

**DRAFT TEXT**

**on**

**SBSTA 50 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 26 June 15:30 hrs**

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**Draft CMA decision on 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 paragraph 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 and its Articles 2 and 3, Article 4, paragraphs 3, 4 and 15, Article 6, paragraphs 5 and 6, and Articles 13 and 15,]*

1. *[Establishes the body that will supervise 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;]*
3. *[Welcomes the election of the first members of the Supervisory Body;]*
4. *[Requests the secretariat to organize the meetings of the Supervisory Body;]*
5. *[Also requests the Supervisory Body to meet at least once during 2020 in order to develop recommendations on the following matters for consideration by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its fifty-second session (June 2020) and/or its fifty-third session (November 2020):*
  - (a) Further elaboration of its rules of procedure;
  - (b) [Relevance of baseline and monitoring methodologies and accreditation standards under the clean development mechanism under Article 12 of the Kyoto Protocol to the mechanism;]
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 with regard to 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 third session (November 2020) as an integral part of the rules, modalities and procedures for the mechanism:*
  - (a) Further provisions for the rules of procedure of the Supervisory Body that may be required in addition to those set out in section III.A of the annex (Rules of procedure), [taking into account the recommendations from the Supervisory Body as referred to in paragraph 5(a) above];
  - (b) Further provisions on the special circumstances of the least developed countries and small island developing States that may be required in addition to those set out in section IV (Participation responsibilities) [and section VI.B (Methodologies)] of the annex, including, inter alia with regard to baseline setting and the additionality of activities under Article 6, paragraph 4 (hereinafter referred to as Article 6, paragraph 4 activities), hosted by such Parties;

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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.

- (c) Further responsibilities of the Supervisory Body and the host Parties that may be required for the mechanism to operate with a more host Party led/decentralized model;
- (d) Further provisions on the share of proceeds for administrative expenses in addition to those set out in sections VI.E (Registration)[,] [and] VI.H (Issuance) [and VII (Levy of share of proceeds for adaptation and administrative expenses)] of the annex [and the share of proceeds 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 in addition to those set out in section VI.E (Registration) and VII (Levy of share of proceeds for adaptation and administrative expenses) of the annex];
- (e) Provisions for the implementation of the right to appeal and the grievance process as set out in section VI.K of the annex (Other processes associated with Article 6, paragraph 4, activities);]
- (f) [Provisions that ensure that processes for the mechanism assist Parties to respect, promote and consider their respective obligations on human rights pursuant to section VI.K of the annex (Other processes associated with Article 6, paragraph 4, activities)];

**Option A** { *section XI of the annex text and maintaining safeguards and limits in the cover decision as a work programme* }

- (g) [Potential provisions that [may][shall] be required on limits to the issuance, transfer, acquisition 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 nationally determined contributions (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;]
  - (viii) [Be consistent with provisions that ensure that processes for the mechanism assist Parties to respect, promote and consider their respective obligations on human rights;]]

**Option B** { *see section XI of the Annex, where Option B sets out the safeguards and limits in the annex* }

**Option C**

- (ix) [Use of Article 6 should not lead to an increase in emissions in and between NDC implementation periods;]
- { *end of Option C* }
- (h) [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 of the annex (Transition from the Kyoto Protocol to Article 6, paragraph 4), 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 of the annex (Transition of activities under the Kyoto Protocol) and in paragraph 7(h)(i) above;
    - (iii) Necessary steps for the implementation of such transition;]
  - (i) [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;]

- (j) [Potential provisions on the transition of methodologies and accreditation standards from the Kyoto Protocol to Article 6, paragraph 4, that may be required pursuant to section XIII.D (Transition of methodologies) and section XIII.E (Transition of accreditation standards) of the annex;]
8. [Also requests the SBSTA to develop recommendations on the implementation of the 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 third session:
- (a) The Article 6, paragraph 4, activity cycle, as set out in section VI of the annex (Article 6, paragraph 4, activity cycle);
- (b) Baseline approaches for Article 6, paragraph 4, activities as set out in section VI.B of the annex (Methodologies);
- (c) Demonstration of additionality, as set out in section VI.B of the annex (Methodologies);
- (d) The mechanism registry, as set out in section VI.H of the annex (Issuance);
- (e) Voluntary cancellation, as set out in section VI.J of the annex (Voluntary cancellation);
- (f) The share of proceeds for adaptation, as set out in section VII of the annex (Levy of share of proceeds for adaptation);
- (g) Delivery of overall mitigation in global emissions, as set out in section VIII of the annex (Delivering overall mitigation in global emissions);]
9. [Requests the secretariat to collaborate with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) to consider ways to address any negative social and economic impacts, especially on developing country Parties, resulting from Article 6, paragraph 4, activities by, inter alia regularly sharing relevant information with the forum on the impact of the implementation of response measures in order to support the above activities;] {see section XII of the Annex}
10. [Further requests the secretariat to undertake preparatory technical work, including preparing technical papers and conducting financial and technical feasibility studies as required on the implementation of the rules, modalities and procedures for the mechanism, in particular with regard to the elements listed in paragraph 8 above, for consideration by the SBSTA at its [fifty-second] session;]
11. [Requests the SBSTA to develop a work programme to assist Parties][Requests the secretariat to assist Parties, in particular developing country Parties, through a work programme] to incorporate sectors and/or gases into their NDC in order for mitigation activities in those sectors and/or gases to become eligible to be Article 6 paragraph 4 activities;]
12. [Invites Parties to make voluntary contributions for operationalizing the mechanism;]
13. [Takes note of the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in this decision and requests that the actions called for in this decision be undertaken subject to the availability of financial resources;]
14. [Decides to review these rules, modalities and procedures for the mechanism periodically, and for the first time by no later than the session of the CMA 8 (that will take place at the end of 2025), on the basis of recommendations from the SBSTA and the SBI.]

## Annex

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

#### I. Definitions

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, paragraphs 4–6,<sup>1</sup> 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 issued in respect of mitigation [that delivers real, measurable and long-term benefits related to climate change] achieved pursuant to Article 6, paragraphs 4–6 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 or in other metrics that are adopted by the CMA pursuant to these rules, modalities and procedures;
  - (c) [“**Internationally transferred mitigation outcomes (ITMOs)**” are {*definition to be consistent with the guidance on cooperative approaches referred to in Article 6, paragraph 2*}]
  - (d) [“**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.] {*text from 8 December SBSTA text, paragraph 1(c)*}

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

2. The CMA has authority over the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the mechanism) and may take further decisions in relation to these rules, modalities and procedures and the mechanism.
3. 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.

#### III. Supervisory Body

4. The Supervisory Body shall supervise the mechanism pursuant to Article 6, paragraph 4, under the authority and guidance of the CMA, and be fully accountable to the CMA.

##### A. Rules of procedure

5. The Supervisory Body shall comprise [12] [22] members from Parties to the Paris Agreement, ensuring broad and equitable geographical representation and [striving to ensure][ensuring] gender-balanced representation, as follows {*some Parties noted the relationship between number of members and need or otherwise for alternates*}:

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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.

- (a) [Two][Four] members from each of the five United Nations regional groups;
  - (b) One member from the least developed countries;
  - (c) One member from small island developing States.
6. The CMA shall elect members [and an alternate for each member] of the Supervisory Body on the basis of nominations by the respective groups or constituencies.
7. Members [and alternate members] shall serve in their individual personal capacity.
8. Members [and alternate members] shall possess relevant scientific, technical, socioeconomic or legal expertise.
9. Members [and alternate members] shall serve for a term of two years.
10. 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. The members [and their alternate members] shall remain in office until their successors are elected.
11. The term of service of a member shall start at the first meeting of the Supervisory Body in the calendar year following his/her election and shall end immediately before the first meeting of the Supervisory Body in the calendar year in which the term ends.
12. [The maximum number of terms of any individual shall be two terms, whether consecutive or not[, and including any period as an alternate member].]
13. If a member [or alternate member] resigns or is otherwise unable to continue as a member [or alternate member], the Supervisory Body may decide, bearing in mind the proximity to the next meeting of the CMA, to appoint a replacement member [or alternate member] from the same constituency to serve the remainder of the term on the basis of a nomination from the Party representing the relevant constituency, in which case, the appointment shall count as one term.
14. Members [and alternate members] 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.
15. Costs for members [and alternate members] will be covered by the share of proceeds for administrative expenses.
16. 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.
17. Members [and alternate members] shall ensure confidentiality, in line with best practice for confidentiality.
18. At least three fourths of the members[, including alternate members only when they are acting as members,] shall constitute a quorum for meetings of the Supervisory Body.
19. Members [and alternate members] shall attend meetings [and the alternate members shall act as members if the respective member is not present].
20. Each year, the Supervisory Body shall elect a Chair and a Vice-Chair from among its members. The Chair and the Vice-Chair shall remain in office until their successors are elected.
21. Meetings of the Supervisory Body shall be open to the public, unless closed for reasons of confidentiality.
22. Documents for meetings of the Supervisory Body shall be made publicly available, unless they are confidential.
23. The Supervisory Body shall ensure transparency of decision-making, make publicly available its decision-making framework, and maintain a publicly accessible list of its decisions, including standards, procedures and related documents.
24. 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 majority of three fourths of the members[, including alternate members only when they are acting as members,] present and voting.

25. The Supervisory Body shall adopt reports on its meetings and make them publicly available.

## **B. Governance and functions**

26. The Supervisory Body shall, in accordance with further relevant decisions of the CMA:

- (a) Establish the requirements and processes necessary to operationalize the mechanism relating to, inter alia:
  - (i) The accreditation of operational entities;
  - (ii) The registration of activities as Article 6, paragraph 4, activities and the issuance of A6.4ERs;
  - (iii) The development [and/or approval] of methodologies (hereinafter referred to as mechanism methodologies) and standardized baselines for Article 6, paragraph 4, activities;
  - (iv) The registry for the mechanism (hereinafter referred to as the mechanism registry);

### **Option A** {*this option is linked to section V.B*}

- (v) [The approval and supervision of national arrangements of host Parties for accreditation of operational entities, development and approval of mechanism methodologies, registration of activities and operation of national registries for the mechanism;]

### **Option B**

{*no text required*}

{*end of Option B*}

- (b) Operate the mechanism by, inter alia:
  - (i) Accrediting operational entities as designated 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) [Developing or approving mechanism methodologies;]
  - (iv) Registering activities as Article 6, paragraph 4, activities if they meet the relevant requirements for registration;
  - (v) Approving the issuance of A6.4ERs for registered Article 6, paragraph 4, activities if the relevant requirements for issuance have been met;
  - (vi) Maintaining the mechanism registry;
  - (vii) [Supervising the implementation of the share of proceeds levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;]
  - (viii) [Supervising the implementation of the delivery of an overall mitigation in global emissions;]

### **Option A** {*this option is linked to section V.B*}

- (ix) [Supervising and reviewing national arrangements of host Parties for accreditation of operational entities, development and approval of mechanism methodologies, registration of activities and operation of national registries;]

### **Option B**

{*no text required*}

{*end of Option B*}

- (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;

- (iii) Facilitating the dialogue with host Parties of Article 6, paragraph 4, activities [and other stakeholders in the mechanism];
- (iv) [Providing annual information to the CMA on all registered Article 6, paragraph 4 activities hosted by each Party, and all A6.4ERs issued for those activities].

### **C. Role of the secretariat**

27. Pursuant to Article 17 and in accordance with further relevant decisions of the CMA, the secretariat shall serve the Supervisory Body [and perform its roles in the operation of the mechanism in accordance with these rules, modalities and procedures].

## **IV. Participation responsibilities**

28. [Prior to authorizing any Article 6, paragraph 4 activity, each] [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 VI below (Article 6, paragraph 4, activity cycle),] ensure that:
- (a) It is a Party to the Paris Agreement;
  - (b) It has prepared, has 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 as contained in decision 18/CMA.1; *{text from 8 December SBSTA text, paragraph 30(d)}*]
  - (e) [It provides information on all Article 6, paragraph 4, activities hosted by it, and all A6.4ERs that it has transferred internationally or used towards its NDC to [X]; *{some Parties identified a need to say to where the information is provided and how}*]
  - (f) It indicates the contribution of the mechanism to its NDC;
  - (g) [It confirms that it intends to apply corresponding adjustments for A6.4ERs it authorizes for use towards another Party's NDC or any other international mitigation purposes.]
29. [A host Party shall provide to the Supervisory Body its [authorization][approval] of the activity, including: *{text based on paragraphs 49–50 below}*]
- (a) Confirmation that the activity fosters sustainable development in the host Party on the basis of its consideration that it is a national prerogative;
  - (b) Explanation as to how the activity relates to its NDC;
  - (c) [In respect of renewals of crediting periods, authorization of the renewal;]
  - (d) Authorization of the participation of the activity participants in the activity.]
30. Other participating Parties shall provide to the Supervisory Body, the authorization of the participation of the activity participants in the activity. *{text based on paragraph 50 below}*
31. [Parties participating in the mechanism should avoid unilateral measures that constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade in relation to Article 6, paragraph 4, activities in which they participate.]
32. 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 NDCs, and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to these rules, modalities and procedures.
33. [Parties participating in the mechanism shall ensure their participation is consistent with provisions that assist Parties to respect, promote and consider their respective obligations on human rights.]

34. [The use of the mechanism should not lead to an increase in emissions within or between NDC implementation periods.]

#### Option A

### V. [Rights and responsibilities of host Parties

35. [A Party may choose to host Article 6, paragraph 4, activities in accordance with this section subject to these rules, modalities and procedures and under the supervision of the Supervisory Body.]

#### A. Specification of participation

36. [A host Party shall, prior to authorizing activities, specify to the Supervisory Body, in accordance with these rules, modalities and procedures:]
- (a) [Types of mitigation activities that it intends to authorize pursuant to section VI.C below (Authorization);]
  - (b) [Contribution of activities to mitigation of emissions and to implementation and achievement of its NDC;]
  - (c) [Baseline approaches and the types of mechanism methodologies to be applied;]
  - (d) [Crediting periods to be applied;]
  - (e) [How its baseline approaches, mechanism methodologies and crediting periods are compatible with its NDC, and its long-term low greenhouse gas emission development strategy, if available, and how they deliver own benefit;]
  - (f) [How the participation in the mechanism contributes to sustainable development of the Party.]
37. [Host Parties shall keep updated the information referred to in paragraph 36 above.]

#### B. Further optional functions

38. [A host Party may specify one or more of the following functions it proposes to exercise subject to these rules, modalities and procedures and under the supervision of the Supervisory Body:]
- (a) [Accreditation of operational entities;]
  - (b) [Development and approval of mechanism methodologies;]
  - (c) [Specification of baseline approaches;]
  - (d) [Specification of crediting periods;]
  - (e) [Registration of mitigation activities;]
  - (f) [Approval of renewal of crediting periods;]
  - (g) [Operation of a national registry for the mechanism.]

#### Option B

{no text required}

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

#### A. Activity design

39. 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 according to 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]] [The activity shall achieve mitigation of greenhouse gas (GHG) emissions;]
- (b) With regard to the activity types, the activity shall be a project, programme of activities, or other type approved by the Supervisory Body;

**Option A**

- (c) The activity shall achieve emission reductions [and emission removals] in the sectors and greenhouse gases [(GHGs)] covered [and not covered] by the NDC of the host Party:

**Option B**

- (d) The activity shall achieve emission reductions [and emission removals] in the sectors and greenhouse gases [(GHGs)] covered by the NDC of the host Party;

**Option C**

{not text required}

{end of Option C}

- (e) 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]; {text from 8 December SBSTA text, paragraph 31(d)(ii)} [Incorporate actions to address reversals and displacement of emissions;]
    - (iii) Avoid negative environmental [and social] impacts;
    - (iv) Not lead to an increase in global emissions [in and between NDC implementation periods];
    - (v) [Be consistent with provisions that ensure that processes for the mechanism assist Parties to respect, promote and consider their respective obligations on human rights;]
    - (vi) [Not take into account decreases in economic activity levels and not credit activities that lock-in a level of emissions that is inconsistent with the goal of the Paris Agreement;]
  - (f) [The activity shall undergo a local and, where appropriate, sub-national stakeholder consultation;]
  - (g) The activity shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of [X] years, renewable a maximum of [Y] times, or a maximum of [Z] years with no option of renewal, that is appropriate for the activity, and that is subject to approval by the Supervisory Body, [taking into account] [where the baseline is still valid or has been updated to reflect] the technologies or measures, and [relevant circumstances of the activity in the host Party [and changes to policy]] [the NDC implementation period of the host Party].
40. The activity shall apply a mechanism methodology approved by the Supervisory Body following its technical assessment, that is developed in accordance with section VI.B below (Methodologies) 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 [and emission removals];
  - (d) [Take into account any net leakage due into the implementation of the activity]. {text from 8 December SBSTA text, paragraph 35(b)}

**B. Methodologies**

- 41. Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body [for approval by the Supervisory Body].

42. Each mechanism methodology shall be transparent, and conservative regarding the choice of approach, assumptions, parameters, data sources, key factors, and take into account uncertainty [and any net leakage due to the implementation of the Article 6, paragraph 4, activity] [and shall [take into account relevant policy][be consistent with the NDC of the host Party] and provide for updates of baselines to reflect changes to policy] [and encourage an increase in ambition over time].

#### **Option A**

43. Each [mechanism methodology][activity] shall apply one of the following approaches to setting a baseline for calculating emission reductions, taking into account relevant national, regional or local circumstances, and providing justification for the choice:
- (a) A [best available][performance-based] approach, taking into account:
    - (i) Technologies that represent an economically feasible and environmentally attractive course of action;
    - (ii) The emissions of activities providing similar outputs and/or services in similar social, economic, environmental and technological circumstances;
    - (iii) Barriers to investment;
    - (iv) A contribution to the reduction of the emission levels of the host Party;
  - (b) Where the approach referred to in paragraph 43(a) above is not considered to be appropriate, an approach based on:
    - (i) ‘Business as usual’ emissions;
    - (ii) Historic emissions.

#### **Option B**

44. Each [mechanism methodology][activity] shall apply one of the following approaches to setting a baseline for calculating emission reductions, taking into account relevant national, regional or local circumstances, and providing justification for the choice:
- (a) A [best available][performance-based] approach, taking into account:
    - (i) Technologies that represent an economically feasible [and environmentally attractive] course of action;
    - (ii) The emissions of activities providing similar outputs and/or services in similar social, economic, environmental and technological circumstances;
    - (iii) Barriers to investment;
    - (iv) A contribution to the reduction of the emission levels of the host Party;
    - (v) [The emissions pathway that would be consistent with the achievement of the NDC of the host Party;]
  - (b) [Where the approach referred to in paragraph 44(a) above is not [considered to be appropriate][applicable], an] [An] approach based on:
    - (i) [‘Business as usual’ emissions;]
    - (ii) [Historic emissions.]

#### **Option C**

45. Each mechanism methodology shall apply the following approach to setting a baseline for calculating emission reductions:
- (a) 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, and taking into account relevant national circumstances or an alternative approach, proposed by the host Party;
  - (b) 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.

*{end of Option C}*

46. Standardized baselines may be developed by the Supervisory Body at the request of the host Party, or may be developed by the host Party and approved by the Supervisory Body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party.
47. Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. The activity is additional where:
  - (a) Emission reductions achieved by the activity are additional to any that would otherwise occur, [taking into account all relevant national policies, including legislation][and represent mitigation that exceeds any mitigation required by law, regulation, or legally-binding mandate, at the national and subnational levels];
  - (b) [Emission reductions are [complementary][additional] to the policies and measures [implemented][needed] to achieve the NDC of the host Party.]
48. [The Supervisory Body may waive additionality requirements for any least developed country or small island developing State at the request of that Party.]

### **C. Authorization**

49. The host Party shall provide to the Supervisory Body the [authorization][approval] of the activity for requesting registration to be an Article 6, paragraph 4, activity, which shall also include:
  - (a) The confirmation that the activity fosters sustainable development in the host Party on the basis of its consideration that it is a national prerogative;
  - (b) [An explanation on how the activity relates to its NDC;]
  - (c) [In respect of renewals of crediting periods, authorization of the renewal;]
  - (d) [, if the Party decides to do so, authorization for A6.4ERs issued for the activity to be internationally transferred for use toward NDCs or for purposes other than toward NDCs, and the statement that a corresponding adjustment will be applied to the A6.4ERs by the host Party consistent with the guidance on cooperative approaches referred to in Article 6, paragraph 2.]
50. A participating Party shall provide to the Supervisory Body the authorization of the participation of the activity participants in the activity [and the confirmation that it intends to apply corresponding adjustments for A6.4ERs it uses towards its NDC or that it authorizes for use towards any other international mitigation purposes].

### **D. Validation**

51. 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**

52. 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.
53. The activity participants shall pay a share of proceeds to cover the administrative expenses for registering the activity when submitting a request for registration, at the level determined by the CMA.
54. [The activity participants shall pay a share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation at the level determined by the CMA.] *{as alternative method for collecting share of proceeds for adaptation through percentage of emission reductions; see section VI. I and section VII below}*
55. 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**

56. The activity participants shall monitor [emission reductions achieved] [emissions] by the activity in accordance with the relevant requirements developed by the Supervisory Body.

**G. Verification and certification**

57. 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**

58. 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.
59. The activity participants shall pay a share of proceeds to cover the administrative expenses for issuing A6.4ERs when submitting a request for issuance of A6.4ERs at the level determined by the CMA.
60. If the Supervisory Body decides that the verification, certification and their outcome meet the relevant requirements developed by the Supervisory Body, it shall approve the issuance of A6.4ERs.
61. The mechanism registry administrator shall, in accordance with the relevant requirements developed by the Supervisory Body, issue the A6.4ERs into the mechanism registry.

**Option A**

62. [The mechanism registry shall contain at least a pending account, holding account, retirement account, cancellation account[, [voluntary] cancellation account for overall mitigation in global emissions] and a share of proceeds account, as well as a holding account for each Party requesting an account.]

**Option B**

63. [The mechanism registry shall contain at least a pending account, holding account, retirement account, cancellation account[, cancellation account for overall mitigation in global emissions] and a share of proceeds account, as well as a holding account for each Party requesting an account.]

*{end of Option B}*

64. [The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use toward NDCs or for purposes other than toward NDCs, consistent with the host Party's [authorization][approval] of the registered Article 6, paragraph 4, activities referred to in section VI.C above.]
65. The secretariat shall serve as the mechanism registry administrator and shall maintain and operate the mechanism registry under the authority of the Supervisory Body. *{some Parties identified that the international registry for cooperative approaches referred to in Article 6, paragraph 2 could be combined with the mechanism registry}*
66. [The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use toward NDCs or for purposes other than toward NDCs, consistent with the host Party's approval of the registered activity referred to in section VI.C above.]

**I. [Renewal**

*{text to be developed}*

**J. [Forwarding][Transfer] from the mechanism registry**

67. [The mechanism registry administrator shall forward [two][five][X] per cent of the issued A6.4ERs to an account held by the Adaptation Fund 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 VII below (Levy of share of proceeds for adaptation).] *{an alternative method for collecting share of proceeds is a monetary amount; see section VI.E above}*

**Option A**

68. [The mechanism registry administrator shall, where [voluntary] cancellation applies, in respect of overall mitigation in global emissions, cancel the percentage of the issued A6.4ERs to a cancellation account for delivering overall mitigation in global emissions in accordance with section VIII below (Delivering overall mitigation in global emissions).]

**Option B**

69. [The mechanism registry administrator shall, where cancellation applies, in respect of overall mitigation in global emissions, cancel the percentage of the issued A6.4ERs to a cancellation account for delivering overall mitigation in global emissions in accordance with section VIII below (Delivering overall mitigation in global emissions).]

*{end of Option B}*

70. The mechanism registry administrator shall, for the remaining issued A6.4ERs, forward [the specified amount of A6.4ERs in accordance with the instructions of the activity participants] [them to the holding account of the host Party in the mechanism registry][subject to the approval of the host Party if transferred internationally], and [in accordance with] the relevant requirements developed by the Supervisory Body.

**K. Voluntary cancellation**

71. Activity participants may request the mechanism registry administrator to cancel [the][a] specified amount of A6.4ERs in accordance with their instructions.

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

72. [Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body.]
73. [Stakeholders, activity participants and participating Parties may inform the Supervisory Body of complaints relating to the implementation of paragraph 39(e)(v) above.]

**VII. Levy of share of proceeds for adaptation [and administrative expenses]**

74. 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.

**Option A**

75. The share of proceeds for adaptation shall be set and levied at [[two][five][X] per cent at issuance.][[X] per cent at [forwarding][first transfer], increasing by [Y] per cent at each subsequent transfer.] *{text from 8 December SBSTA text, para 57(c)}*

**Option B**

76. The share of proceeds for adaptation shall be set and levied at [X] at [registration][issuance]: *{text for monetary rate needs to be developed}*

*{end of Option B}*

77. [The share of proceeds to cover administrative expenses shall be set and levied at [X] at [registration][issuance]:] *{text for option of monetary rate and option of the combination of monetary rate and per centage of A6.4ERs needs to be developed}*

**VIII. Delivering overall mitigation in global emissions**

**Option A**

78. The mechanism shall aim to deliver an overall mitigation in global emissions through any one or a combination of the following:
- (a) A voluntary cancellation method by which, following certification and verification of emission reductions, the host Party makes a corresponding adjustment consistent with the guidance on cooperative approaches referred to in Article 6, paragraph 2 for the full amount of issued A6.4ERs to be first transferred, and the registry transfers 10 per cent of the total amount of A6.4ERs to a cancellation account for overall mitigation in accordance with section VI.I above ([Forwarding][Transfer] from the mechanism registry); and the cancelled A6.4ERs may not be used for any transfer or purpose, including by any Party towards its NDC or for voluntary cancellation;
  - (b) Providing a source of mitigation outcomes that enable Parties to select higher ambition in its NDC;
  - (c) Voluntary cancellation of A6.4ERs by Parties and stakeholders, including non-State actors;
  - (d) Voluntary measures selected by participating Parties;
  - (e) Applying conservative baselines, or baselines that are below ‘business as usual’ levels, to the calculation of emission reductions for Article 6, paragraph 4, activities;
  - (f) Applying conservative default emission factors to the calculation of emissions from Article 6, paragraph 4 activities.

**Option B** {text from 8 December SBSTA text, paras 58–61}

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

**Option B1**

80. 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 VI 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 B2**

81. 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 B3**

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

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

83. 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**

84. [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 for all emission reductions[, if those emission reductions are transferred internationally][from [X date]].]

### **Option B**

85. [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 GHGs covered by its NDC[, if those emission reductions are transferred internationally] [from [X date]].]

### **Option C**

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

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

87. [To avoid double use of emission reductions achieved by Article 6, paragraph 4, activities, host Parties shall make an adjustment for emission reductions used for purposes other than contributions towards NDCs, consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2[, if the A6.4ERs were issued for emission reductions that are achieved in the sectors and GHGs covered by their NDCs].]

## **XI. Safeguards and limits**

### **Option A**

88. Each participating Party shall apply, [as appropriate][as applicable], any safeguards and limits adopted by the CMA in relation to the mechanism. {see cover decision paragraph 7(g) for work programme on safeguards and limits}

### **Option B**

89. [Each participating Party shall apply [as appropriate][as applicable], the following safeguards and limits:
- (a) [Avoid significant fluctuations in prices, quantities and speculative transfers of A6.4ERs in the international market;]
  - (b) [Address A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty in emission estimates;]
  - (c) Restrict secondary transfers of A6.4ERs;
  - (d) Restrict the quantity of A6.4ERs for transfer;
  - (e) [Ensure that the use of A6.4ERs towards NDCs is supplemental to domestic action;]
  - (f) [Restrict the use of A6.4ERs towards NDCs by their vintage;]
  - (g) [Restrict the carry-over of A6.4ERs to the subsequent period of NDC implementation;]
  - (h) [Be consistent with provisions that ensure that processes for the mechanism assist Parties to respect, promote and consider their respective obligations on human rights;]]

**Option C**

90. [Use of Article 6 should not lead to an increase in emissions in and between NDC implementation periods].

## **XII. [Addressing negative social and economic impacts under Article 4, paragraph 15** *{text from 8 December SBSTA text, para 71}*

91. 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:
- (a) Assessing and identifying negative social and economic impacts of Article 6, paragraph 4, activities, including the cumulative impact of the activities;
  - (b) 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;
  - (c) 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. Transition of activities under the Kyoto Protocol**

**Option A**

92. [[Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol][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**

93. [[Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol][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 [that meet the relevant requirements for Article 6, paragraph 4 activities,] subject to the authorization for such registration by the relevant host Party [during a transition period until the mechanism is operational].]

**Option C**

94. [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 [that meet the relevant requirements for Article 6, paragraph 4 activities]. Such registration shall undergo an expedited registration process.]

**Option D**

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

**Option E**

*{discussion on transition occurs once the design of the mechanism is agreed}*

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

97. [Emission reduction units that are issued for emission reductions that were achieved [prior to][after] 1 January [2020][2021] may be used by a Party towards its NDC;]
98. [Emission reduction units may not be used by a Party towards its NDC.]
99. [A6.4ERs may be issued for activities registered under joint implementation under Article 6 of the Kyoto Protocol.]



100. [Kyoto Protocol units may not be used by a Party towards its NDC.]

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

101. [Certified emission reductions that are issued for emission reductions that were achieved [prior to][after] 1 January [2020][2021] may be used by a Party towards its NDC.]
102. [Certified emission reductions may not be used by a Party towards its NDC.]
103. [A6.4ERs may be issued for activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol [during the transition period for emission reductions generated after 2020, subject to the compliance of the activities with the requirements referred to in paragraph 93 above].]
104. [Certified emission reductions that have not been cancelled or retired under the Kyoto Protocol may be transferred to the mechanism registry.]
105. [Kyoto Protocol units may not be used by a Party towards its NDC.]

**D. Transition of methodologies**

106. [Baseline and monitoring methodologies under Article 6 of the Kyoto Protocol shall be valid for Article 6, paragraph 4 activities.]
107. [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.]
108. [Baseline and monitoring methodologies under the clean development mechanism under Article 12 of the Kyoto Protocol may be relevant for Article 6, paragraph 4 activities.]

**E. Transition of accreditation standards**

109. [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.]]
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