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Concept note

Share of proceeds under the mechanism
established by Article 6, paragraph 4, of the
Paris Agreement

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1. Procedural background

1. The Paris Agreement, in its Article 6, paragraph 4, established a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development (hereinafter referred to as the A6.4 Mechanism). The mechanism is one of the three instruments for Parties to utilize in pursuing voluntary cooperation in the implementation of their nationally determined contributions (NDCs) under the Paris Agreement. In accordance with Article 6, paragraph 6, of the Paris Agreement, a share of the proceeds from activities under the A6.4 Mechanism is to be used “to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation”.
2. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session (November 2021), adopted decision 3/CMA.3, containing in its annex the “Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4 of the Paris Agreement”¹ (RMP), setting out principles, key requirements and processes of the A6.4 Mechanism. The RMP contains, inter alia, the following provisions relating to the share of proceeds:
 - (a) 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 comprised of:²
 - (i) A levy of 5 per cent of Article 6, paragraph 4, emission reductions (A6.4ERs) at issuance;
 - (ii) A monetary contribution related to the scale of the Article 6, paragraph 4, activity or to the number of A6.4ERs issued, to be set by the Supervisory Body;
 - (iii) After the mechanism becomes self-financing, a periodic contribution from the remaining funds received from administrative expenses as per paragraph 68 of the RMP, after setting aside the operating costs for the mechanism and an operating reserve, at a level and with a frequency to be determined by the CMA;
 - (b) The share of proceeds to cover administrative expenses shall be set in monetary terms at a level and implemented in a manner to be determined by the CMA.³
3. In accordance with Article 6, paragraph 4, of the Paris Agreement, the A6.4 Mechanism shall be supervised by the Supervisory Body,⁴ and the CMA requested it to consider, elaborate and/or develop various elements in the RMP for the operationalization of the

¹ See decision 3/CMA.3 contained in document FCCC/PA/CMA/2021/10/Add.1 available at: <https://unfccc.int/documents/460950>. The annex to the decision begins on page 29 (English language version).

² See decision 3/CMA.3, annex, paragraph 67.

³ See decision 3/CMA.3, annex, paragraph 68.

⁴ See decision 3/CMA.3, annex, paragraph 3.

A6.4 Mechanism. One such element that the CMA requested the Supervisory Body to elaborate and make recommendations for consideration and adoption by the CMA at its fourth session (November 2022) is on “Appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund”.⁵

4. At the same time, the CMA requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop, on the basis of the RMP, recommendations for consideration and adoption by the CMA at its fourth session on “The processes necessary for implementation of the share of proceeds to cover administrative expenses and 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 in accordance with chapter VII of the annex (Levy of share of proceeds for adaptation and administrative expenses)”.⁶

2. Purpose

5. The purpose of this concept note is primarily to propose appropriate levels of share of proceeds for administrative expenses and its operation for which the Supervisory Body is requested to make recommendations to the CMA or is mandated to set as per the RMP. This concept note also proposes related processes that may function well in view of the proposed levels of share of proceeds for administrative expenses and its operation, so that the Supervisory Body may invite the SBSTA to take them into account when making recommendations on the processes for implementation of the share of process to the CMA as referred to in paragraph 4 above.

3. Key issues

3.1. Share of proceeds for administrative expenses

3.1.1. Registration fee

6. The RMP makes no mention of the stages of the activity cycle during which the share of proceeds to cover administrative expenses shall be charged, with the exception of the registration fee. The RMP, paragraph 48, states that “The activity participants shall pay a share of proceeds, at a level determined by the CMA, taking into account the likely scale of the activity, to cover the administrative expenses for registering the activity when submitting a request for registration.” The RMP does not elaborate what determines the “scale” of the activity, but it would be reasonable to determine the scale by the amount of emission reductions or removals by the activity, as it would be the only common means of measurement of “scale” of all activity types that may be registered under the A6.4 Mechanism.
7. For information, the registration fee under the clean development mechanism (CDM) increases by the scale of the activity determined by its estimated annual average emission reductions over the first crediting period, with two-tier rates (USD 0.10 per certified emission reduction (CER) up to the first 15,000 tonnes of CO₂ equivalent, then USD 0.20

⁵ See decision 3/CMA.3, paragraph 6(b).

⁶ See decision 3/CMA. 3, paragraph 7(f).

per CER in excess of 15,000 tonnes of CO₂ equivalent). Therefore, the registration fee under the CDM can be very high if the activity is expected to generate a large amount of emission reductions or removals per year, which may be a barrier to requesting registration in some cases, although there is a cap of USD 350,000. Furthermore, the registration of an activity itself does not create tradable units (A6.4ERs under the A6.4 Mechanism). It is at issuance when such units are created and the activity participants benefit from them. Therefore, it would be reasonable to decouple the registration fee from the share of proceeds payable at issuance.

8. More importantly, the registration fee under the CDM is an advance payment of the share of proceeds that are payable at issuance. The paid registration fee is set aside by the secretariat until the same activity proceeds with the issuance stage and fully consumes the prepaid share of proceeds through issuance requests, only after which a new share of proceeds is charged. This system not only guarantees the recovery of the administrative expenses incurred for processing the registration request, even if the activity does not proceed with issuance by keeping the non-reimbursable portion (USD 30,000), but it may also encourage the activity to proceed with the issuance stage without delay. However, the system created an administrative complexity to track, for each registered activity, how much of the prepaid share of proceeds has been consumed and how much still remains, and to check whether the remaining amount is sufficient for a particular issuance request, or to calculate the difference to be payable at the issuance request. Furthermore, if there is a large gap in time between registration and issuance, such prepayment system may increase financial unpredictability for activity participants, in particular if the prepaid amount is substantial.
9. In general, providing preferential treatments for small-scale or microscale activities would be a good policy to encourage participation of small businesses and grassroots community activities in the A6.4 Mechanism in view of supporting sustainable development of host Parties as well as enhancing mitigation efforts globally. At the same time, it is important to recover administrative expenses that are needed to process registration requests, as required by the RMP (as referred to in paragraph 6 above). In addition, the registration fee could be set at a level so that collected fees would subsidize the administrative cost for processing registration requests for activities in least developed countries (LDCs) and small island developing States (SIDS), for which no registration fee may be charged, as proposed in section 3.1.4 below.
10. Based on the above considerations, it is recommended that the registration fee under the A6.4 Mechanism be set as:
 - (a) A fee to be fully consumed for processing the registration request (i.e. not a prepayment of issuance fees);
 - (b) Three-tier fixed rates depending on the estimated annual average emission reductions or removals over the first crediting period, at:
 - (i) USD [10,000] if the estimated annual average emission reductions or removals over the first crediting period is up to [15,000] tonnes of CO₂ equivalent;
 - (ii) USD [20,000] if the estimated annual average emission reductions or removals over the first crediting period is larger than [15,000] and up to [50,000] tonnes of CO₂ equivalent;

- (iii) USD [30,000] if the estimated annual average emission reductions or removals over the first crediting period is larger than [50,000] tonnes of CO₂ equivalent.
- 11. The rates (USD 10,000, 20,000 and 30,000) and the thresholds separating the tiers (15,000 and 50,000 tonnes of CO₂ equivalent) proposed above are based on the experience under the CDM to ensure the sufficient coverage of administrative expenses for processing registration requests, for building and maintaining the necessary infrastructure, and for covering administrative expenses for processing registration requests for activities hosted by LDCs and SIDS.
- 12. For programmes of activities (PoAs), it is impossible to estimate annual average emission reductions or removals over the first crediting period, as it is not known at the time of the registration of a PoA how many component project activities (CPAs) will eventually be included in the PoA. For this reason, under the CDM, the registration fee for PoAs is already set as a two-tier fixed-rate fee as follows:
 - (a) USD 10,000 if the PoA applies only small-scale CDM methodologies, otherwise USD 20,000;
 - (b) No fee for inclusion of CPAs.
- 13. Assuming that the A6.4 Mechanism, similarly to the CDM, allows the inclusion of an unlimited number of CPAs in a registered PoA over time, the total emission reductions or removals could become very large. Therefore, it would be reasonable for PoAs under the A6.4 Mechanism to apply the higher rate of the registration fee applicable to standalone activities proposed in paragraph 10(b)(ii)–(iii) above (i.e. USD [20,000] or [30,000]), irrespective of methodologies applied to the PoA.
- 14. Unlike under the CDM, the RMP and other CMA decisions relating to the A6.4 Mechanism do not define small-scale or microscale activities and separate rules relating to them. It is not known whether the CMA will eventually move in that direction, including the differentiation of methodologies by pre-defined scale. Therefore, it would be prejudging if the A6.4 Mechanism took the CDM approach to setting the registration fee for PoAs (i.e. by creating two-tier fixed-rates as mentioned in paragraph 12(a) above). With regard to the inclusion of CPAs, it is recommended that a fee be charged, assuming that it would also involve some checks as well as for the fairness with standalone activities, but at a low rate of USD [2,000] for each CPA to be included.
- 15. Setting the registration fee as fixed rates would reduce the administrative complexity of reimbursement or additional charging if the request is withdrawn or rejected, or if the estimated annual emission reductions or removals change during the processing due to the assessment and/or review by the Supervisory Body. Under the CDM, this administrative complexity caused delays in processing requests and placed additional administrative burden on both the project participants and the secretariat. Under the proposed three-tier fixed rates, depending on the estimated annual average emission reductions or removals referred to in paragraph 10 above, additional charging or reimbursement of fees during the processing of a registration request would be much simpler: charging an additional USD [10,000] or reimbursing USD [10,000] should the estimated emission reductions or removals by the proposed activity cross the threshold of [15,000] or [50,000] tonnes of CO₂ equivalent during the processing.

16. Another benefit of setting fixed rates that are directly linked to recover administrative costs for processing registration requests is that it could simplify the rules of reimbursement of the registration fee and be less punitive to activity participants compared to those under the CDM, as follows:
- (a) The full amount of paid registration fee is reimbursed if the request is withdrawn by the submitting designated operational entity (DOE) before the start of processing the registration request;
 - (b) No reimbursement is possible if the request is:
 - (i) Withdrawn by the DOE after the start of processing the registration request;
or
 - (ii) Rejected by the Supervisory Body;
 - (c) The registration fee shall be paid in full again for the resubmission of a registration request of the same activity after the withdrawal by the DOE or the rejection by the Supervisory Body of the previous registration request.

3.1.2. Issuance fee

17. Under the CDM, the level of the share of proceeds for administrative expenses is determined based on the issuance of CERs, which increases by the amount of CERs to be issued.
18. Considering that issuance requests are directly linked to creating the real financial benefit of generating tradable units for activity participants, it would be reasonable, as it is under the CDM, to link the issuance fee under the A6.4 Mechanism to the amount of A6.4ERs that will be issued, as a proportional levy.
19. Under the CDM, the rates for calculating the issuance fee based on the requested amount of CERs to be issued are two-tiered and linked to the amount of CERs issued in a given calendar year. This has created the administrative complexity of tracking the issued amount of CERs in each year of the crediting period. It has also given room for project participants to artificially limit submitting issuance requests in a given calendar year in order for the lower rate to be applied as much as possible because, under the CDM, there is no deadline for requesting issuance for emission reductions or removals after they actually occurred.
20. Based on the above considerations, it is proposed that the issuance fee be set as a single rate of USD [0.10] [0.20] per A6.4ER, applicable to all A6.4ERs being requested for issuance.
21. The proposed range of the rates per A6.4ER (i.e. USD 0.10–0.20) is based on the experience under the CDM, the corresponding levels of which enabled sound long-term operation of the mechanism. It should also be noted that under the A6.4 Mechanism, remaining funds received from the share of proceeds for administrative expenses will, after setting aside the operating costs for the A6.4 Mechanism and an operating reserve, be periodically transferred to the Adaptation Fund, as referred in paragraph 2(a)(iii) above.
22. The proposed approach is simple to administer and would not necessitate or create a room for activity participants to plan the timings of submissions of issuance requests in order to minimize the issuance fees. However, depending on the rate to be set, it may

collect unnecessarily high fees from activity participants or fees that are too low to maintain the operation of the A6.4 Mechanism, including covering participation costs for members and alternate members of the Supervisory Body (in accordance with the RMP, paragraph 14), as well as for a periodic contribution from the remaining funds to the Adaptation Fund (in accordance with the RMP, paragraph 67(c)).

23. Under this proposed approach, if the number of A6.4ERs to be issued eventually approved by the Supervisory Body differs from the number in the request for issuance, the reconciliation of the difference – additional payment of issuance fee or reimbursement of excessive issuance fee – would be necessary before the conclusion of the processing of the request.
24. The RMP does not refer to the timing of payment of the issuance fee, but it is recommended that the fee be charged at the submission of an issuance request, similar to the registration fee (see paragraph 6 above). The experience under the CDM showed that payment after issuance (and prior to forwarding) of CERs resulted in a situation where the administrative cost for processing issuances could not be fully recovered.
25. Rules of reimbursement of issuance fees could be simplified and less punitive as compared to those under the CDM, as follows:
 - (a) Reimburse the full amount of paid issuance fee if the request is withdrawn by the submitting DOE before the start of processing the issuance request;
 - (b) Reimburse any portion in excess of the equivalent to the registration fee paid for the activity if the request is:
 - (i) Withdrawn by the DOE after the start of processing the issuance request;
 - (ii) Rejected by the Supervisory Body;
 - (c) The issuance fee shall be paid in full again for the resubmission of an issuance request for the same monitoring period or for the monitoring period covering partially or fully the monitoring period of the previous issuance request, after the withdrawal by the DOE or the rejection by the Supervisory Body of the previous issuance request.

3.1.3. Other possible fees

26. Under the CDM, no fee is charged to requests for **renewal** of crediting period or PoA period of registered activities, even though processing renewal requests requires almost the same level of administrative cost as for registration requests, as the two processes are almost identical.
27. Under the A6.4 Mechanism, detailed requirements and process for approval of renewal requests are not yet known (to be decided by the Supervisory Body). However, it would be reasonable to assume that the required assessment is comparable to that for registration requests, considering the concept of renewal, which is mainly to adjust the registered activity to the latest methodological requirements to ensure that claimed emission reductions or removals are real and sufficiently conservative under the latest methodological knowledge and circumstances. Therefore, if the registration fee is set as a three-tiered fixed-rate fee to recover the administrative cost for processing the requests,

as proposed in paragraphs 10 and 13 above, it would be reasonable to also set the same level of three-tiered fixed-rate fee for renewal requests, based on the same principle.

28. Submission and approval of **post-registration change** is another important process under the CDM. Although this process is not referred in the RMP, it is highly likely that the same process will be introduced under the A6.4 Mechanism, as it is quite common that a change to activity design or any other elements relating to the activity after its registration becomes necessary for various reasons.
29. Processing a request for approval of post-registration change incurs administrative cost, as it is necessary for the Supervisory Body to assess and confirm whether the change is within the scope and conditions of acceptable post-registration changes to be set by the Supervisory Body. The extent of the work by the Supervisory Body and its support structure (the secretariat, external experts or panel) to confirm the above depends on the nature and number of changes, and hence varies significantly. Some of the changes might require only a few simple checks, while other changes might require extensive assessment comparable to that of registration or renewal requests. Due to this variation, it would be difficult to set a level (or levels) of fees to post-registration change requests that appropriately reflects the administrative cost incurred. It should also be noted that, based on the experience under the CDM, many post-registration changes are unforeseeable at the time of registration and sometimes beyond the control of the activity participants.
30. Another aspect that needs attention when considering fees for post-registration change requests is that some post-registration changes would significantly increase the scale of emission reductions or removals (due to, for example, change of the capacity of installed facility). There is a need to be fair with registration requests of equivalent scale and to prevent the post-registration change process from being used to avoid higher registration fee.
31. Based on this consideration, the following is recommended:
 - (a) Set a bare minimum fixed-rate fee (e.g. USD [2,000]) for each request for approval of post-registration change;
 - (b) If the proposed change increases the scale of the activity to bring the scale to a higher tier of the registration fee, the difference in the registration fee rates is payable in addition to the fee in subparagraph (a) above.

3.1.4. Preferential treatment of least developed countries and small island developing States

32. The RMP, paragraph 29, states that “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. Under the CDM, the share of proceeds for administrative expenses for both registration (i.e. registration fee) and issuance (i.e. issuance fee) is waived for activities hosted by LDCs irrespective of the scale of the activity or requested number of CERs for issuance. Furthermore, for countries with fewer than 10 registered CDM project activities and PoAs in total, the registration fee is waived until the first issuance request. The latter provision is meant to encourage registration of CDM activities in countries under-represented in the

CDM, but the experience shows that this provision added little value while creating administrative complexity in determining the difference between the registration fee and the issuance fee for the first issuance request and charging the difference.

34. Based on the experience under the CDM and taking into account the provision in the RMP, paragraph 29, it is recommended that the entire share of proceeds be waived for administrative expenses for A6.4 Mechanism activities hosted by LDCs or SIDS.

3.2. Share of proceeds for adaptation

3.2.1. Monetary contribution from individual activities

35. In accordance with the RMP, paragraph 67, 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 comprise, among others, "A monetary contribution related to the scale of the Article 6, paragraph 4, activity or to the number of A6.4ERs issued, to be set by the Supervisory Body", as referred to in paragraph 2 above.
36. It is clear that this contribution is to be charged to requests concerning individual A6.4 Mechanism activities. Considering the language in the paragraph of the RMP, it can be assumed that a monetary contribution is to be made at registration of the activity under the A6.4 Mechanism "or" at each issuance of A6.4ERs. Without any further guidance from the CMA, such monetary contribution can be determined by the Supervisory Body, and the level of contribution should be meaningful. One fact to bear in mind is that individual A6.4 Mechanism activities are already levied on multiple fronts: registration fee; issuance fee; and 7 per cent of issued A6.4ERs (5 per cent for adaptation plus 2 per cent for overall mitigation in global emissions); and renewal fee if the proposal referred to in paragraph 27 above is agreed. Therefore, any additional levy should be kept sufficiently low in order not to discourage participation in the A6.4 Mechanism and to maintain the competitiveness of the A6.4 Mechanism in the carbon market. Furthermore, the charging process should be made as simple as possible.
37. Based on this consideration, it is recommended that a monetary contribution from individual A6.4 Mechanism activities to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation⁷ be:
- (a) **Option 1 (at registration only):** [1] [3] per cent of the registration fee, taken out from the registration fee referred to in paragraphs 10 and 13 above (i.e. no additional charge); or
 - (b) **Option 2 (at issuance only):** [1] per cent of the issuance fee, taken out from the issuance fee referred to in paragraph 20 above (i.e. no additional charge).
38. The collected monetary contributions may be transferred by the secretariat to the Adaptation Fund periodically (for example, annually).

⁷ In accordance with decision 13/CMA.1, paragraph 5, the share of proceeds from the A6.4 Mechanism to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall finance the Adaptation Fund.

39. For activities hosted by LDCs and SIDS, it is recommended that this charge be waived (as there is no registration fee or issuance fee to take out from), based on the same consideration mentioned in section 3.1.4 above.

3.2.2. Periodic contribution from remaining funds

40. In accordance with the RMP, paragraph 67(c), as quoted in paragraph 2(a)(iii) above, the remaining funds received from administrative expenses charged to individual A6.4 Mechanism activities shall, after setting aside the operating costs for the mechanism and an operating reserve, be transferred periodically to the Adaptation Fund.
41. If the registration fee is set at a level primarily to recover administrative expenses for processing registration requests, as proposed in paragraphs 10 and 13 above, the remaining funds in the early years of the operation of the A6.4 Mechanism would be very small, since registration requests would be predominant during such period. It would only be from the time when requests for issuance of A6.4ERs start coming in that sufficient surplus from issuance fees can be expected (after setting aside the operating costs for the mechanism and an operating reserve). It is difficult to predict when such time will come as it depends on the number of, and total requested amount of A6.4ERs in, issuance requests, as well as the resources required for the development of supporting infrastructure (e.g. information system to manage the activity cycle process for individual requests). It is also difficult to predict the long-term trend of expected surplus at this stage, as the use of the A6.4 Mechanism by activity participants and the authorization by host Parties of activities to be registered under the A6.4 Mechanism are dependent on the market conditions for A6.4ERs and host Parties' policies in meeting the NDC targets, which will be affected by the ambitions of participating Parties, the prospect of compliance of Parties with their NDCs, and the competitive advantage/disadvantage of the A6.4 Mechanism against other market-based mechanisms, among other factors.
42. It should also be noted that the CMP, at its sixteenth session (November 2021), invited the CMA to allocate the equivalent amount of the fund that had been transferred from the Trust Fund for the Clean Development Mechanism to the Trust Fund for Supplementary Activities for the work of the Supervisory Body to facilitate the expedited implementation of the A6.4 Mechanism (USD 30 million) to the Adaptation Fund after the A6.4 Mechanism has become self-financing.⁸ Consequently, any periodic contributions from the remaining funds to the Adaptation Fund should start after such repayment is complete.
43. Therefore, it would be prudent to remain open on the level and periodicity of transferring the remaining funds of share of proceeds for administrative expenses to the Adaptation Fund at this stage. Instead, it is suggested that the state of income of fees and expenses be reviewed every year, and the timing and the amount of funds to be transferred to the Adaptation Fund be determined after setting aside operational reserve at least for [five] coming years based on the projection of surplus.

3.3. Summary of recommendations

44. The recommendations on the share of proceeds made in the previous sections are summarized in the table below.

⁸ See decision 2/CMP.16, paragraph 21.

Share of proceeds type	Fee	Recommendation	Reference
	Post-registration change fee	<ul style="list-style-type: none"> Set a bare minimum fixed-rate fee (e.g. USD [2,000]) to requests for approval of post-registration change If the change results in the increase in the scale that crosses the thresholds of tiers in the registration fee, the difference in the registration fees is payable Exempted for activities in LDCs and SIDS 	<p>Para. 31</p> <p>Para. 34</p>
Share of proceeds for adaptation	Monetary contribution from individual activities	<p>(a) Option 1 (at registration only): [1] [3] per cent of the registration fee, taken out from the registration fee; or</p> <p>(b) Option 2 (at issuance only): [1] per cent of the issuance fee, taken out from the issuance fee</p> <ul style="list-style-type: none"> Exempted for activities in LDCs and SIDS 	<p>Para. 37</p> <p>Para. 39</p>
	Periodic contribution from the remaining funds from share of proceeds for administrative expenses	<ul style="list-style-type: none"> Not to decide a definite level and periodicity at this stage Review the state of income of fees and expenses every year, and determine the timing and the amount of funds to be transferred to the Adaptation Fund after setting aside an operational reserve at least for [five] coming years based on the projection of surplus 	Para. 43

45. Based on the request from the CMA referred to in paragraph 3 above, it is recommended that the Supervisory Body make recommendations on the various types of share of proceeds for administrative expenses in the table above, after choosing one option where options are provided, to the CMA for its consideration and adoption at its fourth session.
46. With regard to the share of proceeds for adaptation, in accordance with the RMP, paragraph 67(b), decision on the level of and process for monetary contribution from individual SDM activities is delegated to the Supervisory Body; hence it is recommended that the Supervisory Body report the decision to the CMA in its annual report.
47. With regard to a periodic contribution from the remaining funds of the share of proceeds for administrative expenses to the Adaptation Fund, the SBSTA may wish to take into account the consideration of the Supervisory Body based on the recommendations in this concept note, as the SBSTA was mandated to make recommendations to the CMA on the processes necessary for implementation of the share of proceeds for both administrative expenses and for adaptation, as referred to in paragraph 4 above.

4. Impacts

48. Setting appropriate levels of the share of proceeds for administrative expenses and for contributions to the Adaptation Fund that would ensure sound operation of the A6.4 Mechanism as well as provide a system that is fair, transparent and competitive in the market would not only be necessary for the operation of the A6.4 Mechanism, but would also highlight the benefits of participating in the A6.4 Mechanism.

5. Subsequent work and timelines

49. Once the Supervisory Body agrees on the levels and the processes relating to the share of proceeds for administrative expenses based on the information and the proposed recommendations in this concept note, it may wish to include its recommendations in the annual report to the CMA.
50. The Supervisory Body may also, in its meeting report, wish to draw the attention of the SBSTA to its consideration and recommendations on the share of proceeds for a periodic contribution to the Adaptation Fund.

6. Recommendations to the Supervisory Body

51. The secretariat recommends that the Supervisory Body agree on levels of the share of proceeds for administrative expenses under the A6.4 Mechanism and related processes based on the information and the proposed recommendations in this concept note and make recommendations to the CMA, as appropriate.

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