Call for public input – Template for input	Draft Standard: Article 6.4 mechanism activity standard for projects (ver. 03.0)

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Date: 26/09/2023

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M	4	7	G	There is need to make an additional letter among the principles, to ensure the compatibility of the A6.4 with the host country NDC, from which the ITMOs are extracted, and to indicate the aim of the ITMOs extracted by the A6.4 activity, if they are intended to be used by another NDC or not, and if they have an expiration date. We have discussed in our previous submissions the issue of expiration in the context of both the removals and of emissions reductions. The removals do necessarily have an expiration (or guarantee date): they are covered by internal arrangements (insurance, buffer plots, etc.) at the activity design and the validity is at the guarantee of the host country agreement with the activity participants. After the expiration, the end user of the ITMOs will have to replace them for other mitigation outcomes (domestically generated or purchased) or eventually negotiate with the host country for the extension of the validity/guarantee. For the ITMOs from emissions reductions activities, even if they have a permanent validity, the authorizing NDC may eventually, at its agreement with the activity participants, set an expiration date, and at that date the ITMO return for the use as own contribution from the host country at a future NDC implementation period, or for resells. The market value of any ITMOs will thus be bound to their validity or expiration date.	7.f) Disclose and report sufficient information at the project design and at the monitoring reports to demonstrate the compatibility of the A6.4ERs calculation, including the Baseline Emissions (BEs), Activity Emissions (AEs), and Leakage Emissions (LEs), with the Corresponding Adjustments (CAs) to be implemented in the host country(ies) involved, and their Biannual Transparency Reports (BTRs) and Annual Inventories (AIs) during the crediting periods and NDC implementation periods involved. If the ITMOs authorized by the host country(ies) are proposed to be usable by another NDC, disclose the conditions the A6.4ERs (BEs, AEs, LEs) will be incorporated into the AIs and BTRs of the user NDC, and if any expiration date for the A6.4ERs utilization are set by host country for the ITMOs authorization, this shall be indicated at the activity design and all relevant documents related to its monitoring, reporting and verification (MRV).	

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M and A1	5.2	10	G and T	The IPCC GWP source is outdated. The reference should be given to the most recent GWP set by IPCC, which are the ones at the AR/6 WGIII Report. We also propose the GWP is not set by IPCC, but adopted by CMA under IPCC advice. For removal activities, since the "vintage of removals", "duration", and "vintage of reversals" are the parameters that determine the climate mitigation effect of the achieved mitigation outcome (what, in case of removals, may be inversely defined as "Global Cooling Potential - GCP", please refer to our previous submissions in that regard), we propose the SB/CMA to prescribe the standardized function of the GCP-time correction for CO_2 removals, according to the Keeling Curve approach.		
M	6.1	11	G	The prior consideration shall have been presented to the host country DNA or subnational climate authority, especially if following a national, subnational or supranational regulated carbon market mechanism or A6.2 Cooperative Approach following the Katowicean ETF for the NDC implementation process.		
M	6.2	12	G	All letters from the para 12 are unnecessary, in our opinion, not because they don't apply, but because they are in fact methodological requirements to be set by the ER and ERem methodology (which is the actual Standard), and not by the generic Project Standard. Observe that the A6.4 Mechanism may also be applied, according to its RMP, to national or subnational mitigation policies (methodologies shall be designed for that purpose). Another possibility is that national, subnational, or supranational regulated market mechanisms Methodologies and standardized baselines are requested by host DNAs to be adopted by SB for its application to this host country (or to be expanded for being universally applicable) under the A6.4 framework. Observe also that there is an higher-level assessment in place to ensure the consistency of mitigation outcomes by the NDCs within the Article 13 Enhanced Transparency Framework and by Katowice's M&P, which is the Technical Expert Review of the BTRs and AIs.	12. The activity participants shall describe the proposed A6.4 project in the PDD to provide an understanding of the nature and the outline of the project by providing all relevant information required by the applicable Methodology and Methodological Tools.	

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M	6.3	14 to 22	G	The whole section needs to be revised, in our view. At the next column we present draft formulations, we consider them as an attempt to cover the avoidance of double counting of emissions reductions and/or removals between the participant NDCs (host and users), beneath the rules for Paris ETF and Article 6 flexible mechanisms.	The section 6.3 could have the title "Avoidance of double counting in the Global Stocktake". The following paragraphs could be within it, starting with the number 14: "14. The Activity shall describe its Methodological Boundaries, covering: a) The regulatory boundary: i. Host country(ies); ii. Authorized activity participants; iii. Purpose of ITMOs authorizations, i.e. whether they are usable by another NDCs or not; iv. Other parties and national or international private entities or public institutions involved in the financing and technical assistance to the activity, and in the utilization of the authorized ITMOs either for their NDC or for other mitigation purposes. b) Temporal boundary, including following: i. Starting date of the Activity; ii. Crediting periods; iii. Primogenital removals vintage: if the activity involves carbon dioxide removals occurring during the crediting period, or if it involves utilization of living or dead non-fossil biogenic resources or feedstocks already available at the activity start, the vintage of the oldest resource or feedstock used by the activity shall be indicated; iv. Ultimate reversals vintage: if the activity involves the intentional GHG reversals emissions from living or dead non-fossil biogenic resources or feedstocks during the crediting period, or if intentional or unintentional reversals emissions may occur during or after the crediting period, the ultimate year when the reversals are accounted for as activity emissions and are covered by the warranty or validity of the authorized ITMOs shall be indicated. It is a	

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					requirement that ITMOs authorized by activities involving removals do have an expiration date, and this expiration date is the ultimate reversals vintage identified by the activity, or the final date of a warranty or insurance policy guaranteeing the replacement of reversals emissions, if they occur. Once the expiration date is reached, the ITMOs used by other NDCs of other mitigation purposes lose their validity, and the final user is due to replace them by own achieved or in the market procured mitigation outcomes. v. Host NDCs annual inventory(ies) years in which the baseline emissions would occur and are reduced or avoided by the activity, if these years are not coincident with the crediting period (e.g. if the activity prevents emissions from anaerobic decay at disposal sites, or future consumption of energy or natural resources, which would otherwise occur in a time beyond the duration of the crediting period); vi. Host NDCs annual inventory(ies) years in which the activity and leakage emissions caused by the activity will take place, if these years are not coincident with the crediting period (e.g. if the activity introduces equipment that may continue to be used and will be decommissioned after the end of the crediting period, or if the activity generates wastes under control of the activity participants or host countries that will cause direct or indirect emissions beyond the crediting period). vii. Years of the crediting period where the authorizations of ITMOs by host countries are expected to occur (birthyears of the ITMOs), indicating the NDC implementation period and Global Stocktakes the ITMOs authorizations will affect. viii. Indication if the host country(ies) authorize the ITMOs as a permanent and non-reversible entitling to the final users, or if a	

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| | | | | | validity condition and/or expiration date and renationalization date of the authorized ITMOs are set by the host country(ies) at their authorization. This condition may be set by the host country(ies) either for activities resulting in emissions reductions or for removals. It takes into consideration that the host countries will also be required in the long term to achieve the carbon neutrality by increased ambition of their NDCs and may opt to attribute a validity or expiration date and renationalization of the mitigation outcome in a foreseeable future. When the expiration occurs, the final users are due to replace the ITMOs by own achieved or in the market procured mitigation outcomes and shall consider these circumstances when agreeing and investing in ITMOs generation abroad and their utilization.

c) Material boundary:

i. Upcycle: indicate whether the activity involves the introduction of less emitting equipment replacing more intensive emitting ones, and whether the emissions associated with the decommissioning and scrapping or recycling of the by the activity substituted equipment are covered by the methodology.

ii. Upstream: indicate whether the activity involves the introduction of less emitting equipment, which production or assembly requires the additional utilization of non-renewable primary natural resources, and whether the depletion of the known reserves of the non-renewable resources are evaluated and mitigated and/or minimized by the methodology, e.g. by requiring the recycling of end-of-use equipment and circular economy measures.

iii. Downcycle: indicate whether the equipment introduced by the activity is evaluated by the methodology in regard to the | |

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					technology timeframe, i.e. the expected point in time in the future where the activity technology will be substituted by a more efficient one, and whether the methodology has evaluated the emissions involved by the successive introduction of downcycle more efficient technologies by means of recycling and circular economy addressing the emissions for the end-of-use equipment decommissioning until the long-term Paris goal of carbon neutrality is achieved. d) Downstream: indicate whether the lifetime of the individual equipment introduced by the activity is evaluated by the methodology, and, irrespective whether the end of life occurs during or after the crediting period, whether the emissions involved in the decommissioning, scrapping and or disposal or recycling of the equipment are accounted for by the methodology." Paragraphs 15 and 16: "15. Indicate, based on the requirements of the applicable methodology, the procedure by which the host country(ies) will carry out the Corresponding Adjustments in their NDCs when giving birth to ITMOs authorizations due to the activity. The method used to adjust the annual inventories of the years which are affected by the baseline emissions avoided or reduced, and the activity and leakage emissions increased by the activity operation shall be transparently described ex-ante in the PDD, and the national inventories of the host countries will be permanently engraved by the ITMOs in all subsequent years after the of the authorization, when they occur, to decrease the baseline emissions and increase activity and leakage emissions. The subsequent BTRs of the host country will report the engraved changes incurred from the authorization, and the Technical Expert Review of the NDC implementation process will be transparently and automated informed about the engravements by the A6.4 registry system.	

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					Similarly, for each authorization, the incurred changes in the Global Stocktake to account for the reduced emissions or enhanced removals will be automated communicated by the A6.4 registry system to the Subsidiary Body registry system in charge to track the Global Stocktake. 16. When the first authorized ITMOs are allowed to be used by another NDC, the procedure by which the user NDC makes the appropriation of the ITMOs shall be transparently described in the PDD, according to the requirements set by the methodology and by the A6.4 SB. The procedure may have restrictions in regard to the temporal conditions, e.g. if the A6.4ERs may be fully considered in one single year of the national inventory of the user NDC, or if the baseline, activity and leakage emissions shall be separately and prospectively engraved in the user NDC following the same temporal pattern as has been engraved by the host countries NDCs. Further, the methodology, the A6.4 SB and CMAs decisions may also provide restrictions of the NDC utilization, e.g. in regard to which are the eligible NDC implementation periods allowed for the ITMOs utilization, and/or for which of the five national inventory sectors the user NDC may use the ITMO, e.g.: (1) Energy; (2) Industrial Processes and Product Use (IPPU); (3) Agriculture, Forestry and other Land Use (AFOLU); (4) Wastes and (5) Others. When the user NDC makes effective use of the ITMO, it shall report the A6.4 SB, and the A6.4 registry system will in automated manner engrave the user NDC and its national inventories for the affected years, according to the procedure. The BTR and the Technical Expert Review process of the user NDC will make the consistency check for the ETF. Similarly, the A6.4 registry will make the automated report of the engraved usage of the ITMO to the Subsidiary Body, and this will report the usage in the affected Global Stocktake accordingly."	

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M	6.4	25 and 26	G	In our opinion, the standardized baseline is the most viable (and maybe the only viable) way to integrate A6.4 mechanism with the NDCs implementation process under the ETF. In the long run it may be expected that all NDCs (developed and developing countries) will tend to implement national or subnational carbon pricing and local carbon markets to achieve the NDC targets, increasingly more ambitious over time. The individual NDCs will also have to reduce the national inventory contribution to the global stocktakes in the different sectors ((1) Energy; (2) Industrial Processes and Product Use (IPPU); (3) Agriculture, Forestry and other Land Use (AFOLU); (4) Wastes and (5) Others) according to the country specific key categories of emissions. Therefore, the A6.4 RMP paragraph 33 requiring the methodologies to encourage ambition over time, and SB concept of "baseline contraction factor – BCF" for emissions (and "baseline inflation factor – BIF" should be used for removals) are local specific parameters, and not universal. Each country has its own "fingerprint" regarding the starting point and pathway towards the Paris long-term goals within the ETF, and the standardized baselines (contracting emissions/inflating removals) stablished at national or subnational scales are the best method to determine the basis for emissions reductions calculations, and at same time having an indirect implication on the additionality test, since the prevailing baseline at local conditions reflect the common practice.	To remove Paragraph 25 and keep paragraph 26: "26. [Notwithstanding paragraph 25 above, the Activity participants shall select an approved standardized baseline for the proposed A6.4 project if the standardized baseline is valid, applicable to the proposed A6.4 project and to the selected methodology, and the selection of the standardized baseline is mandatory in accordance with the applicability section of the standardized baseline11 or required by the host Party in accordance with the paragraph 27(a) of the RMPs.12]"	

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M	6.5.3	35 to 39	G	We suggest keeping all these paragraphs. The suppressed demand standardized baseline rules shall be set by SB as soon as possible. Similarly, the SB should also set conditions for the adoption of standardized baselines focused on "demand side methodologies", which may be designed to cover individual and collective contributions to reduce consumption/use of emissions causing goods/services (e.g. food habits, energy consumption, mobility, wastes generation and recycling, circular economy, etc.). We have provided suggestions on this matter in previous calls for inputs. These methodologies might be used to generate ITMOS for both developed and developing countries, within cooperative approaches that are additional to the NDCs. ITMOs from demand side behavioral changes may be used by the individual participants in the cooperative for income generation or for voluntary offsetting own emissions, e.g. emissions from leisure activities, personal and vacancy travels, etc.		
M and A	6.9	65 and 66	G	We suggest the SB sets in a meth-by-meth case which option (mandatory or incentivized application of the Appendix 2) shall be used at the local stakeholder consultation process. Depending on the nature of the methodology, and its implication or potential impact on the local community, the full application of the Appendix may be required.		

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M	7.3.5	83	G	Any changes to the PDD, including capacity addition, may be accepted, if the updated baseline applicable to the activity is used from that point onwards. Observe that the RMP requirement of ambition over time (the baseline contraction factor for emissions, or inflation factor, for removals) are in fact stablishing the "dynamic baseline". If the applicable baseline has changed, and the activity participants propose to add capacity to the project, the newly updated (more ambitious) baseline shall be used for the added capacity (or even for the initial capacity, if the project owner proposes or accept to update the baseline scenario). Observe that the standardized dynamic baselines could also have implications to the selection of crediting periods by the activity proponents when the crediting period cover two or more consecutive NDC implementation periods and global stocktakes. It should be allowed that the host country DNAs, when issuing activity participation authorizations, to restrict the renewability of the crediting period, or to restrict the crediting to the current NDC implementation period. Also the SB, when providing approval and registration of activities, may restrict the renewability of crediting period, or to require the update of the baseline or a revision of the activity PDDs when the new NDC implementation period or new standardized baselines are adopted. It shall be noted that the A6.4 is a mechanism used to exchange ITMOs between NDCs that are progressively more ambitious over the consecutive implementation periods, <u>for both the host and the user parties</u>. The eligible technologies/measures under the A6.4 and their monitored emissions reductions shall thus be added to the host country NDC contribution at the ongoing implementation period, by means of the corresponding adjustments, and may be subtracted from the user NDC, thus not negatively affecting the global stocktakes.		

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M	7.3.5	83 letters (c) to (h), 84, 85, 86.	T, G	It is again highlighted that the inclusion, exclusion, or substitution of technologies cannot be a practice accepted in any Paris mechanism without taking care of the implications to the NDCs at the sectors related to primary resources consumption (extractive activities for non-renewable ores or resources) and wastes generation, disposal and circular economy. The Paris Agreement, differently from Kyoto, does not have an open door for emissions increase at the non-annex-I countries, the entire set of parties are tied to the cap of 1.5°C/2.0°C limit and the emissions budgets for the global stocktakes up to the transition to neutrality. Therefore, any new devices or technology introduced (individual device and/or alternative technology, from an improved cook-stove, a hydrogen vehicle, up to a nuclear power facility) need to be evaluated for its entire lifecycle effects in the NDCs taken altogether. The contribution to mitigation is not set by each party in a separate metrics without looking at the externalities, but in the context of the global NDCs contributions, within the ETF.		

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M	7.3.6	87	T, G	The integration of A6.4 horizontally with A6.2 and vertically with the supranational, national, and subnational regulated market mechanisms are milestones for the Paris mitigation achievements. The essential condition is that all those mechanisms operate using the same "language", we may also talk about same "metrics" (the NDCs and national inventories), or same "currency" (the centralized Sharm el Sheikh registry, which is encrypted under the UNFCCC accounting system). The role of SB and A6.4, when setting methodological standards and methodologies, shall not only cover the "activity outcome" but the "mitigation outcome" of all national and sub/supranational regulated markets, for using the same registry system, thus avoiding any possibility of double counting of achievements for the correct carbon pricing of all contributions: from individual persons/companies, to NDCs and the global stocktake, which is the allowable budget of emissions. We propose the SB to stablish an "mitigation outcomes registry standard", by means of which all regulated carbon markets are operated using the same and unique registry-tokens, to allow for the proper market appropriation. We have provided an specific input to the public consultation the SB has released recently on the registry, please refer to https://unfccc.int/sites/default/files/resource/SB006_Call_for_input_mechanism_registry_Carbon%20Recycling.pdf .		
M	8.3	96	G	The previous suggestion on para 87 also addresses the SB concern on para 96, regarding double counting. Under a unique registry tokenization following the UNFCCC registry, the risk of double counting is excluded. For voluntary market schemes, the double counts may be accepted, because they are not bound to the NDCs and global stocktake. However, there must be a system in place requiring that all parties to the Paris, when they stablish A6.2 and all national and supra-subnational schemes intended to be part of the NDC implementation process, they must follow the same and unique registry system as the UNFCCC.		

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M	87	106	G	We highlight that the calculation of mitigation outcomes, in special when the baseline, activity, and leakage emissions do take place at different countries (NDCs) and/or different regulatory boundaries within a country (e.g. when there are subnational regulated carbon markets in a single country), the appropriation of the mitigation outcomes at the host countries shall be based on the NDC engravement of the baseline, project, and leakage emissions changes caused by the activity in separate manner. These emissions are in many cases occurring in different times and at different sites for the NDC reporting (e.g. when methane emissions are avoided, or green hydrogen producing, transportation and use). Therefore, unlike the Kyoto CDM, where the ERs are the only outcomes that matter, the Paris mechanisms require the separated monitoring and reporting of (i) baseline emissions reduced; (ii) activity emissions incurred and (iii) leakage emissions caused. The mitigation outcomes (the A6.4ERs) are in fact the joint effects of these three components, which may take place at different NDCs boundaries, and at different points in time during the NDC implementation period.		

Vitória, Espírito Santo, Brazil, September 26, 2023.

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