

DRAFT TEXT

on

SBSTA 51 agenda item 12(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 7 December 18:00 hrs

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 mechanism established by Article 6, paragraph 4, of the Paris Agreement and its aims referred to in paragraph 4(a–d) of that Article,

Also recalling decision 13/CMA.1;

Recognizing that the mechanism established by Article¹ 6, paragraph 4, is to be operationalized in the context of the Paris Agreement, in particular its preamble and Articles 2 and 3, Article 4, paragraphs 3, 4 and 15, Article 6, paragraphs 5–6, and Articles 13 and 15,

1. *Adopts* the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, (hereinafter referred to as the mechanism) as contained in the annex;
2. *Designates* the body that will supervise the mechanism with its membership and rules of procedure as set out in the annex and names it the [X];
3. *Invites* the nomination of members and alternate members of the Supervisory Body pursuant to paragraph 9 of the annex;
4. *Decides* that at least two meetings of the Supervisory Body shall be held in 2020;
5. *Requests* the Supervisory Body to:
 - (a) Develop provisions for development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, forwarding and transfer from the mechanism registry, and voluntary cancellation, pursuant to paragraphs 36–67 of the annex;
 - (b) [In the context of developing and approving new methodologies for the mechanism, review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate, for Article 6, paragraph 4, activities when Parties and authorized public and private entities use them;]
 - (c) [Review the accreditation standards and procedures of the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate, for the mechanism by 2021;]
6. *Also requests* the Supervisory Body to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on the following matters for consideration by the Subsidiary Body for Scientific and Technological Advice at its fifty-second (June 2020) and/or fifty-third session (November 2020):
 - (a) Further elaboration of its rules of procedure;
 - (b) [{placeholder}];
7. *Requests* the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020):

¹ “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

- (a) Further elaboration of the rules of procedure of the Supervisory Body taking into account the recommendations of the Supervisory Body referred to in paragraph 6(a) above;
- (b) Further consideration of the special circumstances of the least developed countries and small island developing States;
- (c) [Further responsibilities of the Supervisory Body and host Parties in order for host Parties to elaborate and apply national arrangements for the mechanism under the approval and supervision of the Supervisory Body;]
- (d) [{Placeholder for elements of Paris Agreement preamble}]
- (e) [Implementation of the safeguards and limits referred to in chapter IV (Participation responsibilities)][Further provisions on the transition of activities from the Kyoto Protocol to Article 6, paragraph 4, including on necessary steps for the implementation of such transition;]
- (f) [Further provisions on the use of units issued under the Kyoto Protocol that may be required in addition to those set out in chapter XII.B (Transition of Kyoto Protocol units to the Article 6, paragraph 4, mechanism);]
8. *Also requests* the Subsidiary Body for Scientific and Technological Advice to develop, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session, draft decisions on the implementation of the rules, modalities and procedures for the mechanism in relation to the following:
- (a) [Reporting by host Parties on Article 6, paragraph 4, activities that it hosts, A6.4ERs issued for the activities, A6.4ERs that it has transferred internationally, used towards its own NDC [or used for international mitigation purposes other than towards NDCs,] while avoiding unnecessary duplication of reporting information that is already publicly available;]
- (b) Baseline approaches and additionality, pursuant to paragraphs [40][41] and 44 of the annex, respectively;
- (c) The mechanism registry;
- (d) The share of proceeds to cover administrative expenses and to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
- (e) Delivery of an overall mitigation in global emissions under the mechanism;
- (f) The right of appeal and the grievance process as set out in chapter V.L of the annex (Other processes associated with Article 6, paragraph 4, activities);]
9. [*Requests* the Supervisory Body to support the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) in considering ways to address any negative social and economic impacts, especially those on developing country Parties, resulting from Article 6, paragraph 4, activities, as requested by the forum;]
10. *Decides* that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall review the rules, modalities and procedures for the mechanism at its ninth session (2026) with a view to completing the review by no later than at its eleventh session (2028);
11. *Requests* the Subsidiary Body for Implementation to develop recommendations with respect to the review referred to in paragraph 10 above, taking into account any recommendations of the Supervisory Body;
12. *Takes note of* the estimated budgetary implications of the activities to be undertaken by the secretariat referred to in this decision;
13. *Requests* that the actions called for in this decision be undertaken subject to the availability of financial resources;
14. *Invites* Parties to make contributions to the Trust Fund for Supplementary Activities for the purpose of operationalizing the mechanism; such contributions shall be reimbursed, if requested, in accordance with procedures and a timetable to be determined by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

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 Article¹ 6, 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**” (A6.4ER) is issued for mitigation achieved pursuant to Article 6, paragraphs 4–6, these rules, modalities and procedures, and any further relevant decisions of the CMA. It is measured in carbon dioxide equivalent (CO₂ eq) and is equal to 1 t CO₂ 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 adopted by the CMA pursuant to these rules, modalities and procedures.

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

2. The CMA shall provide guidance to the Supervisory Body by taking decisions on, inter alia:
 - (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 established by Article 6, paragraph 4, (hereinafter referred to as the mechanism), as appropriate.

III. Supervisory Body

3. The Supervisory Body shall supervise the mechanism under the authority and guidance of the CMA and be fully accountable to the CMA.

A. Rules of procedure

4. The Supervisory Body shall comprise 12 members from Parties to the Paris Agreement, ensuring broad and equitable geographical representation and striving to ensure gender-balanced representation, as follows:
 - (a) Two 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.
5. The CMA shall elect members and an alternate for each member of the Supervisory Body on the basis of nominations by the respective groups and constituencies.
6. Members and alternate members shall serve in their individual personal capacity.
7. Members and alternate members shall possess relevant scientific, technical, socioeconomic or legal expertise.
8. Members and alternate members shall serve for a term of two years.

¹ “Article” refers to an Article of the Paris Agreement, unless otherwise specified.

9. Notwithstanding paragraph 8 above, in the first election of members and alternate members, the CMA shall elect half of the 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 these members and their alternate members and thereafter, the CMA shall elect replacement members and their alternate members for a term of two years. The members and their alternate members shall remain in office until their successors have been elected.
10. The term of service of a member shall start at the first meeting of the Supervisory Body in the calendar year following their election and shall end immediately before the first meeting of the Supervisory Body in the calendar year in which the term ends.
11. The maximum number of terms of any individual shall be two terms, whether consecutive or not.
12. 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 session of the CMA, to appoint a replacement member or replacement alternate member from the same constituency to serve the remainder of the term on the basis of a nomination from the relevant constituency, in which case, the appointment shall count as one term.
13. 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.
14. Participation costs for members and alternate members will be covered by the share of proceeds for administrative expenses.
15. 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 participating in any work of the Supervisory Body, including decision-making, 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.
16. Members and alternate members shall ensure confidentiality, in line with relevant best practice.
17. 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.
18. 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 have been elected.
19. Meetings of the Supervisory Body shall be open to the public, unless closed for reasons of confidentiality.
20. Documents for meetings of the Supervisory Body shall be made publicly available, unless they are confidential.
21. The Supervisory Body shall ensure transparency of decision-making, make publicly available its decision-making framework and its decisions, including standards, procedures and related documents.
22. 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.
23. The Supervisory Body shall adopt reports on its meetings and make them publicly available.

B. Governance and functions

24. The Supervisory Body shall, in accordance with further relevant decisions of the CMA:
 - (a) Establish the requirements and processes necessary to operationalize the mechanism, and operate the mechanism, relating to, inter alia:
 - (i) The accreditation of operational entities as designated operational entities;
 - (ii) The development and/or approval of methodologies (hereinafter referred to as mechanism methodologies) and standardized baselines for Article 6, paragraph 4, activities;

- (iii) The registration of activities as Article 6, paragraph 4, activities, the renewal of crediting periods of registered Article 6, paragraph 4, activities, and the issuance of A6.4ERs;
 - (iv) The registry for the mechanism (hereinafter referred to as the mechanism registry);
 - (v) 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;
 - (vi) The delivery of an overall mitigation in global emissions;
 - (vii) [The approval and supervision of national arrangements of host Parties for accreditation of operational entities; development of mechanism methodologies; renewal of crediting periods of registered Article 6, paragraph 4, activities;]
- (b) Support the implementation of the mechanism by, inter alia:
- (i) Developing and maintaining a public website for information related to proposed and registered Article 6, paragraph 4, activities, subject to confidentiality;
 - (ii) Taking appropriate measures to promote the regional availability of designated operational entities in all regions;
 - (iii) Promoting public awareness of the mechanism;
 - (iv) Facilitating the dialogue with host Parties of Article 6, paragraph 4, activities and other stakeholders in the mechanism;
 - (v) Providing public 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) Report annually to the CMA.

C. Role of the secretariat

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

IV. Participation responsibilities

26. Each Party hosting Article 6, paragraph 4, activities (hereinafter referred to as a host Party) shall, prior to participating in the mechanism, 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 decision 4/CMA.1;
 - (c) It has designated a national authority for the mechanism and has communicated that designation to the secretariat;
 - (d) It has indicated publicly how the participation in the mechanism contributes to sustainable development of the Party;
 - (e) [It has indicated publicly to the Supervisory Body the types of Article 6, paragraph 4, activity that it intends to approve pursuant to chapter VI.C below (Approval and authorization), and how such types of activity and any associated emission reductions would contribute to mitigation in the Party and the achievement of its NDC;]
 - (f) [It has confirmed to the Supervisory Body that it intends to apply corresponding adjustments for A6.4ERs that it authorizes for first transfer for use by another Party towards its NDC or for international mitigation purposes other than towards NDCs (hereinafter referred to as other international mitigation purposes).]
27. [A host Party may specify to the Supervisory Body, prior to participating in the mechanism:
- (a) Baseline approaches and other methodological requirements to be applied for Article 6, paragraph 4, activities that it intends to host, subject to these rules, modalities and procedures and under the supervision

- of the Supervisory Body, and in accordance with further relevant decisions of the CMA, with an explanation of how those approaches and requirements are compatible with its NDC, and its long-term low greenhouse gas emission development strategy, if communicated;
- (b) Crediting periods to be applied for Article 6, paragraph 4, activities that it intends to host, including whether the crediting periods may be renewed, subject to these rules, modalities and procedures and under the supervision of the Supervisory Body, and in accordance with further relevant decisions of the CMA, with an explanation of how those crediting periods are compatible with its NDC and its long-term low greenhouse gas emission development strategy, if communicated;
 - (c) Any of the following functions that it intends to exercise, subject to these rules, modalities and procedures and under the supervision of the Supervisory Body, and in accordance with further relevant decisions of the CMA:
 - (i) Accreditation of operational entities at the national level;
 - (ii) Development of mechanism methodologies.
28.]Each host Party shall ensure that, on a continuing basis:
- (a) It is maintaining an NDC in accordance with Article 4, paragraphs 2 and 6 and decision 4/CMA.1;
 - (b) It submits national inventory reports in accordance with the modalities, procedures and guidelines contained in decision 18/CMA.1;
 - (c) [It keeps the information referred to in paragraphs 26(e) and 27(a)–(b) above updated.]
29. Each participating Party should report on its efforts to:
- (a) Avoid significant fluctuations in prices, quantities and speculative transfers of A6.4ERs on the international market;
 - (b) Manage risk in determining emission estimates that may arise from A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty;
 - (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 its NDC is supplemental to domestic action;
 - (f) Restrict the use of A6.4ERs towards its NDC by their vintage;
 - (g) Restrict the carry-over of A6.4ERs to the subsequent period of NDC implementation;
 - (h) [*{placeholder for elements of Paris Agreement preamble}*]
30. Each participating Party shall ensure that its use of Article 6 does not lead to an increase in its emissions within and between NDC implementation periods.
31. [Participating Parties 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.

V. Article 6, paragraph 4, activity cycle

A. Activity design

33. The public or private entities participating in an activity (hereinafter referred to as activity participants) that wish to register the activity as an Article 6, paragraph 4, activity shall design the activity according to the requirements in this chapter [and any requirements specified by the host Party pursuant to paragraphs 26(e) and 27(a)–(b) above under the supervision of the Supervisory Body] and any other relevant requirements adopted by the CMA or the Supervisory Body.

34. The activity:
- (a) Shall be designed to achieve mitigation of greenhouse gas (GHG) emissions, including emission reductions, removals, 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 not to lead to an increase in global emissions;
 - (b) May be a project, programme of activities, or other type of activity approved by the Supervisory Body;

Option A

- (c) Shall be designed to achieve emission reductions [in the sectors and GHGs] covered by the NDC of the host Party;

Option B

- (d) Shall be designed to achieve emission reductions [in any sectors or GHGs], irrespective of whether [such sectors or GHGs] [they] are covered by the NDC of the host Party;

{end of Option B}

- (e) Shall also:
 - (i) Deliver real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b);
 - (ii) Minimize the risk of non-permanence of emission reductions over multiple NDC implementation periods, and, where reversals occur, ensure that the effects are offset;
 - (iii) Avoid negative environmental and social impacts;
 - (iv) *[{placeholder for elements of Paris Agreement preamble}]*
 - (f) Shall undergo local and, where appropriate, subnational stakeholder consultation;
 - (g) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of 5 years, renewable a maximum of 2 times, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, and that is subject to approval by the Supervisory Body, or any shorter crediting period specified by the host Party pursuant to paragraph 27(b) above shall be applied. The crediting period shall not start before 2020.
35. The activity shall apply a mechanism methodology that has been developed in accordance with chapter V.B below (Methodologies) and approved by the Supervisory Body following its technical assessment, 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;
 - (d) Calculate the emission reductions achieved by the activity.

B. Methodologies

36. Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body.
37. [Where the host Party has specified methodological approaches pursuant to paragraph 27(a) above, relevant mechanism methodologies shall require the application of such approaches, and such application shall be supervised by the Supervisory Body.]
38. Mechanism methodologies shall be approved by the Supervisory Body where they meet the requirements of these rules, modalities and procedures and requirements established by the Supervisory Body.
39. Each mechanism methodology shall require the selection of a transparent and conservative approach, assumptions, parameters, data sources and key factors; and take into account: uncertainty; any leakage due to the implementation of the Article 6, paragraph 4, activity; relevant policy; consistency with the NDC of the host Party; and should encourage an increase in ambition over time.

Option A

40. Each mechanism methodology shall require the application of 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 performance-based approach, taking into account:
 - (i) Technologies that represent an economically feasible 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;
 - (b) An approach based on:
 - (i) ‘Business as usual’ emissions; or
 - (ii) Historical emissions.

Option B

41. Each mechanism methodology shall require the application of one of the following approaches to setting a baseline that is below ‘business as usual’, for calculating emission reductions, taking into account relevant national, regional or local circumstances, and providing justification for the choice:
- (a) An approach based on best available technologies that represent an economically feasible and/or environmentally sound course of action;
 - (b) Performance-based approach, where a baseline is based on the emissions of activities providing similar outputs and/or services in similar social, economic, environmental and technological circumstances;
 - (c) 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
 - (d) Where the approach referred to in paragraph 41(a)–**Error! Reference source not found.** is not considered to be economically and technologically viable, an approach based on:
 - (i) Projected emissions; or
 - (ii) Historical emissions.
42. [Notwithstanding paragraph 41 above, where the host Party has specified baseline approaches pursuant to paragraph 27(a) above, each mechanism methodology shall require the application of that specified baseline approach.]

{end of Option B}

43. 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.
44. 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;
 - (b) Emission reductions are complementary and/or additional, as relevant, to the policies and measures associated with the NDC of the host Party.
45. The Supervisory Body may waive additionality requirements for any least developed country or small island developing State at the request of that Party.

C. Approval and authorization

46. The host Party shall provide to the Supervisory Body the approval of the activity prior to a request for registration. The approval shall include:

- (a) Confirmation that the activity fosters sustainable development in the host Party;
 - (b) The approval of any potential renewal, if the Party intends to allow the activity to continue to generate A6.4ERs beyond its first crediting period where the Party has specified that the crediting periods of Article 6, paragraph 4, activities that it intends to host may be renewed pursuant to paragraph 27(b) above;
 - (c) [Explanation of how the activity relates to[, and how the expected emission reductions contribute to,] the host Party's NDC;]
47. The host Party shall, in conjunction with provision of the approval referred to in paragraph 46 above, provide to the Supervisory Body the authorization of public or private entities to participate in the activity as activity participants under the mechanism.
48. [The host Party shall provide to the Supervisory Body the authorization for A6.4ERs issued for the activity to be internationally transferred for use towards NDCs or to be used for other international mitigation purposes, if the Party decides to do so, and a statement that a corresponding adjustment will be applied by the host Party for A6.4ERs in accordance with chapter IX below (Avoiding the use of emission reductions by more than one Party).]
49. Other participating Parties shall provide to the Supervisory Body the authorization of public or private entities to participate in the activity as activity participants under the mechanism.

D. Validation

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

E. Registration

51. 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 adopted by the Supervisory Body.
52. The activity participants shall pay a share of proceeds, at a level determined by the CMA, to cover the administrative expenses for registering the activity when submitting a request for registration.
53. [The activity participants shall pay a share of proceeds, at a level determined by the CMA, to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.]
54. If the Supervisory Body decides that the validation and its outcome meet the relevant requirements adopted by the Supervisory Body, it shall register the activity as an Article 6, paragraph 4, activity.

F. Monitoring

55. The activity participants shall monitor emission reductions achieved by the activity during a monitoring period in accordance with the relevant requirements adopted by the Supervisory Body.

G. Verification and certification

56. 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 adopted by the Supervisory Body, and provide written assurance of the verified emission reductions (hereinafter referred to as certification).

H. Issuance

57. 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 adopted by the Supervisory Body.
58. The activity participants shall pay a share of proceeds, at a level determined by the CMA, to cover the administrative expenses for issuing A6.4ERs when submitting a request for issuance of A6.4ERs.
59. [When submitting a request for issuance of A6.4ERs, the activity participants shall pay a share of proceeds, at a level determined by the CMA, to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.]
60. If the Supervisory Body decides that the verification, certification and their outcome meet the relevant requirements adopted by the Supervisory Body, it shall approve the issuance of A6.4ERs.
61. The mechanism registry administrator shall, in accordance with the relevant requirements adopted by the Supervisory Body, issue the A6.4ERs into the mechanism registry.
62. The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party for international transfer for use towards NDCs[or for other international mitigation purposes], in accordance with the host Party's approval of the registered Article 6, paragraph 4, activities as referred to in chapter V.C above (Approval and authorization).

I. Renewal

63. The crediting period of a registered Article 6, paragraph 4, activity may be renewed in accordance with further relevant decisions of the CMA and requirements adopted by the Supervisory Body, if the host Party has so approved in accordance with paragraph 46(b) above.

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

64. [The mechanism registry administrator shall forward 2][5] per cent of the issued A6.4ERs to an account held by the Adaptation Fund in the mechanism registry for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.]
65. [The mechanism registry administrator shall cancel the percentage of the issued A6.4ERs transferred to the account for mandatory cancellation for delivering an overall mitigation in global emissions in accordance with chapter VIII below (Delivering overall mitigation in global emissions).]
66. The mechanism registry administrator shall forward the remaining issued A6.4ERs [in accordance with the instructions of the activity participants] [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 any further modalities adopted by the CMA and relevant requirements adopted by the Supervisory Body.

K. Voluntary cancellation

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

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

68. Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body.
69. Stakeholders, activity participants and participating Parties may inform the Supervisory Body of complaints relating to compliance with paragraph 34(e)..

VI. Mechanism registry

70. The mechanism registry shall contain at least a pending account, holding account, retirement account, cancellation account, and account for [mandatory] cancellation for an overall mitigation in global emissions [and share of proceeds account], as well as a holding account for each Party requesting an account.
71. The mechanism registry shall be developed and operationalized in accordance with the relevant requirements adopted by the Supervisory Body.
72. The secretariat shall serve as the mechanism registry administrator and maintain and operate the mechanism registry under the authority of the Supervisory Body.

VII. Levy of share of proceeds for adaptation and administrative expenses

73. 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 pursuant to decisions 13/CMA.1 and 1/CMP.14.

Option A

74. The 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 shall be set and levied at [[2][5] per cent of A6.4ERs at issuance.][[X] per cent of A6.4ERs at [forwarding][first transfer], increasing by [Y] per cent at each subsequent transfer.]

Option B

75. The 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 shall be set in monetary terms at [registration][issuance] at a level determined by the CMA.

{end of Option B}

76. The share of proceeds to cover administrative expenses shall be set in monetary terms at [registration][issuance] at a level determined by the CMA.

VIII. Delivering overall mitigation in global emissions

Option A

77. The mechanism shall aim to deliver an overall mitigation in global emissions as follows:
 - (a) At issuance of A6.4ERs, the host Party shall make a corresponding adjustment consistent with decision X/CMA.2 (guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement) for the total number of issued A6.4ERs;
 - (b) At issuance of A6.4ERs, the registry shall transfer [X/10/20/30] per cent of the issued A6.4ERs to the cancellation account for overall mitigation in accordance with chapter V above (Article 6, paragraph 4, activity cycle);
 - (c) The cancelled A6.4ERs shall not be used for any transfer or purpose, including towards any NDC or for other international mitigation purposes, and shall not be further transferred;
 - (d) The remaining A6.4ERs shall be forwarded in accordance with the request of the activity participants.

Option B

78. The mechanism shall aim to deliver an overall mitigation in global emissions, through one or a combination of:
 - (a) Providing mitigation to enable Parties to increase the ambition of their NDCs;
 - (b) Voluntary cancellation of A6.4ERs by Parties and stakeholders, including non-State actors;
 - (c) Voluntary measures selected by participating Parties;
 - (d) Applying conservative baselines, or baselines that are below ‘business as usual’, in calculating emission reductions for Article 6, paragraph 4, activities;

- (e) Applying conservative default emission factors in calculating emission reductions for Article 6, paragraph 4, activities.

Option C

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

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

80. [A host Party shall apply a corresponding adjustment for all A6.4ERs first transferred where they are [from the sectors and GHGs] covered by its NDC [from X date] consistent with decision X/CMA.2 (guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement).]
81. [A host Party shall apply a corresponding adjustment for all A6.4ERs first transferred where they are [from the sectors and GHGs] not covered by its NDC [from X date] consistent with decision X/CMA.2 (guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement).] [A host Party shall not be required to apply a corresponding adjustment for A6.4ERs first transferred where they are [from the sectors and GHGs] not covered by its NDC [until X date].]

X. Use of emission reductions for other international mitigation purposes

Option A

82. [A host Party shall apply an adjustment for all A6.4ERs [first transferred] for other international mitigation purposes [where they are [from the sectors and GHGs] covered by its NDC] consistent with decision X/CMA.2 (guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement).]
83. [A host Party shall not be required to apply an adjustment for A6.4ERs [first transferred] for other international mitigation purposes where they are [from the sectors and GHGs] not covered by its NDC.]

Option B

84. A6.4ERs shall not be used for other international mitigation purposes.

XI. [Addressing negative social and economic impacts under Article 4, paragraph 15]

85. The Supervisory Body and the secretariat shall support the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) in addressing any negative social and economic impacts, especially those on developing country Parties, resulting from Article 6, paragraph 4, activities by, inter alia:
- (a) Identifying and assessing the 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) Annual sharing of information with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of decision 1/CP.21) to support the above activities.]

XII. [Transition from the Kyoto Protocol to Article 6, paragraph 4]

A. Transition of Kyoto Protocol activities to Article 6, paragraph 4, activities

Option A

86. [Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to:
- (a) [The provision of approval of such transition to the Supervisory Body by the host Party];

- (b) [placeholder]
87. [placeholder for implementation of transition of joint implementation activities]
88. [Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to:
- (a) [The provision of approval of such transition to the Supervisory Body by the host Party];
 - (b) [placeholder]
89. [Where an activity is eligible for transition pursuant to paragraph 88 above:
- (a) [The transition, including the necessary actions by the Supervisory Body, shall have been completed by no later than [X date];]
 - (b) [The Supervisory Body shall ensure that the activities undergo an expedited registration process;]
 - (c) [placeholder for other requirements such as where issuance takes place during transition period];]
 - (d) [For clean development mechanism activities that have transitioned, A6.4ERs may be issued for emission reductions achieved on or after 1 January [2020][2021].]

Option B

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

B. Transition of Kyoto protocol units to the Article 6, paragraph 4, mechanism

Option A

91. [Emission reduction units converted for joint implementation under Article 6 of the Kyoto Protocol][and][certified emission reductions issued for the clean development mechanism under Article 12 of the Kyoto Protocol] for emission reductions that were achieved [prior to][on or after] 1 January [2020][2021] may be used by a Party towards its NDC [consistent with decision X/CMA.2 (guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement)].

Option B

92. [Emission reduction units converted for joint implementation under Article 6 of the Kyoto Protocol][and][certified emission reductions issued for the clean development mechanism under Article 12 of the Kyoto Protocol] may not be used by a Party towards its NDC.

{end of Option B}

93. [Certified emission reductions issued for the clean development mechanism under Article 12 of the Kyoto Protocol that have not been cancelled or retired under the Kyoto Protocol may be transferred to the mechanism registry [upon the request of [X]].]

Option A

94. No Kyoto Protocol units, or emission reductions underlying such units, may be used by a Party towards its NDC.

Option B

{no reference to Kyoto Protocol units}]]
