

**A6.4-SB007-AA-A##**

## Draft recommendation

---

# Requirements for the development and assessment of mechanism methodologies

Version 05.0

DRAFT



## 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 for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Mechanism) to elaborate and further develop recommendations, for consideration and adoption by the CMA at its fourth session (November 2022), on the application of the requirements referred to in chapter V.B (titled Methodologies) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP).<sup>1</sup>
2. The CMA, at its fourth session, requested the Supervisory Body to elaborate and further develop 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 (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.<sup>2</sup>
3. The Supervisory Body, at its fourth meeting (SB 004), considered the draft recommendation “Requirements for the development and assessment of mechanism methodologies”,<sup>3</sup> and agreed that an informal working group on this matter comprising its members and alternate members as well as the secretariat would prepare an information note taking into account the guidance and questions contained in annex 3 to its meeting report,<sup>4</sup> for the consideration by the Supervisory Body at its fifth meeting. It further requested the secretariat to launch a call for public input based on those questions, with a view to seeking further input from stakeholders
4. At its fifth meeting, the Supervisory Body (SB 005) considered the information notes on ‘Draft elements for the recommendation on requirements for the development and assessment of mechanism methodologies’<sup>5</sup> and ‘Compilation of public inputs in response to the “public consultation: Requirements for the development and assessment of

---

<sup>1</sup> See decision 3/CMA.3, para. 6(d), for the request, and the annex to 3/CMA.3, for the Rules, modalities and procedures for the mechanism established by Article 6, para. 4, of the Paris Agreement, contained in document FCCC/PA/CMA/2021/10/Add.1, available at: <https://unfccc.int/documents/460950>.

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

<sup>3</sup> See annex 10 of the annotations to the agenda of the fourth meeting of the Supervisory Body (A6.4-SB004-AA-A10), available at <https://unfccc.int/sites/default/files/resource/a64-sb004-aa-a10.pdf>.

<sup>4</sup> See annex 3 of the meeting report of the fourth meeting of the Supervisory Body (A6.4-SB004-A03), available at <https://unfccc.int/sites/default/files/resource/a64-sb004-a03.pdf>.

<sup>5</sup> See annex 7 of the annotations to the agenda of the fifth meeting of the Supervisory Body (A6.4-SB005-AA-A07), available at <https://unfccc.int/sites/default/files/resource/a64-sb005-aa-a07.pdf>.

mechanism methodologies” and related literature<sup>6</sup> and requested the secretariat to further work on the draft elements for the recommendation on requirements for the development and assessment of mechanism methodologies taking into account guidance from the Supervisory Body at this meeting. Further, the Supervisory Body agreed to prepare a concept note on proposals and options to implement or operationalize elements in line with guidance and questions elaborated by the Supervisory Body at this meeting, as contained in annex 1 to this meeting report,<sup>7</sup> drawing on previous work, reflecting concerns expressed by members and alternate members, and taking into account previous public input.

5. At its sixth meeting, the Supervisory Body (SB 006) considered the draft recommendation ‘Requirements for the development and assessment of mechanism methodologies’,<sup>8</sup> and agreed:
  - (a) That an informal working group on this matter comprising its members and alternate members as well as the secretariat would work prior to its next meeting to prepare the updated draft recommendation, for consideration of the Supervisory Body at the next meeting; and
  - (b) To launch a call for structured public consultation from 3 to 16 August 2023 to invite stakeholders to provide comments, based on the draft recommendation which will be prepared by the informal working group, and requested the secretariat to prepare a compilation of all public inputs received. The Supervisory Body also requested the secretariat to inform Article 6.4 designated national authorities (DNAs) of the opening of the call and organize a specific interaction with DNA on this matter prior to the next meeting, in line with paragraph 29 of the SB 006 meeting report. Comments are invited to cover the following aspects:
    - (i) Addressing options laid out in the text for implementation of baseline, additionality and leakage assessment requirements;
    - (ii) Addressing pros and cons of the different options;
    - (iii) Addressing the balance in the text between substantive guidance in the draft recommendation text and further guidance to be elaborated in the tools;
    - (iv) Addressing clarity, structure and understanding of text, with proposals for improvement; and
    - (v) Address the questions for additional inputs included in the document, see text highlighted and between flower brackets.

---

<sup>6</sup> See annex 8 of the annotations to the agenda of the fifth meeting of the Supervisory Body (A6.4-SB005-AA-A08), available at <https://unfccc.int/sites/default/files/resource/a64-sb005-aa-a08.pdf>.

<sup>7</sup> See annex 1 of the meeting report of the fifth meeting of the Supervisory Body (A6.4-SB005-A01), available at <https://unfccc.int/sites/default/files/resource/a64-sb005-a01.pdf>.

<sup>8</sup> See annex 8 of the annotations to the agenda of the sixth meeting of the Supervisory Body (A6.4-SB006-AA-A08), available at [https://unfccc.int/sites/default/files/resource/a64-sb006-aa-a08\\_1.pdf](https://unfccc.int/sites/default/files/resource/a64-sb006-aa-a08_1.pdf).

## 2. Purpose

6. The purpose of this document is to advance the work to elaborate and further develop draft recommendations, on the basis of the RMP, on the application of the requirements referred to in chapter V.B (Methodologies) of the RMP.

## 3. Current Work

7. This document consolidates:
  - (a) Text from “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”<sup>9</sup>;
  - (b) New proposals based on SB 005 discussions, inputs to SB 004 and public inputs received in response to the call for public inputs launched after SB 004. In this regard, it should be noted that:
    - (i) New proposals are neither the recommendations of the secretariat nor that of the informal working group on methodologies but are rather options prepared to facilitate structured discussion by the Supervisory Body;
    - (ii) Square brackets are used to indicate different opinions or choices in a proposal. Flower brackets are used for additional notes to the entry or for questions to stakeholders for additional inputs;
  - (c) Changes made based discussion and inputs during SB 006;
  - (d) Changes based on written comments provided by members and alternate members of the Supervisory Body post SB 006.

## 4. Subsequent work and timelines

8. Public inputs received, if any, will be considered by the informal working group on methodologies to update the draft recommendation for consideration of the Supervisory Body at its seventh meeting.

---

<sup>9</sup> See annex 4 of the meeting report of the third meeting of the Supervisory Body (A6.4-SB003-A04), available at <https://unfccc.int/sites/default/files/resource/a64-sb003-a04.pdf>.

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<b>1. PROCEDURAL BACKGROUND.....</b>	<b>6</b>
<b>2. PURPOSE .....</b>	<b>6</b>
<b>3. NORMATIVE REFERENCE.....</b>	<b>6</b>
<b>4. [BASELINE SETTING] [METHODOLOGY PRINCIPLES] .....</b>	<b>6</b>
4.1. Encouraging ambition over time .....	7
4.2. [Being real, transparent, conservative, credible], [below business as usual].....	7
4.3. [Establishing that the selected baseline is below BAU].....	8
4.4. Contributing to the equitable sharing of mitigation benefits between participating Parties.....	9
4.5. Aligning with the NDC of each participating Party, if applicable and LT-LEDs, if it has submitted one and the long-term goals of the Paris Agreement.....	10
4.6. Aligning with the long-term temperature goal of the Paris Agreement.....	11
4.7. [Requirements on baselines] [BASELINES (The approaches)] .....	12
4.8. Approaches for downward adjustment and to address elements of paragraph 33 of the RMP .....	13
4.9. Encouraging broad participation .....	16
4.10. Including data sources and accounting for uncertainty .....	17
4.11. Recognizing suppressed demand.....	17
4.12. Taking into account policies and measures and relevant circumstances .....	18
4.13. Standardized baselines.....	18
<b>5. ADDITIONALITY .....</b>	<b>20</b>
<b>6. LEAKAGE .....</b>	<b>23</b>
<b>7. NON-PERMANENCE AND REVERSALS {THE WORK FROM REMOVAL WG WILL BE REFLECTED HERE} .....</b>	<b>24</b>

## 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 for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Mechanism) to elaborate and further develop recommendations, for consideration and adoption by the CMA at its fourth session (November 2022), on the application of the requirements referred to in chapter V.B (titled Methodologies) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP).<sup>1</sup>
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. It further requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.<sup>2</sup>

## 2. Purpose

3. The purpose of this document is to advance the work to elaborate and further develop draft recommendations, on the basis of the RMP, on the application of the requirements referred to in chapter V.B. (Methodologies) of the RMP.

## 3. Normative Reference

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 satisfy in order to claim conformance to this document. Other types of provisions in this document include (i.e. recommendations (“should”), permissions (“may”), possibilities and capabilities (“can”)). Besides prescriptive recommendations explanatory information is also included in this document (e.g. summarizing the basis for or reasoning behind a requirement).
5. Reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans in relation to reducing emissions of GHGs are collectively referred to as ‘emission reductions’ in this document.

## 4. [Baseline setting] [Methodology Principles]

6. Paragraph 33 of the RMP applies to methodologies, and it is relevant to both baseline setting and additionality. Paragraph 34 of the RMP sets out additional general requirements, including with respect to policies, national circumstances, and reversals.

---

<sup>1</sup> See decision 3/CMA.3, para. 6(d), for the request, and the annex to 3/CMA.3, for the Rules, modalities and procedures for the mechanism established by Article 6, para. 4, of the Paris Agreement, contained in document FCCC/PA/CMA/2021/10/Add.1, available at: <https://unfccc.int/documents/460950>.

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

7. Paragraph 35 of the RMP frames the basic procedures and indicates that methodology may be developed by host Parties, by the Supervisory Body and by activity participants. Paragraph 37 provides for host Party and the Supervisory Body to develop standardized baselines consistent with paragraph 33 of the RMP.
8. Paragraph 36 of the RMP applies to baselines by indicating approaches that need to be applied, with justification of the choices, including consistency with paragraph 33 of the RMP particularly.
9. Paragraph 38 of the RMP applies to additionality, where three basic tests are set out, including avoidance of lock-in and compatibility with paragraph 33 of the RMP particularly.

#### **4.1. Encouraging ambition over time**

10. Paragraph 33 of the RMP states that “Mechanism methodologies shall encourage ambition over time (...)”.
11. Mechanism methodologies are intended to provide the basis for assessment of creditable emission reductions, and whether activities satisfy additionality requirements.
12. Mechanism methodologies should ensure that crediting levels are progressively reduced to encourage ambition over time.
13. Mechanism methodologies should exclude activities that are not consistent with encouraging ambition over time.
14. Mechanism methodologies shall encourage ambition over time by prioritizing technologies that are not widely used or available in specific locations, thereby facilitating technology transfers, removing barriers to deployment of clean technologies, reducing the cost of decarbonization, and unlocking investment in low-carbon solutions.
15. Mechanism methodologies shall encourage ambition over time by including progressively more efficient and less GHG intensive technologies, supporting replicable and scalable mitigation activities, enabling an expanded user base and greater penetration of low-carbon solutions after initial deployment.
16. Mechanism methodologies shall encourage ambition over time by requiring the application of [a quantitative] [a qualitative] [either a qualitative or quantitative] approach[es] detailed in section 4.8.
- 16bis.* [Where applicable, and appropriate, mechanism methodologies [may] [shall] encourage ambition over time by requiring the application of a qualitative or quantitative approach detailed in section 4.8. Application of qualitative or quantitative approaches detailed in section 4.8 should be discouraged where their use could negatively affect financial viability of high-cost transformational actions.]

#### **4.2. [Being real, transparent, conservative, credible], [below business as usual]**

17. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be real, transparent, conservative, credible [, below business as usual] (...)”.
18. Mechanism methodologies shall ensure that the results of Article 6.4 activities developed using them represent actual tonnes of GHG emissions reduced or removed and shall provide credible methods for estimating emission reductions. Such estimation should be

based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions.

19. Mechanism methodologies shall require transparent descriptions of the source of the data used, and disclosure of data sources unless they are confidential, the assumptions made, the references used and the steps followed in deriving the estimates of the results of Article 6.4 activities, where necessary, including equations. [The calculations shall provide repeatable and reproducible results when input parameters are identical.]
20. Mechanism methodologies shall result in conservative emission reduction estimates, from the measures applied, options chosen or assumptions made, and shall not overestimate the emission reductions from Article 6.4 activities.
21. Mechanism methodologies shall require Article 6.4 activities to have a robust monitoring and data capture system as well as a reporting system. Where secondary data is used, the mechanism methodologies shall require that the activity developer demonstrate that it is from a best available source.
22. Mechanism methodologies shall ensure that baselines are real, transparent, conservative, credible [and below business as usual BAU] by:
  - (a) Including robust, transparent and user-friendly measurement, reporting and verification (MRV) systems;
  - (b) Using performance standards that are data driven and made publicly available;
  - (c) Including requirements to demonstrate concrete changes in GHG levels, transparently showing each step in the process, including the scientific calculations;
  - (d) Adopting life-cycle approaches and considering embodied emissions of materials and products where relevant;
  - (e) Choosing the lowest emissions baseline when multiple sources of data and vintages are available to set the baseline;
  - (f) Avoiding double counting risks.

#### **4.3. [Establishing that the selected baseline is below BAU]**

23. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be below business as usual (...)”.
24. Mechanism methodologies shall require that the baseline selected shall be demonstrated as being below ‘business as usual’ (BAU). For that purpose, mechanism methodologies shall require the identification of the BAU scenario(s) and provide an approach for the calculation of BAU emissions.
25. BAU is a technology or practice [that represents the continuation of current practice] that may be determined on the basis of, for example, penetration of the technology or practice (e.g. more than [ ] per cent share of market/usage) in a territory. BAU scenario(s) represents plausible emissions in providing the same outputs or service level of the proposed activity in the host Party.



26. 'Below BAU' may be estimated as the difference between reference emissions [determined on the basis of the application of one of the approach(es) to setting the baseline described under section 4.8 below, including all applicable downward adjustments] and BAU emissions. [Reference emissions may be estimated by considering, for example, equipment efficiency higher than that required by law and regulation or efficiency higher than the equipment/facility that has the highest market share locally in the last three years.]
27. Mechanism methodologies may require the application of a quantitative approach detailed in section 4.8 to show that the chosen baselines are below BAU.

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

28. Paragraph 33 of the RMP states that "Mechanism methodologies shall...contribute to the equitable sharing of mitigation benefits between the participating Parties...".
29. [Mechanism methodologies can contribute to the equitable sharing of mitigation benefits between participating Parties, where the following measures are applied to activities, inter alia,
- (a) Where the total length of crediting period(s) is shorter than the lifetime of technology/measure implemented, and host Parties derive a long-term benefit beyond the lifetime of the activity in terms of lower emission levels;
  - (b) Where only mitigation contribution units are generated and no adjustment on the part of the host Party is required;
  - (c) Through the provision on a share of proceeds for adaptation to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change;
  - (d) Where there are mitigation co-benefits derived from the activity and identified in the mechanism methodologies;
  - (e) Where a downward adjustment is applied, ensure a proportion of the emissions reductions or removals achieved by the activity is not credited, not subject to adjustment and, therefore, retained by the host Party for its own use.]
30. [Mechanism methodologies shall apply any guidance from the host Parties in relation to equitable sharing.]
31. Mechanism methodologies shall require activity participants to describe, in the project design document, the measures taken to deliver equitable mitigation benefits to the participating Parties.
- 31bis.* Mechanism methodologies shall require application of measures to deliver mitigation benefits to the participating Parties.
32. This requirement may also be operationalized by host Parties through the designated national authorities (DNAs), [acknowledging that it is their full right to demand an equitable share of benefits as a pre-condition for the approval of activities and/or authorization of Article 6.4 emission reductions (A6.4ER) to achieve their nationally determined

- contributions (NDCs)]. Activity participants shall follow any guidance from the host Parties in relation to equitable sharing.
- 32bis.* DNA's may specify the measures to be applied so as to ensure they retain a host Party benefit. Activity participants shall follow any guidance from the DNAs in this regard.
33. Mechanism methodologies shall contribute to the equitable sharing of mitigation benefits between participating Parties by setting baselines that are well below BAU through the application of [a quantitative] [a qualitative] [either a qualitative or quantitative] approach[es] detailed in section 4.8.
- 33bis.* Mechanism methodologies shall contribute to the equitable sharing of mitigation benefits between participating Parties by setting baselines that are well below BAU, including through the application of a[n] [qualitative or quantitative] approach detailed in section 4.8.
- 33ter.* [Mechanism methodologies [shall] [may] contribute to the equitable sharing of mitigation benefits between participating Parties by setting baselines that are well below BAU, including through the application of a qualitative or quantitative approach detailed in section 4.8. Mechanism methodologies shall also acknowledge that, in some cases, application of qualitative or quantitative approach detailed in section 4.8 may prevent equitable sharing of mitigation benefits between participating Parties.]
34. The Supervisory Body may develop further [tools] [guidance] regarding the consideration of co-benefits in mechanism methodologies in relation to contributing to the equitable sharing of mitigation benefits between participating Parties.
- 34bis.* The Supervisory Body may develop further [tools] [guidance] in relation to contributing to the equitable sharing of mitigation benefits between participating Parties.
- 4.5. Aligning with the NDC of each participating Party, if applicable and LT-LEDs, if it has submitted one and the long-term goals of the Paris Agreement**
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".
36. Mechanism methodologies shall require demonstration that the activity aligns with the [policies [and options from the host Party] to implement] [implementation plan of] the latest NDC of the host Party (if applicable) or [encourages] [enables] increasing ambition in the NDCs, and aligns with the long-term low greenhouse gas emission development strategies (LT-LEDs), if it has submitted one, and the long-term goals of the Paris Agreement.
- 36bis.* Mechanism methodologies shall require demonstration that the activity aligns with the implementation plan of the latest NDC of the host Party (if applicable) or [encourages] [enables] [facilitates] increasing ambition in the NDCs, and aligns with the host Party's long-term low greenhouse gas emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement.
37. To meet the above requirements, mechanism methodologies [shall include the approval from the host Party] [may require that the proposed activity type has been approved by the host Party for implementation under Article 6.4 (e.g. included in a published host Party

approval list or in another formal communication of the relevant national authority or specified in its NDC implementation plan)].

- 37bis.* To meet the above requirements, mechanism methodologies shall require that the proposed activity type has been approved by the host Party for implementation under Article 6.4 (in accordance with 26(e) of the RMP the Host party is required to publish an approval list in a formal communication of the relevant national authority to the Supervisory Body, and communicate how it contributes to these elements; this may be specified in or through an NDC implementation plan).
38. Aligning with the NDC of each participating Party, if applicable, and LT-LEDs, if it has submitted one, and the long-term goals of the Paris Agreement shall be implemented by ensuring crediting levels:
- (a) For the activity should not exceed the expected contribution of the sector to the NDC;
  - (b) Should not exceed the expected contribution of the sector to any LT-LEDs;
  - (c) Should not exceed the levels needed to deliver on the nationally determined contribution to the goals of the Paris Agreement.
39. Aligning with the NDC of each participating Party, if applicable, and LT-LEDs, if it has submitted one, and the long-term goals of the Paris Agreement shall be implemented by activities that are additional, and no activity is credited that would prejudice host Parties' ability to meet its NDC, LT-LEDs, or its nationally determined contribution to achievement of the goals of the Paris Agreement.

#### **4.6. Aligning with the long-term temperature goal of the Paris Agreement**

40. Paragraph 33 of the RMP states that "Mechanism methodologies shall (...) align with the long-term temperature goal of the Paris Agreement (...)".
41. Mechanism methodologies shall align with the long-term temperature goal of the Paris Agreement by considering emission reductions and removals that avoid creating perverse incentives and/or reward activities that lead to locking in levels of emissions, technologies or carbon-intensive practices, [taking into account IPCC recommendations] [incompatible with paragraph 33 of the RMP beyond 2060].
- 41bis.* Mechanism methodologies shall align with the long-term temperature goal of the Paris Agreement by crediting only emission reductions and removals that avoid perverse incentives and/or reward activities that lead to locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP.
42. In the alignment with the long-term temperature goals of the Paris Agreement, mechanism methodologies shall require demonstration that the activity fully takes into account different circumstances, capabilities and emission pathways that apply at the host Party level.
- 42bis.* Mechanism methodologies shall require demonstration that emission levels from the activity are aligned with what is needed to deliver on the long-term temperature goal of the Paris Agreement while taking into account different circumstances, capabilities and emission pathways that apply at the host Party level.

43. [Mechanism methodologies [shall] [may] require the application of [a quantitative] [a qualitative] [either a qualitative or quantitative] approach[es] detailed in section 4.8 to meet the above requirements].
- 43bis. Mechanism methodologies shall ensure that crediting levels set do not exceed levels that would prejudice achievement of the long-term goal of the Paris agreement and to this end mechanism methodologies may require the application of a[n] [qualitative or quantitative] approach detailed in section 4.8 to meet the above requirements].
- 43ter. [Qualitative or quantitative approach detailed in section 4.8 shall not be applicable for demonstration of the above requirements].

#### **4.7. [Requirements on baselines] [BASELINES (The approaches)]**

44. 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) 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;
- [(b)] [(iii)] An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above [in the RMP].”

45. 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... ” and (b) specifications as to crediting period and renewals.
46. Mechanism methodologies shall justify the appropriateness of the choice(s) made in the methodology for setting the baseline approach while taking into account guidance on the performance-based approach in the RMP and providing full flexibility to reflect local conditions and host Party circumstances (e.g. by referring to specificities of technologies/measures or sector(s) covered by the methodology such as homogeneity or variability of emission sources, data required for the parameters for a conservative and reliable estimation of the baseline, where applicable drawing from experience from typical mitigation activities that have been already implemented).
- 46bis. Mechanism methodologies shall require justification of the appropriateness of the choice(s) made in the methodology for setting the baseline, and in particular the choice of approach, with reference to the requirements of paragraphs 33 and 35 of the RMP, as implemented in this and further guidance. Factors affecting the appropriateness of the choice shall include the homogeneity or variability of emission sources with respect to

technologies and measures applied, or sectors covered by the methodology, availability of data required for the parameters for a conservative and reliable estimation of the baseline. When considering these elements methodologies shall, where applicable, draw from experience from typical mitigation activities that have been already implemented.

***{Question for additional inputs: should the above paragraph (46/46bis) be split to improve clarity?}***

47. [For the approach based on existing actual or historical emissions, the mechanism methodology [may] [shall] apply [a quantitative] [a qualitative] [either a qualitative or quantitative] approach[es] detailed in section 4.8 to adjust the existing actual or historical emissions downwards to ensure alignment with paragraph 33 of the RMP.]
- 47bis. [For the approach based on existing actual or historical emissions, the mechanism methodology [may] [shall] apply, as an option, one of the qualitative or quantitative approaches detailed in section 4.8 [to adjust the existing actual or historical emissions downwards] to ensure alignment with paragraph 33 of the RMP.]
- 47ter. [For the approach[es identified in para 36 of the RMP] based on existing actual or historical emissions, the mechanism methodology shall apply, as an option, one of the [quantitative] approaches detailed in section 4.8 to adjust the existing actual or historical emissions downwards to ensure alignment with paragraph 33 of the RMP.]

***{Question for additional inputs: should the downward adjustment be eligible/applicable for all the approaches to setting the baseline?}***

48. A host Party may determine a more ambitious baseline requirement at its discretion [and propose it to the Supervisory Body (e.g. by developing sector-specific standardised baselines and requiring its application in the activities hosted in the country)].
49. The Supervisory Body [will] [may] develop further guidance by developing a methodological tool for baseline.
- 49bis. [The Supervisory Body will [develop further guidance] prepare examples for baseline identification by preparing a [methodological] [capacity building for baseline development] tool.]
50. [The Supervisory Body may develop further guidance on modalities for eligibility of policy crediting to incentivize increased ambition and mitigation at a large scale, acknowledging that the approaches for crediting the introduction of policies is inherently different from crediting projects or programmes.]
51. [The Supervisory Body may develop further guidance on modalities for consideration of how policies intended to incentivise crediting of activities should be addressed].

***{Question for additional inputs: should it be specified that only activities triggered by policies can be credited? Will there be complexities in relation to additionality assessment in this regard?}***

#### **4.8. Approaches for downward adjustment and to address elements of paragraph 33 of the RMP**

52. The quantitative approaches, i.e. options 1.1 to 1.3 and qualitative approach, i.e. option 2 below enable stringency of baselines over time or result in downward adjustment of

creditable emission reductions over time or support transformative actions in relation to Article 6.4 activities. A methodology may require the application of a single approach to meet the requirements of one or more elements of section 4 of this document (e.g. 4.1 Encouraging ambition over time, 4.5 Aligning with the long-term temperature goal of the Paris Agreement, 4.6 downward adjustment of existing actual or historical emissions). When one of the approaches is called in by the methodology to meet multiple elements of section 4 of this document, it is required to apply the approach only once, i.e. adjustments are not compounded.

*52bis.* Where appropriate, mechanism methodologies may use quantitative approaches (i.e. options 1.1 to 1.3) and qualitative approach (i.e. options 2.1 and 2.2) below [to operationalize] [to enable stringency of baselines over time or result in] downward adjustment of [baselines] [creditable emission reductions over time or support transformative actions in relation to Article 6.4 activities] [to restrict supply of A6.4 ERs to make up for the lack of demand]. [A methodology may require the application of a single approach to meet the requirements of one or more elements of section 4 of this document (e.g. 4.1 Encouraging ambition over time, 4.6 downward adjustment of existing actual or historical emissions).] [Application of these approaches is not mandatory and] [When one of the approaches is called in by the methodology to meet multiple elements of section 4 of this document, it is required to apply the approach only once, i.e.] adjustments are not compounded.

*52ter.* The quantitative approaches and a qualitative approach, i.e. option 2 below, are proposed to encourage increasing stringency of baselines over time, result in downward adjustment of creditable emission reductions over time, and or support transformative actions in relation to Article 6.4 activities. In that regard:

- (a) A methodology may require the application of a single option to meet the requirements of one or more elements of section 4 of this document (e.g. 4.1 Encouraging ambition over time, equitable sharing of mitigation benefits, etc, 4.6 downward adjustment of the approach(es) identified in para 36 of the RMP, or adjustment of existing actual or historical emissions);
- (b) When one of the options proposed here is required in the methodology to meet multiple elements of section 4 of this document, the option shall reflect what is needed to address all the elements, and applied only once, i.e. adjustments are not compounded.

53. **Option 1 (and sub options):** The following approaches to adjustment downward shall be applied:

- (a) **Option 1.1:** Increasing the stringency of baselines over time by updating the parameters in the methodologies at regular intervals based on [latest science] [latest IPCC reports], reassessing the parameters of the baseline at the renewal of the crediting period, accounting for autonomous improvements of baseline parameters, operationalized through methodology procedures and rules applicable to registered activities;

**Option 1.1bis:** Baseline Updates. This could include (a) increasing the stringency of baselines over time by updating the parameters in the methodologies at regular intervals based on latest science, (b) reassessing the parameters of the baseline at the renewal of the crediting period, (c) accounting for autonomous improvements

of baseline parameters, (d) operationalized through methodology [development process] [procedures] and rules applicable to registered activities;

- (b) **Option 1.2:** Top-down development of downward adjustment factors for emission reductions estimates in a methodology, by the Supervisory Body, using IPCC Integrated Mitigation Pathways (IMPs) differentiated by sector or region to accommodate different circumstances of the Host Parties;

**Option 1.2bis:** Top-down development of downward adjustment factors for emission reductions estimates in a methodology, by the Supervisory Body in consultation with the host Parties, using IPCC Integrated Mitigation Pathways (IMPs) or other means differentiated by specific technology, sector, region, and socio-economic conditions to accommodate different circumstances of the host Parties;

**Option 1.2ter:** Development by the Supervisory Body of default downward adjustment factors for emission reductions estimates in a methodology with reference to the requirements (to be specified) of paragraph 33 of the RMP;

- (c) **Option 1.3:** Bottom-up development of country specific downward adjustment factors for emission reduction estimates in a methodology, where necessary differentiated by sector or region, operationalized through the Standardised Baseline procedures, i.e. submissions from host Parties through its DNAs will be considered by the Supervisory Body for approval, or through activity level guidance provided by the Supervisory Body;

**Option 1.3bis:** Bottom-up development of country specific downward adjustment factors for emission reduction estimates in a methodology, where necessary differentiated by specific technology, sector, region, and socio-economic conditions, operationalized in consultation with the host Parties through the Standardised Baseline procedures, or through activity level guidance provided by the Supervisory Body.

**Option 1.3ter:** Development by country of downward adjustment factors for emission reduction estimates in a methodology with reference to the requirements (to specify) of paragraph 33 of the RMP;

Downward adjustment factors shall be developed and operationalized through the Standardised Baseline procedures, or through activity level guidance provided by the Supervisory Body:

- (i) Taking into account IPCC Integrated Mitigation Pathways (IMPs) or other means differentiated by sector or region to accommodate different circumstances of the host Parties;
- (ii) Reflecting host Party preferences with regard to retaining a portion of the emission reductions which should not be credited for the benefit of a third party;
- (iii) Reflecting host Party requirements with respect to methodologies as expressed under paragraphs 26 or 27 of the RMP;

- (iv) Reflecting the host Parties' approach to ensuring consistency with its NDC, LT-LEDs, and long-term goals of the Paris Agreement, as expressed in an implementation plan;
- (v) Reflecting appropriate differentiation by sector or region, national and local circumstances.

**{Question for additional inputs: should the downward adjustment be eligible/applicable for all the approaches to setting the baseline indicated in para 44 above?}**

54. **Option 2:** Demonstrating that activities eligible under the methodologies are transformative to enable deep decarbonisation aligned with IPCC's IMPs, i.e. have the potential to transform an entire sector to low carbon option, as opposed to producing incremental improvements, taking into account the specifics of a sector, geographical location and level of uncertainty of greenhouse gas estimation;

**Option 2bis:** Application of positive list to demonstrate that activities eligible under the methodologies are transformative, i.e. have the potential to transform an entire sector, as opposed to producing incremental improvements, taking into account the specifics of a sector, geographical location and level of uncertainty of greenhouse gas estimation;

**Option 2ter:** Setting baselines that do not assume growth of emissions in the absence of Article 6.4 activities.

**{Question for additional inputs: would option 2 above fit under 'adjustment downwards? And is it linked to additionality demonstration? How can 'transformative' be defined?}**

#### 4.9. Encouraging broad participation

55. Paragraph 33 of the RMP states that "Mechanism methodologies shall (...) encourage broad participation (...)".
56. The Supervisory Body should encourage development of a broad range of methodologies covering a wide range of mitigation and removal technologies and measures with broad sectoral and geographic coverage.
57. Mechanism methodologies should:
- (a) Encourage participation of a broad range of stakeholders during methodology development process, by enabling informed consultation as described in "Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools";
  - (b) Balance stringency and maximum participation by being accurate, simple, clear, avoiding complexity such that a wide range of activity participants and host Parties can apply methodology requirements irrespective of the scientific infrastructure, financial resources available to them, and their national circumstances;
  - (c) Take into account the context on the ground in host Parties, including institutional arrangements, and provide options to facilitate the meeting of requirements, such as by enabling the drawing from multiple data sources to address any data gaps, particularly for lesser developed countries, and use of conservative default values



and benchmarked data from comparable regions to the extent they can be applicable;

- (d) Use language that is easy to understand, inclusive, gender-sensitive and accessible to a wide range of stakeholders, including local communities and Indigenous Peoples.

58. [The Supervisory Body's communication measures are intended to promote better understanding of the mechanism's methodology requirements across standard-setting bodies and other stakeholders with a view to facilitate harmonization of methodological requirements, allowing for greater participation to avoid a fragmented market with perverse incentives for entities to select methodologies with the lowest transaction cost].

#### **4.10. Including data sources and accounting for uncertainty**

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

60. The Supervisory Body should ensure that mechanism methodologies are transparent, comprehensive and comprehensible and that they include relevant assumptions, parameters, data sources and key factors. Where relevant, requirements shall be expressed in terms of performance rather than specification of a product, and these requirements should be verifiable.

61. Mechanism methodologies shall require the accounting of uncertainty associated with modelled and surveyed data where relevant.

62. If it is necessary to invoke a requirement in a methodology that appears elsewhere in another methodology, this should be done by reference and not by repetition. If a test method or a procedure is, or is likely to be, applicable to two or more methodologies, a tool should be prepared on the method/procedure itself, and each methodology shall refer to it to prevent potential deviations on account of repetition.

#### **4.11. Recognizing suppressed demand**

63. Paragraph 33 of the RMP states that "Mechanism methodologies shall (...) recognize suppressed demand (...)".

64. The Supervisory Body will recognise suppressed demand under a situation where the baseline equipment or measure cannot realistically provide the level of service required of the Article 6.4 activity, by considering that the baseline scenario is not the historical condition, but rather an alternative technology that provides the level of service comparable to that provided by the Article 6.4 activity.

65. 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] [demand for a service is not satisfied] due to barriers, including low income or lack of infrastructure [in relation to users], [and where the growth of emissions resulting from meeting such needs requires special consideration in the assessment of Article 6.4 baseline scenarios] [a satisfied demand indicates that a minimum level of services, such as minimum amount of electricity for lighting or heating or cooling is met. Due to income effect (i.e. incomes grow over time), service demand and consumption would increase, so that even without access to

electricity it is likely that energy consumption in the without-project scenario would rise over time].

66. In the context where the baseline equipment or measure cannot realistically provide the level of service of the Article 6.4 activity, the Supervisory Body will recognize that the baseline scenario is an alternative technology that provides a level of service comparable to or higher than the service provided by the Article 6.4 activity rather than the historical situation. The emission intensity of the alternative technology shall be different from the technology applied by the Article 6.4 activity to result in emission reductions.
67. The Supervisory Body will assess whether suppressed demand is a plausible situation in a given context on a case-by-case basis and, where relevant, it will recognize suppressed demand by including benchmarks and default factors in specific methodologies that may not be below BAU. Mechanism methodologies may include such factors, where relevant, for use by activity participants; however, activity participants shall not directly estimate suppressed demand while applying a methodology.
68. The Supervisory Body will develop a tool to determine whether there is suppressed demand and minimum level of service that may be considered as reference level to determine the baseline.

#### **4.12. Taking into account policies and measures and relevant circumstances**

69. 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 (...)”.
70. Mechanism methodologies shall envisage flexibility to account for relevant circumstances, including national, regional or local, social, economic, environmental and technological, provided that they are documented with robust data and verifiable information, and should indicate the type of data and information that would be required for apply the above-mentioned flexibilities.
71. The Supervisory Body will develop guidance on how mechanism methodologies shall take into account policies and measures and relevant circumstances at a future meeting of the Supervisory Body.

#### **4.13. Standardized baselines**

72. 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 above [in the RMP].”
73. A standardized baseline is a baseline developed [at the request of or by] [for] a host Party or a group of host Parties on a sub-national, national or group-of-Parties basis rather than on an activity basis, to facilitate the calculation of GHG emission reductions and/or the determination of additionality for Article 6.4 activities, while facilitating assurance of environmental integrity.
74. 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 application of a standardized baseline is not mandatory, activity participant may establish additionality or baseline emissions for their activity using other approved approaches as an alternative to applying a standardized baseline.
75. A host Party may specify the application of a standardised baseline as a mandatory requirement for the activities hosted in the host Party. The Supervisory Body may specify the application of a standardised baseline as a mandatory requirement when the standardised baseline is being used to address leakage emissions of an activity, as further detailed in paragraph 102. The provisions in this paragraph may also apply to standardized baselines developed by or for a group of host Parties.
76. The approaches for setting the baselines referred to in chapter 4.7 above shall also be applied for the development of standardized baselines.
77. 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. 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 baselines values should be determined for each group of similar facilities in this case;
  - (c) Disaggregation should not result in standardized baselines with overlapping applicability.
78. Standardized baselines may 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 specificity of sectors in which activities are undertaken, and by providing justification for the consideration of the Supervisory Body.
79. After the validity of a standardized baseline has expired, the updated standardized baseline shall be considered by the Supervisory Body for approval subject to the host Party making a request for the update. The updated standardized baseline shall not impact already registered activities up to the end of their first crediting period.
80. 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 baseline development”.
81. The Supervisory Body will develop and approve separate guidance on standardized baselines at a future meeting of the Supervisory Body, including “Procedure: Development, revision, clarification and update of standardized baseline development”.
82. The Supervisory Body will develop separate guidance on standardized baselines for a group of Parties at a future meeting of the Supervisory Body.

## 5. Additionality

83. 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 above [in the RMP]”.
84. 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”.
85. Additionality assessment shall require activity participants to take a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with the requirements discussed in section 4 of this document.
86. For additionality demonstration, mechanism methodologies shall require that:
- (a) Only activities that would not be undertaken without the incentive from the mechanism are eligible, taking into account current [industry] practices within the activity sector and geographic area and assessing the inherent financial additionality risks as well as consolidated implementation risks to the activities without incentives from the mechanism. Should financial additionality risks be deemed medium to high, the proposed activity shall undergo an investment analysis in order to determine its level of attractiveness without the incentives from the mechanism;
  - (b) Only [activities that go beyond national statutory requirements of] [activities generating emission reductions that are surplus over what would have occurred under [current] [relevant] laws and regulations and current industry practices in] the host Party are eligible, undergoing a regulatory analysis to determine that the activity is neither directly mandated by law nor otherwise triggered by legal requirements. The regulatory analysis shall establish that there are no legal requirements, either in effect or set to take effect, that would require or motivate implementation of the activity during the activity’s forthcoming crediting period. If such legal requirements are identified, then crediting for the activity shall only be allowed until the date the legal requirements would take effect;
  - (c) Conservative approaches that avoid locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP are applied when assessing additionality.
87. [Definitions included below are applicable together with the requirements specified in this document:
- (a) **[Current] [Relevant] law/regulation** — Any legally binding laws, rules, mandates, regulations, statutes, agreements or other legal requirements in force [or expected to come into force] at the national, subnational or local levels applicable to the proposed activity and that require technological, performance or management

actions. These legal requirements may, for example, require the use of a specific technology, meeting a certain standard of performance, or managing operations according to a certain set of criteria or practices. Overarching policy targets or generic plans without specified instruments or means of implementation are not considered included under the definition;

- (b) **Regulatory surplus** — The emission reductions that an activity aims to achieve which is over and above what is mandated by a relevant law/regulation in effect as at the activity start date. In determining whether an action is surplus to regulations, the activity participants do not need to consider voluntary agreements without an enforcement mechanism, optional guidelines or general government policies;
- (c) **Locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMPs** — [occurs when, due to technical, economic, or institutional factors associated with a given activity, an emissions-intensive practice is expected to continue to operate even after there are [alternative low carbon options that are economically preferable] [feasible and economically preferable lower-carbon options].
- (d) **Incentives from the mechanism** — demonstration that activity would not have occurred in the absence of the incentives from the mechanism requires a consideration of the policies and legislation – and the incentives available to the activity – leading to an assessment as to whether the activity would occur without additional incentives.

***{Question for additional inputs: how does this issue link to policy crediting where policies deliberately intended to generate credits? What considerations are needed in this regard?}***

***{Question for additional inputs: should there be a statement about the general additionality test before specifying how it may be simplified in certain cases, or be subject of a positive list? Could be a more nuanced approach, i.e. all projects need to demonstrate additionality, some can be excluded or included based on one sort of assessment while others require more detailed assessment:}***

***(a) What are the general rules?***

***(b) Where may they be simplified, or deemed to have been satisfied?}***

- 88. The Supervisory Body will develop a tool for demonstration of additionality (additionality tool) including stepwise procedure to address the elements in paragraph 86 above at a future meeting of the Supervisory Body. Mechanism methodologies may require the application of the additionality tool.
- 89. When formulating an approach to the assessment of additionality, mechanism methodologies should fully incorporate the need to reflect relevant national, regional or local, social, economic, environmental and technological circumstances in line with paragraph 69 above.
- 90. The Supervisory Body may approve a list of technologies that are considered additional, termed a positive list of technologies. Mechanism methodologies should require activity participant to demonstrate that the proposed Article 6.4 activity is part of the positive list

- of technologies established by the Supervisory Body in order to use the positive list for the demonstration of additionality.
91. The Supervisory Body may approve a list of technologies that are not considered additional, termed a negative list of technologies. Mechanism methodologies should require activity participant to demonstrate that the proposed Article 6.4 activity is not part of the negative list of technologies established by the Supervisory Body.
92. The Supervisory Body will consider the technologies for which necessary conditions exist, with a high degree of certainty, in accordance with the requirements above, where relevant on a regional basis, considering special circumstances of least developed countries (LDCs) or small island developing States (SIDS), as the basis for developing the positive list.
93. [Positive list of technologies are activities deemed automatically additional when applicable conditions are satisfied. The following attributes/conditions relate to positive lists:
- (a) Global positive lists contain activity types that, under all contexts, can show that their net present value of costs significantly exceeds (e.g. by at least 25 per cent) revenues and savings without carbon finance;
  - (b) Activity types that can show, in the national context, that their costs exceed revenues and savings (e.g. their marginal abatement cost exceeds a country-specific benchmark value) and that they have very low penetration rates (e.g. less than 2 per cent) are eligible to be put on a national positive list;
  - (c) A positive list may be based on costs and market penetration for a new technology. It may be region specific or global and should be periodically reviewed;
  - (d) Positive lists should be developed based on inputs from experts and the public and should include independent assessment and validation.
94. The Supervisory Body shall ensure that:
- (a) Automatic additionality through positive lists included in mechanism methodologies shall only be applicable to activity types where there is a high degree of certainty that the activity would not occur without carbon market revenues;
  - (b) Procedures are in place to review the continued applicability of underlying conditions of the positive lists at regular intervals and to update the positive lists as necessary.
95. Host Parties may propose national positive lists for the consideration of the Supervisory Body, where necessary using the process for the development of standardized baselines].
- {Question for additional inputs: are positive lists needed? If yes, is the above guidance on positive lists too specific and detailed, and may the guidance be shortened?}***
96. The Supervisory Body will develop further guidance on simplified approaches for demonstration of additionality including any positive lists of technologies for application in LDCs/SIDS at a future meeting of the Supervisory Body.

## 6. Leakage

97. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) avoid leakage, where applicable (...)”.
98. Leakage is the net change of anthropogenic emissions by sources of GHGs which occurs outside the activity boundary, and which is measurable and attributable to the Article 6.4 activity.
99. Leakage may occur due to, inter alia:
- (a) Used equipment that is accounted in the activity baseline being transferred outside of the activity boundary for continued use;
  - (b) Diversion of resources from other activities or competing uses and shifts of pre-project activities;
  - (c) Diversion of production or service provision, i.e. relocation and continuation of baseline activities outside the activity boundary;
  - (d) [Upstream emissions owing to the production of products or services and downstream emissions due to use and disposal of products and services including emissions associated with the fuel/electricity consumed due to production, processing, transmission, storage and distribution are covered.]
- {Question for additional inputs: should pre-project activity emissions and upstream emissions be accounted as activity emissions or leakage emissions, or be identified by the Supervisory Body as being beyond the scope of activity accounting guidance? What further assessment is needed in this regard?}***
100. Leakage may be avoided, minimised, or addressed by, inter alia:
- (a) Discounting: deductions of emission reductions from credited volumes taking into account equipment lifetime where applicable;
  - (b) Scrapping: undertaking and evidencing the destruction / decommissioning / disposal of a baseline technology;
  - (c) Abundancy of resources: demonstration of surplus availability of resources in the region;
  - (d) Higher-level integration: integration in a higher-level monitoring system and use of a standardized baseline (or equivalent) that is regularly updated;
  - (e) Larger-scale implementation: sectoral, sub-national or national level implementation.
101. Mechanism methodologies shall:
- (a) Ensure that the potential sources of leakage in a typical activity covered by the mechanism methodology are identified, including, but not limited to, any sources referred to in paragraph 99;

- (b) Include provisions to avoid or minimize all sources of leakage as far as possible and address leakage that cannot be avoided by applying one or more measure(s) in paragraph 100;
  - (c) Include robust monitoring, reporting and verification systems that encompass all potential sources of leakage identified;
  - (d) Require the activity participant to follow any guidance from the DNA of the host Party on leakage, where available.
102. For some classes of activities, monitoring at 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.
103. The Supervisory Body will develop a methodological tool for the implementation of paragraph 101.

## 7. Non-permanence and reversals {The work from removal WG will be reflected here}

104. Paragraph 34 of the RMP states that “Mechanism methodologies shall (...) address reversals, where applicable”.
105. ‘Reversal’ means the release into the atmosphere of the verified tonnes of removals.
106. Mechanism methodologies shall address reversals of removals using a consistent approach specified under the recommendations on removals.
107. [The Supervisory Body will develop further guidance in this regard at a future meeting of the Supervisory Body.]

-----

### Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
05.0	03 August 2023	Published for the <a href="#">structured call for public inputs</a> (open from 3 to 16 August 2023) launched between SB 006 and SB 007
04.0	28 June 2023	Published as a late annex to the annotated agenda of SB 006. This version takes into account guidance from the Supervisory Body at SB 005 (SB 005 meeting report, para. 17 & 18).
03.0	21 February 2023	Published as an annex to the annotated agenda of SB 004. This document integrates: <a href="#">A6.4-SB003-A04</a> – 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, 07 November 2022).



Version	Date	Description
		<a href="#">A6.4-SB003-AA-A05</a> – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 2.0, 25 October 2022). This version incorporates comments from the Supervisory Body at SB 003 (SB 003 meeting report, para. 15).
02.0	25 October 2022	Published as an annex to the annotated agenda of SB 003. This version incorporates comments from the Supervisory Body at SB 002 (SB 002 meeting report, para. 14).
01.0	12 September 2022	Published as an annex to the annotated agenda of SB 002.

Decision Class: Regulatory

Document Type: Recommendation

Business Function: Methodology

Keywords: A6.4 mechanism, methodologies, regulatory framework

**Related documents:**

28 June 2023	<a href="#">A6.4-SB006-AA-A08</a> – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 4.0)
28 June 2023	<a href="#">A6.4-SB006-AA-A07</a> - Concept note: Proposals and options to operationalize baseline contraction factor, 'lock-in levels of emissions' and leakage in the draft recommendation on requirements for the development and assessment of mechanism methodologies (version 01.0)
17 May 2023	<a href="#">A6.4-SB005-AA-A07</a> - Information note: Draft elements for the recommendation on requirements for the development and assessment of mechanism methodologies (version 01.0)  <a href="#">A6.4-SB005-AA-A08</a> - Information note: Compilation of inputs in response to the “public consultation: Requirements for the development and assessment of mechanism methodologies” and related literature (version 01.0)
21 February 2023	<a href="#">A6.4-SB004-AA-A10</a> - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 03.0) (Zip file: <a href="#">Appendices 1 - 4 to Annex 10</a> )
07 November 2022	<a href="#">A6.4-SB003-AA-A04</a> - 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 01.0)
25 October 2022	<a href="#">A6.4-SB003-AA-A05</a> - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 02.0)  <a href="#">A6.4-SB003-AA-A06</a> - Information note: Requirements for the development and assessment of mechanism methodologies (version 02.0)
12 September 2022	<a href="#">A6.4-SB002-AA-A07</a> - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 01.0)  <a href="#">A6.4-SB002-AA-A08</a> - Information note: Requirements for the development and assessment of mechanism methodologies (version 01.0)

08 July 2022	<a href="#">A6.4-SB001-AA-A06</a> - <i>Concept note</i> : Guidelines for implementation of methodological principles, approaches, and methods for the establishment of baseline and additionality (version 01.0)
--------------	--

DRAFT