

Regional Climate Week

Middle East and North Africa

Riyadh, Saudi Arabia – 8-12 October 2023



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Host Party responsibilities/ opportunities



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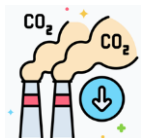
Benefits of participation



“A mechanism to contribute to the **mitigation of greenhouse gas emissions** and **support sustainable development** is hereby established under the authority and guidance of the CMA for use by Parties on a voluntary basis”

“It shall be **supervised by a body** designated by the CMA...”

The mechanism shall aim to:



Promote the **mitigation** of GHG emissions while fostering **sustainable development**



Contribute to the **reduction of emission levels in the host Party**, which will benefit from mitigation activities resulting in **emission reductions that can also be used by another Party to fulfil its NDC**



Incentivize and facilitate **participation in the mitigation of GHG by public and private entities** authorized by a Party



To deliver an **overall mitigation in global emissions**



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Benefits of participation in a cooperative approach

- All units generated under Article 6.4 go through a **centralized body** with **pre-approved methodologies**.
- Process and eligibility of these units are **more predictable**.
- Article 6.4 framework is an **update from the Kyoto Protocol's CDM**, so some countries could use an **updated version of already existing infrastructure to engage** e.g., use of previous domestic authorities to approve participation in CDM projects (designated national authorities - DNAs) and build on similar institutional frameworks for Article 6.4 trades.
- Article 6.4 mechanism allows **both market (A6.ERs trading) and non-market purposes (NDC achievement)**, depending on how the units are used.

Financing higher-cost mitigation measures

National budget revenues

Sustainable development co-benefits

NDC Implementation support



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Optional national arrangements: The Designated National Authority

Art 6.4 DNA

- Art 6.4 DNA mandatory by Host Party to participate
- Establishment of Art 6.4 DNA Decision 3/CMP.3
- As of September 2023, 55 countries have submitted a designated national authority for Article 6.4 mechanism

Parties to Paris Agreement communicate to Supervisory-Body@unfccc.int

- Name of the organization to act as the national authority
- Address of the organization with city and country
- Full name of the contact person
- Communication details

Art 6.4 DNA roles

- Approval of activities by the host Party
- Authorization of activity participants
- Approval of the activity by host Party (prior to a request for registration)
- Authorization of the activity by host Party



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Optional national arrangements: Accreditation of designated operational entities

Art 6.4 DOE *(needed – including for the CDM to A6.4 transition !)*

- SB to establish the requirement and process related to: “The approval and supervision of host Party national arrangements for accreditation of operational entities”
⇒ Still to be operationalized
- In the meantime, DOEs are required, including for the CDM transition process
- Three options considered:
 - Option 1: Temporary allowing CDM DOEs to act as A6.4 DOEs (until A6.4 accreditation procedure is in place)
 - Option 2: Same as option + simplified accreditation assessment
 - Option 3: Temporary allowing CDM DOEs to act as A6.4 DOEs until the expiration of their existing accreditation term (after which they would need A6.4 accreditation)



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Optional national arrangements: Baseline methodologies

- Article 6.4 mechanism provides standardized baseline approaches & methodologies
- Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party
- Participating countries may submit **explanation of self-made baseline approaches and other methodological requirements, including additionality**, to be applied for Article 6.4, activities to the **Supervisory Body for approval considering requirements** described further.
- In the activity cycle the participating Party shall ensure the activity shall apply a mechanism methodology that has been developed and/or approved by the Supervisory Body :
- **Baseline Methodologies must:**
 - Set a baseline for the calculation of emission reductions to be achieved by the activity;
 - Demonstrate the additionality of the activity;
 - Ensure accurate monitoring of emission reductions;
 - Calculate the emission reductions achieved by the activity.



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Optional national arrangements: methodologies

Methodologies shall...

- encourage ambition over time;
- encourage broad participation; be real, transparent, conservative, credible and below 'business as usual';
- avoid leakage, where applicable;
- recognize suppressed demand;
- align with the long-term temperature goal of the PA
- contribute to the equitable sharing of mitigation benefits between the participating Parties; and, in respect of each participating Party,
- contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its LT-LEDS.

Innovative mechanism Methodologies requirements

- Include relevant assumptions, parameters, data sources and key factors
- Consider uncertainty, leakage, policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances,
- address reversals, where applicable.
- ***Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body:***
- ***Mechanism methodologies shall be approved by the Supervisory Body where they meet the requirements***

Baseline approach*

- A performance-based approach, considering:
- (i) Best available technologies that represent an economically feasible and environmentally sound course of action,
- (ii) Ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;
- (iii) existing actual or historical emissions, adjusted downwards to ensure alignment with requirements
- a host Party may determine a more ambitious level at its discretion

Standardized Baselines

- may be developed by the SB at the request of the host Party or may be developed by the host Party and approved by the SB
- shall be established at the highest possible level of aggregation in the relevant sector of the host Party and be consistent with methodologies requirements

Demonstration of Additionality

- using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, considering all relevant national policies, including legislation, and FCCC/PA/CMA/2021/10/Ad d.1
- 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 methodologies requirements
- The SB may apply simplified approaches for demonstration of additionality

Optional national arrangements: Crediting periods

- Article 6.4 mechanism provides guidance on crediting periods to be applied on Article 6.4 activities
- Explanation of **how those crediting periods are compatible with its NDC and, if it has submitted one, its long-term low GHG emission development strategy** is also required
- Participating Party may provide **explanation of crediting periods to be applied for Article 6.4, activities that it intends to host, including whether the crediting periods may be renewed**, to the Supervisory Body, for approval and following specific requirements
- **Participating Party shall :**
 - Provide guidance on the potential renewal of the crediting period => if the Party intends to allow the activity to continue beyond the first crediting period (where the Party has specified that the crediting periods of Article 6.4, activities that it intends to host may be renewed)
 - Ensure the crediting periods are appropriate to the activity, and benefit approval by the Supervisory Body
 - Consider the crediting period shall not start before 2021

Crediting period of a registered A6.4, activity may be renewed*, if the host Party has approved such renewal

Renewal of a crediting period shall be approved by the SB and the HP following a technical assessment by a DOE to determine necessary updates to the baseline, the additionality and the quantification of emission reductions.

Appeal of a decision taken by A.6.4 SB requires to request grievance

Host Party may request for voluntary cancellation and/or review of a registration or issuance



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Authorizations of ERs under 6.4

Registered activities, can be hosted by ANY Party **and the range of activities is broader than under CDM**, issued Article 6.4 emission reductions (A6.4ERs) can be:

Authorized emission reductions (AERs):

- A6.4ERs that have received an authorization under paragraph 42 of the modalities and procedures of the mechanism
- These **are** **first transferred** and are reported in the AEF/A6 Database and accounted in the structured summary

Authorized

Mitigation contribution units (MCUs):

- These **are NOT ITMOs** (no corresponding adjustments) the mitigation unit assists the host Party to achieve development goals
- Can be used **inter alia**, **results-based climate finance**, **domestic mitigation pricing schemes**, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the host Party

Non-Authorized



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Choice of A6.4ER : Approval and Authorisations of ERs

The host Party shall provide to the Supervisory Body an approval of the activity, prior to a request for registration. The approval shall include:

Confirmation that and information on how the activity fosters sustainable development in the host Party	Approval of any potential renewal of the crediting period, if the Party intends to allow the activity to continue beyond the first crediting period*	Explanation of how the activity relates to the implementation of its NDC/LT-LEDS and how the expected emission reductions or removals contribute to the host Party's NDC, and the purposes referred to in Article 6.1
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- The host Party shall **provide to the SB the Article 6.4(b), authorization of public or private entities to participate in the activity as activity participants under the mechanism.**
- The host Party shall **provide a statement to the SB 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. considering relevant information on the authorization, such as any applicable terms and provisions.
- If the host Party authorizes A6.4ERs for use for other international mitigation purposes, it shall **specify how it defines “first transfer”** consistently with paragraph 2(b) of the annex to decision 2/CMA.3.
- A6.4ERs may only be used towards NDCs or towards international mitigation purposes
- The host Party shall **apply corresponding adjustments for such A6.4ERs first transferred**** and shall apply **corresponding adjustments for the associated A6.4ERs levied for a share of proceeds and cancelled for overall mitigation of global emissions**
- Other participating Parties shall provide to the SB the **Article 6.4(b), authorization for public or private entities to participate in the activity as activity participants under the mechanism** prior to any first transfer of any A6.4ERs to the mechanism registry account of such Party or public or private entity.



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Choice of A6.4ER : Approval of ERs

Validation	Registration	Monitoring	Verification and certification	Issuance
<ul style="list-style-type: none"> • DOE shall independently assess the activity against the requirements set out in these rules, modalities and procedures, further relevant decisions of the CMA and relevant requirements adopted by the SB (hereinafter referred to as <u>validation</u>). 	<ul style="list-style-type: none"> • If the outcome of the validation is positive, it shall submit to the SB a request for registration with the validation outcome • The activity participants shall pay a share of proceeds, at a level determined by the CMA, considering the likely scale of the activity, to cover the administrative expenses for registering the activity when submitting a request for registration. • If the SB decides that the validation and its outcome meet the relevant requirements adopted by the Supervisory Body, it shall register the activity as an Article 6.4 activity. 	<ul style="list-style-type: none"> • The activity participants shall monitor emission reductions achieved by the activity during each monitoring period, in accordance with the relevant requirements adopted by the SB. The activity participants shall also monitor potential reversals over a period to be decided by the Supervisory Body. 	<ul style="list-style-type: none"> • DOE shall independently review and determine the implementation of, and the emission reductions achieved by, the Article 6.4 activity during the monitoring period (hereinafter referred to as <u>verification</u>) • Provide written assurance of the verified emission reductions (hereinafter referred to as <u>certification</u>). 	<ul style="list-style-type: none"> • DOE shall submit to the SB a request for issuance with the verification outcome and certification • If the SB decides that the verification, certification and their outcome meet the relevant requirements, it shall approve the issuance of A6.4ERs. • The mechanism registry administrator shall, issue the A6.4ERs into the mechanism registry. • The mechanism registry shall distinguish A6.4ERs that are authorized for use towards the achievement of NDCs and/or for use for other international mitigation purposes, including any specified uses for which the A6.4ERs are authorized.

Choice of A6.4ER: Mitigation contribution units (MCUs)

Mitigation contribution (Article 6.4 only):

=>do not require a corresponding adjustment and may be used, “inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the Host party”.

=> uses in other markets, such as in the voluntary carbon markets or domestic markets.

At the moment, “mitigation contribution” can only be used for Article 6.4.



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Article 6 Units	
6.2 ITMOs and 6.4 ITMOs/A6.4ERs (Authorized)	6.4 Mitigation Contribution Units (Non-Authorized)
<ul style="list-style-type: none">Requires corresponding adjustmentsMay be used towards achievement of NDCsuses in other markets, e.g., voluntary carbon marketsUses for other international mitigation purposes (e.g., CORSIA)	<ul style="list-style-type: none">Do not require a corresponding adjustmentMay be used, “inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the Host party”.uses in other markets, e.g., voluntary carbon markets or domestic markets. <p><i>Now, “mitigation contribution” can only be used for Article 6.4.</i></p>



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