

A6.4-SB010-AA-A08

Concept note

Further work on the methodological products for the Article 6.4 mechanism

Version 01.0



United Nations
Framework Convention on
Climate Change

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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 (CMA 3), requested the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 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 Article 6.4 mechanism (RMPs) as well as recommendations on activities involving removals.¹
2. Based on the request of the CMA in its decision 3/CMA.3 and decision 7/CMA.4, the Supervisory Body, at its ninth session (SB 009), approved the recommendation to the CMA at its fifth session related to requirements for the development and assessment of Article 6.4 mechanism methodologies² and activities involving removals under the Article 6.4 mechanism.³ These recommendations identified a number of areas for further work by the Supervisory Body to complement the guidance in the recommendations.
3. Also, in the context of developing and approving new methodologies for the Article 6.4 mechanism, the CMA,⁴ at its third session, requested the Supervisory Body to review the baseline and monitoring methodologies in use for the CDM with a view to applying them with revisions, as appropriate, pursuant to chapter V.B of the RMPs for the activities under the Article 6.4 mechanism.
4. Furthermore, in the context of the request made by the CMA at its third session to review the baseline and monitoring methodologies in use for the CDM, document A6.4-SB008-A01 titled “Preliminary workplan of the Supervisory Body 2024” included the deliverables for SB 011 to SB 013 in relation to the review of CDM methodologies, standardized baselines, methodological tools and guidelines for application to the Article 6.4 mechanism. It also included a concept note on examples of the revision of methodologies for engineering and land-based removals or their elements, as per paragraph 21 and annex 3 of the SB 004 meeting report.
5. Based on the above, this document has been prepared to identify and list the methodological products for further work, including but not limited to:
 - (a) Products related to requirements for the development and assessment of Article 6.4 mechanism methodologies;
 - (b) Products related to activities involving removals under the Article 6.4 mechanism;

¹ See decision 3/CMA.3, paragraphs 6(c) and 6(d), for the request, and the annex to decision 3/CMA.3 for the RMPs, contained in document FCCC/PA/CMA/2021/10/Add.1. Available at: <https://unfccc.int/documents/460950>.

² A6.4-SB009-A01 – Recommendation: Requirements for the development and assessment of Article 6.4 mechanism methodologies (ver. 01.1).

³ A6.4-SB009-A02 – Recommendation: Activities involving removals under the Article 6.4 mechanism (ver. 01.1).

⁴ See decision 3/CMA.3, paragraph 5(b), contained in document FCCC/PA/CMA/2021/10/Add.1. Available at: <https://unfccc.int/documents/460950>.

- (c) Revision of CDM methodologies and tools that are predominantly applied in the CDM projects and PoAs that seek to transition to Article 6.4 mechanism;
- (d) Consideration of bottom-up submissions on new methodologies and tools;
- (e) Any further work required to implement and develop methodologies.

2. Purpose

6. The purpose of this concept note is to provide further information on the methodological products necessary to operationalize Article 6.4 mechanism.

3. Key issues and proposed solutions

7. The Supervisory Body's recommendations at SB 009 referred to in paragraph 2 above included specific areas of further work such as the development of standards, tools and guidance. These are listed in the table 1 (on methodologies guidance) and table 2 (on removals guidance) below in the order they appear in the drafts.

Table 1. Further work related to requirements for the development and assessment of Article 6.4 mechanism methodologies

	Area of further work	Notes and references to paragraphs of the draft
1	Guidance/tool on policy crediting	Para. 16: <i>The Supervisory Body <u>may</u> at a future point in time undertake consideration of eligibility of other types of activities such as policy, jurisdictional or sectoral programme to incentivize increased ambition and mitigation at a large scale, and improve understanding of policy, jurisdictional or sectoral programme crediting approaches, acknowledging that these approaches are inherently different.</i>
2	Guidance/tool on equitable sharing of mitigation benefits	Para. 32: <i>The Supervisory Body <u>will</u> establish a process for host Parties to communicate their approach to the operationalization of paragraph 31(b) above.</i> Para. 33: <i>The Supervisory Body <u>may</u> prepare recommendations for host Parties, to assist them in the consideration of equitable sharing of mitigation benefits between participating Parties including co-benefits in mechanism methodologies.</i>
3	Baseline tools	Para. 44: <i>The Supervisory Body <u>will</u> develop tool(s) for baseline setting (baseline tools).</i> A preliminary draft outline of the tool had been presented by the secretariat in document A6.4-SB007-AA-A11 – Concept note: Methodological elements in the draft recommendation on requirements for the development and assessment of mechanism methodologies.
4	Standard/tool/guidance on downward adjustment	Para. 50: <i>The Supervisory Body <u>will</u> develop standards, tools, and guidance to inform the implementation of paragraphs 45–49 above.</i>

	Area of further work	Notes and references to paragraphs of the draft
5	Tool on suppressed demand	Para. 64: <i>The Supervisory Body <u>will</u> develop a tool to provide guidance on how to determine suppressed demand and the minimum level of service that may be considered as a reference level to determine the baseline.</i>
6	Guidance on policies and measures, and relevant circumstances	Para. 67: <i>The Supervisory Body <u>will</u> develop further guidance on how mechanism methodologies shall take into account policies and measures, and relevant circumstances.</i>
7	Guidance on standardized baselines	Para. 77: <i>The Supervisory Body <u>will</u> develop and approve separate guidance on standardized baselines, including guidance on standardized baselines for a group of Parties.</i>
8	Guidance/tools on additionality	<p>Para. 83: <i>The Supervisory Body <u>will</u> develop further guidance and tools for the demonstration of additionality, including through a stepwise procedure to address the elements in paragraph 80 above; potential standardized performance-based approaches for determining additionality for application in methodologies that take into account best available technologies or an ambitious benchmark approach.</i></p> <p>A preliminary draft outline of the tool had been presented by the secretariat under document A6.4-SB007-AA-A11 – Concept note: Methodological elements in the draft recommendation on requirements for the development and assessment of mechanism methodologies.</p>
9	Simplified approaches for additionality	Para. 84: <i>Simplified approaches for demonstration of additionality for least developed countries or small island developing States <u>will</u> be developed by the Supervisory Body when a request is made by a least developed country or small island developing State.</i>
10	Leakage tool	<p>Para. 90: <i>The Supervisory Body <u>will</u> develop a methodological tool for the implementation of paragraph 87 above.</i></p> <p>A preliminary draft outline of the tool had been presented by the secretariat under document A6.4-SB007-AA-A11 – Concept note: Methodological elements in the draft recommendation on requirements for the development and assessment of mechanism methodologies.</p>
11	Standard/tool/guidance on transboundary activities	Para. 91: <i>For some types 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 <u>will</u> be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.</i>

	Area of further work	Notes and references to paragraphs of the draft
12	Guidance on applicability of removal guidance to emission reductions activities	Para. 93 and 94: <i>Mechanism methodologies shall address reversals of removals and emission reductions using an approach consistent with the guidance on activities involving removals. The Supervisory Body <u>will</u> develop further guidance regarding the application of the guidance referred to in paragraph 93 above.</i>

Table 2. Further work related to activities involving removals under the Article 6.4 mechanism

	Area of further work	Notes and references to paragraphs of the draft
1	Guidance on post-crediting period monitoring, reporting, and remediation of reversals	Para. 20: <i>The Supervisory Body <u>will</u> develop further guidance in this regard including:</i> <i>(a) Further requirements and identification of the existing requirements that are applicable during the post-crediting period for monitoring, reporting, and verification of removals and remediation of reversals, including consideration of options to use methods based on digital technologies and remote sensing;</i> <i>(b) The timeframe for post-crediting monitoring, including factors that inform duration and phasing;</i> <i>(c) The submissions referred to in paragraph 18 above, including inter alia on the evidence-based demonstration by the activity participant and on the consideration and approval given by the Supervisory Body.</i>
2	Guidance on late, incomplete or missing monitoring report submissions	Para. 26: <i>The Supervisory Body <u>will</u> develop guidance on and procedures for addressing late, incomplete, or missing monitoring report submissions including remedial measures to address situations where monitoring is stopped prematurely, i.e., prior to the conclusion of the crediting period(s) and fulfilment of requirements for post-crediting period monitoring. The guidance will address options for giving effect to the remediation of reversals of removals for which 6.4ERs have been issued in such circumstances.</i>
3	Reversal risk assessment tool	Para. 37: <i>The Supervisory Body <u>will</u> develop a reversal risk assessment tool.</i>

	Area of further work	Notes and references to paragraphs of the draft
4	Guidance on post-reversal actions	Para. 41: <i>The Supervisory Body <u>will</u> develop further guidance in regard to the measures in this section, including the format and procedures for notifications and reports that may be submitted digitally and treatment of notifications from third parties to the Supervisory Body of observed events that could potentially lead to reversals.</i>
5	Guidance on treatment of activities for which a reversal results in calculated removals	Para. 47: <i>The Supervisory Body <u>will</u> develop further guidance on the treatment of activities for which a reversal results in calculated removals within the activity boundary that fall below the baseline level.</i>
6	Guidance/procedure on addressing reversal risk and reversals	Para. 51: <i>The Supervisory Body <u>will</u> develop further guidance and/or procedures in regard to the measures in this section for, inter alia:</i> <i>(a) Review by the Supervisory Body of monitoring reports that reflect reversals, including its consideration of whether an event that led to a reversal was avoidable or unavoidable as represented by activity participants, and its response to instances of possible mis-categorization of such events and subsequent notifications of the registry administrator and activity participants;</i> <i>(b) Reversal Risk Buffer Pool use, operation, and composition, including the treatment of uncanceled Buffer 6.4 ERs and options for addressing buffer insufficiency;</i> <i>(c) Direct cancellation of 6.4 ERs from other 6.4 activities in lieu of contributing to and using the Reversal Risk Buffer Pool, including the threshold for a reversal risk rating that constitutes a negligible reversal risk and would qualify an activity to apply these procedures, as well as the basis and procedures for the Supervisory Body's initial and periodic review and approval of the sufficient coverage of insurance policy or comparable guarantee products for insuring the activities that apply these procedures;</i> <i>(d) The nature of 6.4 ERs from other 6.4 activities that are cancelled to remediate reversals as per the requirements in this section, including whether they are issued in respect of removals and/or emission reductions.</i>
7	Guidance on avoidable and unavoidable reversals	Para. 60: <i>The Supervisory Body <u>will</u> develop further guidance on avoidable and unavoidable</i>

	Area of further work	Notes and references to paragraphs of the draft
		<i>reversals, including how they are distinguished and demonstrated.</i>
8	Requirements on best practices for removal activity categories	Para. 63: <i>The Supervisory Body will develop further requirements in respect of specific removal activity categories or types taking into account national and international best practices in environmental and social safeguards, which activity participants shall also apply.</i>

8. Table 3 and table 4 below contain a preliminary draft list of CDM methodologies and methodological tools that could be prioritized for transitioning to the Article 6.4 mechanism, subject to further analysis and a decision by the Supervisory Body regarding when to initiate the work on methodologies and tools. Table 3 includes the information on the usage of methodologies in over 1,770 CDM project activities/PoAs that have requested transition. Table 4 lists the methodological tools that are essential to apply the methodologies listed under table 3 excluding those related to baseline setting and additionality demonstration, which are already covered under table 1.

Table 3. List of clean development mechanism methodologies that may be prioritized for transitioning to the Article 6.4 mechanism

	Clean development mechanism methodologies	Number of CDM project activities/PoAs that have requested transition that apply the listed methodology
1	ACM0002: Grid connected electricity generation from renewable sources	926
2	AMS-I.D.: Grid connected renewable electricity generation	428
3	AMS-I.C.: Thermal energy production with or without electricity	71
4	ACM0001: Flaring or use of landfill gas	53
5	AMS-II.G.: Energy efficiency measures in thermal applications of non-renewable biomass	43

Table 4. List of Clean Development Mechanism methodological tools cited by the methodologies under table 3 that may be prioritized for transitioning to the Article 6.4 mechanism

	Clean Development Mechanism methodological tools
1	Tool to calculate emission factor for an electricity system
2	Tool to calculate project or leakage CO ₂ emissions from fossil fuel combustion
3	Emissions from solid waste disposal sites
4	Baseline, project and/or leakage emissions from electricity consumption and monitoring of electricity generation

	Clean Development Mechanism methodological tools
5	Project emissions from flaring
6	Project and leakage emissions from biomass
7	Default values for common parameters
8	Calculation of the fraction of non-renewable biomass
9	Tool to calculate remaining lifetime of equipment
10	Tool to determine the mass flow of a greenhouse gas in a gaseous stream
11	Determining the baseline efficiency of thermal or electric energy generation systems
12	Project and leakage emissions from transportation of freight

9. In the above context, the Supervisory Body may wish to provide guidance to the secretariat in regard to the further work requested, as detailed in tables 1, 2, 3 and 4, noting that the procedure for development, revision and clarification of methodologies and methodological tools (A6.4-SB006-A04) has been approved by the Supervisory Body and would thereby be applicable to any further work requested, as appropriate.
10. In considering possible further guidance, the Supervisory Body may wish to consider the questions below:
 - (a) In relation to the products detailed in table 1 and table 2:
 - (i) What are the relative priorities and timelines for the products included in **table 1** and **table 2** where 'will' or 'shall' have been used in relation to product development?
 - (ii) How should the products using 'may' be treated?
 - (iii) Should the Methodology Expert Panel (MEP) contribute, and if so, how (e.g., according to the Procedure for development, revision and clarification of methodologies and methodological tools)?
 - (iv) Is there any specific guidance to ensure the product development is undertaken in an inclusive manner with opportunities for the stakeholders to engage?
 - (v) Should there be a small group of Supervisory Body members to guide the product development?
 - (b) Revision of CDM methodologies and tools listed under **table 3** and **table 4** is recommended for prioritization:
 - (i) Should the MEP contribute, and if so, how (e.g., according to the Procedure for development, revision and clarification of methodologies and methodological tools)?
 - (ii) Is there any specific guidance to ensure the product development is undertaken in an inclusive manner with opportunities for the stakeholders to engage?

- (iii) Should there be a small group of Supervisory Body members to guide the product development?
 - (c) Should the process to receive and process the bottom-up submissions of methodologies and tools be initiated?
 - (i) Should the MEP contribute, and if so, how (e.g., according to the Procedure for development, revision and clarification of methodologies and methodological tools)?
 - (ii) Is there any specific guidance to ensure the product development is undertaken in an inclusive manner with opportunities for the stakeholders to engage?
 - (iii) Should there be a small group of Supervisory Body members to guide the product development?
 - (d) The secretariat had presented 3 revised CDM methodologies/tool (e.g., for grid-connected electricity generation for renewable sources, electrification of rural communities using renewable energy, and clean cooking) to SB 004 as part of its work to illustrate the draft recommendations on methodologies. In that context, as per paragraph 21 and annex 3 of the SB 004 meeting report, the SB observed that examples of revisions of methodologies for engineering and land-based removals or their elements would also be useful to consider. Considering the ongoing and proposed work listed in table 2 in relation to removals, is this work item still expected?
11. Work proposed as per paragraph 9 above may also entail possible revision to the drafts included under SB 009 meeting report⁵. The Supervisory Body may wish to consider the issue and provide guidance.

4. Subsequent work and timelines

12. Further work will be carried out based on the guidance (e.g., prioritization of the work) that will be received from the Supervisory Body in accordance with the draft workplan of the Supervisory Body 2024 (A6.4-SB010-AA-A01).

5. Recommendations to the Supervisory Body

13. The Supervisory Body may wish to consider this document and provide guidance for any further work.

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⁵ For methodology requirements, refer to annex 1 (A6.4-SB009-A01) of the SB 009 meeting report, for activities involving removals, refer to annex 2 (A6.4-SB009-A02)

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	12 February 2024	Published as an annex to the annotated agenda of SB010.
Decision Class: Regulatory Document Type: Information note Business Function: Methodology Keywords: A6.4 mechanism, developing and assessing methodologies, methodologies, regulatory framework		

Related documents:

17 November 2023	A6.4-SB009-A01 - Recommendation: Requirements for the development and assessment of Article 6.4 mechanism methodologies (v.01.1)
17 November 2023	A6.4-SB009-A02 - Recommendation: Activities involving removals under the Article 6.4 mechanism (v.01.1)
3 June 2023	A6.4-SB005-A01 - Information note: Guidance and questions for further work on methodologies requirements (v.01.0)
3 June 2023	A6.4-SB005-A02 - Information note: Guidance and questions for further work on removals (v.02.0)
10 March 2023	A6.4-SB004 meeting report, paragraph 21 A6.4-SB004-A03 : Information note: Guidance and questions for further work on methodologies (v.01.0)