

“Draft recommendation: Requirements for the development and assessment of mechanism methodologies” (A6.4-SB002-AA-A07) and “Information note: Requirements for the development and assessment of mechanism methodologies” (A6.4-SB002-AA-A08)

Submitting initiative: International Initiative for Development of Article 6 Methodology Tools (II-AMT)

Date: 11.10.2022

Brief introduction of submitting initiative

The II-AMT is an international expert-led process to enable the alignment of approved Clean Development Mechanism (CDM) baseline and monitoring methodologies with rules and principles for collaboration under Article 6 of the Paris Agreement. Experts from all continents bring different perspectives from their knowledge of climate policies and practices in key regions combined with longstanding expertise in CDM methodologies to develop specific Article 6 methodology tools reflecting the principles and approaches of Article 6.

The group of experts is currently developing specific ‘Article 6 methodology tools’ reflecting the requirements of the Article 6 decisions. The tools can be added to existing baseline and monitoring methodologies in a modular fashion. This will support the rapid operationalisation of market-based cooperation under Article 6. Further information on the initiative can be accessed on the [its website](#).

This submission is based on the work done by the II-AMT experts on the Article 6 tools to this date. The submission is accompanied by three attachments that comprise the additionality, the baseline and MRV tool. This submission is thus to be considered in conjunction with the three attachments.

Additionality-related input by II-AMT to the Article 6.4 Supervisory Body (A6.4SB)

Draft requirements: “49. This can also be done by establishing that the activity is part of a global positive list of activities established by the supervisory body. The criteria for a positive list are:”

II-AMT suggestion: TOOL01 (see Attachment I), paragraph 24: “The process for **developing global and national positive lists** should include the following

- a. Inputs from experts in the development of the list
- b. Public consultation period
- c. Independent assessment and validation of the outcomes of the development process”

II-AMT Comment and rationale: Next to a global positive list, TOOL01 also recognises the existence of national positive lists as host Parties can communicate activity types that the country considers eligible for receiving carbon finance.

Draft requirements: “49c. Are not financially attractive in any circumstances”

II-AMT suggestion: TOOL01 (see Attachment I), paragraph 20 “Step 3 – MANDATORY: Evaluation of inherent financial additionality risks of the specific activity type” and Paragraph 21 “Step 4: Determination of financial additionality of the activity through investment analysis

Comment and rationale: The expert team of the II-AMT suggests operationalizing this criterion by asking for an evaluation of inherent financial additionality risks of the specific activity type and the determination of the financial additionality of the activity through investment analysis, as proposed in step

3 and 4 of the II-AMT additionality tool, which ensure realistic assumptions are provided by the activity proponent considering their risk scenario. Also, we suggest considering the criteria defined to the development of positive lists for financial additionality as proposed in paragraph 26-28 of the II-AMT additionality tool.

Information note: “30d, option 4. Combination of options 1, 2 and 3”

Comment and rationale: We fully support this approach. The additionality tool considers in addition to the elements mentioned in options 1, 2 and 3, other elements to demonstrate additionality such as the evaluation of inherent financial additionality risks of the specific activity type and subsequently the assessment of the financial additionality of the activity through investment analysis, which combined with the determination of regulatory additionality, comprises a comprehensive approach to objectively assess the additionality of a mitigation activity.

Other aspects to consider not reflected in the current documents:

- **Crediting period length:** The linkage between the establishment of the crediting period length and renewal frequency with the demonstration of additionality is also included in the II-AMT additionality tool as a guidance for crediting period length and renewal based on the analysis of the relationship between technology lifetime and type and timing of investment decisions (e.g., for once-off investments versus replacement and renewed investment decisions into the same activity), building on the crediting period length fixed under the Article 6.4 mechanism at either a maximum five years renewable twice or at ten years non-renewable.
- **Consideration of additionality for crediting period renewal: Guidance on how the additionality could be demonstrated when a renewal of the crediting period take place is also needed considering** the relationship of technology lifetime and investment decision. II-AMT additionality tool proposes a series of sub steps for this matter (paragraphs 31 and 32)

Baseline-related input by II-AMT to the A6.4SB

Draft requirements: “6. Mechanism methodologies shall encourage ambition over time through requirements related to baseline setting that enable GHG emission reductions only from activities that contribute to the achievement of the long-term temperature goals of the Paris Agreement.” and “7. For that purpose, the baseline of an activity in a sector S during year Y shall be capped with the product BCFS x BE1S.”

II-AMT suggestion: TOOL02 (see Attachment II), paragraphs 18f, 19d, and 20c

Comment and rationale: The expert team of the II-AMT generally supports the operationalisation of the principle “encouraging ambition over time” through the capping of baselines (option 1). In its TOOL2, the expert team operationalises the principles through the application of a mandatory “ambition coefficient”. The so-called “ambition coefficient” shall fall linearly over time to adjust the baseline emissions downwards and reaching net zero at the time of the host country’s net zero target. For further examples on how the application of such an ambition coefficient could look like see the next point.

Draft requirements:

“8. Option A1: Host Parties shall, before the authorization of a 6.4 activity in a sector, notify the Supervisory Body of the baseline contraction factor curve it has developed for that sector. Host Parties shall provide justifications on how this baseline contraction factor curve is aligned with their NDC and LT LEDS and the long-term temperature goals of the Paris Agreement.”

“9. Option A2: Host Parties shall, before the authorization of a 6.4 activity in a sector, submit to the Supervisory Body for its assessment, the baseline contraction factor curve it has developed for that

sector. Host Parties shall provide justifications on how this baseline contraction factor curve is aligned with their NDC and LT LEDS and the long-term temperature goals of the Paris Agreement.”

“10. Option A3: New Methodologies shall include an approach for the determination of the baseline contraction factor. The Supervisory Body shall revise the CDM methodologies, to include an approach for the determination of baseline contraction factor and to add a requirement to cap the baseline with BCFS x BE1S.”

“11. Option A4: The Supervisory Body shall develop an approach for the determination of the baseline contraction factor to be used in conjunction with all mechanism methodologies. Host Parties shall, before the authorization of a 6.4 activity in a sector, use the approach to determine the baseline contraction factor curve for that sector.”

(f) Option A4a: Host Parties shall, before the authorization of a 6.4 activity in a sector, notify the Supervisory Body of the baseline contraction factor curve it has developed for that sector;

(g) Option A4b: Host Parties shall, before the authorization of a 6.4 activity in a sector, submit to the Supervisory Body for its assessment, the baseline contraction factor curve it has developed for that sector.”

Draft requirements: Incl. paragraphs 12-16

Information note: “10d. Increasing the stringency of baselines during each renewal of the crediting period considering experience under the CDM and other mechanisms (e.g. requiring a more conservative grid emission factor over time);”

II-AMT suggestion: TOOL 2 (see Attachment II), paragraph 18f, 19d, and 20c

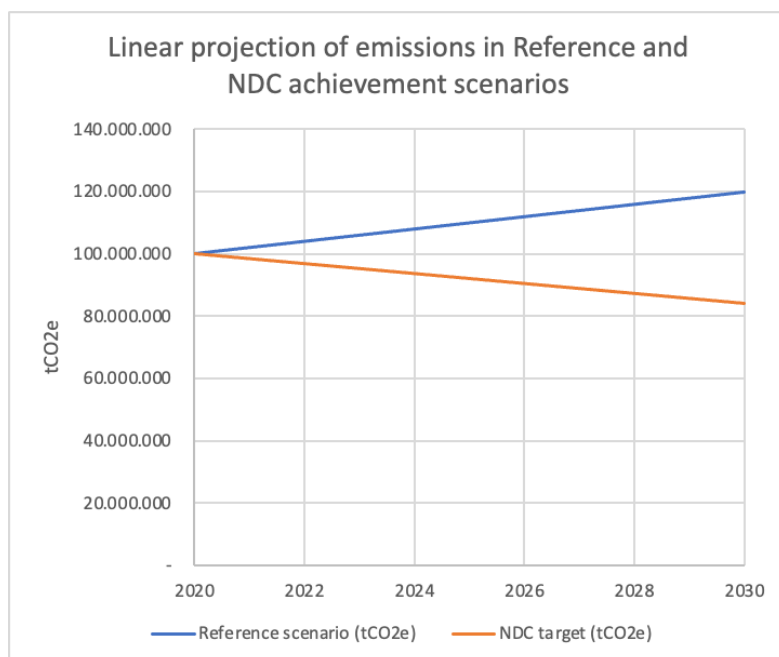
Comment and rationale: As described in TOOL02, the II-AMT expert team proposes that the mandatory ambition coefficient is to be set by the A6.4SB in the case of a BAT and ambitious benchmark baseline and thus most aligned with option A4 in the document A6.4-SB002-AA-A07. The tool further specifies that the ambition coefficient would be set at 100% in 2021 and zero in 2050 for a country whose net zero target date is 2050. For countries without a net zero target, the A6.4SB should specify the year in which the ambition coefficient reaches zero. In case of a baseline based on existing or historical emissions adjusted downwards, the tool provides guidance for the current NDC period and beyond it. For the duration of the current NDC period (see paragraph 20c), the project developer has to derive the ambition coefficient based on actual or historical emissions adjusted downwards in line with a path consistent with the unconditional NDC targets (see paragraph 20ci). For periods beyond the current NDC period, the ambition coefficient shall either be derived in line with a path consistent with the national long-term low greenhouse gas emission development strategy (LT-LEDS) or a linear path towards the point in time the host country anticipates achieving a net zero target or zero emissions if this is consistent with the long-term goal of the Paris Agreement. The II-AMT experts would recommend adopting the approach of applying an ambition coefficient as it is a straightforward one. Below, we list three examples of how this would look in practice.

Example 1.

A mitigation activity in the waste sector of Country A is defining its baseline emissions level for participation in the A6.4 mechanism. It already defined an activity-specific baseline using Step 2, Option 1, for which it determined that the BAT was a well-managed sanitary landfill without methane capture. The baseline emissions were then downward adjusted over the two planned 5-year crediting periods linearly toward reaching zero in 2050, which is the time of Country A’s net zero target (see column 2 of Table 1).

Year	Activity level baseline (tCO2e)	Step 3 downscaled baseline (tCO2e) (see explanation in text below Table 1)
2020	200.000	200.000
2021	193.333	197.120
2022	186.667	194.240
2023	180.000	191.360
2024	173.333	188.480
2025	166.667	185.600
2026	160.000	182.720
2027	153.333	179.840
2028	146.667	176.960
2029	140.000	174.080
2030	133.333	171.200

Country A has an unconditional, economy-wide NDC target of 30% reduction in 2030 versus a reference scenario of 20% growth in emissions from 2020 to 2030 (Figure 1). Country A's GDP is 200 billion USD. Its waste sector represents 1% of GDP. The planned mitigation activity is located in the second largest city of Country A in a service area that represents 8% of the total tonnes of municipal solid waste processed by the sector per year. The share of the waste sector in achieving the economy-wide NDC target is calculated as 1% of the complete commitment, based on its share in total economic activity represented by GDP. Then, the share of the mitigation activity is based on its contribution to the total service level of the sector (8% of total processed waste) (Table 2).

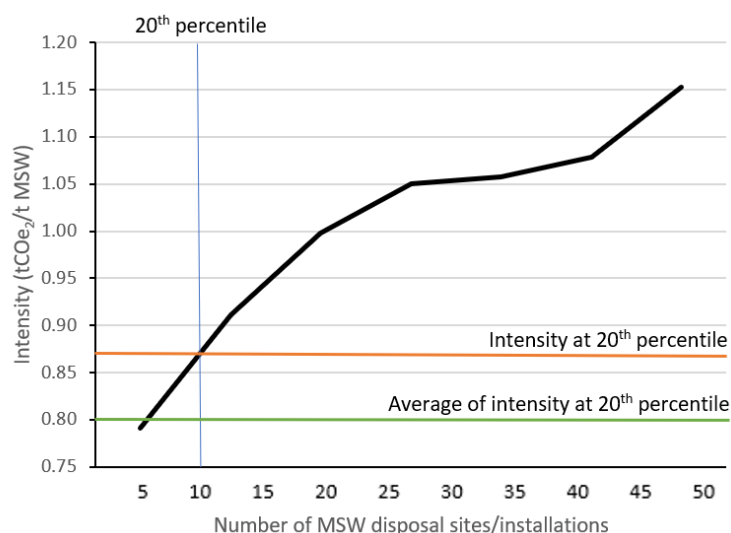


Year	Reference scenario (tCO ₂ e)	NDC target (tCO ₂ e)	Annual reduction to achieve NDC (tCO ₂ e)	Sector share of 1% of GDP (tCO ₂ e)	Mitigation activity share of 8% of sector output (tCO ₂ e)
2020	100.000.000	100.000.000	-	-	-
2021	102.000.000	98.400.000	3.600.000	36.000	2.880
2022	104.000.000	96.800.000	7.200.000	72.000	5.760
2023	106.000.000	95.200.000	10.800.000	108.000	8.640
2024	108.000.000	93.600.000	14.400.000	144.000	11.520
2025	110.000.000	92.000.000	18.000.000	180.000	14.400
2026	112.000.000	90.400.000	21.600.000	216.000	17.280
2027	114.000.000	88.800.000	25.200.000	252.000	20.160
2028	116.000.000	87.200.000	28.800.000	288.000	23.040
2029	118.000.000	85.600.000	32.400.000	324.000	25.920
2030	120.000.000	84.000.000	36.000.000	360.000	28.800

This is compared with the baseline level to give the downscaled baseline according to the NDC economy-wide target (column 3 in Table 1). Since this baseline is higher than the activity-specific baseline determined in the earlier steps, the activity-specific baseline shown in column 2 is applied.

Example 2.

A mitigation activity in the waste sector of Country B is defining its baseline emissions level for participation in the A6.4 mechanism. It already defined an activity-specific baseline using Step 2, Option 2, for which it needs to determine an ambitious benchmark based on current waste disposal practices in the country, based on the 50 municipal solid waste (MSW) disposal sites currently operating in the country, which includes a variety of technologies such as waste incineration, sanitary landfilling (with and without landfill gas recovery) and anaerobic digestion. First the country defines the benchmarking unit, which is tCO₂e/t MSW disposed. The country collated all waste disposal and emissions data for the last three years and developed a performance distribution curve for the sector. Based on this curve the average from the 20th percentile (top 10 best performing installations) of this performance distribution curve was determined to be 0.8 tCO₂e/t MSW in 2020.



Downwards adjustment of the benchmark emissions intensity over the years was then carried out according to Step 2, Option 2d to ensure it is in line with the long-term goal of the Paris Agreement, through the application of an “ambition coefficient”, in this case assumed to be set by the host country for Article 6.2 at 3% reduction per year.

Year	Downward adjusted benchmark, tCO ₂ e/t MSW
2020	0.80
2021	0.78
2022	0.75
2023	0.73
2024	0.71
2025	0.69
2026	0.67
2027	0.65
2028	0.63
2029	0.61
2030	0.59

Country B has an unconditional NDC target for the waste sector of 30% reduction in 2030 versus a reference scenario of 20% growth in emissions from 2020 to 2030. The planned mitigation activity is located in the largest city of Country B in a service area that represents 10% of the total tonnes of MSW processed by the sector per year. The emission reduction of the mitigation activity using the downward adjusted benchmark is compared to the required emission reduction of the mitigation activity in order to meet the country’s NDC target for the waste sector. As the former is found to be lower than the latter, the benchmark has to be adjusted further to meet the downscaled baseline (downscaled benchmark).

Year	Reference scenario (tCO ₂ e)	NDC target (tCO ₂ e)	Waste sector annual reduction to meet NDC (tCO ₂ e)	Mitigation activity share of 10% of sector output (tCO ₂ e)	Mitigation activity annual reduction using Downward adjusted benchmark
2020	100,000,000			0	
		100,000,000			
2021	102,000,000		3,600,000		
		98,400,000		360,000	240,000
2022	104,000,000		7,200,000		
		96,800,000		720,000	482,256
2023	106,000,000		10,800,000		
		95,200,000		1,080,000	726,561
2024	108,000,000		14,400,000		
		93,600,000		1,440,000	972,717
2025	110,000,000		18,000,000		
		92,000,000		1,800,000	1,220,538
2026	112,000,000		21,600,000		
		90,400,000		2,160,000	1,469,846
2027	114,000,000		25,200,000		
		88,800,000		2,520,000	1,720,474
2028	116,000,000		28,800,000		
		87,200,000		2,880,000	1,972,261
2029	118,000,000		32,400,000		
		85,600,000		3,240,000	2,225,056
2030	120,000,000		36,000,000		
		84,000,000		3,600,000	2,478,716

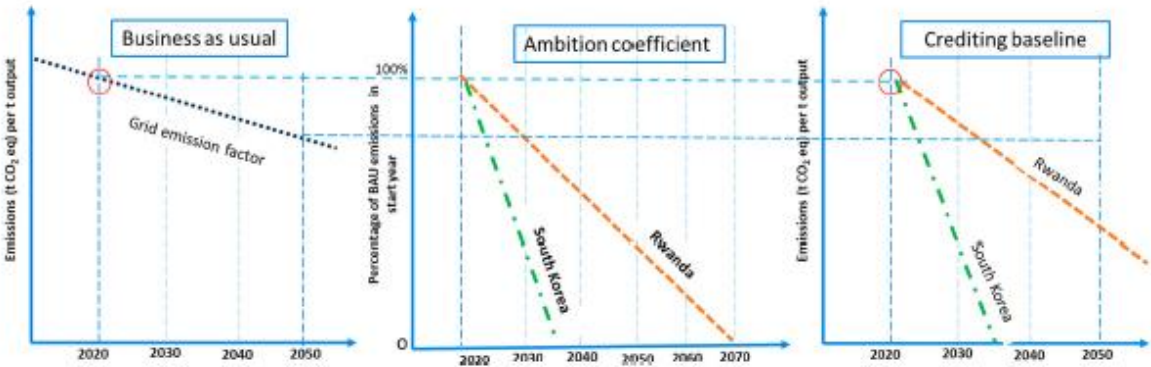
As the former is found to be lower than the latter, the benchmark has to be adjusted further to meet the downscaled baseline (downscaled benchmark).

Year	Downward adjusted benchmark, tCO ₂ e/t MSW	Downscaled benchmark, tCO ₂ e/t MSW
2020	0.80	
2021	0.78	0.72
2022	0.75	0.70
2023	0.73	0.68
2024	0.71	0.66
2025	0.69	0.64
2026	0.67	0.62
2027	0.65	0.60
2028	0.63	0.58
2029	0.61	0.56
2030	0.59	0.55

Example 3.

The exemplified project activity is a project that produces renewable electricity for the grid and for saving electricity in Korea and Rwanda. Assuming the projects start in 2021 and having a crediting period of five years, renewable twice thus running until 2035. Taking the average grid emissions factor as baseline emissions, country-specific ambition coefficients are applied. South Korea has publicly declared a net zero target for 2050. As an LDC, Rwanda has a low responsibility in terms of contributing to climate change and therefore 2070 is set as the date when the ambition coefficient attains zero. The approach thus reflects the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). Using the determined emission factors (g CO₂/kWh) to calculate the ambition coefficient, it reaches 75% in 2025, 50% in 2030 and 25% in 2035 for the case of South Korea, while it reaches 90% in 2025, 80% in 2030 and 70% in 2035 for Rwanda. The resulting baseline emission factors and ambition coefficients are shown in following table. The outcome would be that an activity in Rwanda would generate significantly more credits compared to South Korea for a similar type of project from the late 2020s onwards.

Country	2020	2025	2030	2035
Rwanda	654 g CO ₂ /kWh (100%)	589 g CO ₂ /kWh (90%)	523 g CO ₂ /kWh (80%)	458 g CO ₂ /kWh (70%)
South Korea	626 g CO ₂ /kWh (100%)	470 g CO ₂ /kWh (75%)	313 g CO ₂ /kWh (50%)	157 g CO ₂ /kWh (25%)



Draft requirements: “24. The application of mechanism methodologies shall result in below business-as-usual outcomes for the GHG mitigation activity. For that purpose, the mechanism methodology shall require the identification of the business as usual scenario and provide an approach for the calculation and require the calculation of the business-as-usual emissions, where necessary referring to the host Party inventory reports and any other transparency reports under the Paris Agreement.”

II-AMT suggestion: TOOL02 (see Attachment II), paragraph 18-21

Comment and rationale: One concern on the draft text is that it opens the door to projects using their individual circumstances to argue for BAU that are higher than the BAU for the average or best practice for their sector or product type. Our proposals focus less on the individual project circumstances and more on coming to a conservative, ambitious baseline for the project sector or product type. We can see the logic of wanting to show the BAU, to be sure that the baseline is below it, but this could open the door for not very ambitious actions to be credited (i.e. as described in the first sentence).

Draft requirements:

“29. Suppressed demand is addressed by considering that the baseline scenario is not the historical condition, but an alternative that provide the same level of service as the mitigation activity, where it is realistic or a minimum level of service where the baseline equipment cannot realistically provide the level of service of the mitigation activity.”

“30. The baseline is the most efficient technology/measure that meets the minimum service level and which is not facing any of the barriers below: (a) Income barrier, i.e. inability to meet the capital cost;

(b) Lack of infrastructure (e.g. non-existence of supply/service infrastructure);

(c) Lack of skills to operate the alternative;

(d) Technological barrier, e.g. technologies with low market share with market penetration rates below a threshold.”

“31. The minimum service level should be realistic and reasonable. For establishing a minimum service level, the following approaches may be used:

(a) National/international peer-reviewed research or relevant studies (e.g. the World Health Organization recommendations on per capita safe drinking water);

(b) Benchmarks that take into account that emissions will rise to achieve the international/national development goals.”

II-AMT suggestion: TOOL02 (see Attachment II), paragraph 18f and 19d

Comment and rationale: As described in the footnotes for the mentioned paragraphs in TOOL02, the II-AMT expert team argued that suppressed demand should not be factored into the crediting baseline as it does not deliver the absolute emission reductions required for achieving the Paris Agreement’s long-term targets. This will avoid a situation where a host country transfers more ITMOs than the actual reduction in the NDC-covered GHG inventory. The expert team, therefore, proposes not to operationalise suppressed demand in the manner as described in paragraphs 29-31 of the draft requirements. There are other approaches to addressing development needs and national circumstances that provide actual benefits to host countries with special circumstances. Examples would include partial authorization (i.e., sharing mitigation outcomes) or higher ITMO prices.

Draft requirements:

“34. The host Party shall specify to the Supervisory Body: (a) A list of the types [(e.g. sectors [, including sub-sectors]]] of mechanism activities, it would consider approving [from the list of sectoral scopes at appendix I];

(b) The approach it has used to establish that the activities will contribute to the achievement of its NDC, if applicable, to its long-term low greenhouse gas (GHG) emissions development strategy, if it has submitted one, [and to the long-term goals of the Paris Agreement];

(c) The list referred to in paragraph 34(a) above can be regularly updated by the host Party if the host Party intends to submit a mechanism activity in a sectoral scope not in the list in paragraph 34(a) by means of notifying to the Supervisory Body a revised list.”

“35. Mechanism methodologies shall require that the activity developer confirms that the activity they intend to implement belongs to the list referred to above.”

“36. Mechanism methodologies shall require that: (a) Option 1: The host Party, before the authorization of a 6.4 activity in a sector, notify the Supervisory Body, of the emission trajectory for that sector, with justifications on how that emission trajectory is aligned with the long-term temperature goals of the Paris Agreement, and how it will be used to assess the alignment of the baselines;

(b) Option 2: The host Party, before the authorization of a 6.4 activity in a sector, submits to the Supervisory Body for its assessment, an emission trajectory for that sector, with justifications on how that emission trajectory is aligned with the long-term temperature goals of the Paris Agreement, and how it will be used to assess the alignment of the baselines;

(c) Option 3: The baselines are aligned with a sector- and Party-specific emissions trajectory compatible with the long-term temperature goals of the Paris Agreement, set by the Supervisory Body;

(d) Option 4: The SB provides an approach applicable to all methodologies for the determination of the emission trajectories: (i) Option 4(a): The host Party, before the authorization of a 6.4 activity in a sector, develops the emission trajectory for that sector and notifies the Supervisory Body, with justifications on how that emission trajectory is aligned with the approach provided by the Supervisory Body. In case a new methodology not addressed by the approach is developed by an activity participant, it shall submit to the Supervisory Body a revision to the approach; (ii) Option 4(b): The host Party, before the authorization of a 6.4 activity in a sector, can either use the approach provided by the Supervisory Body to develop the emission trajectory for that sector or follow an alternative approach and submit it to the Supervisory Body for assessment.”

Information note:

“22(c), Option 3: The emission trajectory is developed top-down by the SB

Pros: This option allows full oversight of the SB to ensure consistency and environmental integrity of emissions trajectories.

Cons: Although the assessment by the SB may secure a level of consistency and environmental integrity of the submitted emission trajectory, this option leads to the longer processing time by the Supervisory Body, which may result in delays for the development of mechanism activities by activity participants and their registration. In addition, it may be challenging to develop different trajectories for different sectors and different countries, especially where data is not readily available which lead to a high demand for resources.

“22(d) Option 4(a): The emission trajectory is developed based on an approach from the SB, and the trajectory is notified by the Host Party to the SB

Pros: This option ensures a level of consistency and environmental integrity of the submitted emission trajectory by following a harmonized and standardized approach developed and approved by the SB, while at the same time provides flexibility to the Host Party to develop the trajectory curve while taking into account the specific circumstances of the Host Party.

Cons: There could be challenges related to the resources available inside the Host Party to develop the trajectory. In addition, there could be challenges where the data is not readily available in Host Parties to apply the approach.

II-AMT suggestion: TOOL02 (see Attachment II), paragraph 16

Comment and rationale: In TOOL02, the proposed Article 6 activity needs to pass an eligibility assessment to show that it will not lead to a lock-in of emissions levels incompatible with reaching the Paris Agreement long-term goals. While the draft requirements (A6.4-SB002-AA-A07) foresee the development of a positive list of activities that shall be specified to the A6.4SB, the tool promotes the development of a negative list of activities. While it will be difficult for the A6.4SB to develop Party-specific emissions trajectories as proposed in option 3, the development of a list with activities that are incompatible with below 2°C pathways seems more feasible. That being said, the II-AMT expert team promotes some level of oversight of the A6.4SB in the development of the positive lists (option 3, option 4) or negative lists (see TOOL02, paragraph 16ai)

Draft requirements:

“40. Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with the requirements discussed under sections 3.1 to 3.8 above 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;

(iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with the long-term temperature goals of the Paris Agreement.

“41. In case the activity does not generate output³, the approach based on existing actual or historical emissions cannot be used if the incentive of the mechanism is not the key driver for action e.g. there are other drivers such as new regulation that could have led to the mitigation activities.”

“42. For activities generating outputs, the above approaches for baselines are applicable to the output of the activity. The three approaches for baseline setting do not apply necessarily to the whole outputs of an activity generated during its entire lifetime. Each of them can be applied to identify the baseline for part of the output generated by an activity.”

“43. An approach based on existing actual or historical emissions cannot be used to determine the baseline for the generation of an amount of output, except under the conditions below: (a) The activity developers can substantiate that the scenario “not investing” is the baseline scenario, which means that they would not invest to generate that amount of output in the absence of incentive of the mechanism because the incentive is a key driver for the decision to invest or not; and (b) They know precisely the conditions of generation of the outputs displaced as well as the related GHG emissions.”

“44. Addressing 43(a) requires that: (a) The most attractive course of action is “to not invest”; and (b) Not investing is a realistic scenario because the financial incentive accounts for at least X% of the project revenues (economical attractiveness drives the investment and the incentive is enough high compared to the investment);

(c) If the implementers of the mitigation activity do not invest, a third party will not be able to invest, e.g. the project is not displacing more CO₂ intensive outputs in a market the scenario not investing provide the same level of output as the scenario of the mitigation activity (the project does not generate additional output as compared to the pre-project scenario: e.g. fuel switch or energy efficiency improvement without increase of output or methane destruction without energy generation) or produce less output or of lower quality but the incentive is the driver of the project activity (e.g. distribution of cook stoves).”

“45. Addressing the requirement under 43(b) includes: (a) In case the technology of existing equipment is displaced, the remaining lifetime of the equipment is known;

(b) Historical/actual data are available.”

246. The downward adjustment of historical emissions is addressed in the context of the requirements in section 3.1.”

II-AMT suggestion: TOOL02 (see Attachment II), paragraph 20

Comment and rationale: The II-AMT expert team does generally not agree with the proposed approaches as they would exclude many activities for which benchmarking / BAT cannot be applied. We would instead suggest a general approach applying a baseline contraction factor/ambition coefficient to ensure ambition under the historical emissions approach.

MRV-related input by II-AMT to the A6.4SB

Draft requirements: “22. The application of mechanism methodologies shall result in conservative outcomes with the measures applied or the options chosen (e.g., due to the paucity of data, assumptions applied or multiple alternatives available) not overestimating the emission reductions and the error being on the conservative side. The mechanism methodologies shall require the description of the uncertainty associated with data parameters of interest and provide methods to quantify, manage and account for the impact of uncertainty.”

Draft requirements: “37. Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors and take into account uncertainty, for the calculation of a conservative GHG emission reduction.”

II-AMT suggestion: TOOL03 (see Attachment III), paragraphs 33-37: “Element 1: Ensuring conservativeness” and Paragraph 67: “Element 5: Accuracy”

Comment and Rationale: We suggest that activity developers should strive for highest levels of accuracy available without prohibitive costs when estimating relevant parameters and assumptions when calculating baseline and activity emissions should be the principle of accuracy. Where a higher level of accuracy would lead to prohibitive costs, the activity developer can use a less accurate methodology if it ensures that emissions are rather overestimated, and removals are rather underestimated. The activity developer shall provide a proper justification indicating why a more accurate approach leads to prohibitive costs; what approach is suggested as an alternative and how it avoids underestimation of emissions or overestimation of sinks.

On the level of uncertainty, our recommendation is that activity developers should ensure that the overall uncertainty of emission and/or removal estimation should not exceed the overall level of uncertainty for the respective category in the national GHG inventory of the host country for the most recent reporting year available at the time of developing the methodology. Where an uncertainty level for the relevant categories is not available, the activity developer can use the default values in the IPCC 2006 Guidelines for the categories in question to calculate the relevant uncertainty level. For any monitoring methodology where technical measurement equipment is used, the uncertainty of the measurement is taken into account conservatively by using the reading of the measurement equipment at the lower end of the uncertainty range of the measurement at a 95% confidence interval, taking into account that overall uncertainty of emissions and/or removal estimation does not exceed the overall level of uncertainty for the respective category in the national GHG inventory of the host country.

Draft requirements: “26. Mechanism methodologies shall provide approach to monitor any leakage at the country.”

Information note: “13. [...] The recommendation includes requirements to consider the following types of leakage as well as to monitor them at a national level, not just at a project level:

- a) Equipment transfer outside the project boundary;
- b) Land use by project activities leading to the displacement of agricultural activities and deforestation;
- c) Diversion of biomass residues from other possible application;”