

## DRAFT TEXT

on

### SBSTA 49 agenda item 11(b)

#### Matters relating to Article 6 of the Paris Agreement:

#### Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Version 2 of 8 December 10:00 hrs

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### **Draft CMA decision containing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

*[The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,*

*Recalling* the aims of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the mechanism) referred to in paragraphs 4(a)–(d) of that Article,<sup>1</sup>

*Recognizing* that the mechanism is to be operationalized in the context of the Paris Agreement, in particular its preamble, its Articles 2 and 3, Article 4, paragraphs 3, 4 and 15, Articles 6, paragraphs 5 and 6, and Articles 13 and 15,

1. *Establishes* the body that will supervise the mechanism established by Article 6, paragraph 4 (hereinafter referred to as the mechanism) with its membership and [initial] rules of procedure as set out in the annex;
2. *Designates* the body referred to in paragraph 1 above as the supervisory body of the mechanism and names it the [Supervisory Body][XXXX];
3. *Welcomes* the election of the first members [and alternate members] of the [Supervisory Body][XXXX];
4. *Requests* the secretariat to organize the first and subsequent meetings of the [Supervisory Body][XXXX];
5. *Also requests* the [Supervisory Body][XXXX] to meet at least once during 2019 in order to develop recommendations on [the further elaboration of its rules of procedure] for consideration by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its fiftieth (June 2019) and/or fifty-first session (November 2019);
6. *Adopts* the [initial] provisions of the rules, modalities and procedures for the mechanism, as contained in the annex;
7. *Requests* the SBSTA to undertake further work to develop the [remaining] provisions of the rules, modalities and procedures for the mechanism on the basis of the following elements, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its second session (November 2019) as an integral part of the rules, modalities and procedures for the mechanism:
  - (a) Further provisions on the special circumstances of the least developed countries and small island developing States as set out in section III (Special circumstances of least developed countries and small island developing States) of the annex, in particular with regard to baseline setting and additionality of Article 6, paragraph 4 activities hosted by such Parties;
  - (b) Further membership provisions for the [Supervisory Body][XXXX] that may be required in addition to those set out in section V.A (Supervisory Body – Membership) of the annex;
  - (c) Further requirements for the rules of procedure of the [Supervisory Body][XXXX] that may be required in addition to those set out in section V.B (Supervisory Body – Rules of procedure) of the annex, including potential processes for addressing grievance and ensuring redress, and for referral to the committee established by Article 15, paragraph 2;
  - (d) Further responsibilities of the [Supervisory Body][XXXX] relating to the establishment of requirements and processes for operationalizing the mechanism, the operation of the mechanism, and supporting the implementation of the mechanism and its transparency, that may be required in addition to those set out in section V.C (Supervisory Body – Governance and functions) of the annex;

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<sup>1</sup> In the context of this decision, “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

- (e) Further responsibilities of the [Supervisory Body][XXXX] and the host Parties that would allow for the mechanism to also operate with a more host Party-led/decentralized model;
- (f) Potential provisions on how the [Supervisory Body][XXXX] should exercise its functions set out in section V.C (Supervisory Body – Governance and functions) of the annex;
- (g) Further provisions on the role of the secretariat that may be required in addition to those as set out in section V.D (Role of the secretariat) of the annex;
- (h) Further responsibilities of host Parties of activities under Article 6, paragraph 4 (hereinafter referred to as Article 6, paragraph 4, activities) that may be required in addition to those set out in section VI (Participation responsibilities) of the annex, including their potential roles in the development of methodologies that are applied to the Article 6, paragraph 4 activities;
- (i) Further general requirements for Article 6, paragraph 4, activities that may be required in addition to those set out in section VII.A (Activity design) of the annex;
- (j) Further requirements regarding methodologies to be applied to Article 6, paragraph 4, activities that may be required in addition to those set out in section VII.A (Activity design) of the annex[, including the development of regional best available technology benchmarks];
- (k) Further provisions on the share of proceeds for administrative expenses in addition to those set out in sections VII.E (Registration) and VII.H (Issuance)
- (l) [Potential provisions on the role of the CMA that may be required in addition to those set out in section IV (Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement) concerning its potential role of considering appeals against decisions of the [Supervisory Body][XXXX];]
- (m) [Further provisions on the grievance process and right to appeal that may be required in addition to those set out in section VII.K.1 (Grievance process and right to appeal) of the annex;]
- (n) [Further provisions on processes to ensure the protection of human rights that may be required in addition to those set out in section VII.K.2 (Protection of human rights) of the annex;]
- (o) [Potential provisions on referrals to the committee referred to in Article 15, paragraph 2, in accordance with its modalities and procedures;]
- (p) [Potential provisions on the information to be provided by each participating Party on its registered Article 6, paragraph 4, activities and on the issuance, transfer and acquisition of Article 6, paragraph 4, emission reductions (A6.4ERs) and their use towards its nationally determined contribution (NDC) in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13;]
- (q) Potential provisions that may be required on limits to the issuance, transfer, acquire and/or use of A6.4ERs, including measures to:
  - (i) Avoid significant fluctuations in prices, quantities and speculative transfers of A6.4ERs in the international market;
  - (ii) Address A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty in emission estimates;
  - (iii) Restrict secondary transfers of A6.4ERs;
  - (iv) Restrict the quantity of A6.4ERs for transfer;
  - (v) Ensure that the use of A6.4ERs towards NDCs is supplemental to domestic action;
  - (vi) Restrict the use of A6.4ERs towards NDCs by their vintage;
  - (vii) Restrict the carry-over of A6.4ERs to the subsequent period of NDC implementation;

#### **Option A**

- (r) Further provisions on the transition of activities from the Kyoto Protocol to Article 6, paragraph 4, that may be required in addition to those set out in section XIII (Transition from the Kyoto Protocol to Article 6, paragraph 4) of the annex, including on:
  - (i) Having the same requirements for joint implementation and clean development mechanism activities as for Article 6, paragraph 4, activities;

- (ii) Conditions that may be necessary for the transition of activities, in addition to those set out in section XIII.A (Activities under the Kyoto Protocol) of the annex and/or in subparagraph (i) above;
- (iii) Necessary steps for the implementation of such transition;
- (s) Further provisions on the transition of units issued under the Kyoto Protocol that may be required in addition to those set out in section XIII.B (Transition of joint implementation emission reduction units) and section XIII.C (Transition of clean development mechanism certified emission reductions) of the annex;
- (t) Potential provisions on the transition from the Kyoto Protocol to Article 6, paragraph 4, that may be required pursuant to section XIII (Transition from the Kyoto Protocol to Article 6, paragraph 4) of the annex;

#### **Option B**

*{no text required}{end of option B}*

8. *Also requests* the SBSTA to develop recommendations on the implementation of the following [initial] provisions of the rules, modalities and procedures for the mechanism in relation to the following, for a draft decision for consideration and adoption by the CMA at its second session:

- (a) The Article 6, paragraph 4, activity cycle, as set out in section VII (Article 6, paragraph 4, activity cycle) of the annex;
- (b) Eligible activities under the mechanism in the context of the host Party's NDC as set out in section VII.A (Activity design) of the annex;
- (c) Baseline approaches for Article 6, paragraph 4, activities as set out in section VII.A (Activity design) of the annex;
- (d) Additionality, as set out in section VII.A (Activity design) of the annex;
- (e) The mechanism registry, as set out in section VII.G (Issuance) of the annex;
- (f) The [forwarding][transfer] of A6.4ERs from the mechanism registry, as set out in section VII.H ([Forwarding][transfer] from the mechanism registry) of the annex;
- (g) [Voluntary cancellation, as set out in section VII.I (Voluntary cancellation) of the annex;]
- (h) The share of proceeds for adaptation, as set out in section VIII (Levy of share of proceeds for adaptation) of the annex;
- (i) Delivery of overall mitigation in global emissions, as set out in section IX (Delivering overall mitigation in global emissions) of the annex;
- (j) Addressing negative social and economic impacts under Article 4, paragraph 15, as set out in section XII (Addressing negative social and economic impacts under Article 4, paragraph 15) of the annex;

9. *Further requests* the secretariat to undertake preparatory technical work, including preparing technical papers and conducting financial and technical feasibility studies as required, for consideration by the SBSTA at its fiftieth session implementation of the rules, modalities and procedures for the mechanism, in particular with regard to the elements listed in paragraph 8 above;

10. [*Invitation for voluntary contributions for administrative expenses*]

11. *Further decides* to review these rules, modalities and procedures for the mechanism [periodically] [by no later than 2025], on the basis of recommendations from X.]

## Annex

### Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

#### I. [Principles *{this section to be considered when the content of this annex is more settled}*]

#### II. Definitions *{at SBSTA 48.1 Parties agreed to return to definition section when the content of the rules, modalities and procedures is more settled}*

1. For the purpose of these rules, modalities and procedures:

- (a) An “**Article 6, paragraph 4, activity**” is an activity that meets the requirements of Article 6<sup>1</sup> paragraphs 4–6, these rules, modalities and procedures and any further relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA);
- (b) An “**Article 6, paragraph 4, emission reduction**” (hereinafter referred to as an A6.4ER) is [a unit] issued in respect of mitigation achieved [on or after 1 January [2020][2021]] pursuant to Article 6, paragraphs 4–7 and these rules, modalities and procedures. It is measured in carbon dioxide equivalent (CO<sub>2</sub> eq) and equal to 1 t CO<sub>2</sub> eq calculated in accordance with the methodologies and common metrics assessed by the Intergovernmental Panel on Climate Change and adopted by the CMA [and in other metrics that may be proposed by Parties to the CMA for its consideration and adoption];
- (c) [“**Overall mitigation in global emissions**” is achieved when, through the operation of Article 6, a fixed percentage of emission reductions, duly reported, are not used by any Party or entity to implement or achieve its nationally determined contribution (NDC) or used for any other compliance purposes outside Article 6.]

#### III. Special circumstances of the least developed countries and small island developing States

2. In relation to the least developed countries and small island developing States, pursuant to Article 4, paragraph 6, their special circumstances shall be recognized where these rules, modalities and procedures relate to nationally determined contributions (NDCs), and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to these rules, modalities and procedures.

#### IV. Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

3. The CMA has authority over the mechanism and may take further decisions in relation to these rules, modalities and procedures and the mechanism.
4. The CMA shall provide guidance to the Supervisory Body by taking decisions on:
  - (a) The rules of procedure of the Supervisory Body;
  - (b) Recommendations made by the Supervisory Body relating to these rules, modalities and procedures;
  - (c) Matters relating to the operation of the mechanism, as appropriate.

#### V. Supervisory Body

5. The Supervisory Body supervises:

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<sup>1</sup> In the context of this annex, “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

### **Option A**

- (a) The mechanism;

### **Option B**

- (b) Voluntary cooperation under Article 6. Its supervision of the mechanism is as set out in these rules, modalities and procedures.

## **A. Membership**

- 6. The Supervisory Body shall comprise *X* members from Parties to the Paris Agreement, ensuring/striving to ensure gender-balanced representation, as follows:

### **Option A**

- (a) [One member from each of the five United Nations regional groups;
- (b) Two other members from the Parties included in Annex I;
- (c) Two other members from the Parties not included in Annex I;
- (d) One representative of the small island developing States.]

### **Option B**

- (e) [Three members from Parties included in Annex I that are undergoing the process of transition to a market economy;
- (f) Three members from Parties included in Annex I not referred to in subparagraph (e) above;
- (g) Three members from Parties not included in Annex I;
- (h) One member from the small island developing States.]

### **Option C**

- (i) [Ensuring balanced representation of Parties, including equal representation of developing and developed country Parties:
  - (i) *X* members from each of the five United Nations regional groups;
  - (ii) *X* members from developed country Parties;
  - (iii) *X* members from developing country Parties;
  - (iv) *X* members from the least developed country Parties;
  - (v) *X* members from small island developing States.]

### **Option D**

- (j) [Ensuring broad and equitable geographical representation:
  - (i) Two members from each of the five United Nations regional groups;
  - (ii) One member from the least developed countries;
  - (iii) One member from small island developing States.]

- 7. The CMA shall elect, on the basis of nominations by the relevant United Nations regional groups and other constituency groups, members [and an alternate for each member] of the Supervisory Body.
- 8. [In the event that a regional group is unable to nominate its member [and/or alternate member] by a specified deadline, the Subsidiary Body for Science and Technological Advice (SBSTA) Chair shall invite a recognized regional expert to serve as that member [or alternate member, as appropriate], until the regional group nominates a member [or alternate member,] for election by the CMA.]

## **B. Rules of procedure**

- 9. Members [and alternate members] shall serve in their individual personal capacity.

10. Members [and alternate members] shall possess relevant scientific, technical, socioeconomic or legal expertise.
11. Members [and alternate members] shall serve for a term of two years.
12. The CMA shall elect half of the first members [and their alternate members] for a term of three years and the other half for a term of two years. At the expiry of the term of such members [and their alternate members] and thereafter, the CMA shall elect half of the members [and their alternate members] for a term of two years.
13. The maximum number of terms of any individual shall be two terms, whether consecutive or not[, and including any period as an alternate member].
14. If a member [or alternate member] resigns or is otherwise unable to continue as a member [or alternate member], the [relevant constituency][Supervisory Body] may, bearing in mind the proximity to the next meeting of the CMA, appoint a replacement member [or alternate member] from the [constituency][Party representing the relevant constituency] to serve the remainder of the term [based on a nomination from the Party representing the relevant constituency].
15. A member [or alternate member] may be suspended or their membership terminated by the CMA if:
  - (a) They fail to disclose a conflict of interest;
  - (b) They fail to attend two consecutive meetings without proper justification.
16. Costs for members [and alternate members] will be covered by the share of proceeds for administrative expenses.
17. Members [and alternate members] shall avoid actual, potential and perceived conflicts of interest and shall:
  - (a) Declare any actual, potential or perceived conflict of interest at the start of a meeting;
  - (b) Recuse themselves from any discussion in relation to which they have an actual, potential or perceived conflict of interest;
  - (c) Refrain from behaviour that may be incompatible with the requirements of independence and impartiality.
18. Members [and alternate members] shall ensure confidentiality, in line with best practice for confidentiality.
19. X members[, including alternate members only when they are acting as members,] shall constitute a quorum.
20. A quorum of members is required for meetings of, and making decisions by, the Supervisory Body.
21. Members [and alternate members] shall attend meetings [and the alternate members shall act as members if the respective member is not present].
22. The Supervisory Body shall elect a Chair and a Vice-Chair from among its members.
23. Meetings of the Supervisory Body shall, unless closed for reasons of confidentiality, be open to the public.
24. Documents for meetings of the Supervisory Body shall be made publicly available unless they are confidential.
25. The Supervisory Body shall ensure transparency of decision-making and shall make publicly available its decision-making framework, and maintain a publicly accessible list of its decisions, including standards, procedures and related documents.
26. Decisions of the Supervisory Body shall be taken by consensus whenever possible. If all efforts at reaching consensus have been exhausted, decisions shall be put to vote and adopted by [a three-fourth majority plus one][a majority of two-thirds][a simple majority plus one] of the members present and voting.
27. The Supervisory Body shall adopt reports on its meetings and make the reports publicly available.

### **C. Governance and functions**

28. In accordance with Article 6, paragraph 4, the Supervisory Body shall supervise the mechanism, under the authority and guidance of the CMA, and be accountable to the CMA. In this context, the Supervisory Body shall, in accordance with further relevant decisions of the CMA:
  - (a) Develop the requirements and processes necessary to operationalize the mechanism relating to, inter alia:
    - (i) Accreditation of operational entities;
    - (ii) The registration of activities as Article 6, paragraph 4 activities and the issuance of A6.4ERs;

- (iii) The development of methodologies and standardized baselines for Article 6, paragraph 4 activities;
- (iv) The development of the mechanism registry;
- (b) Operate the mechanism by, inter alia:
  - (i) Designating operational entities that meet the relevant requirements for accreditation and managing their performance;
  - (ii) Taking appropriate measures to promote the regional availability of designated operational entities in all regions;
  - (iii) Registering activities as Article 6, paragraph 4, activities if they meet the relevant requirements for registration;
  - (iv) Approving the issuance of A6.4ERs for registered Article 6, paragraph 4 activities if the relevant requirements for issuance have been met;
  - (v) [Forwarding][transferring] A6.4ERs from the mechanism registry;
  - (vi) Maintaining the mechanism registry;
- (c) Support the implementation of the mechanism by, inter alia:
  - (i) Developing and maintaining a public registry of information related to proposed and registered Article 6, paragraph 4, activities, subject to confidentiality;
  - (ii) Promoting public awareness of the mechanism[, including on its role in implementing the Paris Agreement and NDCs];
  - (iii) Facilitating the dialogue with host Parties of Article 6, paragraph 4 activities.

#### **D. Role of the secretariat**

29. Pursuant to Article 17 and in accordance with further relevant decisions of the CMA, the secretariat shall serve the Supervisory Body.

### **VI. Participation responsibilities**

30. Each Party hosting Article 6, paragraph 4, activities shall, in addition to its responsibilities in the Article 6, paragraph 4, activity cycle referred to in section VII below, ensure that:
- (a) It is a Party to the Paris Agreement;
  - (b) It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraphs 2 and 6 and relevant decisions of the CMA;
  - (c) It has designated a national authority for the mechanism and has communicated that designation to the secretariat;
  - (d) [It submits national inventory reports referred to in Article 13, paragraph 7(a) in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13;]
  - (e) [It provides, in its biennial transparency reports prepared pursuant to Article 13, information on all Article 6, paragraph 4, activities hosted by it, [including how it has taken into account [the long-term low greenhouse gas emission development strategies, if available, communicated in accordance with Article 4, paragraph 19 when authorizing these activities], and all A6.4ERs that it has transferred internationally or used towards its NDC;]
  - (f) [It indicates the contribution of the mechanism to its NDC.]

## VII. Article 6, paragraph 4, activity cycle

### A. Activity design

31. The public or private entities participating in an activity (hereinafter referred to as activity participants) who wish to register the activity as an Article 6, paragraph 4, activity shall design the activity so that it will meet the following requirements and any other relevant requirements defined by the CMA or the Supervisory Body:
- (a) With regard to the types of mitigation, the activity shall achieve emission reductions, emission removals, [emission avoidance] [the full spectrum of mitigation outcomes, including mitigation co-benefits of adaptation actions and/or economic diversification plans] (hereinafter collectively referred to as emission reductions) [and shall not include actions referred to in Article 5];
  - (b) With regard to the activity types, the activity shall be a project, programme of activities, or other type approved by the Supervisory Body;
  - (c) The activity shall be an activity that achieves emission reductions:
    - Option A**
    - (i) In sectors and greenhouse gases covered by the NDC of the host Party;
    - Option B**
    - (ii) In sectors and greenhouse gases covered and not covered by the NDC of the host Party;  
{end of Option B}
  - (d) With regard to general requirements, the activity shall:
    - (i) Deliver real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b);
    - (ii) Avoid non-permanence of emission reductions and, in case of reversals, require correction;
    - (iii) Avoid negative environmental impacts;
    - (iv) Not lead to an increase in global emissions;
    - (v) [Not impede the progression of the NDC of the host Party;]
    - (vi) [Be consistent with, and not pose a threat to, human rights;]
  - (e) The activity shall undergo a local [and sub-national] stakeholder consultation;
  - (f) The activity shall apply a crediting period for the issuance of A6.4ERs, that is [appropriate to the activity in the host Party and approved by the Supervisory Body][a maximum of X years, renewable a maximum Y times [or a maximum of Z years with no option of renewal]].
32. The activity shall apply a methodology that is developed in accordance with subsection B below (hereinafter referred to as a mechanism methodology) in order to:
- (a) Set a baseline for the calculation of emission reductions to be achieved by the activity;
  - (b) Demonstrate the additionality of the activity;
  - (c) Ensure accurate monitoring of emission reductions.

### B. Methodological principles

33. A mechanism methodology may be developed by [the activity participants][the host Party][stakeholders][the Supervisory Body].
34. The Supervisory Body shall[, following a technical assessment,] approve a mechanism methodology.
35. A mechanism methodology shall:
- (a) [Be transparent, conservative and take into account uncertainties in parameters and data;]
  - (b) [Take into account any net leakage due to the implementation of the Article 6, paragraph 4, activity;]



- (c) [Not take into account decreases in economic activity levels;]
- (d) [Take into account relevant policy and provide for updates of baselines to reflect changes to policy;]
- (e) [Be on a project-specific basis, unless the application of a standardized baseline is requested by the host Party.]
- (f) Applies [one of][Any of] the following approaches to setting a baseline for the calculation of emission reductions:

**Option A**

- (i) [Historic emissions or] the ‘business-as-usual’ baseline approach;

**Option B**

- (ii) The conservative baseline approach, including the use of best available technology that takes into account relevant national circumstances;

**Option C**

- (iii) The benchmark baseline approach, where a baseline is based on an ambitious benchmark representing a level of GHG emissions for activities within a defined scope and boundary, reflecting best available technology (BAT), and taking into account relevant national circumstances or an alternative approach, proposed by the host Party, with an alternative benchmark that comprises a level of GHG emissions for activities within a defined scope and boundary representing a contribution to the reduction of its emission levels and mitigation objectives;

**Option D**

- (iv) The standardized baseline approach [that establishes a baseline at the highest level of aggregation and avoids a project specific baseline [based on the request from the host Party of the activity]];

**Option E**

- (v) Historic emissions or the ‘business-as-usual’ baseline approach;
- (vi) Conservative baseline approach, including technology that represents an economically attractive course of action, taking into account barriers to investment;
- (vii) The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances;

*{end of Option E}*

- (g) Applies the approach to demonstrating the additionality of the activity. The activity is additional where:

**Option A**

- (i) Emission reductions achieved by the activity are additional to any that would otherwise occur in the absence of [the activity][the mechanism][, taking into account all relevant national policies, including legislation][, as approved by the host Party][, where the activity type is included on a positive list adopted by the Supervisory Body];

**Option B**

- (ii) Emission reductions achieved by the activity go beyond what would be achieved through the delivery of the NDC of the host Party.

**Option C**

*{no text required/restatement of 1/CP.21}*

## **C. Authorization by Party**

36. The host Party shall provide to the Supervisory Body, authorization of the activity for requesting registration to be an Article 6, paragraph 4, activity, which shall also include:

- (b) The confirmation that the activity fosters sustainable development in the host Party based on its national prerogative consideration;

(c) An explanation as to how the activity relates to its NDC.

37. A participating Party shall provide to the Supervisory Body the authorization of the participation of the activity participants in the activity.

#### **D. Validation**

38. A designated operational entity shall independently evaluate the activity against the requirements set out in these rules, modalities and procedures, further relevant decisions of the CMA and relevant requirements developed by the Supervisory Body (hereinafter referred to as validation).

#### **E. Registration**

39. If the designated operational entity concludes that the outcome of the validation is positive, it shall submit to the Supervisory Body a request for registration with the validation outcome in accordance with the relevant requirements developed by the Supervisory Body.
40. The activity participants shall pay a share of proceeds to cover administrative expenses for registration of the activity when submitting a request for registration, at the level determined by the Supervisory Body.
41. If the Supervisory Body decides that the validation and its outcome meet the relevant requirements developed by the Supervisory Body, it shall register the activity as an Article 6, paragraph 4, activity.

#### **F. Monitoring**

42. The activity participants shall monitor emission reductions achieved by the activity in accordance with the relevant requirements developed by the Supervisory Body.

#### **G. Verification and certification**

43. A designated operational entity shall independently review and determine the implementation of, and the emission reductions achieved by, the Article 6, paragraph 4, activity during the monitoring period (hereinafter referred to as verification) against the requirements set out in these rules, modalities and procedures, further relevant decisions of the CMA and relevant requirements developed by the Supervisory Body, and provide written assurance of the verified emission reductions (hereinafter referred to as certification).

#### **H. Issuance**

44. For the issuance of A6.4ERs, the designated operational entity shall submit to the Supervisory Body a request for issuance with the verification outcome and certification in accordance with the relevant requirements developed by the Supervisory Body.
45. The activity participants shall pay a share of proceeds to cover administrative expenses for issuance of A6.4ERs when submitting a request for issuance of A6.4ERs at the level of USD X per A6.4ER to be issued.
46. The Supervisory Body shall approve the issuance of A6.4ERs if it decides that the verification and certification meet the relevant requirements developed by the Supervisory Body.
47. The mechanism registry administrator shall, in accordance with the relevant requirements developed by the Supervisory Body, issue the A6.4ERs into the registry established by the Supervisory Body (hereinafter referred to as the mechanism registry).
48. The mechanism registry shall contain at least a pending account, holding account, forwarding account, retirement account, cancellation account [cancellation account for overall mitigation in global emissions], share of proceeds account and a holding account for each Party requesting an account.
49. The secretariat shall serve as the mechanism registry administrator and shall maintain the mechanism registry under the authority of the Supervisory Body.

## **I. [Forwarding][transfer] from the mechanism registry**

50. The mechanism registry administrator shall [forward][transfer] X per cent of the issued A6.4ERs to [an account held by the Adaptation Fund][the relevant mechanism registry account] for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation in accordance with section VIII below.

### **Option A**

51. The mechanism registry administrator shall, in respect of overall mitigation in global emissions, cancel X per cent of the issued A6.4ERs to a cancellation account for delivering overall mitigation in global emissions in accordance with section IX below.

### **Option B**

*{no text required}{end of Option B}*

52. The mechanism registry administrator shall, for the remaining issued A6.4ERs, [forward][transfer] the specified amount of A6.4ERs in accordance with the instructions of the activity participants, and the relevant requirements developed by the Supervisory Body.

## **J. [Voluntary cancellation]**

53. The mechanism registry administrator shall cancel the specified amount of A6.4ERs in accordance with the instructions of the participants in the activity.]

## **K. Other processes associated with Article 6, paragraph 4, activities**

### **2. Grievance process and right to appeal**

54. Stakeholders, participants in Article 6, paragraph 4, activities and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body.

### **3. [Protection of human rights]**

55. Stakeholders, participants in Article 6, paragraph 4, activities and participating Parties may inform the Supervisory Body of alleged violations of human rights resulting from an Article 6, paragraph 4, activity.]

## **VIII. Levy of share of proceeds for adaptation**

56. The share of proceeds from an Article 6, paragraph 4 activity that is levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall be delivered to [the Adaptation Fund][the relevant mechanism registry account].

57. The share of proceeds for adaptation shall be set and levied at:

### **Option A**

- (a) [X/5] per cent at issuance;

### **Option B**

- (b) [X5] per cent at [forwarding][first transfer];

### **Option C**

- (c) [X/5] per cent at [forwarding][first transfer], increasing by Y per cent at each subsequent transfer.

## **IX. Delivering overall mitigation in global emissions**

58. The mechanism shall aim to deliver an overall mitigation in global emissions in accordance with this section.

### **Option A**

59. Overall mitigation in global emissions shall be implemented as follows:

- (a) After emission reductions are verified and certified, the host Party [shall][should] make a corresponding adjustment under the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the full amount of issued A6.4ERs to be first transferred;
- (b) At issuance/first transfer of A6.4ERs, the registry shall transfer [X/10/20/30] per cent of total amount of A6.4ERs to the cancellation account for overall mitigation in accordance with section VII above (Article 6, paragraph 4, activity cycle);
- (c) The cancelled A6.4ERs shall not be used for any transfer or purpose, including by any Party towards its NDC or for voluntary cancellation;
- (d) The host Party shall use the remaining A6.4ERs in its account either towards its own NDC or transfer them to another Party's registry or to another Party's account in the mechanism registry.

### **Option B**

60. Overall mitigation in global emissions shall be implemented as follows:

- (a) After emission reductions have been verified and certified, the host Party [shall][should] make a corresponding adjustment under the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the full amount of issued A6.4ERs to be first transferred;
- (b) The acquiring/using Party shall discount by [X/10/20/30] per cent the acquired A6.4ERs at acquisition/use towards its NDC;
- (c) The discounted volume of A6.4ERs shall be transferred to the cancellation account for the overall mitigation of global emissions by the acquiring/using Party;
- (d) The volume of discounted A6.4ERs shall not be used by any Party towards its NDC or for voluntary cancellation;
- (e) The host Party shall use the remaining A6.4ERs in its account either towards its own NDC or transfer them to another Party's registry or another Party's account in the mechanism registry.

### **Option C**

61. Use of the mechanism itself ensures overall mitigation in global emissions.

### **Option D**

62. Overall mitigation in global emissions shall be delivered through any one or combination of the following means:

- (a) Meeting the requirements for Article 6, paragraph 4 activities referred to in section VII above (Article 6, paragraph 4 activity cycle), including on baseline approaches, crediting period and additionality;
- (b) Voluntary cancellation of A6.4ERs by Parties and stakeholders, including non-State actors;
- (c) Voluntary measures selected by participating Parties.

### **Option E**

63. Overall mitigation in global emissions shall be delivered through any one or combination of the following means:

- (a) Applying conservative baselines, or baselines that are below business-as-usual to the calculation of emission reductions for Article 6, paragraph 4 activities;
- (b) Applying conservative default emission factors to the calculation of emissions from Article 6, paragraph 4 activities.

## **X. Avoiding the use of emission reductions by more than one Party**

64. Avoiding the use of emission reductions resulting from the mechanism by more than one Party towards its NDC, in accordance with Article 6, paragraph 5, shall be ensured in accordance with this section.

### **Option A**

65. Pursuant to Article 6, paragraph 5, a Party hosting Article 6, paragraph 4, activities shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement for all emission reductions[, if those emission reductions are transferred internationally].

### **Option B**

66. Pursuant to Article 6, paragraph 5, a Party hosting Article 6, paragraph 4, activities shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2, only to emission reductions that are included in the sectors and greenhouse gases covered by its NDC[, if those emission reductions are transferred internationally].

### **Option C**

67. A Party hosting Article 6, paragraph 4, activities shall not be required to make a corresponding adjustment consistent with the guidance relating to corresponding adjustments provided in the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the first transfer of A6.4ERs from the mechanism registry.
68. Pursuant to Article 6, paragraph 5, a Party transferring after the first transfer or acquiring emission reductions from the Article 6, paragraph 4 mechanism shall make a corresponding adjustment, consistent with the guidance relating to corresponding adjustments provided in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

## **XI. Uses for purposes other than towards nationally determined contributions**

### **Option A**

69. An A6.4ER shall not be used towards an NDC if it has been or is intended to be used:
- (a) Towards international mitigation action outside the UNFCCC;
  - (b) Towards voluntary climate actions that are not mandatory in the relevant jurisdiction;
  - (c) As a means of demonstrating climate finance provided pursuant to Article 9;
  - (d) [For the delivery of overall mitigation in global emissions in accordance with section IX above.]
70. To avoid double use of emissions reductions achieved by Article 6, paragraph 4, activities, Parties shall make an adjustment for emission reductions used for purposes other than towards NDCs, consistent with:

#### **Option A1**

- (a) The guidance relating to corresponding adjustments provided in the guidance for cooperative approaches referred to in Article 6, paragraph 2;

#### **Option A2**

- (b) The guidance relating to corresponding adjustments provided in the guidance for cooperative approaches referred to in Article 6, paragraph 2, if the A6.4ERs were issued for emission reductions that are included in the sectors and greenhouse gases covered by the NDC.

{end of Option A2}

### **Option B**

{no text required}

## **XII. Addressing negative social and economic impacts under Article 4, paragraph 15**

71. The Supervisory Body and the secretariat shall collaborate with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) to address any negative social and economic impacts, especially on developing country Parties, resulting from Article 6, paragraph 4, activities by, inter alia:
- (c) Assessing and identifying negative social and economic impacts of Article 6, paragraph 4, activities, including the cumulative impact of the activities;

- (d) Developing, implementing and regularly updating measures to address any negative social and economic impacts of Article 6, paragraph 4, activities, including the cumulative impact of the activities;
- (e) Regularly sharing relevant information with the forum on the impact of the implementation of response measures in order to support the above activities.

### **XIII. Transition from the Kyoto Protocol to Article 6, paragraph 4**

#### **A. Activities under the Kyoto Protocol**

##### **Option A**

- 72. [Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.]
- 73. [Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.]

##### **Option B**

- 74. [Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities subject to the authorization for such registration by the relevant host Party.]
- 75. [Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities subject to the authorization for such registration by the relevant host Party.]

##### **Option C**

- 76. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered. Such registration shall undergo an expedited registration process.

##### **Option D**

- 77. [No activities registered under joint implementation under Article 6 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.]
- 78. [No activities under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.]

##### **Option E**

*{no text required, as deal with transition in the work plan}*

#### **B. Transition of joint implementation emission reduction units**

- 79. In relation to ERUs:

##### **Option A**

- (a) ERUs may be used by a Party towards its NDC;

##### **Option B**

- (b) ERUs that are issued for emission reductions that were achieved prior to 1 January [2020][2021] may be used by a Party towards its NDC;

##### **Option C**

- (c) ERUs that are issued for emission reductions that are achieved after 1 January [2020][2021] may be used by a Party towards its NDC;

##### **Option D**

- (d) ERUs may not be used by a Party towards its NDC.

**Option E**

*{no text required, as deal with transition in the work plan}{end of Option E}*

**Option A**

80. A6.4ERs may be issued for activities registered under joint implementation under Article 6 of the Kyoto Protocol.

**Option B**

*{no text required, as no issuance of A6.4ERs for JI activities}*

**C. Transition of clean development mechanism certified emission reductions**

81. In relation to CERs:

**Option A**

(a) CERs may be used by any Party towards its NDC [or for purposes other than towards NDCs];

**Option B**

(b) CERs that are issued for emission reductions that were achieved prior to 1 January [2020][2021] may be used by a Party towards its NDC;

**Option C**

(c) CERs that are issued in relation to emission reductions that are achieved after 1 January [2020][2021] may be used by any Party towards its NDC and for purposes other than its NDCs;

**Option D**

(d) CERs may not be used by a Party towards its NDC.

**Option E**

*{no text required, as deal with transition in the work plan}*

**Option F**

*{no text required, as deal with this under guidance for cooperative approaches}{end of Option F}*

**Option A**

82. A6.4ERs may be issued for activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol.

**Option B**

*{no text required, as no issuance of A6.4ERs for CDM activities}{end of Option B}*

**Option A**

83. CERs that have not been cancelled or retired under the Kyoto Protocol may be transferred to the mechanism registry.

**Option B**

*{no text required}*

**D. Transition of methodologies**

**Option A**

84. Baseline and monitoring methodologies under Article 6 of the Kyoto Protocol shall be valid for Article 6, paragraph 4 activities,

**Option B**

*{no text required, as no use of JI methodologies by Article 6, paragraph 4, activities}{end of Option B}*

**Option A**

85. Baseline and monitoring methodologies under the clean development mechanism under Article 12 of the Kyoto Protocol shall be valid for Article 6, paragraph 4 activities.

**Option B**

*{no text required, as no use of CDM methodologies by Article 6, paragraph 4, activities}*

**Option C**

*{no text required, as deal with transition in the work plan}*

**E. Transition of accreditation standards**

**Option A**

86. The accreditation standards and procedures of the clean development mechanism under Article 12 of the Kyoto Protocol should serve as the basis for the standards and procedures for accreditation under the mechanism.

**Option B**

*{no text required, as no transition of the accreditation system}*

**Option C**

*{no text required, as deal with transition in the work plan}}*

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