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Draft addendum to the annual report of the
Supervisory Body for the mechanism
established by Article 6, paragraph 4, of the
Paris Agreement to the CMA

Version 01.0



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. In accordance with the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism), the Supervisory Body for the Article 6.4 mechanism (hereinafter referred to as the Supervisory Body or the SBM) reports on its activities to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at each of its sessions.
2. At SBM 013, the SBM agreed on its annual report, which covers 18 November 2023 to 18 July 2024, for consideration at CMA 6 and requested the secretariat to finalize the report in consultation with the Chair and Vice-Chair of the SBM by including the outcomes from SBM 13.
3. The SBM also requested the secretariat to prepare an addendum to the annual report, for consideration at its next meeting, covering the work undertaken by the SBM between 19 July 2024 and the end of SBM 014 (9 October 2024). This document is a draft of the addendum, pending the inclusion of outcomes from SBM 014.

2. Purpose

4. This addendum to the annual report describes the work undertaken by the SBM during the reporting period, including SBM 14. Specifically, this addendum reports on progress made on the mandates from the CMA regarding the work on requirements for the development and assessment of methodologies, as well as activities involving removals under the mechanism.
5. The addendum provides an opportunity for the SBM to make recommendations to the CMA and seek guidance from it.

3. Key issues

6. The SBM, at its 13th meeting, requested the secretariat to:
 - (a) Iterate the draft guidance contained in annex 1 and annex 2 of the meeting report of the 9th meeting, taking into account stakeholder inputs and feedback from the SBM provided at this meeting for the consideration of the SBM at its 14th meeting. In doing so, the secretariat has iterated the respective drafts, in consultation with the relevant informal working groups;
 - (b) Prepare draft recommendations on the requirements for methodologies and on activities involving removals, respectively, for the consideration and adoption of the CMA, in consultation with an informal working group, for consideration by the Supervisory Body at its 14th meeting, containing:
 - (i) Detailed explanations of the guidance for activities involving removals and requirements for methodologies agreed by the SBM so far in response to its mandates from the CMA;

- (ii) Recommendations to the CMA, including any additional areas where guidance from the CMA is required;
 - (c) In addition, the secretariat shall include the information on the SBM's plans for the implementation of the above-referred guidance in sub-paragraph (a) to operationalize the Article 6.4 mechanism.
- 7. In addition, at its 10th meeting, the SBM held a strategy session in which it addressed issues of operationalization of the Article 6.4 mechanism in 2024. Based on these discussions, the SBM agreed that, in its work to operationalize the mechanism, it will fulfil all mandates and tasks assigned to it in the rules, modalities and procedures and will forward recommendations to CMA 6 in Baku, Azerbaijan, inform the CMA of its progress and seek further guidance, as needed.
- 8. The SBM further decided that it will continue the relevant work to operationalize the Article 6.4 mechanism by putting in place the standards, guidelines and tools, as necessary, to enable the approval of Article 6.4 mechanism methodologies and thus registration of new Article 6.4 mechanism activities without delay.

4. Impacts

- 9. This draft report describes the status of the Article 6.4 mechanism, particularly the progress of work in response to the mandates from CMA and is the main communication channel between the SBM and the CMA.

5. Subsequent work and timelines

- 10. The content of the addendum to the annual report depends on the outcomes from SBM 014. The substantive paragraphs below are placeholders, awaiting decision at that meeting. **Yellow highlights indicate the text that will be updated based on SBM 014.** Following SBM 014, it is envisaged that the secretariat, in consultation with the Chair and Vice-Chair of the SBM, will finalize the addendum for consideration at CMA 6. The addendum will not be published as an annex to the report on SBM 014; rather, it will be formatted and edited as an official UNFCCC document.

6. Recommendations for the Supervisory Body

- 11. The secretariat recommends that the SBM, at SBM 014:
 - (a) Consider and agree on the addendum to the annual report, adjusting as necessary;
 - (b) Request the secretariat to finalize the addendum, in consultation with the Chair and Vice-Chair of the SBM, reflecting the outcomes from SBM 014.

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I. Introduction

A. Mandate

1. In accordance with the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMPs),¹ the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) is required to report annually to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). The CMA provides guidance to the Supervisory Body (SBM) by taking decisions on, inter alia:

- (a) Recommendations of the SBM relating to the RMPs;
- (b) Matters relating to the operation of the Article 6.4 mechanism.

B. Scope

2. The third annual report of the SBM provides information on progress in implementing the Article 6.4 mechanism during its third year of operation. It covers the work carried out by the SBM between 18 November 2023 and 18 July 2024.
3. This addendum covers the period from 19 July 2024 to 9 October 2024 (inclusive), which includes SBM 014. Only the sections for which new information was available on the area of work were updated. Sections that are no different from document [FCCC/PA/CMA/2024/2](#) are indicated as “no change”.
4. Further information relating to the Article 6.4 mechanism and the SBM is available on the Article 6.4 mechanism web pages.²

C. Action to be taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

5. The CMA is recommended to take note of this addendum and consider the recommendations contained herein, as appropriate, in addition to taking the actions identified in document [FCCC/PA/CMA/2024/2](#):
6. The SBM recommends that the CMA:
 - (a) Note the further progress of work of the SBM in response to the mandates in decisions 3/CMA.3 and 7/CMA.4 (see chapter II.A below);
 - (b) **[Placeholder for SBM 014 outcomes]**

II. Work in the reporting period

7. This addendum covers a reporting period of fewer than three months and serves to report on progress of the implementation of the Article 6.4 mechanism, including the work on developing the standard for the requirements for the development and assessment of

¹ Decision [3/CMA.3](#), annex. The annex to the decision begins on p.29 (English language version).

² See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism>.

Article 6.4 mechanism methodologies and the standard for requirements for activities involving removals.

A. Mandates from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

1. Activities involving removals

8. At its fifth session, the CMA requested that the SBM continue its relevant work to operationalize the mechanism, with a view to elaborating and further developing the recommendations³ on activities involving removals for consideration and adoption at CMA 6. In this regard, for further details refer to **section II.B.3 below.**

2. Application of the methodology requirements

9. At its fifth session, the CMA requested that the SBM continue its relevant work to operationalize the mechanism, with a view to elaborating and further developing the recommendations⁴ on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs. In this regard, for further details refer to **section II.B.3 below.**

3. Development of regulations and processes for implementing the mechanism established by Article 6, paragraph 4, of the Paris Agreement

10. At its third session, the CMA requested the SBM to review the baseline and monitoring methodologies in use for the clean development mechanism (CDM) under Article 12 of the Kyoto Protocol, with a view to applying them with revisions, as appropriate, pursuant to Chapter V.B of the annex (Methodologies) for activities under the mechanism. It also requested the SBM to consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to Chapter V.B of the annex (Methodologies).

4. Appeal and grievance procedure

11. No change.

5. Registry for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

12. No change.

6. Development of regulations and processes for implementing the mechanism established by Article 6, paragraph 4, of the Paris Agreement

13. No change.

7. Sustainable development tool

14. At its third session, the CMA requested the SBM to establish the requirements and processes necessary to operate the mechanism, including those related to the application

³ Pursuant to decision 7/CMA.4, paragraphs 19 to 22.

⁴ Pursuant to decision 7/CMA.4, paragraphs 19 to 22.

of robust social and environmental safeguards to Article 6.4 activities and/or A6.4 programmes of activities (PoAs), and to develop tools and approaches for assessing and reporting information on how each activity fosters sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative. In this regard, at its 14th meeting, the SBM adopted the sustainable development tool, as contained in annex # of its meeting report. (Placeholder for SBM 014)

B. Work undertaken by the Supervisory Body on regulatory and other matters

1. Transition of clean development activities

15. No change.

2. Accreditation system

16. At SBM 014, the SBM took note of the report on the 2nd meeting of the Accreditation Expert Panel (AEP).⁵ The report summarized the work of the AEP, including an update on applications received from Designated Operating Entities (DOEs) for getting accredited under the Article 6.4 mechanism. It also provided inputs to the draft “Procedure: Performance monitoring of designated operational entities” and provided inputs on the draft procedure. (Placeholder for SBM 014).

3. Methodological standards

a. Activities involving removals

17. At SBM 014, the Supervisory Body... (Placeholder for SBM 014). Refer to the appendix for further details of the Supervisory Body’s recommendation to CMA.

b. Application of the methodology requirements

18. At SBM 014, the Supervisory Body... (Placeholder for SBM 014). Refer to the appendix for further details of the Supervisory Body’s recommendation to CMA.

c. Review, revision and application of CDM (and other) methodologies

19. At SBM 014, the SBM took note of the report on the 3rd meeting of the Methodological Expert Panel (MEP).⁶ The report summarized the work of the MEP, including the products related to requirements for the methodologies, activities involving removals, and the revision of clean development mechanism (CDM) methodologies and methodological tools. (Placeholder for SBM 014).
20. During the reporting period, with the support of the MEP, the SBM identified the relevant CDM methodologies⁷ and tools for revision to align them with the Article 6.4 mechanism,

⁵ See <https://unfccc.int/sites/default/files/resource/A6.4-AEP002.pdf>.

⁶ See <https://unfccc.int/sites/default/files/resource/A6.4-MEP003%20meeting%20report.pdf>.

⁷ “ACM0002: Grid-connected electricity generation from renewable sources”; CDM methodological tool “TOOL07: Tool to calculate the emission factor for an electricity system”; ACM0001: Flaring or use of landfill gas

and the MEP initiated the process of revisions⁸. To incorporate stakeholder inputs, the MEP sought public inputs⁹ on the revised versions of two CDM methodologies and one tool. Five inputs were received, which will be considered by the MEP when finalizing the documents.

21. The implementation of this mandate to update the CDM methodologies has not been fully completed, pending the development of the Standard: Application of the requirements of Chapter V.B (Methodologies) for the requirements for development and assessment of methodologies as outlined in section A above.
22. This has resulted in the revision of only two CDM methodologies and one tool being prepared for stakeholder input. However, with the adoption of the standard for the requirements for development and assessment of methodologies, the revision of additional CDM methodologies will be expedited. Furthermore, stakeholders will be invited to propose modifications to existing CDM methodologies and tools and submit them as new A6.4 mechanism methodologies and tools to the SBM under the bottom-up process, starting from 2025. The availability of methodologies and tools will facilitate the development of Article 6.4 activities and implementation of the Article 6.4 mechanism.

4. Sustainable development tool

23. The SBM considered 308 stakeholder inputs received through two calls for inputs,^{10,11} and work done by SBM members in an informal working group, in developing a sustainable development tool for the Article 6.4 mechanism, which was adopted at SBM 014.¹² The tool allows activity participants in an Article 6.4 activity and/or programme of activities to assess, demonstrate, manage and monitor its potential negative environmental and social impacts, as well as its potential positive and negative contributions to achieving the 17 Sustainable Development Goals, of an Article 6.4 activity and/or PoA. (Placeholder for SBM 014)

5. Capacity-building programme

24. During the reporting period, the secretariat, in consultation with the SBM, continued to implement the five-year capacity-building work programme through the secretariat's regional collaboration centres. The report on the progress of implementation of the work programme will be considered at SBM 014, with relevant information included in the addendum to this report. (Placeholder for SBM 014)

⁸ See MEP Workplan 2024 available at <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/mep>.

⁹ See <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-acm0002-and-tool07>; <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-acm0001>.

¹⁰ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input/call-for-input-2023-stakeholder-interactions-sustainable-development-tool>.

¹¹ See <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-a64-sd-tool>.

¹² Placeholder [link to SD tool].

6. Voluntary cancellation platform

25. No change.

7. Gender action plan

26. No change.

C. Communications and outreach

27. No change.

III. Governance and management**A. Supervisory Body****1. Membership**

28. No change.

2. Meetings

29. During the reporting period, the SBM held one meeting. The annotated agendas for the SBM meetings, information under consideration, on-demand webcasts, and reports containing all agreements adopted by the SBM are available on the SBM's meeting web page.¹³ Table 1 lists all meetings of the SBM in 2024.

Table 1. Meetings of the Supervisory Body in 2024

Meeting	Date	Location
SBM 010	26 February to 3 March	Bonn
SBM 011	29 April to 2 May	Bonn
SBM 012	22–23 May	Virtual
SBM 013	15–18 July	Bonn
SBM 014	5–9 October	Baku

B. Expert panels

30. No change.

¹³ See <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-supervisory-body>.

C. Parties that host activities under Article 6, paragraph 4, of the Paris Agreement

31. During the reporting period, xx Parties designated and communicated their national authority for the Article 6.4 mechanism to the secretariat, bringing the total number of designated national authorities to xx as at xx October 2024.¹⁴

D. Transparency and interaction with stakeholders

32. The SBM considered public inputs received on matters on the agendas for its meetings held during the reporting period. In addition, the SBM called for inputs from stakeholders on topics and issues to assist it in its consideration thereof.¹⁵ During the reporting period, the SBM received more than xx inputs on various topics.

E. Financial status of the mechanism established by Article 6, paragraph 4, of the Paris Agreement

33. At SBM 007, the SBM agreed on a two-year business and resource allocation plan. The plan outlines the strategic vision and goals for 2024–2025, activities expected to be necessary to operationalize the Article 6.4 mechanism in that biennium, and the related resources required.
34. During the reporting period, the SBM received accreditation-related income of USD 7,500. Table 2 presents the expenses expected to be incurred by the Supervisory Body between 1 January and 30 September 2024.

Table 2. Forecasted expenditure of the Supervisory Body between 1 January and 30 September 2024

Item	Amount (USD)
Staff and other personnel costs	2 686 357
Contractual services	809 721
Travel	278 239
Operating and other direct costs	334 159
United Nations programme support costs	534 102
Total	4 642 578

35. Table 3 presents the expected balance on 31 December 2024. The projected expenses for 2024 amount to USD 3.8 million, which will be fully covered from the existing balance. However, the projected year-end balance will not be sufficient to cover the estimated resource needs for 2024–2025, as the budget for 2024–2025 totals USD 38.4 million. The SBM invites the CMA to assist in fundraising and to request the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to allocate additional funds from the trust fund for the clean development mechanism, tapping into any available surpluses.

¹⁴ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/national-authorities>.

¹⁵ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input>.

Table 3. Projected balance on 31 December 2024

	2023	2024
Item	Amount (USD)	Amount (USD)
Carry-over from previous year	29 569 386	25 915 250
Add: income	—	7 500
Less: expenses	3 654 136	3 827 174 ^(a)
Total: previous year's carry-over plus income and less expenses	25 915 250	22 095 576

^(a) Projected.

IV. Abbreviations and acronyms

36. No change.

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Appendix. Recommendations to the CMA on methodology requirements and activities involving removals

[PLACEHOLDER FOR SBM 014]

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Document information

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