ARTICLE 6.4 MECHANISM

A6.4-STAN-METH-003

Standard

Demonstration of additionality in mechanism methodologies

Version 01.2

United Nations
Framework Convention on
Climate Change

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1. Introduction

1.1. Scope

1. This standard sets out the requirements for mechanism methodologies with regard to demonstrating additionality. It will be applied by proponents of mechanism methodologies in developing methodologies and by the UNFCCC Secretariat, the Methodological Expert Panel (MEP) and the Supervisory Body in assessing and considering mechanism methodologies for approval. The standard is not intended for the preparation of project design documents (PDDs) or monitoring reports.

2. Requirements relating to demonstrating the consideration of the benefits from the Article 6.4 mechanism as necessary in the decision to implement the activity are not addressed in this standard. They are addressed in the "Standard: Article 6.4 activity standard for projects", the Standard: Article 6.4 activity standard for programmes of activities", the "Procedure: Article 6.4 activity cycle procedure for projects", and the "Procedure: Article 6.4 activity cycle procedure for programmes of activities".

1.2. Entry into force

3. The date of entry into force is the date of the publication of the SBM 015 meeting report on 14 February 2025.

2. Definitions

4. The following definitions shall apply:

   (a) **Activity participant**: a public or private entity that participates in an Article 6.4 project;

   (b) **Additionality**: An Article 6.4 activity is additional if:

      (i) It represents mitigation that exceeds any mitigation that is required by law or regulation (see section 5.1 below).

      (ii) It avoids locking in levels of emissions, technologies or carbon intensive practices that are incompatible with paragraph 33 of the rules, modalities and procedures of the Article 6.4 mechanism for the mechanism (see section 6.2 below); and

      (iii) It would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation (see section 6.3 below).

   (c) **Legal requirements**: Laws, statutes, regulations, court orders, decrees, consent agreements[1], executive orders, permitting conditions or any other legally binding mandates.

[1] For example, agreements between parties, such as between a private sector entity and a government, to take an action in exchange for avoiding court action.

3. Applicability

5. This version of the standard is applicable to proposed mechanism methodologies for activities undertaken at the project level. The standard may be amended in the future to also cover methodologies addressing mitigation actions at other scales (e.g. programmes of activities, policies, sectoral approaches, etc).

6. The standard applies to mechanism methodologies related to both emission reductions and net removals.

7. The standard applies to mechanism methodologies and methodological tools. For simplicity, only the term mechanism methodology is used in this standard.

4. General principles and requirements

4.1. Principles

8. The following principles shall be applied in demonstrating additionality to ensure that information provided is a true and fair account. These principles shall be the basis for and guide the development of mechanism methodologies:

   (a) **Relevance**: Data, parameters, assumptions, and methods used for the demonstration of additionality shall not be misleading and only verifiable data and parameters that may have an impact on the outcome of assessment of additionality shall be included;

   (b) **Completeness**: All relevant information to support the assessment of additionality shall be provided;

   (c) **Consistency**: The application of methods ensures consistent results across similar circumstances;

   (d) **Accuracy**: Bias and uncertainties in both quantitative and non-quantitative information shall be reduced as far as is practical;

   (e) **Transparency**: Sufficient and appropriate information shall be disclosed to allow intended users to make decisions with reasonable confidence. Transparency relates to clearly stating all data, parameters, assumptions and methods applied; referencing background material; stating documentation changes and stating and justifying all data, parameters, methods and assumptions made such that the outcomes can be reproduced;

   (f) **Conservativeness**: In the context of demonstrating additionality, a methodological approach is conservative if the data, parameters, assumptions and methods chosen are more likely to lead to conservativeness.

4.2. General requirements

9. Mechanism methodologies shall specify the approach to demonstrating the additionality of an Article 6.4 activity. The approach shall ensure that an Article 6.4 activity would not be implemented without the incentives from the mechanism and that the incentives from the mechanism enable the implementation of the activity.

10. Mechanism methodologies may either use separate approaches to demonstrate additionality and determine the baseline scenario or use a combined approach that both

demonstrates additionality and determine the baseline scenario. Where a combined approach is used, both this standard and the standard "Setting the baseline in mechanism methodologies" shall apply.

11. Mechanism methodologies shall ensure conservativeness in the demonstration of additionality. This shall apply to all data, parameters, assumptions, and methods used in the analysis (e.g. operating expenditure used in conducting an investment analysis or data on the market penetration of a technology). The degree of conservativeness shall be based on the level of uncertainty (e.g. in a sensitivity analysis of the investment analysis the selection of the parameters to be varied and the magnitude of variation shall be informed by uncertainty). All sources of uncertainty shall be considered, including uncertainty in data, parameters, assumptions, and methods.

12. Mechanism methodologies shall ensure that the provisions to demonstrate additionality consider all national or sub-national policies that are applicable to the relevant Article 6.4 activity and its alternatives. This shall include legal requirements, subsidies, taxes, fees and relevant other incentives. This shall also include any specific national or sub-national targets for the sector or the type of activity, as long as these are supported by policy frameworks for implementation, but not general goals that are not specific to the sector or type of activity.

13. Mechanism methodologies shall ensure that additionality is demonstrated for an Article 6.4 activity in its entirety (e.g. the capture of landfill gas combined with use of the landfill gas for energy generation) and that additionality is not separately demonstrated for different parts of an Article 6.4 activity (e.g. separately for the landfill gas capture and the use of the landfill gas for energy generation). This provision does not apply if different activities can be separately implemented at one site and do not affect each other (e.g. the implementation of energy efficiency improvements and the catalytic abatement of N_2O emissions at a nitric acid production plant).

5. Approaches to demonstrate additionality

5.1. Overview of approaches to demonstrate additionality

14. This standard establishes requirements for the following approaches to demonstrate additionality:

    (a) **Regulatory analysis**: Regulatory analysis shall require demonstration that the proposed activity represents mitigation that exceeds any mitigation that is required by law or regulation unless the law or regulation refers to or formally integrates the mechanism as an instrument for implementation. A law or regulation applicable to the proposed activity that may require a certain technological, performance or management action shall be considered, noting that regulatory environments vary;

    (b) **Analysis of lock-in risk**: Demonstration that the implementation of an Article 6.4 activity does not lead to locking in levels of emissions or carbon-intensive technologies or practices that are incompatible with paragraph 33 of the rules, modalities and procedures of the Article 6.4 mechanism;

    (c) **Investment analysis**: Demonstration that an Article 6.4 activity is not financially viable in the absence of revenues from A6.4ERs;

(d) Barrier analysis: Demonstration that an Article 6.4 activity would be prevented by barriers and that the incentives from the mechanism make the determining difference for overcoming the barriers;

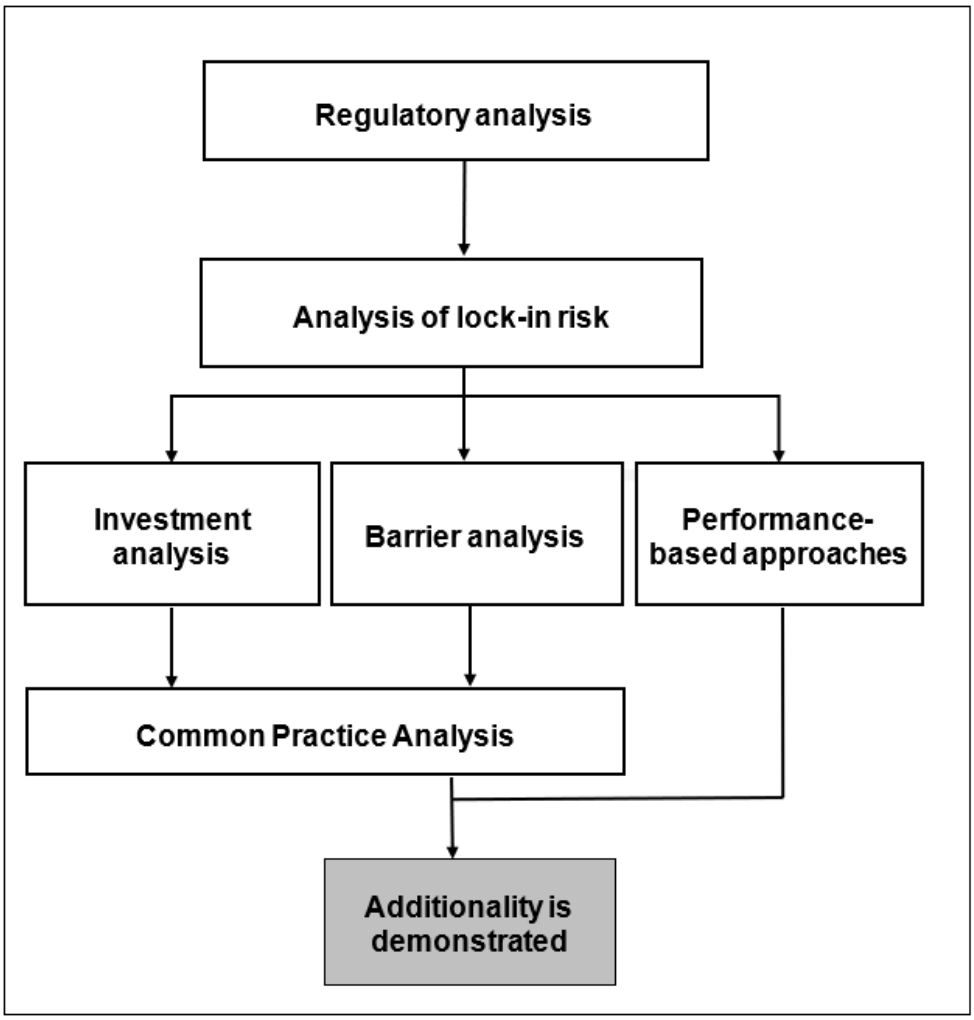
(e) Common practice analysis: Demonstration that the relevant technology or practice is not common practice (e.g. it has a low market penetration);

(f) **Performance-based approach**: Demonstration that an Article 6.4 activity is unlikely to be implemented without the incentives from the mechanism if it outperforms other activities in one or several indicator(s) (e.g. an emissions benchmark) that are a good proxy for the likelihood of additionality for the relevant technology or practice.

5.2. Possible combinations of approaches

15. Figure 1 illustrates how mechanism methodologies may combine the approaches referred to in section 5.1 Other combinations of approaches are not permitted.

Figure 1. Flowchart of the approaches to demonstrate additionality



16. Regulatory analysis and analysis of lock-in risk shall be addressed in all mechanism methodologies.

17. The investment analysis shall be used as the default approach. Where mechanism methodologies do not apply the investment analysis, the methodology proponents shall appropriately explain and justify why an investment analysis is infeasible or inappropriate. In this case, the methodology proponents shall nevertheless include information on the financial viability of eligible Article 6.4 activities or require activity participants to provide such information.

18. The barrier analysis may be used as an alternative to the investment analysis, subject to the applicability conditions in section 6.4.1 and appropriate justification.

19. Where investment analysis or barrier analysis are used, this shall be complemented by a common practice analysis.

20. Performance-based approaches may be used as an alternative to the investment analysis, barrier analysis and common practice analysis, subject to the applicability conditions in section 6.6.1 and appropriate justification.

5.3. Application of the approaches at different levels

21. The approaches for demonstration of additionality, as referred to in section 5.1, may be applied at different levels and by different entities, subject to the provisions in paragraph 22:

    (a) **Proponent of the mechanism methodology**: The proponent of a mechanism methodology may demonstrate that one or several of the approaches referred to in section 5.1 are satisfied for all, or a subset of, the potential Article 6.4 activities that are eligible under the methodology. The methodology may specify applicability criteria or conditions under which the approach is deemed to be satisfied for all, or a subset of, the potential Article 6.4 activities (e.g. if activities are implemented in a particular region and/or if the market penetration of the technology is below a certain threshold in the relevant geographical region). The proponent of the mechanism methodology shall provide documented evidence and justifications in the methodology that the approach is satisfied for the relevant activities. The mechanism methodology may then state that the approach is deemed to be satisfied for the relevant activities, as long as the applicability criteria or conditions specified in the methodology are satisfied. The mechanism methodology may need to be regularly revised to update the underlying analysis. The proponent of the mechanism methodology shall therefore specify the duration of the validity of the proposed methodology (e.g. three years);

    (b) **Activity participants**: The proponent of a mechanism methodology may specify in the methodology a methodological procedure for one or several of the approaches referred to in section 5.1. This procedure shall then be applied by each proposed Article 6.4 activity. For example, a methodology may prescribe an investment comparison analysis that must be applied by activity participants to assess the financial attractiveness of a proposed Article 6.4 activity;

    (c) **Host countries**: The proponent of a mechanism methodology may specify in the methodology which approaches, parameters or conditions may or shall be demonstrated through the submission of a proposed standardized baseline by host countries..

22. The approaches for demonstration of additionality, as referred to in section 5.1, shall be applied as follows:

    (a) Regulatory analysis shall be applied by activity participants, or by host countries (through the submission of a standardized baseline).

    (b) Analysis of lock-in risk should preferably be applied by the proponent of the mechanism methodology but may also be applied by activity participants, or by host countries (through the submission of a standardized baseline);

    (c) Investment analysis and common practice analysis may be implemented at any of the three levels referred to in paragraph 21;

    (d) Barrier analysis should preferably be applied by the proponent of the mechanism methodology, or by the host countries (through the submission of a standardized baseline). Where it is proposed to be applied by activity participants, appropriate explanation and justification shall be provided why demonstration by the proponent of the mechanism methodology, or by the host country (through the submission of a standardized baseline) is not appropriate.

23. Mechanism methodologies may apply different approaches for demonstrating additionality at different levels. For example, a mechanism methodology could include a combination of the following approaches: a regulatory analysis and an investment analysis to be applied by the activity participants, combined with an analysis of lock-in risk and a common practice analysis demonstrated by the proponent of the mechanism methodology.

6. Requirements for specific approaches

6.1. Regulatory analysis

24. Mechanism methodologies shall include provisions to demonstrate that the emission reductions or net removals resulting from an Article 6.4 activity would not occur as a result of any law or regulation, unless the law or regulation refers to or formally integrates the mechanism as an instrument for implementation. A law or regulation[2] applicable to the proposed activity that may require a certain technological, performance or management action shall be considered, noting that regulatory environments vary.

25. The analysis supporting this demonstration shall confirm that legal requirements, except for those that refer to or formally integrate the mechanism as an instrument for implementation, do not:

    a) Directly require the implementation of an activity;

    b) Indirectly require the implementation of an activity, by requiring a certain technological, performance or management action or by preventing potential alternative scenarios to the implementation of the activity;

    c) Establish a support scheme that:

        (i) Is designed to achieve a quantitative target or outcome for the relevant technologies or practices;

        (i) Is applicable to the activity; and

        (ii) Would likely result in the same amount of emission reductions or net removals if the activity would not be implemented.

26. The analysis shall be based on credible and current evidence and be justified.

27. The mechanism methodology shall specify the appropriate frequency for updating the analysis, taking into account the context of the type of activity, as follows:

    (a) Where the analysis is applied by activity participants, as referred to in paragraph 21(b), the analysis shall be conducted at the latest at each renewal of the crediting period;

    (b) Where the analysis is applied through a standardized baseline, as referred to in 21(c), the mechanism methodology shall specify for how long the standardized baseline may be valid (i.e. by when the standardized baseline would need to be updated to confirm that the conclusion of the analysis is still valid).

[2] A6.4-STAN-METH-001, para. 75.

6.2. Analysis of lock-in risk

28. Mechanism methodologies shall ensure that the analysis of lock-in risk follows a neutral approach with regards to technology and source.

29. Mechanism methodologies shall ensure that an Article 6.4 activity:

    (a) Does not lead to the adoption or the prolongation of the lifetime of technologies or practices that are incompatible with long term goals of the Paris Agreement, taking into account different national circumstances, approaches and pathways;

    (b) Is consistent with the host country's long-term low-emission development strategy (LT-LEDS), as referred to in Article 4.19 of the Paris Agreement (where the host country has submitted one);

    (c) For technologies or practices with a long lifetime, relies on a technology or practice that is among those within the lowest greenhouse gas intensity in the relevant region taking into account the lifetime of the technology or practice in line with national circumstances, approaches and pathways; and

    (d) Does not involve a technology or practice that constitutes an inefficient use of a resource that is important for mitigating climate change or achieving other policy objectives.

30. The proponent of a mechanism methodology shall either provide appropriate justification that all Article 6.4 activities eligible under the mechanism methodology meet the above requirements, as per paragraph 29(a), or include a methodological procedure that activity participants or host countries shall apply to demonstrate the above requirements, as referred to in paragraphs 29(b) and 29(c).

31. The analysis shall consider socio-economic contexts, existing infrastructure and any path dependencies. The analysis shall also consider:

    (a) The technical or operational lifetime of the technologies or practices established as part of an Article 6.4 activity;

    (b) The emissions intensity of these technologies and practices;

    (c) The scale of the Article 6.4 activity and

    (d) Availability and feasibility of alternative options given national circumstances.

32. Where the technologies or practices applicable under the mechanism methodologies have a technical or operational lifetime of no more than 10 years, a mechanism methodology may assume that no lock-in risk exists. Appropriate evidence and justification shall be provided for the estimation of the technical or operational lifetime of the technology or practice. Where this option is used, the validity of the methodology shall be limited to 31 December 2030 and the methodology shall be reviewed by the Supervisory Body prior to its expiry.

33. The analysis shall be implemented in a conservative manner and be appropriately justified.

6.3. Investment analysis

6.3.1. Type of analyses

34. The following types of investment analyses may be used:

    (a) Simple cost analysis: Demonstration that the implementation of an Article 6.4 activity is associated with costs and does not generate any cost savings or revenues other than from A6.4ERs;

    (b) Benchmark analysis: Comparison of the financial attractiveness of an Article 6.4 activity with a financial benchmark; or

    (c) Investment comparison analysis: Comparison of the financial attractiveness of an Article 6.4 activity with alternative options.

35. The type of analysis applied shall be suitable for the context of the type of Article 6.4 activities that are eligible under the methodology. For example, where the type of activity can only be implemented by the activity participants and the activity participants face different alternative investment options, the investment comparison analysis is most suitable. The proponent of a mechanism methodology shall justify the choice of analysis.

36. Where the analysis is applied by activity participants, as referred to in paragraph 21(b), the mechanism methodology shall specify which of the analysis referred to in paragraph 34 shall be used by the activity participants. The mechanism methodology shall set out a detailed procedure on how the analysis shall be conducted.

6.3.2. General requirements for conducting the investment analysis

37. The analysis shall include all relevant costs, including capital expenditure (CAPEX) and operational expenditure (OPEX), including any barriers that can be monetized and quantified as an additional cost, and all revenues and cost savings, including any public funding such as subsidies, where applicable.

38. All parameters and assumptions used in the analysis shall be internally consistent. For example, cash flows shall be expressed in either real or nominal terms consistently and be determined consistent with the financial indicator used. The assumptions, data and conclusions in the investment analysis shall be transparently documented, appropriately justified and substantiated by evidence.

39. The analysis shall be implemented in a conservative manner. To ensure conservativeness, the analysis shall include a sensitivity analysis to demonstrate that the conclusion of the analysis is robust to reasonable variations in the critical parameters and assumptions, including CAPEX, OPEX, revenues and cost savings, as applicable.

40. The analysis of the financial viability of Article 6.4 activities without revenues from A6.4ERs shall not include any transaction costs associated with generating A6.4ERs (e.g. costs for preparing the PDD, validation and verification, fees to be paid to the UNFCCC).

41. Where the analysis is applied by the proponent of a mechanism methodology, or by the host country (through the submission of a standardized baseline), as referred to in paragraph 21(c) above, the analysis shall demonstrate that it is very likely that Article 6.4 activities that are eligible under the methodology satisfy the investment analysis. The

analysis shall be based on data and information that is representative for the Article 6.4 activities that are eligible under the methodology, reflecting any important variations among activities, such as the geographical region, the size of activities, or variations in the technology or practice. The analysis may be supported by information from the literature or data from a sample of activities. The analysis shall be publicly disclosed with the proposed mechanism methodology.

42. Where the analysis is applied by the activity participants, as referred to in paragraph 21(b) above, the following applies:

    (a) The analysis shall be based on data and information applicable to the proposed Article 6.4 activity, except otherwise specified in this standard;

    (b) The analysis shall be based on data and information that is consistent with information presented to the entity's decision-making management and investors/lenders at the start date of the Article 6.4 activity, as defined in the "Standard: Article 6.4 activity standard for projects". Where the project design document (PDD) is submitted for validation prior to the start date of the Article 6.4 activity, the analysis shall be updated through the submission of a request for approval of post-registration changes in accordance with the procedure "Article 6.4 activity cycle procedure for projects" (A6.4-PROC-AC-002) or as part of at the first verification of emission reductions or net removals, based on data and information that was available at the start date;

    (c) Where public funding for an Article 6.4 activity, expressed in grant equivalents, is larger than the expected revenues from A6.4ERs, mechanism methodologies shall require demonstration that public funding would not have filled the funding gap in the absence of revenues from A6.4ERs. This may, for example, apply to public funding schemes that are designed to pay for the funding gap of mitigation activities;

    (d) For transparency purposes, activity participants may specify the abatement costs as part of the PDD or monitoring reports.

6.3.3. Requirements applicable to simple cost analysis

43. The simple cost analysis shall demonstrate that the implementation of an Article 6.4 activity is associated with costs and does not generate any cost savings or revenues other than from A6.4ERs.

6.3.4. Requirements applicable to benchmark analysis and investment comparison analysis

44. A suitable financial indicator for the financial viability of an Article 6.4 activity shall be used, such as the net present value or internal rate of return.

45. The period of assessment shall reflect the period of expected operation of the underlying technology or practice and include the residual value of the assets at the end of the assessment period. Other periods and approaches may be proposed by proponents of mechanism methodologies with appropriate justification.

6.3.5. Requirements applicable to benchmark analysis

46. The financial benchmark shall be derived in a conservative manner.

47. Where the benchmark analysis is applied by the proponent of the mechanism methodology, or a host country (through the submission of a standardized baseline), as referred to in paragraphs 21(c) above, the financial benchmark shall be consistent with the weighted average cost of capital (or the cost of equity, as applicable) that is commonly applicable to the country, sector and type of activity.

48. Where the benchmark analysis is applied by activity participants, as referred to in 21(b), the following applies:

    (a) Where the Article 6.4 activity can only be implemented by the activity participants, and not by any other entities, the financial benchmark shall be based on the benchmark used by the entity implementing the Article 6.4 activity. This may apply, for example, to modifications to an existing plant;

    (b) Where the Article 6.4 activity could also be implemented by other entities, the financial benchmark shall be based on the more conservative value between (i) the benchmark used by the entity implementing the Article 6.4 activity and (ii) the weighted average cost of capital (or the cost of equity, as applicable) that is commonly applicable to the country, sector and type of activity. This may apply, for example, to the installation of greenfield plants.

49. An Article 6.4 activity shall only be considered additional if the analysis demonstrates that the Article 6.4 activity would not be financially viable, based on credible data and input parameters to the investment analysis.

6.3.6. Requirements applicable to investment comparison analysis

50. In most sectors, the alternative scenarios considered shall provide the same type and level of products or service as the Article 6.4 activity. This requirement does not apply to some land-use activities, such as afforestation or avoided deforestation, where there could be a change in the type of service between the scenario with the Article 6.4 activity and the baselines scenario.

51. An Article 6.4 activity shall only be considered additional if the analysis demonstrates that the activity would not be financially viable, based on credible data parameters to the investment analysis.

6.4. Barrier analysis

6.4.1. Applicability

52. The barrier analysis may be applied for Article 6.4 activities that are:

    (a) Implemented at individual households (e.g. distribution of efficient cookstoves); or

    (b) Undertaken by small public or private entities that typically do not have access to commercial or public third-party finance .

53. Other cases for the application of the barrier analysis may be proposed by mechanism methodology proponents with due justification and demonstration that such barriers are prohibitive, including examples of relevant barriers.

6.4.2. Requirements for conducting the barrier analysis

54. The following barriers may be considered:

(a) Institutional barriers (e.g. the investor not being the beneficiary of cost savings associated with the investment);

(b) Information barriers;

(c) Financial barriers (e.g. lack of access to loans by rural households);

(d) The activity is first-of-its kind (e.g. no other similar activities have been implemented in the relevant geographical area).

55. Investment barriers (e.g. high interest rates for loans due to high perceived country risks) and other relevant barriers shall be considered as part of an investment analysis.

56. The barrier analysis shall:

(a) Identify and describe relevant barriers faced by the Article 6.4 activity;

(b) Demonstrate that the barriers prevent the Article 6.4 activity from being implemented without the incentives from the mechanism;

(c) Demonstrate that there are no other programs or incentives, such as subsidies, that would incentivize the Article 6.4 activity;

(d) Demonstrate that the incentives from the mechanism are the determinant element in overcoming the identified barriers;

(e) Demonstrate that at least one plausible alternative to the Article 6.4 activity does not face significant barriers, including the barrier faced by the Article 6.4 activity.

57. The barrier analysis shall take into account:

(a) All relevant national and sub-national policies, including legislation;

(b) Current practices within the sector and geographic area;

(c) Indigenous Traditional Knowledge and customary laws, where applicable and

(d) Relevant national circumstances, approaches and pathways.

58. Barriers that are unique to a proposed Article 6.4 activity may only be used if the activity can only be implemented by the activity participants.

59. The barrier analysis shall be supported by credible evidence. Such evidence may include independent studies, publicly available surveys, relevant verifiable market data, or data from national or international statistics but shall not include anecdotal evidence. The evidence shall be interpreted in a conservative manner (i.e. that it is unlikely that the effect of the barrier is overestimated).

6.5. Common practice analysis

60. Mechanism methodologies that use a common practice analysis shall include provisions to demonstrate that Article 6.4 activities are not common practice. This shall include:

(a) An appropriate definition of a suitable indicator to assess common practice based on the recent uptake or existing stock or diffusion of technologies, services or practices in relation to a realistic maximum market size or potential, taking into

account any constraints for the uptake of the relevant technology, service, or practice;

(b) A definition of the appropriate geographical boundary for assessing common practice for the type of technology, service or practice, taking into account relevant market boundaries, where applicable; and

(c) The specification of an appropriately conservative threshold that may not be surpassed for an Article 6.4 activity to be deemed additional.

6.6. Performance-based approaches

6.6.1. Applicability

61. A performance-based approach may be applied to types of Article 6.4 activities where all of the following conditions are met:

(a) The mechanism methodology uses the baseline approach(es) referred to paragraph 36 (i) or (ii) of the rules, modalities and procedures of the Article 6.4 mechanism;

(b) The type of activity involves the production of a highly homogeneous product or the provision of a highly standardized service (e.g. electricity);

(c) The performance of the type of activity can be defined through one or several suitable indicator(s);

(d) Information is available to demonstrate that activities with a better performance in respect to the indicator(s) have a higher likelihood of additionality;

(e) Data is available or can be collected on the performance of activities with respect to the indicator(s), and the data is robust and representative.

62. The proponent of a mechanism methodology shall demonstrate and justify that these conditions are fulfilled.

6.6.2. Requirements for conducting performance-based approaches

63. Mechanism methodologies shall define one or several suitable indicators and thresholds for the performance-based approach and specify the approach to the use or collection of data.

6.6.2.1. Establishment of indicator(s)

64. The indicator(s) shall be a good proxy for the likelihood for additionality. This means that activities with a better performance in respect to the indicator(s) shall have a demonstrably higher likelihood of additionality. Indicator(s) may be based on different metrics such as greenhouse gas emissions intensity, market penetration or other unique characteristics of the type of activity.

65. Proponents of mechanism methodologies shall demonstrate and justify the suitability and appropriateness of the proposed indicator(s) for the context of the type of activity and geographical areas to which the methodology is applicable. Where possible, the correlation between the indicator(s) and the likelihood of additionality should be quantified.

6.6.2.2. Establishment of threshold(s)

66. The threshold(s) shall be defined such that an Article 6.4 activity is only deemed additional if the indicator(s) pass the threshold(s) (passing may mean being above or below the threshold, depending on the type of indicator).

67. The threshold(s) shall be set ambitiously, by:

    (a) Ensuring that an Article 6.4 activity is very likely (i.e. at least 90% probability) to be additional; and

    (b) Setting the threshold(s) at least at the level referred to in paragraph 36 (ii) of the rules, modalities and procedures of the Article 6.4 mechanism.

68. It shall be very unlikely (i.e. less than 10% probability) that the threshold(s) are exceeded by an Article 6.4 activity due to other influencing factors that are unrelated to the Article 6.4 activity (e.g. interannual variations in climatic conditions).

69. Mechanism methodologies shall specify the duration of the validity of any threshold(s) provided in the methodology (e.g. three years) and how threshold(s) will be updated.

70. Proponents of mechanism methodologies shall demonstrate and justify the suitability and appropriateness of the proposed threshold(s) for the context of the type of activity and geographical areas to which the methodology is applicable.

6.6.2.3. Use and collection of data

71. The mechanism methodology shall specify the approach to data collection, or which existing data shall be used. The data used by the mechanism methodology shall be:

    (a) Representative, reliable, accurate, consistent and transparent;

    (b) Recent, especially in dynamic technological environments;

    (c) Sufficiently disaggregated, taking into account differences in relevant technologies, geographical or climate conditions, and the political, economic and social environment; and

    (d) Verifiable.

72. Uncertainty in the outcome shall be quantified and addressed through conservative approaches (e.g. uncertainty reductions). Where sampling is involved, the sampling approach and any statistical analyses shall be described.

73. Proponents of mechanism methodologies shall demonstrate and justify the suitability and appropriateness of the approach towards using or collecting data in the context of the type of activity and geographical areas to which the methodology is applicable.

6.6.2.4. Use of threshold(s) for determining baseline emissions

74. Where a threshold is defined as greenhouse gas emissions per unit of output, it may also be used for determining baseline emissions, as long as the requirements in the “Standard for baseline setting” are fulfilled.

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Document information

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