of accounts	4
3.2. Circumstances for the suspension of accounts	4
3.3. Circumstances for termination of accounts.....	5
3.4. Processes for implementing termination.....	6
3.4.1. Addressing A6.4ERs and/or CERs held in cancellation accounts determined for cancellation	7
3.4.2. Addressing A6.4ERs and/or CERs held in holding accounts determined for cancellation.....	7
4. IMPACTS.....	8
5. SUBSEQUENT WORK AND TIMELINES.....	8
6. RECOMMENDATIONS TO THE SUPERVISORY BODY.....	8

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.3,¹ adopted the rules, modalities and procedures (RMPs) for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (the Article 6.4 mechanism), as contained in the annex to the decision. The decision requested the Supervisory Body of the Article 6.4 mechanism to develop provisions for various processes necessary to operate the mechanism, including the registry for the mechanism (hereinafter referred to as the mechanism registry). Requirements of the mechanism registry are provided throughout the RMPs, including, but not limited to, in chapters V.H, V.J, V.K, VI, VIII and XI.B.²
2. At its fifteenth meeting (SBM 015), the Supervisory Body adopted the “Procedure: Article 6.4 mechanism registry” (registry procedure).³ At SBM 017, the Supervisory Body made an amendment to paragraph 29 of the registry procedure regarding the process for approving entities. The Supervisory Body requested the secretariat to communicate with designated national authorities of this amendment and invited them to express any concerns, for which none were received.
3. At SBM 018, the Supervisory Body considered a draft revised version of the registry procedure and agreed to continue its consideration at a future meeting. The Supervisory Body further requested the secretariat to prepare two concept notes, one on matters related to addressing termination of accounts including dormant accounts and post-issuance authorization, and one on the functioning of the United Nations online platform for voluntary cancellation of certified emission reductions (CERs) to serve the Article 6.4 mechanism, for consideration at SBM 020.

2. Purpose

4. This concept note provides information to the Supervisory Body on matters related to addressing suspension, reactivation, and termination of accounts with a view to informing a future update to the registry procedure.

3. Key issues and proposed solutions – termination of accounts

5. Processes for the suspension, reactivation, and termination of accounts are standard practice of carbon market registries. Often these processes are managed through account statuses, whereby the accounts remain in the registry even when terminated, but with a status which affects how account holders can interact with the account. For example, the European Union Emissions Trading System (EU ETS) registry provides that accounts shall be in one of the following statuses: “open”, “blocked”, “closure” and for particular

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

² Ibid., paragraph 5.

³ See SBM015 report , Annex 12 <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A12.pdf>

years accounts may also have the status “excluded”.⁴ Except for in certain circumstances for blocked accounts, no processes may be initiated from blocked, closure pending, or closed accounts. This approach of managing accounts through statuses, rather than removing account data in instances of suspension or termination, is useful for record keeping purposes. The secretariat proposes that apply the same approach be applied in the mechanism registry.

6. The registry procedure currently provides for the suspension, reactivation and termination of accounts in section 4.5. These provisions are high level, providing for circumstances when accounts may be determined suspended, reactivated, and terminated, and that instructions must be provided for the transfer of any affected A6.4ERs. No definitions of suspension, reactivation or termination are provided. In the cover note to version 01.0 of registry procedure, considered by the Supervisory Body at SBM018, it was noted that provisions on suspension, reactivation and termination of accounts would need further updating.
7. The secretariat recommends updating the registry procedure to clarify these provisions by defining the account statuses of “active” “suspended” and “terminated”; revising the circumstances for suspension and termination, including introducing suspension and termination of Party accounts as a distinct category; and providing instructions on how any A6.4ERs held in accounts determined for termination shall be addressed.

3.1. Account status updates enabling the suspension, reactivation and termination of accounts

8. As in paragraph 6 above, the secretariat recommends updating the registry procedure to establish different account statuses and define each of those statuses as follows:
 - (a) When an account is active, transactions may be initiated and received with respect to the account in accordance with the registry procedure;
 - (b) When an account is suspended, no transactions may be initiated or received by the account, except transfers undertaken by the registry administrator for the purpose of terminating the account, or for administrative cancellation. Suspended accounts may be returned to active status in accordance with the procedure;
 - (c) When an account is terminated, no transactions may be initiated or received by the account. Accounts that have been terminated may not be reactivated.

3.2. Circumstances for the suspension of accounts

9. The registry procedure currently provides that the registry administrator shall suspend an account in the mechanism registry if:
 - (a) It finds irregularity in the operation or use of the registry which reasonably requires the account to be suspended;

⁴ Article 9, paragraph 1. “Consolidated text: Commission Delegated Regulation (EU) 2019/1122 as of 12 March 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council as regards the functioning of the Union Registry (Text with EEA relevance). Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02019R1122-20250626>.

- (b) The account holder has breached, or is reasonably expected to have breached, any applicable terms and conditions for entity account holders and determines that suspension of the account is appropriate;
- (c) The account holder's authorizing Party requests the registry administrator to suspend the account.⁵

10. These provisions do not: distinguish between Party accounts and entity accounts; do they provide the ability for the registry administrator to suspend an account due to exceptional circumstances, such as the United Nations ceasing relations with a government; provide for the suspension of an account pending a termination; or provide for the suspension of an account upon request of the account holder. To ensure that the registry procedure provides for suspension of accounts comprehensively, and distinguishes between Party accounts and entity accounts to provide enhanced clarity, the secretariat recommends the following updates:

11. The registry administrator shall suspend an entity account in the mechanism registry if:

- (a) An irregularity is found in the operation or use of the registry which reasonably requires the account to be suspended;
- (b) The entity has breached, or is reasonably expected to have breached, any applicable terms and conditions and thus suspension of the account is appropriate;
- (c) In exceptional circumstances, if there is reasonable basis to do so;
- (d) The account is pending termination;
- (e) The entity requests the suspension of the account;
- (f) An entity's authorizing Party requests the registry administrator to suspend the account.

12. The registry administrator shall suspend a Party account in the mechanism registry if:

- (g) An irregularity is found in the operation or use of the registry which reasonably requires the account to be suspended;
- (h) In exceptional circumstances, if there is reasonable basis to do so;
- (i) The Party requests the suspension of the account.

3.3. Circumstances for termination of accounts

13. The registry procedure currently provides that the registry administrator shall terminate an account in the mechanism registry if:

- (a) The account holder has breached, or is reasonably suspected to have breached, the terms and conditions for entity account holders and determines that termination of the account is appropriate;
- (b) The account holder's authorizing Party requests the registry administrator to terminate the account.

⁵ Section 4.5, "Procedure: Article 6.4 Mechanism Registry", available at: <https://unfccc.int/sites/default/files/resource/A6.4-PROC-REGS-001.pdf>

14. These provisions do not: distinguish between Party accounts and entity accounts; provide the ability for the registry administrator to terminate an account due to exceptional circumstances, such as the United Nations ceasing relations with a government (as above in relation to suspension); or provide for the termination of an account upon request of the account holder. The latter aligns to standard practice of registries and banks. For example, in the Verra registry, termination can be initiated by the account holder by notifying the Verra Registry Administrator.⁶ To ensure that the registry procedure provides for termination of accounts comprehensively and distinguishes between Party accounts and entity accounts to provide enhanced clarity, the secretariat recommends the following updates:

- (a) For entity accounts:
 - (i) If the account holder has breached, or is reasonably suspected to have breached, the terms and conditions for entity account holders and thus termination of the account is appropriate;
 - (ii) In exceptional circumstances where there is reasonable basis to do so;
 - (iii) If the account holder's authorizing Party requests the registry administrator to terminate the account;
 - (iv) If the account holder requests to terminate the account.
- (b) For Party accounts:
 - (i) In exceptional circumstances where there is reasonable basis to do so;
 - (ii) When the Party requests the termination of the account(s).

3.4. Processes for implementing termination

15. For entity accounts, with respect to circumstances under paragraph 14 (a) and (b), termination would be initiated by the registry administrator where there is reasonable justification. Notably, (a) encompasses the ability to terminate accounts on the basis of non-payment of fees, noting that the registry procedure currently provides the ability for the registry administrator to suspend an account on the basis of a breach or a suspected breach of any applicable terms and conditions, and that such suspension would be implemented prior to any termination and notice provided to the account holders, with reasonable opportunity to remedy. With respect to circumstances on paragraph 14 (c) and (d), this may be requested by the entity's authorizing Party or the entity, as applicable, via the registry interface.

16. For Party accounts, the secretariat recommends that circumstance as per paragraph 15 (a) be initiated by the registry administrator, and the Party be notified accordingly. Circumstance under paragraph 15 (b) be initiated by the Party on the registry interface. Upon receipt of the request for termination from a Party, the registry administrator would notify the Party of receipt of the termination request and initiate the termination process as below.

⁶ Section 2.1 “Introduction”, Verra Registry User Guide. Available at: <https://verra.org/wp-content/uploads/Verra-Registry-User-Guide.pdf>

17. When an account is terminated, the registry procedure currently provides that if it still contains A6.4ERs and/or CERs, the registry administrator shall arrange for the transfer of the A6.4ERs and/or CERs in accordance with instructions provided by the account holder when opening the account or while the account was active.
18. The secretariat recommends that these provisions be updated to provide additional information on the process for implementing termination, noting that no transactions may be implemented with respect to terminated accounts and that therefore any transfer of A6.4ERs held need to be undertaken prior to termination, and instructions may not have been provided by the account holder in respect of the pending termination.
19. Accordingly, for both Party and entity accounts, the secretariat recommends that the registry procedure provide that, upon receipt of a request for termination, the registry administrator shall notify the account holder and update the account status to "terminated". Where additional steps are required before termination (e.g., the transfer of A6.4ERs or CERs held), the account status shall instead be updated to "suspended" until those steps are completed. Once all required steps for termination are finalized, the account status shall be updated from "suspended" to "terminated" on the 10th of the month.

3.4.1. Addressing A6.4ERs and/or CERs held in cancellation accounts determined for cancellation

20. Where a Party has requested the termination of a cancellation account, the secretariat recommends that the registry procedure provides that any A6.4ERs or CERs shall remain in the account upon termination. This approach reflects that cancellation accounts are "end of life" accounts and that enabling any further transfer of A6.4ERs or CERs upon termination may result in double claiming or dilute transparency with respect to how those A6.4ERs or CERs have already been used. In accordance with the process recommended in paragraph 19 above, this means that cancellation accounts would have their status updated from "active" to "terminated", without any interim suspension.

3.4.2. Addressing A6.4ERs and/or CERs held in holding accounts determined for cancellation

21. Where a holding account is determined for cancellation, the secretariat recommends that the registry procedure be updated to provide the following process:
 - (a) The registry administrator shall update the status of the affected account to "suspended";
 - (b) In exceptional circumstances where there is justification to do so, the registry administrator may transfer any A6.4ERs and/or CERs in the account to the account for administrative cancellation; or
 - (c) The registry administrator shall seek instruction from the account holder on a destination account for any A6.4ERs or CERs held in the account;
 - (d) Where (c) applies, if no instructions are received from the account holder within 14 calendar days, any A6.4ERs or CERs held in the account shall be transferred to the account for cancellation;
 - (e) Once all A6.4ERs and CERs have been transferred from the affected account, the status of the account shall be updated to "terminated".

22. The Supervisory Body should note that the next update of the registry procedure, to be considered by the Supervisory Body at a future SBM meeting, will propose that transfers to the administrative cancellation account shall not be affected as a first transfer under any circumstances. This provision will prevent the respective host Party from undertaking a first transfer (where it had not already occurred, i.e., on authorization) for authorized A6.4ERs which are being cancelled administratively. This planned update would mean that there would be no change to the first transfer status of any authorized A6.4ERs transferred to the administrative cancellation account due to the termination of a holding account.

4. Impacts

23. The update of the registry procedure regarding termination, impacts all registry users. These provisions are intended to provide enhanced certainty to users of the registry, thereby contributing to the readiness of the mechanism registry.

5. Subsequent work and timelines

24. As requested by the Supervisory Body at SBM018, the secretariat will prepare a concept note on post-issuance authorization, including a more coherent set of changes, for consideration at SBM 021. Furthermore, subject to a mandate from the Supervisory Body, the secretariat will prepare a draft revision of the registry procedure, for consideration by the Supervisory Body at a future meeting.

6. Recommendations to the Supervisory Body

25. The secretariat recommends that the Supervisory Body request the secretariat to update the registry procedure pursuant to the recommendations in this concept note and present the draft procedure for consideration by the Supervisory Body at SBM 023.

Document information

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