



SBSTA57

25 October 2022

SBSTA Chair informal document, including textual proposals, for consideration by the SBSTA in recommending a draft decision on guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement for consideration and adoption at CMA 4

Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session, requested¹ the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop, on the basis of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP),² recommendations for consideration and adoption by CMA 4 on:

(a) Further responsibilities of the Supervisory Body and of Parties that host Article 6, paragraph 4, activities (hereinafter referred to as host Parties) in order for such host Parties to elaborate and apply national arrangements for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) under the approval and supervision of the Supervisory Body;

(b) Processes for implementation of the transition of activities from the clean development mechanism to Article 6, paragraph 4, in accordance with chapter XI.A (Transition of clean development mechanism activities) of the RMP;

(c) Processes for implementation of chapter XI.B (Use of certified emission reductions towards first or first updated nationally determined contributions) of the RMP;

(d) Reporting by host Parties on their Article 6, paragraph 4, activities and the Article 6, paragraph 4, emission reductions issued for the activities, while avoiding unnecessary duplication of reporting information that is already publicly available;

(e) Operation of the registry referred to in chapter VI (Mechanism registry) of the RMP;

(f) Processes necessary for implementation of the share of proceeds to cover administrative expenses and the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation in accordance with chapter VII (Levy of share of proceeds for adaptation and administrative expenses) of the RMP;

(g) Processes necessary for the delivery of overall mitigation in global emissions in accordance with chapter VIII (Delivering overall mitigation in global emissions) of the RMP;

(h) Consideration of whether activities could include emission avoidance and conservation enhancement activities.

2. At SBSTA 56, to facilitate deliberations on further guidance on the RMP at SBSTA 57, the SBSTA requested its Chair to prepare an informal document on the basis of the outcomes of the intersessional work referred to in paragraphs 121–123 of the SBSTA 56 report³ (i.e. submissions from Parties and admitted observer organizations, technical papers prepared by the secretariat, a series of virtual and hybrid workshops), including textual proposals, for consideration by the SBSTA in recommending a draft decision on further guidance on the RMP for consideration and adoption by the CMA at its fourth session.

B. Scope

3. The annex to this informal document contains a draft CMA decision on further guidance on the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the draft further guidance) prepared by the SBSTA Chair on the basis of the above mandate.

¹ See decision 3/CMA.3, para. 7.

² Annex to decision 3/CMA.3.

³ Available at https://unfccc.int/sites/default/files/resource/sbsta2022_06E.pdf

C. Approach

4. The SBSTA Chair has developed the draft further guidance on the basis of the submissions,⁴ technical papers,⁵ series of virtual and hybrid workshops between September and October 2022,⁶ and the informal note prepared by the co-facilitators for this agenda item at SBSTA 56.⁷
5. The draft further guidance seeks to:
 - (a) Elaborate the requirements and processes defined in the RMP to make them operational, while leaving technical details to be developed by the Supervisory Body, as appropriate;
 - (b) Present options where Parties have diverging views and potential further elements that may need to be developed by the CMA or the Supervisory Body;
 - (c) Indicate the areas on which the Supervisory Body was mandated to make recommendations to the CMA, as placeholders;
6. Where an issue is related to multiple elements on which the SBSTA was mandated to make recommendations, it is presented in a chapter without prejudging whether it is the most relevant chapter for dealing with the issue.
7. In the draft further guidance, all paragraphs and subparagraphs have been numbered sequentially to make it easier for Parties to identify substantive content when using this informal document to facilitate discussions at SBSTA 57.
8. Also in the draft further guidance, curly brackets containing italicized text are used to provide relevant information.

D. Possible actions by the Subsidiary Body for Scientific and Technological Advice

9. The SBSTA may wish to consider this informal document and the textual proposals contained in the annex in developing recommendations for consideration and adoption by the CMA at its fourth session.

⁴ Available at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/submissions-on-articles-62-64-and-68-of-the-paris-agreement#Rules,-modalities-and-procedures-for-the-mechanism>.

⁵ Available at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/article-62-article-64-and-article-68-technical-papers-and-virtual-workshops-september-2022#Rules,-modalities-and-procedures-for-the-mechanism>.

⁶ Available at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/article-62-article-64-and-article-68-technical-papers-and-virtual-workshops-september-2022#Rules,-modalities-and-procedures-for-the-mechanism> and <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement/cooperative-implementation/article-62-and-article-64-hybrid-technical-workshops-4-7-october-2022>.

⁷ Available at https://unfccc.int/sites/default/files/resource/sbsta56_IN_ta13.2.pdf.

Annex

Draft decision -/CMA.4

Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Recalling the mechanism established by Article 6, paragraph 4, of the Paris Agreement and the aims referred to therein,

Also recalling decision 3/CMA.3 and its annex containing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement,

1. *Elaborates* the processes defined in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, as contained in the appendix;

2. *Requests* the Subsidiary Body for Scientific and Technological Advice to continue its consideration and develop, on the basis of the rules, modalities and procedures for the mechanism, recommendations for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session, on:

(a) Further responsibilities of the Supervisory Body and of Parties that host Article 6, paragraph 4, activities (hereinafter referred to as host Parties) in order for such host Parties to elaborate and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;

(b) Consideration of whether activities could include emission avoidance and conservation enhancement activities;

3. *Also requests* the Supervisory Body, taking into account the relevant provisions contained in the rules, modalities and procedures for the mechanism and the elaboration of the processes therein as contained in the appendix, to:

(a) Develop and implement requirements and procedures for the transition of activities from the clean development mechanism to the mechanism established by Article 6, paragraph 4, of the Paris Agreement and for the finalization of requests listed as provisional under the temporary measures adopted by the Executive Board of the clean development mechanism at its 108th meeting;

(b) Develop and implement procedures for submissions by Parties participating in the mechanism of approvals of activities for registration, authorization of activity participants, and statements on authorization of the use of Article 6, paragraph 4, emission reductions, including the development of standardized submission forms and a submission interface on the UNFCCC website, as appropriate;

(c) Develop and implement procedures for operating the mechanism registry referred to in chapter VI (Mechanism registry) of the rules, modalities and procedures for the mechanism, including processes for serialization, tracking and transaction of units in the mechanism registry, account maintenance, user administration, records management, public availability and security measures of information therein, and interoperability with other registries and systems;

4. *Further requests* the secretariat to assist host Parties in using the information available through the mechanism, in completing the information required pursuant to chapter IV (Reporting) of the annex to decision 2/CMA.3, in respect of that host Party's participation in the mechanism.

Appendix

Elaboration of the processes defined in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

I. Processes for implementation of the transition of activities from the clean development mechanism to the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Crediting period

1. Pursuant to paragraph 73 of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP),¹ registered project activities under the clean development mechanism (CDM) may transition to the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) if their crediting periods would have been active as at 1 January 2021, had the crediting under the CDM continued after the end of the second commitment period of the Kyoto Protocol.

2. The crediting period type (i.e. renewable or fixed), the remaining number of renewals of the crediting period if it is renewable and the length of the current crediting period of CDM project activities transitioned to the Article 6.4 mechanism shall carry over and resume from those under the CDM, to be capped at five years for the current crediting period under the Article 6.4 mechanism if it is renewable, subject to the conditions on the crediting period that may be specified by the Party that hosts Article 6, paragraph 4, activities (hereinafter referred to as a host Party) in accordance with paragraph 40(b) of the RMP.

3. Once renewed under the Article 6.4 mechanism, the length of the new crediting period of the transitioned project activities shall follow the relevant rules under the Article 6.4 mechanism for the remaining number of crediting period cycles, taking into account already consumed crediting period cycles under the CDM.

4. The same principles referred to in paragraphs 1–3 above shall apply to the CDM programmes of activities (PoAs) and the component project activities (CPAs) therein that transition to the Article 6.4 mechanism in terms of the PoA period and the crediting period, respectively.

B. Activity design

5. The activity types of registered CDM project activities, PoAs and CPAs therein that transition to the Article 6.4 mechanism shall be among those indicated by their respective host Parties in accordance with paragraph 26(e) of the RMP.

6. Pursuant to paragraph 73(c) of the RMP, registered CDM project activities, PoAs and CPAs therein that transition to the Article 6.4 mechanism as well as requests for registration listed as provisional under the temporary measures adopted by the Executive Board of the CDM at its 108th meeting (hereinafter referred to as the temporary measures) shall specifically demonstrate compliance with the following requirements contained in paragraph 31(d)(i) and 31(d)(iv), respectively, of the RMP, in accordance with the means of such demonstration to be specified by the Supervisory Body:

(a) The activity shall deliver real, measurable and long-term benefits related to climate change in accordance with paragraph 37(b) of decision 1/CP.21;

(b) The activity shall minimize and, where possible, avoid negative social impacts.

¹ Decision 3/CMA.3, annex.

7. The methodologies applied to registered CDM project activities, PoAs and the CPAs therein that transition to the Article 6.4 mechanism as well as requests for registration, renewal and issuance listed as provisional (hereinafter referred to as provisional requests) under the temporary measures shall meet the methodological requirements that may be specified by the respective host Parties in accordance with paragraph 27(a) of the RMP, taking into account the condition referred to in paragraph 73(d) of the RMP. If the CDM activity or provisional request does not meet this requirement, the methodology shall be replaced accordingly.

8. In line with decision 18/CMA.1, annex, paragraph 37, registered CDM project activities, PoAs and the CPAs therein that transition to the Article 6.4 mechanism, as well as provisional requests under the temporary measures, shall apply the 100-year time-horizon global warming potential values from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change or the 100-year time-horizon global warming potential values from a subsequent assessment report of the Intergovernmental Panel on Climate Change, as agreed upon by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), to calculate emission reductions or removals for the period after 31 December 2020.

C. Transition process

9. Pursuant to paragraph 73(a) of the RMP, the project participants of a registered CDM project activity or the coordinating/managing entity of a registered CDM PoA that are authorized by the host Party, or an entity acting on their behalf, that wish to transition the activity to the Article 6.4 mechanism, shall submit a request for such transition to the secretariat and to the designated national authority (DNA) for the Article 6.4 mechanism of the host Party as designated in accordance with paragraph 26(c) of the RMP, copying the DNA for the CDM, by no later than 31 December 2023 in accordance with the procedure to be developed by the Supervisory Body.

10. Pursuant to paragraph 73(b) of the RMP, the DNA for the Article 6.4 mechanism of the host Party that approves the transition shall provide the approval to the Supervisory Body by no later than 31 December 2025 in accordance with the procedure to be developed by the Supervisory Body.

11. The DNAs for the Article 6.4 mechanism of Parties other than the host Party participating in a registered CDM activity for which the transition is requested, if they wish to continue to participate in the activity, shall provide an authorization of activity participants to the Supervisory Body prior to the forwarding or first transfer of Article 6, paragraph 4, emission reductions (A6.4ERs) issued for the activity to the activity participants at the latest.

12. Requests for finalization, host Party approvals of provisional requests under the temporary measures, and other participating Party approvals of activity participants, shall be submitted in accordance with paragraphs 9–11 above *mutatis mutandis*, to be specified by the Supervisory Body. Requests for finalization of provisional requests for renewal and issuance shall be processed only after the respective underlying CDM activities successfully transitioned to the Article 6.4 mechanism.

13. Requests for transition of CDM activities and requests for finalization of provisional requests under the temporary measures submitted to the secretariat shall be subject to the relevant share of proceeds to cover administrative expenses and the relevant share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation applicable under the Article 6.4 mechanism.

14. For the requests for transition of CDM activities and the requests for finalization of provisional requests under the temporary measures that are successfully approved or finalized by the Supervisory Body, the effective date of transition and the start of the crediting period under the Article 6.4 mechanism may be deemed as 1 January 2021 at the earliest irrespective of the dates of approval of the requests by the Supervisory Body.

15. Once transitioned to, or finalized under, the Article 6.4 mechanism, the activities are subject to all relevant requirements under the mechanism at all subsequent steps in the mechanism activity cycle, including the application of the provisions on delivering overall mitigation in global emissions and corresponding adjustment in relation to A6.4ERs issued for the activities, taking into account the provisions on the applied methodologies contained in paragraphs 27(a) and 73(d) of the RMP, as described in paragraph 7 above.

II. Processes for implementing chapter XI.B (Use of certified emission reductions towards first or first updated nationally determined contributions) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Transfer of certified emission reductions from the clean development registry

16. The transfer of certified emission reductions (CERs) to the mechanism registry referred to in chapter VI of the RMP that are eligible for such transfer as per paragraph 75 of the RMP (eligible CERs) shall be communicated by the CDM registry administrator to the mechanism registry administrator in accordance with relevant guidance by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. The transfer data shall include the full serial numbers of the eligible CERs and the details of the receiving account (unique account number, account name and type). All transfer data shall be subject to a reconciliation process to be developed and implemented by the registry administrators of the two registries (the secretariat).

17. The mechanism registry administrator shall check the transfer data received from the CDM registry and shall record transferred eligible CERs in the receiving accounts as communicated from the CDM registry administrator. The mechanism registry administrator may reject the transfer data, communicating the reason to the CDM registry administrator.

18. The mechanism registry shall assign unique identifiers to received CERs, as per the applicable rules for serialization of units in the mechanism registry to be developed by the Supervisory Body, and shall track, display and report on CERs as related to pre-2021 emission reductions pursuant to paragraph 75(b) of the RMP. The mechanism registry shall also track the original Kyoto Protocol serial numbers of the received CERs.

19. The mechanism registry may continue to receive transfers of CERs from the CDM registry until the CMA decides otherwise.

20. Transactions of CERs shall adhere to the modalities to be adopted by the CMA and/or the relevant requirements and procedures to be adopted by the Supervisory Body.

B. *[Placeholder for transfers of CERs from Kyoto Protocol national registries]*

C. Use of certified mitigation reductions towards achievement of nationally determined contributions

21. Parties may use CERs transferred to the mechanism registry towards achievement of their first or first updated nationally determined contributions (NDCs) by retiring the CERs in accordance with the modalities to be adopted by the CMA and/or the relevant requirements and procedures to be adopted by the Supervisory Body.

22. For use of CERs towards achievement of their first or first updated NDCs, using Parties shall follow the guidance on the use of internationally transferred mitigation outcomes (ITMOs) towards the achievement of NDCs by subtracting the quantity of CERs used in the

calculation of the emissions balance in accordance with paragraph 8 of the annex in decision 2/CMA.3.

23. Parties shall report the amounts of CERs used towards achievement of their first or first updated NDCs

Option 1: in the number of ITMOs used for each year of the NDC implementation period in the structured summary² in the row ‘Any other information consistent with decisions adopted by the CMA on reporting under Article 6 (para. 77(d)(iii) of the MPGs)’ of table 3,³ with the information on the quantity of CERs used in each year in addition to the ITMOs recorded, as used in the Article 6 database for those years.

Option 2: in an additional row titled ‘Annual quantity of CERs used towards achievement of the NDC’ in the structured summary⁴ inserted after the row ‘Annual quantity of ITMOs used towards achievement of the NDC (para. 23(e), annex to decision 2/CMA.3) (para. 77(d)(ii) of the MPGs)’ of table 4.⁵ *{This option may need revision/update of the structured summary}*

Option 3: as amounts of CERs used towards achievement of their NDCs in the structured summary⁶ in the row ‘Assessment of the achievement of the Party’s NDC under Article 4 of the Paris Agreement (para. 70 of the MPGs)’ of table 4.⁷

III. Reporting by host Parties on their Article 6, paragraph 4, activities and the Article 6, paragraph 4, emission reductions issued for those activities

24. Information on activities requested for registration and registered under the Article 6.4 mechanism hosted by each Party, as well as A6.4ERs issued for registered activities, is deemed to be provided by host Parties through the Supervisory Body in accordance with paragraph 24(c)(v) of the RMP.

25. Pursuant to paragraphs 26–28 of the RMP, host Parties shall provide to the Supervisory Body the information referred to in these paragraphs relating to the participation responsibilities of host Parties in accordance with the modalities to be specified by the Supervisory Body. The Supervisory Body shall promptly make the received information publicly available on the UNFCCC website. In this context:

(a) The information on the status as a Party under the Paris Agreement referred to in paragraph 26(a) of the RMP is deemed to have been provided if the instruments of ratification, acceptance, approval or accession have been deposited with the Depository in accordance with Article 20 of the Paris Agreement;

(b) The information on the preparation, communication and maintenance of NDCs referred to in paragraphs 26(b) and 28(a) of the RMP is deemed to have been provided if it has been communicated to the secretariat in accordance with Article 4, paragraph 2, of the Paris Agreement.

26. Pursuant to paragraphs 40, 41 and 45 of the RMP, host Parties and other participating Parties shall provide to the Supervisory Body the information referred to in these paragraphs relating to the approval of specific activities by a host Party, authorization of specific activity participants by a host Party and authorization of activity participants by other participating

² Decision 5/CMA.3, annex II.

³ 3. Structured summary: Methodologies and accounting approaches – consistency with Article 4, paragraphs 13 and 14, of the Paris Agreement and with decision 4/CMA.1.

⁴ Decision 5/CMA.3, annex II.

⁵ 4. Structured summary: Tracking progress made in implementing and achieving the NDC under Article 4 of the Paris Agreement.

⁶ Decision 5/CMA.3, annex II.

⁷ 4. Structured summary: Tracking progress made in implementing and achieving the NDC under Article 4 of the Paris Agreement.

Party, respectively, in accordance with the modalities to be specified by the Supervisory Body.

27. Pursuant to paragraph 42 of the RMP, the host Party shall provide to the Supervisory Body a statement specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes as defined in decision 2/CMA.3, in accordance with the modalities to be specified by the Supervisory Body,

Option 1 {at registration}: prior to the registration of each activity in accordance with the modalities to be specified by the Supervisory Body applicable for the entire crediting period cycles of the activity

Option 1.1: *no further text*

Option 1.2: unless the host Party issues a revised statement [at the renewal of the crediting period of the activity], which shall be applicable only for A6.4ERs issued after the revision.

Option 2 {at issuance}: after registration of the activity,

Option 2.1: and prior to each issuance of A6.4ERs for the activity in accordance with the modalities to be specified by the Supervisory Body.

Option 2.2: and prior to the first issuance of A6.4ERs for the activity in accordance with the modalities to be specified by the Supervisory Body, applicable for the entire crediting period cycles of the activity [unless the host Party issues a revised statement [at the renewal of the crediting period of the activity], which shall be applicable only for A6.4ERs issued after the revision].

Option 3 {at any time}: at any time at the host Party's discretion,

Option 3.1: and may be revised at any time, which shall be applicable only for A6.4ERs issued after the revision.

Option 3.2: and may be revised at any time, which may specify an applicable period, including for A6.4ERs that have already been issued. *{retroactive application of a revised statement to already issued/used A6.4ERs would have consequences on tracking, reporting and other aspects of accounting system}*

IV. Operation of the mechanism registry

A. Form and functions

28. Pursuant to paragraphs 64 and 65 of the RMP, the mechanism registry shall:

(a) Take the form of a standardized electronic database and shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP;

(b) Conform to the requirements for registries as contained in the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and further relevant decisions by the CMA;

(c) Be hosted and maintained by the secretariat;

(d) Process and maintain data consistently;

(e) Align its nomenclatures with the nomenclatures relevant to reporting of information on ITMOs as per decision 2/CMA.3, and any further relevant decisions of the CMA, as maintained on the centralized accounting and reporting platform referred to in paragraph 35 of the annex to decision 2/CMA.3.

29. The mechanism registry shall track A6.4ERs and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP as serialized units. Each unit shall be indivisible.

30. Each A6.4ER or CER tracked in the mechanism registry shall have a unique identifier assigned in accordance with the modalities to be developed by the Supervisory Body. Such modalities shall conform to the guidance adopted by the CMA for the international registry under cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (hereinafter referred to as the international registry).

31. Each A6.4ER or CER shall be held in only one account in the mechanism registry at a time.

32. Pursuant to paragraph 63 of the RMP, the mechanism registry shall have the following account types, to be opened in accordance with requirements and procedures to be adopted by the Supervisory Body:

- (a) Pending account to which all A6.4ERs shall be issued;
- (b) Holding account, which may acquire A6.4ERs or CERs tracked in the mechanism registry;
- (c) Share of proceeds for adaptation account, which receives A6.4ERs in accordance with paragraph 58 of the RMP;
- (d) Account for mandatory cancellation of A6.4ERs[and CERs] for overall mitigation in global emissions (OMGE) in accordance with paragraph 59 of the RMP (mandatory cancellation for OMGE account);
- (e) Account for voluntary cancellation of A6.4ERs for overall mitigation in global emissions in accordance with paragraph 70 of the RMP (voluntary cancellation for OMGE account);
- (f) Account for retirement of A6.4ERs authorized for use towards an NDC and for retirement of CERs for use towards first or first updated NDC (retirement towards NDC account);
- (g) Account for cancellation for international mitigation purposes of A6.4ERs authorized for use for other international mitigation purposes;
- (h) Account for voluntary cancellation for other purposes of A6.4ERs and CERs tracked in the mechanism registry;
- (i) [Account for administrative cancellation of A6.4ERs and CERs tracked in the mechanism registry for corrective actions and other purposes, as necessary.]

33. Pursuant to paragraph 63 of the RMP, Parties and entities authorized by a participating Party as activity participants may request to open holding accounts in the mechanism registry in accordance with requirements and procedures to be adopted by the Supervisory Body. Such holding accounts shall be associated with the authorizing Party.

34. Pursuant to paragraph 55 of the RMP, the mechanism registry shall allow account holders to see the authorization status and the first transfer status of A6.4ERs held in their holding accounts. The mechanism registry shall also allow account holders to see if a transaction is the first transfer in the transaction history of their accounts.

B. Transaction procedure

35. The mechanism registry shall perform issuance, forwarding, [transfer,][acquisition,]authorization, first transfer, cancellation, voluntary cancellation and retirement of A6.4ERs or, where applicable, of CERs transferred to the mechanism registry in accordance with paragraph 75 of the RMP, consistently with the guidance on the international registry [to be adopted by CMA 4 and any further relevant decisions by the CMA].

36. A transaction shall be tracked as a first transfer consistently with paragraph 2 of the annex to decision 2/CMA.3. For A6.4ERs authorized for both use towards an NDC and use for other international mitigation purposes, a first transfer shall be assigned to the chronologically first transaction that meets the definition of first transfer, taking into account

the definition of first transfer as specified by the host Party pursuant to paragraph 42 of the RMP, and taking into account paragraphs 58–59 of the RMP.

37. A6.4ERs subject to a transaction that is a first transfer shall be tracked as being first transferred.

38. Upon being instructed by the Supervisory Body, the mechanism registry administrator shall issue A6.4ERs into a pending account.

39. Pursuant to paragraph 58 of the RMP, the mechanism registry administrator shall forward 5 per cent of issued A6.4ERs in the pending account immediately to the share of proceeds for adaptation account held by the Adaptation Fund and shall track the forwarding as a first transfer.

40. Pursuant to paragraph 59 of the RMP, the mechanism registry administrator shall cancel a minimum of 2 per cent as specified by the activity participants, of issued A6.4ERs in the pending account immediately to the mandatory cancellation for OMGE account, and shall track the cancellation as a first transfer.

41. Pursuant to paragraph 60 of the RMP, the mechanism registry administrator shall

{Option 1 can be combined with any of Options 2.1-2.3. Options 2.1-2.3 are mutually exclusive.}

Option 1 {forwarding/transferring is conditional to the authorization statement being provided}: [forward][transfer], or effect cancellation or voluntary cancellation of, the remaining A6.4ERs if the statement on the authorization of the use of A6.4ERs has been provided by the host Party pursuant to paragraph 42 of the RMP

Option 2 {definition of forwarding}

Option 2.1 {forwarding defined as transfer to holding accounts associated with the host Party}: forward to accounts associated with the host Party, transfer to accounts associated with other participating Parties, or effect cancellation or voluntary cancellation of the remaining A6.4ERs

Option 2.2 {forwarding defined as any transaction that is not issuance, cancellation or retirement}: forward to the holding accounts of activity participants and participating Parties, or effect cancellation or voluntary cancellation of, the remaining A6.4ERs

Option 2.3 {forwarding defined as transfer of non-authorized A6.4ERs to holding accounts}: forward, or effect cancellation or voluntary cancellation of, the remaining non-authorized A6.4ERs, or transfer or effect cancellation or voluntary cancellation of, the remaining authorized A6.4ERs

in accordance with the instructions of the activity participants, which shall be in compliance with the statement on authorization provided by the host Party pursuant to paragraph 42 of the RMP, and with any further modalities that may be adopted by the CMA and relevant requirements and procedures to be adopted by the Supervisory Body.

42. The [forwarding,][transfer,] cancellation or voluntary cancellation of the remaining authorized A6.4ERs shall be tracked as a first transfer in accordance with the specification in the statement by the host Party, as applicable.

43. [The forwarding of the remaining A6.4ERs shall be only to the holding accounts of activity participants and participating Parties involved.]

44. [The [forwarding][transferring] of non-authorized A6.4ERs shall be only to an account associated with the host Party.]

45. Account holders may request transfer, cancellation or voluntary cancellation of A6.4ERs or CERs held in their holding accounts in accordance with relevant requirements and procedures to be adopted by the Supervisory Body.

46. Account holders may acquire A6.4ERs or CERs in the mechanism registry in their holding accounts in accordance with relevant requirements and procedures adopted by the Supervisory Body.

47. Each participating Party may request opening a retirement towards NDC account, as needed. A retirement towards NDC account may acquire A6.4ERs or CERs in the mechanism registry only from accounts associated with the participating Party for which the retirement account was opened. The retirement of authorized A6.4ERs shall be tracked as a first transfer in accordance with the specification in the statement by the host Party provided pursuant to paragraph 42 of the RMP, as applicable.

48. A6.4ERs or CERs transferred to any cancellation account or retirement account shall not be further transferred.

49. Pursuant to paragraph 55 of the RMP, the mechanism registry administrator shall, at the time of the issuance of A6.4ERs, assign their authorization status in accordance with the statement by the host Party provided to the Supervisory Body pursuant to paragraph 42 of the RMP.

{The following para. may be needed only if the option in paragraph 27 above, where the host Party may revise the statement of authorization on the use of A6.4ERs that also applies retroactively to already issued A6.4ERs is chosen}

50. If the host Party provides a revised statement on the authorization referred to in paragraph 42 of the RMP that changes the authorization status of already issued A6.4ERs, the mechanism registry administrator shall update the authorization status of A6.4ERs accordingly[.]

Option 1: and shall propagate the information on the change of status to any other connected registry that has acquired and holds authorized A6.4ERs to update their authorization status as applicable.

Option 2: *No further text if no interoperability.*

C. Information

51. The mechanism registry shall enable, for each participating Party, the automatic prefilling of the agreed electronic format and of other quantitative information requirements pursuant to chapter IV (Reporting) of the annex to decision 2/CMA.3 in relation to authorized A6.4ERs.

52. The mechanism registry shall enable the production and dissemination of reports to the DNAs of Parties participating in the Article 6.4 mechanism on the holdings and transaction history in relation to accounts and transactions associated with the respective Party.

53. **Option 1:** The mechanism registry shall make the appropriate data sets available to the Article 6 database referred to in paragraph 32 of the annex to decision 2/CMA.3 to assist with the consistency check as per paragraph 33(a) of the same annex.

Option 2: *No text*

54. The mechanism registry shall make non-confidential information publicly available and provide a publicly accessible interface through the Internet.

D. Interoperability

{Options 1 and 2 are mutually exclusive and option 3 may be combined with either option 1 or 2}

55. Consistency between the mechanism registry and the international registry shall be maintained through point-to-point means and/or via implementation of the two registries using one internally consistent database.

Option 1 *{Connection to the international registry supporting multiple tracking methods}*

56. Pursuant to paragraph 63 of the RMP, the connection to the international registry shall be [unidirectional from the mechanism registry to the international registry] [bidirectional] and shall enable the transfer of authorized A6.4ERs.

57. Furthermore, information on authorized A6.4ER holdings in, and the transaction history of, the mechanism registry shall be made available to the international registry through a method for automated pulling and viewing of data. The exposure of data to account holders in the international registry shall be subject to relevant provisions of the international registry procedure.

58. The mechanism registry shall make available a method for automated pulling and viewing of data on all unit holdings by, and the transaction history of, participating Party accounts opened in the mechanism registry to the participating Party registries pursuant to paragraph 29 of the annex to decision 2/CMA.3.

Option 2 {Connection to the international registry limited to viewing information}

59. Information on authorized A6.4ER holdings in, and the transaction history of, the mechanism registry shall be made available to the international registry through a method for automated pulling and viewing of data. The exposure of data to account holders in the international registry shall be subject to relevant provisions of the international registry procedure.

Option 3 {Connection to registries pursuant to paragraph 29, annex, decision 2/CMA.3}

60. The mechanism registry shall be connected to the transaction log service of the international registry [in accordance with future CMA decisions]. Participating Party registries pursuant to paragraph 29 of the annex to decision 2/CMA.3 may connect to the mechanism registry through the transaction log service of the international registry in accordance with the requirements for connecting registry systems to the transaction log service of the international registry.

V. Processes necessary for implementing the share of proceeds to cover administrative expenses and the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation

A. Share of proceeds for administrative expenses

61. The share of proceeds to cover administrative expenses shall comprise:

- (a) A fee charged for a request for registration of an activity under the Article 6.4 mechanism (the registration fee);
- (b) A fee charged for a request for issuance of A6.4ERs for a registered Article 6.4 mechanism activity (the issuance fee);
- (c) A fee charged for a request for renewal of crediting period or PoA period for a registered Article 6.4 mechanism activity (the renewal fee);
- (d) A fee charged for a request for approval of post-registration change for a registered Article 6.4 mechanism activity (the post-registration change fee).

62. The registration fee shall be multi-tiered fixed rates for stand-alone activities, tiered by the estimated annual average emission reductions or removals over the (first) crediting period, and a fixed rate for PoAs set at the following levels, and shall be deemed to be fully consumed for processing the request:

[Placeholder of level to be recommended by the Supervisory Body]

63. The issuance fee shall be a proportional levy to the amount of A6.4ERs requested for issuance, set at [*placeholder for the level to be recommended by the Supervisory Body*].

64. The renewal fee shall be at the same level as the registration fee applicable to the activity based on its scale of emission reductions or removals.

65. The post-registration change fee shall be a fixed rate, set at [*placeholder for the level to be recommended by the Supervisory Body*]. If the proposed change increases the scale of the activity to bring the scale to a higher tier of the fee structure, the difference from the paid registration fee shall be payable in addition to the fixed-rate post-registration change fee.

66. All the fees referred to in paragraph 61 above shall be paid at the submission of the respective requests. The initiation of processing a request shall be subject to the payment of the fee.

67. All the fees referred to in paragraph 61 above shall be waived for activities in the least developed countries and small island developing States.

68. The Supervisory Body may adjust and implement the fee structure and levels within the boundary to be set by the CMA, on the basis of the guiding principles of balancing the income and the expenditure, enabling long-term sound operation of the Article 6.4 mechanism, being fair to activity participants, ensuring administrative efficiency, and providing predictability to activity participants and the Supervisory Body.

B. Share of proceeds for adaptation

69. **Option 1:** The Adaptation Fund Board and its support structure shall develop and implement a strategy on monetization of received A6.4ERs, and inform the state of monetization annually to the CMA.

Option 2: The Adaptation Fund Board shall monetize received A6.4ERs in accordance with the guidance for monetization to be developed by the CMA, and report the state of monetization annually to the CMA.

70. Pursuant to paragraph 67(b) of the RMP, the secretariat shall transfer the monetary contributions from individual Article 6.4 mechanism activities as set by the Supervisory Body to the Adaptation Fund annually.

71. Pursuant to paragraph 67(c) of the RMP, the Supervisory Body shall review annually the state of the remaining funds as a result of the income from the fees referred to in paragraph 61 above and the expenditure for operating the Article 6.4 mechanism, decide the timing and the amount of funds to be transferred to the Adaptation Fund after setting aside the operational reserve for at least five years based on the projection of surplus of funds, implement the transfer accordingly and report to the CMA on the state of the transfer annually.

VI. Processes necessary for delivering overall mitigation in global emissions

A. Mandatory cancellations

72. [Mandatory cancellations of A6.4ERs for the delivery of OMGE referred to in paragraph 69 of the RMP shall also apply to A6.4ERs that are not authorized in accordance with paragraph 42 of the RMP.] [*Applying OMGE for non-authorized A6.4ERs, which are not subject to corresponding adjustment, may not serve the purpose of OMGE*]

73. [Mandatory cancellations for OMGE shall also apply to CERs at the time of their transfer to the mechanism registry pursuant to paragraph 75 of the RMP.]

74. Activity participants may request mandatory cancellations for OMGE of more than 2 per cent of issued A6.4ERs as part of their activity documentation by indicating such increase

in their request for issuance of A6.4ERs in accordance with procedures to be adopted by the Supervisory Body.

{The following para. may be needed only if the option in paragraph 27 above, where the host Party may revise the statement of authorization on the use of A6.4ERs that also applies retroactively to already issued A6.4ERs is chosen}

75. **Option 1:** With regard to non-authorized A6.4ERs already cancelled for OMGE in accordance with paragraph 59 of the RMP from an activity in relation to which authorization for use is issued after the mandatory cancellation, the mechanism registry administrator shall provide the details and the status of such cancelled A6.4ERs to the host Party, including through prefilling relevant reporting tables. The host Party is encouraged to apply corresponding adjustment for such A6.4ERs in accordance with chapter III.B of the annex to decision 2/CMA.3.

Option 2: With regard to non-authorized A6.4ERs cancelled for OMGE in accordance with paragraph 59 of the RMP from an activity in relation to which authorization for use is issued after the mandatory cancellation, the mechanism registry administrator shall update the status of the cancelled non-authorized A6.4ERs as authorized towards NDC use permanently. The mechanism registry administrator shall notify the details and the updated authorization status of such cancelled A6.4ERs to the host Party, including through prefilling relevant reporting tables.

Option 3: *No further text*

B. Voluntary cancellations

76. The Supervisory Body shall, in its elaboration of the processes necessary for delivering OMGE, define stakeholders referred to in paragraph 70 of the RMP, who may, in addition to Parties and activity participants, request voluntary cancellations for OMGE.

77. Voluntary cancellations for OMGE may also be requested for A6.4ERs that are not authorized in accordance with paragraph 42 of the RMP [and CERs transferred to the mechanism registry pursuant to paragraph 75 of the RMP]. *{Applying OMGE for non-authorized A6.4ERs, which are not subject to corresponding adjustment, may not serve the purpose of OMGE}*

C. Reporting

78. Public availability of information pertaining to mandatory and voluntary cancellations for OMGE, linkages and information exchange with the Article 6 database referred to in the annex to decision 2/CMA.3 and the mechanism registry shall be in accordance with the modalities for the Article 6 database and the mechanism registry, respectively.

79. The Supervisory Body shall provide, in its annual reports to the CMA, information on aggregated amounts that were cancelled for OMGE together with any relevant qualitative information, distinguishing between mandatory and voluntary cancellations for OMGE.