

A6.4-SBM014-AA-A09

Draft Standard

Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies

Version 01.0

DRAFT



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session, requested the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) to elaborate and further develop recommendations on the application of the requirements referred to in chapter V.B (titled Methodologies) of the rules, modalities and procedures for the Article 6.4 mechanism (RMPs) for consideration and adoption by the CMA.
2. The Supervisory Body of the Article 6.4 mechanism (SBM), at its 10th meeting, provided guidance for further work on the methodological products for the Article 6.4 mechanism. Guidance relating to two documents developed by the SBM at its 9th meeting (A6.4-SB009-A01: “Requirements for the development and assessment of Article 6.4 mechanism methodologies” and A6.4-SB009-A02: “Activities involving removals under the Article 6.4 mechanism”) included work to improve the understanding of concerns raised by Parties at the fifth session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 5) through a call for inputs, to be open for a period of six weeks beginning on 4 March 2024.¹ The SBM requested the secretariat to provide a compilation of the inputs received, including a high-level analysis, for consideration by the SBM prior to its 12th meeting.
3. At the same meeting, the SBM also requested the secretariat to organize an event to engage with Parties and stakeholders during the sixtieth session of the Subsidiary Bodies (SB 60), with a view to facilitating its work on methodological requirements and guidance on activities involving removals.
4. The SBM, at its 12th meeting, considered the information notes “Compilation and summary of stakeholder inputs on activities involving removals under the Article 6.4 mechanism” and “Compilation and analysis of stakeholder inputs on the requirements for Article 6.4 methodologies”, as contained in annex 1 and annex 2 to the annotated agenda of SBM 012,² respectively, and requested:
 - (a) The secretariat to update these information notes based on any inputs received at the Supervisory Body’s engagement event, held in Bonn on 3 June 2024 at SB 60, and guidance provided by the SBM at its 12th meeting, for consideration by the SBM at its 13th meeting, compiling the inputs according to existing categories and including additional sections to cover all inputs made;

¹ The call was open from 4 March to 15 April 2024, and 36 submissions were received. See Stakeholder interactions: Further input on requirements for methodologies and activities involving removals, available at: <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-stakeholder-interactions-further-input-requirements-for-methodologies-and>.

² See <https://unfccc.int/event/Supervisory-Body-12>.

- (b) The secretariat to include in the updated information notes options to revise the documents developed by the Supervisory Body at its ninth meeting (i.e. A6.4-SB009-A01 and A6.4-SB009-A02);
 - (c) The Methodological Expert Panel to take into consideration the inputs referred to above under its work programme mandated by the Supervisory Body.
- 5. The SBM, at its 13th meeting, considered the information note “Options to revise the recommendation on the requirements for Article 6.4 methodologies, taking into account stakeholder inputs” and the information note “Options to revise the recommendation on activities involving removals under the Article 6.4 mechanism, taking into account stakeholder inputs”.
- 6. At that meeting, the SBM requested the secretariat to iterate the draft guidance contained in annex 1 and annex 2 of the meeting report of the ninth meeting, taking into account stakeholder inputs and feedback from the Supervisory Body provided at its 13th meeting, for the consideration of the Supervisory Body at its 14th meeting. Due to the nature of changes and feedback now included, and in order to correctly apply the document hierarchy³, the document type has been amended from ‘recommendation’ to ‘draft standard’ in order to reflect its regulatory function.
- 7. The relevant informal working groups of the SBM discussed the respective drafts prior to the meeting of the Supervisory Body.

2. Purpose

- 8. This document provides a new iteration of the requirements for the development and assessment of Article 6.4 mechanism methodologies that builds on and replaces the document developed by the SBM at its ninth meeting (i.e. A6.4-SB009-A01).

3. Key issues and proposed solutions

- 9. The secretariat further iterated the document “Requirements for the development and assessment of Article 6.4 mechanism methodologies” on the basis of the extensive review and discussions of this document at the 13th meeting of the SBM.
- 10. Regarding the options to revise the requirements for the development and assessment of Article 6.4 mechanism methodologies as outlined in this iteration:
 - (a) The numbering of options does not represent a hierarchy (e.g. option 1 is not necessarily preferred over option 2). Square brackets are used to indicate sub-options. Curly brackets are used to include explanatory text;
 - (b) Text requiring special attention of the SBM is highlighted in **yellow**;
 - (c) Text without highlights indicates either the text that is unchanged compared to the previous version of the document (i.e. A6.4-SB009-A01) or the text where no further disagreement among the informal working group was identified;
 - (d) Text in **gray** indicates paragraphs or sentences which pertain to further work of the SBM and is proposed for deletion in the main text body since these elements have

³ See document hierarchy <https://unfccc.int/sites/default/files/resource/A6.4-INFO-GOV-005.pdf>

been incorporated in the section “subsequent work and timelines” of this cover note;

- (e) Some sentences or phrases are square-bracketed but with no alternative text proposed; the alternative in that case is “no text” on the issue.

4. Subsequent work and timelines

- 11. In addition, to ensure that the methodologies appropriately incorporate the principles of the methodologies standard, the SBM, at its 11th meeting, mandated the Methodological Expert Panel to develop the following regulatory documents⁴ for the consideration and adoption by the SBM, in an executive manner, including:
 - (a) Standard on baselines and downward adjustment and standardized baselines;
 - (b) Standard on suppressed demand;
 - (c) Standard on demonstration of additionality in mechanism methodologies;
 - (d) Standard on leakage;
 - (e) Simplified approaches for additionality (upon request);
 - (f) Concept notes on:
 - (i) “large-scale crediting programmes”;
 - (ii) “equitable sharing of mitigation benefits”;
 - (iii) “taking account of policies and measures, and relevant circumstances”; and
 - (iv) “transboundary activities”.

5. Recommendations to the Supervisory Body

- 12. The SBM may wish to consider the document, make any modifications as appropriate, and adopt the “Standard: Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies”.

⁴ See <https://unfccc.int/sites/default/files/resource/a64-sb011-a02.pdf>.

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Draft Standard: Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies

1. Procedural background

1. **Paragraph 1.** The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session, requested the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) to elaborate and further develop recommendations on the application of the requirements referred to in chapter V.B (titled Methodologies) of the rules, modalities and procedures for the Article 6.4 mechanism (RMPs)¹ for consideration and adoption by the CMA at its fourth session (November 2022).
2. **Paragraph 2.** *The CMA, at its fourth session, requested the Supervisory Body to elaborate and further develop recommendations for consideration and adoption by the CMA at its fifth session (November–December 2023). It further requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.²*

2. Purpose

3. **Paragraph 3.** Based on the request of the CMA in its decision 3/CMA.3 and decision 7/CMA.4 and taking into account inputs received from stakeholders, the Supervisory Body approved the recommendation to the CMA related to the standard “*Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies*”, as contained in this document.

3. Normative references

4. **Paragraph 4.** *The “shall” requirements in this document are those that the user of this document (i.e., activity participants, host Parties, stakeholders, or the Supervisory Body) is obliged to meet in order to claim conformance to this document. Other types of provisions in this document include recommendations (“should”), permissions (“may”), possibilities and capabilities (“can”) and items for inclusion in the work plan of the Supervisory Body (“will”). Besides prescriptive recommendations, explanatory information is also included in this document (e.g., summarizing the basis for or reasoning behind a requirement).*

¹ See decision 3/CMA.3, paragraph 6(d), for the request, available at https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf#page_26 (English language version), and the annex to 3/CMA.3 for the RMPs, contained in document FCCC/PA/CMA/2021/10/Add.1. English version available at https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf#page_29.

(a) ² See decision 7/CMA.4, paras. 21 and 22, for the request, contained in document FCCC/PA/CMA/2022/10/Add.2, available in all UN languages at <https://unfccc.int/documents/626570>.

5. **Paragraph 5.** *Reductions in emissions, increases in removals, as well as mitigation co-benefits of adaptation actions and/or economic diversification plans, are each and collectively referred to as ‘emission reductions or removals’ (6.4 ERs) in this document.*
6. **Paragraph 6.** *Mechanism projects, programmes of activities and component projects are collectively referred to as “activity” or “activities” in this document.*
7. **Paragraph 7.** *The terms “technologies”, “measures” and “practices” are interchangeably used in this document and refer to technologies, measures, and practices across all sectors.*
8. **Paragraph 8.** *Where scientific information is relied upon for methodologies, IPCC publications should be considered as default source, if applicable and appropriate and unless more accurate scientific information is available.*

4. Methodology principles

9. **Paragraph 9.** *Mechanism methodologies are intended to provide the basis for claim and assessment of creditable emission reductions or removals, and whether activities satisfy additionality requirements, and all relevant RMP and guidance from the SBM.*
10. **Paragraph 10.** *Paragraph 33 of the RMP applies to methodologies, and it is relevant to, inter alia, baseline-setting, the avoidance of leakage, and the demonstration of additionality of activities.*
11. **Paragraph 11.** *Paragraph 34 of the RMP sets out additional requirements, including with respect to policies, national circumstances and reversals.*
12. **Paragraph 12.** *Paragraph 35 of the RMP frames the basic procedures for the development of methodologies by host Parties, the Supervisory Body and activity participants.*
13. **Paragraph 13.** *Paragraph 36 of the RMP provides a choice of approaches for the baseline-setting and requires the justification of the choice(s) made, including demonstration of consistency with paragraph 33 of the RMP.*
14. **Paragraph 14.** *Paragraph 37 provides for host Parties and the Supervisory Body to develop standardized baselines consistent with paragraph 33 of the RMP.*
15. **Paragraph 15.** *Paragraph 38 of the RMP applies to the demonstration of additionality of activities and identifies specific tests.*
16. **[Paragraph 16.** *The Supervisory Body may in future, undertake consideration of eligibility of other scales of activities such as, jurisdictional, sectoral or policy programmes to incentivize increased ambition and mitigation at a large scale, and improve understanding of, jurisdictional, sectoral, or policy programme crediting approaches, acknowledging that these approaches are inherently different.]*

4.1. Encouraging ambition over time

17. **Paragraph 17.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall encourage ambition over time (...).”*
18. **Paragraph 18 Option 1:** *Mechanism methodologies shall contain provisions to encourage that total creditable number of units from [emission reductions but not from removals] [both*

emission reductions and removals is progressively reduced to encourage ambition of activities over time, while taking into account host Party circumstances and creditable amount of units required to remove barriers to the deployment of technologies as described in paragraph 19 below.

19. **[Paragraph 18 Option 2:** “Mechanism methodologies shall, to the extent possible, apply dynamic baselines that reflect the changing nature of the host countries’ economies in low-carbon transition, encouraging investment in ambitious activities that will maintain their relevance and comparative emission reduction levels while taking into account host Party circumstances and the need to encourage the deployment of low-carbon solutions as described in paragraph 19 below.”]
20. **Paragraph 19:** Mechanism methodologies shall contain provisions that encourage the deployment of technologies or measures that are not widely used or available in specific locations, to facilitate knowledge transfer and encourage deployment of technologies or measures that reduce the cost of decarbonization and unlock investment in low-carbon solutions.
21. **Paragraph 20:** Mechanism methodologies should contain provisions that encourage and enable the inclusion of progressively more efficient and less greenhouse gas (GHG)-intensive technologies, replicable and scalable mitigation activities, expanding the user base, broader geographic coverage, and greater penetration of low-carbon solutions after initial deployment.

4.2. Being real, transparent, conservative, credible

22. **Paragraph 21.** Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be real, transparent, conservative, credible (...)”.
23. **Paragraph 22.** Mechanism methodologies shall contain credible methods for estimating emission reductions or removals to ensure that the results of Article 6.4 activities represent actual tonnes of GHG emissions reduced or removed. Such estimations shall be based on up-to-date scientific information and reliable data.
24. **Paragraph 23.** Mechanism methodologies shall contain provisions that require transparent descriptions of the sources of data used, the assumptions made, the references used and the steps followed in the estimation of the results of Article 6.4 activities, including equations where necessary.
25. **Paragraph 24.** Mechanism methodologies shall contain provisions that ensure conservative estimation of emission reductions or removals from the measures applied, options chosen, or assumptions made and which should result in conservative estimates of the emission reductions or removals from Article 6.4 activities.
26. **Paragraph 25.** Mechanism methodologies shall contain provisions that require that Article 6.4 activities have a robust monitoring, data capture and reporting system to ensure credibility. Where secondary data is used, mechanism methodologies shall contain provisions that require activity participants to provide justification that the source of data is appropriate, and the data are conservative.

27. **Paragraph 26.** *Mechanism methodologies shall contain provisions to ensure that all emission reductions or removals, are real, transparent, conservative, and credible by:*
- (a) *Including robust, transparent and user-friendly measurement, reporting and independent third-party verification systems;*
 - (b) *Requiring the use of technical performance standards that are data driven;*
 - (c) *Requiring transparent demonstration of changes in GHG emissions showing each step in calculations and the results, and ensuring that calculated emission reductions or removals are uniquely achieved by and attributable to the activity;*
 - (d) *Adopting life cycle approaches and considering emissions embodied in materials and products, where relevant and practicable;*
 - (e) *Ensuring that information, including data sources and calculations are real, transparent, conservative, accessible and credible;*
 - (f) *Choosing a conservative emissions baseline when multiple sources of data and parameters are available to set the baseline;*
 - (g) *Including, where appropriate, the use of remote sensing and digital technologies to enable transparent, accurate and credible calculation and estimation of emission reductions and removals.*

4.3. Establishing that the selected baseline is below business-as-usual

28. **Paragraph 27.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be below ‘business as usual’ (...)”.*
29. **Paragraph 28.** *Mechanism methodologies shall contain provisions that require that the baseline selected for an emission reduction activity in accordance with paragraph 36 of the RMP shall be demonstrated as being below ‘business-as-usual’ (BAU). BAU emissions are plausible reference benchmarks or scenarios for GHG emissions prior to or in the absence of the implementation of the activity. For that purpose, mechanism methodologies shall require the identification of the BAU scenario or reference benchmark emissions and provide an approach for their estimation.*
30. **[Paragraph 29.** *Mechanism methodologies shall contain provisions that require activity participants to calculate the difference between the baseline emissions estimated as per the requirements in section 4.6 below and BAU emissions estimated as per paragraph 28 above as a total amount with respect to the crediting period. This shall be demonstrated in the project design document and at each renewal of the crediting period.]*

4.4. Contributing to the equitable sharing of mitigation benefits between participating Parties

31. **Paragraph 30.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall...contribute to the equitable sharing of mitigation benefits between the participating Parties...”.*

32. **Paragraph 31:** Mechanism methodologies shall contain provisions for contributing to the equitable sharing of mitigation benefits between participating Parties. These ~~[may]~~~~[should]~~~~[shall]~~ include one or more of the provisions below:
- (a) Conditions to ensure that the total length of the crediting period(s) of activities is shorter than the lifetime of the technology implemented ~~[including any replacements undertaken during the crediting period]~~, where there is very high confidence that emission reductions from the technology continue to be achieved beyond the end of crediting period(s);
 - (b) ~~[The application of conditions specified by the designated national authorities (DNAs) that ensure that host Party mitigation benefits are retained.]~~
33. **[Paragraph 31bis** Mechanism methodologies shall include provisions that ensure that the sharing of mitigation benefits between participating Parties not only adheres to the principle of equity but also tangibly supports the sustainable development objectives of host countries. This shall include explicit alignment with social, economic and environmental benefits as prioritized by the host country, thus reinforcing the contribution of climate action to broader development goals outlined in the host country's strategic planning and policies.]
34. **[Paragraph 32:** The Supervisory Body will establish a process for host Parties to communicate their approach to the operationalisation of paragraph 31(b) above.]
35. **[Paragraph 33:** The Supervisory Body may prepare guidance material inter alia in the form of sharing experience and best practices, to assist host Parties in the consideration of equitable sharing of mitigation benefits, including mitigation co-benefits, between participating Parties in mechanism methodologies.]
36. **Paragraph 34:** Mechanism methodologies shall require the estimation of the mitigation benefits to the host Party, taking into account the relevant provisions in paragraph 31 above.
- 4.5. Aligning with the NDC of each participating Party, if applicable, its LT-LEDs, if it has submitted one, the long-term temperature goal of the Paris Agreement and the long-term goals of the Paris Agreement**
37. **Paragraph 35.** Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement”.
38. **Paragraph 36.** Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) align with the long-term temperature goal of the Paris Agreement (...)”.
39. **Paragraph 37.** Mechanism methodologies shall require demonstration that the activity, does not constrain, but aligns with the policies, options and implementation plans of the host Party with regard to the latest nationally determined contribution (NDC) of the host Party, if applicable, its long-term low greenhouse gas emission development strategies (LTLEDs), if it has submitted one, and the long-term temperature goal of the Paris Agreement and long-term goals of the Paris Agreement.

4.6. Approaches to set the baseline

40. **Paragraph 38 Option 1:** *Paragraph 36 of the RMP states that: “Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 in the RMP and recognizing that a host Party may determine a more ambitious level at its discretion:*

A performance-based approach, taking into account:

- (i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;*
- (ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;*
- (iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 of the RMP.”*

41. **Paragraph 39.** *Paragraph 27 of the RMP states that “A host Party may specify to the Supervisory Body, prior to participating in the mechanism: (a) Baseline approaches and other methodological requirements...”.*

42. **Paragraph 40.** *Mechanism methodologies shall contain provisions that require justification of the appropriateness of the choice of approach(es) identified in paragraph 36 of the RMP for setting the baseline, with reference to the requirements of paragraphs 33 and 35 of the RMP.*

43. **Paragraph 41.** *With regard to setting the baseline for emission reduction activities, factors affecting the appropriateness of the choice may include:*

- (a) Similarity of emission sources with respect to technologies and measures applied, or sectors covered by the methodology which may allow the use of an ambitious benchmark covered under paragraph 36 (ii) of the RMP;*
- (b) Availability of data required for a conservative and reliable estimation of the baseline.*

44. **Paragraph 42.** *[For the approaches identified in paragraph 36 of the RMP] [For the approach for actual or historical emissions], mechanism methodologies shall contain provisions to apply the method detailed in section 4.7 below to adjust the baseline emissions downwards and to ensure consistency with paragraph 33 of the RMP.*

45. **Paragraph 43.** *A host Party may determine a more ambitious baseline requirement at its discretion and specify it to the Supervisory Body for approval.*

46. **[Paragraph 44.** *The Supervisory Body will develop a standard and may further develop guidance and/or tool(s) for baseline setting. Mechanism methodologies should contain provisions that require their application where appropriate.]*

4.7. Addressing elements of paragraph 33 and paragraph 36 of the RMP

47. **[Paragraph 45 Option 1:** Mechanism methodologies shall address consistency of implementation of paragraph 36 of the RMP with the requirements of paragraph 33 of the RMP through the appropriate application of:

(a) Downward adjustment to the baseline as per paragraph 36 (iii) of the RMP; and/or

(b) Downward adjustment to the baseline resulting from or applied to the approaches in paragraph 36 (i) and (ii) of the RMP.]

48. **[Paragraph 45 Option 2:** Mechanism methodologies shall address consistency of implementation of paragraph 36 of the RMP with the requirements of paragraph 33 of the RMP through the appropriate application of downward adjustment to the baseline as per paragraph 36 (iii) of the RMP]

49. **[Paragraph 46.** If the calculated difference in paragraph 29 above demonstrates a downward adjustment that is greater than the adjustment calculated as per paragraphs 47 and 48 below, no further adjustment is required. Where the calculated difference in paragraph 29 above is less than the adjustment calculated as per paragraphs 47 and 48 below, further adjustment is required to align with the result of paragraphs 47 and 48 below to ensure consistency with the requirements of paragraph 33 of the RMP.]

50. **Paragraph 47 Option 1:** Factors or quantitative methods for downward adjustment shall be included in the project design document and updated at each renewal of the crediting period [,in accordance with paragraphs 48-50 below. Host Parties may decide to apply more stringent factors or quantitative methods for downward adjustment, according to their circumstances] [and be based on:

(i) An estimation of emission reductions and removals necessary to achieve NDCs if applicable, and LT-LEDS where they have been submitted;

(ii) An estimation of emission reductions and removals necessary to achieve the long-term temperature goal of the Paris Agreement differentiated by technology/sector or country/region, considering socioeconomic conditions and accommodating different circumstances of the host Parties.]

{One submitter asserted that provisions contained above that require activities to align to NDCs and LT-LEDS fulfil this requirement and expressed that any further adjustment shall be applied at the methodological level on a case-by-case basis}

Paragraph 47 Option 2: Quantitative estimation of downward adjustment in the context of paragraph 36 (iii) of the RMP shall be included in the project design document and updated at each renewal of the crediting period, [based on an estimation of emission reductions and removals necessary to achieve NDCs as determined in relevant NDC implementation plans, if applicable, and LT-LEDS and their implementation.]

[Paragraph 47bis The Supervisory Body should seek CMA guidance to conduct an estimation of emission reductions and removals necessary to achieve the long-term temperature goal of the Paris Agreement differentiated by technology/sector or and by country/region, considering individual Parties' responsibilities for removing their emissions from the atmosphere in light of their historic contributions to increasing global GHG concentrations, socioeconomic conditions, and accommodating different circumstances of

the host Parties, which could then be used to inform adjustment of baselines in the context of paragraph 36 (iii) of the RMPs {To be move to the SBM report if retained}

51. **Paragraph 48.** *The downward adjustment shall be undertaken in a manner that considers economic viability of critical mitigation activities, large-scale transformation and decarbonization technologies, negative emission approaches while ensuring that all activities contribute to achieving the long-term temperature goal of the Paris Agreement [and do not lead to locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP].*
52. **Paragraph 49.** *The downward adjustment to the baseline referred to above may be operationalized through factors or quantitative methods. These may be either developed by [activity participants, stakeholders], [host Parties,] [the Supervisory Body,] [or jointly between host Parties and the Supervisory Body]. The procedures for the standardized baselines may be used for this purpose.*
53. **[Paragraph 50.** *The Supervisory Body will develop standards, tools, and guidance to inform the implementation of paragraphs 45-49 above.]*

4.8. Encouraging broad participation

54. **Paragraph 51.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) encourage broad participation (...)”.*
55. **Paragraph 52.** *The Supervisory Body shall encourage development of methodologies covering a wide range of emission reduction and removal activities with broad sectoral and geographic coverage.*
56. **Paragraph 53.** *The Supervisory Body shall encourage participation of a broad range of stakeholders during the methodology development process and the methodology application by enabling informed consultation as described in the “Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools”.*
57. **Paragraph 54.** *Mechanism methodologies shall:*
- (a) *Where relevant for the sectoral and/or geographical coverage of the methodology, contain provisions that uphold stringency and encourage broad participation by being accurate, simple, clear, and avoiding complexity such that a wide range of activity participants and host Parties can apply the methodology requirements irrespective of a Party’s scientific infrastructure, financial and national circumstances;*
 - (b) *Where relevant for the sectoral and/or geographical coverage of the methodology, particularly in least developed countries and small island developing States, contain provisions that take into account the context on the ground in host Parties, including institutional arrangements, [Indigenous Peoples’ input and free, prior and informed consent (FPIC) and customary laws,] and provide options to facilitate the meeting of requirements [in accordance with the full and effective implementation of FPIC as defined by the United Nations Declaration on the Rights of Indigenous Peoples,] such as by permitting the use of multiple data sources to address data gaps, and the use of conservative default values and/or use of benchmarked data from comparable regions to the extent they can be applicable;*

- (c) *Use simple language that is inclusive, gender-sensitive, [culturally appropriate], and accessible to a wide range of stakeholders, including local communities and Indigenous Peoples.*

58. Paragraph 55. {deleted}

4.9. Including data sources, accounting for uncertainty and monitoring requirements

59. **Paragraph 56.** *Paragraph 34 of the RMP states that “Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors (...).”*

60. **Paragraph 57.** *The Supervisory Body shall ensure that mechanism methodologies are transparent and comprehensible with respect to included assumptions, parameters, data sources and key factors.*

61. **Paragraph 58.** *Mechanism methodologies shall contain or reference provisions that require the accounting of uncertainty associated with emission factors, activity data and other estimation parameters applied in the calculation of emission reductions or removals consistent with relevant IPCC guidelines.*

62. **Paragraph 59.** *Mechanism methodologies shall contain provisions requiring a listing of data parameters that need to be monitored throughout the crediting period. This may include the data that are directly measured where necessary on a sample basis, and the data that are collected from other sources such as official statistics, expert judgment, IPCC guidelines, and scientific literature. In this regard, methodologies shall contain provisions on monitoring plans related to the collection, open publication and storing of all relevant data needed to estimate baseline, project and leakage emissions, including provisions related to quality assurance and quality control.*

4.10. Recognizing suppressed demand

63. **Paragraph 60.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) recognize suppressed demand (...).”*

64. **Paragraph 61.** *Suppressed demand in the context of an Article 6.4 activity is a situation where services provided to a population are insufficient to meet the basic human needs such as minimum amount of electricity for lighting, heating or cooling due to barriers, including low income or lack of infrastructure, and where the growth of emissions resulting from meeting such needs requires special consideration in the assessment of Article 6.4 baseline scenarios.*

65. **Paragraph 62.** *The Supervisory Body will recognize suppressed demand under a situation where the BAU cannot realistically provide the level of service required of the Article 6.4 activity by considering that the baseline scenario is not set based on the historical and continuation of the current condition, but rather based on an alternative that provides a level of service comparable to that provided by the Article 6.4 activity.*

66. **Paragraph 63.** *The Supervisory Body shall recognize suppressed demand by including benchmarks and default factors in specific methodologies that may not be below BAU.*

67. **[Paragraph 64.** *The Supervisory Body will develop a tool to provide guidance on how to determine suppressed demand and the minimum level of service that may be considered as a reference level to determine the baseline.]*

4.11. Taking into account policies and measures and relevant circumstances

68. **Paragraph 65.** *Paragraph 34 of the RMP states that “Mechanism methodologies shall (...) take into account (...) policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances (...).”*
69. **Paragraph 66.** *Mechanism methodologies shall contain provisions to take into account relevant circumstances, including national, regional, or local, social, economic, environmental and technological, based on robust data and verifiable information. In this regard, the type of data and information that would be necessary to meet the above provisions shall be specified in the methodologies, particularly with regard to eligibility conditions, setting the baseline, and demonstrating additionality.*
70. **[Paragraph 67.** *The Supervisory Body will develop further guidance on how mechanism methodologies shall take into account policies and measures, and relevant circumstances.]*

4.12. Standardized baselines

71. **Paragraph 68.** *Paragraph 37 of the RMP states that “Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party and be consistent with paragraph 33 of the RMP.”*
72. **Paragraph 69.** *A standardized baseline is a baseline developed at the request of or by a host Party or a group of host Parties on a subnational, national, or group-of-Parties basis rather than on an activity basis to facilitate the determination of the baseline, calculation of the GHG emission reductions or removals and/or the determination of additionality for Article 6.4 activities, while ensuring environmental integrity within the scope of the standardized baseline.*
73. **Paragraph 70.** *The application of standardized baselines is not mandatory unless explicitly stated in an approved standardized baseline or in another standard approved by the Supervisory Body. When the application of a standardized baseline is not mandatory, activity participants may establish additionality or baseline emissions for their activity using other approved approaches as an alternative to applying a standardized baseline.*
74. **Paragraph 71.** *A host Party may specify the application of a standardized baseline as a mandatory requirement for the activities implemented in the host Party. The Supervisory Body may also specify the application of a standardized baseline as a mandatory requirement for certain cases such as when the standardized baseline is being used to address leakage emissions of an activity, as further detailed in section 6 below. The provisions in this paragraph may also apply to standardized baselines developed by or for a group of host Parties.*
75. **Paragraph 72.** *The approaches for setting the baselines referred to in section 4.6 above shall also be applied for the development of standardized baselines.*

76. **Paragraph 73.** *The host Party and the Supervisory Body should determine the level of aggregation taking into account the following:*
- (a) *A default level of aggregation shall comprise the facilities or equipment producing a similar type of output within the geographical boundaries of one Party or a specific subregion determined by the Party. The level of aggregation may be expanded to a group of Parties with similar circumstances relating to the output;*
 - (b) *A default group of facilities should be disaggregated when significant dissimilarities exist in the performance of facilities or groups of facilities in the country/region. In this case, the disaggregation shall be carried out according to relevant criteria, such as scale of production, installed capacity or age of the facilities. Standardized baseline values should be determined for each group of similar facilities in this case;*
 - (c) *Disaggregation should not result in standardized baselines with overlapping applicability.*
77. **Paragraph 74.** *Standardized baselines shall include a default validity period of three years, starting from the date of approval by the Supervisory Body. A host Party may propose a shorter or longer validity period, taking into account the specificity of sectors in which activities are undertaken, and by providing justification for the consideration of the Supervisory Body.*
78. **Paragraph 75.** *After the validity of a standardized baseline has expired, the updated standardized baseline can be submitted by the host Party for the consideration of the Supervisory Body for approval. An updated standardized baseline shall not impact registered activities applying the previous version up to the end of their current crediting period.*
79. **Paragraph 76.** *Standardized baselines may be developed by the host Party and approved by the Supervisory Body following an assessment against the “Procedure: Development, revision, clarification and update of standardized baselines”.*
80. **[Paragraph 77.** *The Supervisory Body will develop and approve separate guidance on standardized baselines, including guidance on standardized baselines for a group of Parties.]*

5. Additionality demonstration

81. **Paragraph 78.** *Paragraph 38 of the RMP states that “Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP”.*
82. **Paragraph 79.** *Paragraph 39 of the RMP states that “The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body”.*

83. **Paragraph 80.** *Mechanism methodologies shall contain provisions that require demonstration of additionality through:*

- (a) *Demonstration that the proposed activity would not have occurred in the absence of the incentives from the mechanism through an investment analysis (default approach);*
- (b) *Assessment of barriers to the implementation of the activity, such as the financial, technological and institutional barriers, taking into account all relevant national policies, including legislation and current practices within the activity sector and geographic area including Indigenous Traditional Knowledge, customary laws, may be undertaken to complement the investment analysis referred above. If activity participants want to include a barrier analysis to demonstrate additionality for their activity, they shall:*
 - (i) *[Firstly, conduct an assessment of additionality using approach (a) above;]*
 - (ii) *Describe the barriers, [including the reasons why investment analysis is not suitable];*
 - (iii) *Provide evidence of the barriers and how the mechanism will help overcome the barriers;*
 - (iv) *[Include parameters in the monitoring plan to demonstrate how the barriers are overcome];*
- (c) *Demonstration that the proposed activity represents mitigation that exceeds any mitigation that is required by law or regulation, through a regulatory analysis conducted to assess whether the activity is mandated or triggered by applicable law or regulation. For this purpose, law or regulation applicable to the proposed activity that may require a certain technological, performance or management action shall be considered;*
- (d) *Demonstration that the proposed activity takes a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP, including through an assessment of the scale, lifetime, and emissions intensity of the activity;*
- (e) *[Application of performance standards];*
- (f) *Application of first-of-its-kind and common practice tests.*
- (g) *Demonstrate that the proposed activity considered the benefits from the Article 6.4 mechanism as necessary in the decision to implement the activity, following the relevant activity cycle procedure.*

84. **Paragraph 81.** *When formulating an approach to demonstrate the additionality, the Supervisory Body shall take into account any communication from the host Party regarding paragraphs 8582 below.*

85. **Paragraph 82.** *When formulating an approach to the demonstration of additionality, mechanism methodologies should consider the relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances, in line with paragraphs 65-67 above, including Party-led identification of activities that may be transformative.*

86. **[Paragraph 83.** *The Supervisory Body will develop further guidance and tools for the demonstration of additionality, including through a stepwise procedure to address the elements in paragraph 80 above; and potential standardized performance-based approaches for determining additionality for application in methodologies that take into account best available technologies or an ambitious benchmark approach. Mechanism methodologies shall contain provisions that require the application of these procedures and approaches where appropriate.]*
87. **[Paragraph 84.** *Simplified approaches for demonstration of additionality for least developed countries or small island developing States will be developed by the Supervisory Body when a request is made by a least developed country or small island developing State.]*

6. Leakage

88. **Paragraph 85.** *Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) avoid leakage, where applicable (...).”*
89. **Paragraph 86.** *Leakage refers to anthropogenic emissions by sources of GHGs that occur outside the activity boundary which are attributable to the Article 6.4 activity.*
90. **Paragraph 87.** *Mechanism methodologies shall contain provisions to:*
- (a) *Ensure that the potential sources of leakage in activities covered by a mechanism methodology are identified, including, but not limited to, any sources referred to in paragraph 88 below;*
 - (b) *Require activities to avoid or minimize all sources of leakage [as far as possible] by applying the appropriate approach(es) referred to in paragraph 89 below, and address remaining leakage where necessary by discounting credited volumes as described in paragraph 89(a) below;*
 - (c) *Require that activity participants list all potential sources of leakage that may reasonably be attributable to the activity and describe how each is being addressed. If the activity participant excludes any source of leakage from consideration, they shall justify its exclusion;*
 - (d) *Include, where necessary, provisions for robust, transparent and user-friendly measurement, reporting and independent third-party verification systems that encompass specific sources of potential leakage identified;*
 - (e) *Include, where necessary, life cycle analysis of products or material in relation to the source indicated in paragraph 88(d) below;*
 - (f) *Require the activity participant to take into account relevant information from the DNA of the host Party on leakage, where available and as per the application of the tool referred to in paragraph 90 below.*
91. **Paragraph 88.** *Leakage may occur due to, inter alia:*
- (a) *Continued use of baseline equipment being transferred beyond the activity boundary;*

- (b) *Use of resources that have competing uses from activities outside the activity boundary that lead to a net change in emissions outside the boundary or shifts of pre-project activities that lead to a net change in emissions outside the boundary;*
 - (c) *Diversion of existing production processes or services accounted for in the baseline, inter alia through relocation and continuation of baseline activities outside the activity boundary;*
 - (d) *Impacts on upstream and downstream processes associated with the materials and services used by the activity, and/or products or services provided by the activity, relative to the baseline, unless they are accounted as activity emissions.*
92. **Paragraph 89.** *Leakage shall be avoided and, where not possible, minimized, or addressed, by, inter alia:*
- (a) **Discounting credited volumes:** *deducting emission reductions from credited volumes taking into account equipment lifetime, where applicable;*
 - (b) **Scrapping of baseline equipment:** *undertaking and evidencing the destruction/decommissioning/disposal of baseline equipment;*
 - (c) **Application of higher-level elements:** *applying a standardized baseline at a higher level of aggregation (or equivalent) that is regularly updated and any associated higher-level monitoring information and/or system;*
 - (d) **Nesting:** *Aligning relevant aspects of activity design and implementing activities together with an existing higher-level crediting programme;*
 - (e) **Upscaling implementation:** *implementing activities at a higher level (e.g. sectoral, subnational, or national).*
- {placement to be decided – leakage section may not be appropriate}*
93. **[Paragraph 95 Option 1: Methodologies for activities falling under one or more of the activity scopes referred to in Article 5, paragraph 2 of the Paris Agreement will not be considered under the mechanism.]**
94. **[Paragraph 95 Option 2: For activities falling under one or more of the activity scopes referred to in Article 5, paragraph 2 of the Paris Agreement, the mechanism methodologies shall require [in addition to all relevant decisions 3/CMA.3 related to Article 6.4 adopted and any additional guidance provided by the Supervisory Body], demonstration that activities relate to results contained in the information hub in accordance with Decision 9/CP.19, paragraph 11.]**
95. **[Paragraph 90.** *The Supervisory Body will develop a methodological tool for the implementation of paragraph 87 above.]*
96. **Paragraph 91.** *For some types of activities, monitoring at [national scale] jurisdictional level and use of a standardized baseline (or equivalent) is necessary to quantify and account for leakage. [In addition, further work will be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.]*

7. Non-permanence and reversals

97. **Paragraph 92.** *Paragraph 34 of the RMP states that “Mechanism methodologies shall (...) address reversals, where applicable”.*
98. **Paragraph 93.** *Mechanism methodologies shall address reversals of removals and emission reductions using an approach consistent with the standard on requirements for activities involving removals under the Article 6.4 mechanism.*
99. **[Paragraph 94.** *The Supervisory Body will develop further guidance regarding the application of the guidance referred to in paragraph 98 above.]*

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Document information

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01.0	24 September 2024	Published as an annex to the annotated agenda of SBM 014. This version builds on and replaces the document developed by the SBM at its ninth meeting (i.e. A6.4-SB009-A01). It provides a new iteration of the requirements for the development and assessment of Article 6.4 mechanism methodologies.
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Related documents:

1 July 2024	A6.4-SBM013-AA-A011 - Information note: Option to revise the recommendation on the requirements for Article 6.4 methodologies; taking into account stakeholder inputs (v.02.0)
23 May 2024	A6.4-SBM012-A01 - Information note: Guiding questions for the SBM engagement event at the sixtieth session of the Subsidiary Body (SB 60) (v.01.0)
17 May 2024	A6.4-SBM012-AA-A01 - Information note: Compilation and analysis of stakeholder inputs on the requirements for the development and assessment of Article 6.4 methodologies (v.01.1)
1 March 2024	A6.4-SB010-A05 - Information note: Further work on the methodological products for the Article 6.4 mechanism (v.01.0)
17 November 2023	A6.4-SB009-A01 - Recommendation: Requirements for the development and assessment of Article 6.4 mechanism methodologies (v.01.1)
7 November 2023	A6.4-SB008-A13 - Draft Recommendation: Requirements for the development and assessment of Article 6.4 mechanism methodologies (v.09.1)
16 October 2023	A6.4-SB008-AA-A14 - Draft Recommendation: Requirements for the development and assessment of mechanism methodologies (v.08.0)
14 September 2023	A6.4-SB007-A06 - Draft Recommendation: Requirements for the development and assessment of mechanism methodologies (v.07.0)
1 September 2023	A6.4-SB007-AA-A10 - Information note: Compilation of responses to the call for input titled “Structured public consultation: Further input – requirements for the development and assessment of mechanism methodologies”

	A6.4-SB007-AA-A11 - Concept note: Methodological elements in the draft recommendation on requirements for the development and assessment of mechanism methodologies
	A6.4-SB007-AA-A12 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies
5 July 2023	A6.4-SB006-AA-A08 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies
3 June 2023	A6.4-SB005-A01 - Information note: Guidance and questions for further work on methodologies requirements (v.01.0)
17 May 2023	A6.4-SB005-AA-A07 - Information note: Draft elements for the recommendation on requirements for the development and assessment of mechanism methodologies (version 01.0)
	A6.4-SB005-AA-A08 - Information note: Compilation of public inputs in response to the “public consultation: Requirements for the development and assessment of mechanism methodologies” and related literature (version 01.0)
10 March 2023	A6.4-SB004-A03 – Information note: Guidance and questions for further work on methodologies
21 February 2023	A6.4-SB004-AA-A10 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 3.0) (Zip file: Appendices 1 - 4 to Annex 10)
7 November 2022	A6.4-SB003-A04 – Information note: Status of current work on the application of the requirements referred to in chapter V B (Methodologies) of the rules, modalities and procedures (version 1.0)
25 October 2022	A6.4-SB003-AA-A05 – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 2.0)
	A6.4-SB003-AA-A06 - Information note: Requirements for the development and assessment of mechanism methodologies (version 2.0)
12 September 2022	A6.4-SB002-AA-A07 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 1.0)
	A6.4-SB002-AA-A08 - Information note: Requirements for the development and assessment of mechanism methodologies (version 1.0)
08 July 2022	A6.4-SB001-AA-A06 - Concept note: Guidelines for implementation of methodological principles, approaches, and methods for the establishment of baseline and additionality (version 1.0)