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Information Note

Status of current work on the application of the requirements referred to in chapter V B (Methodologies) of the rules, modalities and procedures

Version 01.0



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Note: This document captures the current work undertaken by the Supervisory Body related to the request of the CMA in decision 3/CMA.3, paragraph 6(d), to develop recommendations on the application of the requirements referred to in chapter V B (Methodologies) of the rules, modalities and procedures. This document is not final, may not reflect all the views expressed and forms a basis for further work on this matter by the Supervisory Body.

1. Procedural background

1. Decision 3/CMA.3, paragraph 6(d), requested the Supervisory Body to elaborate and further develop recommendations, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its fourth session (November 2022), on the application of the requirements referred to in chapter V.B (titled 'Methodologies') of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP) (see the annex to decision 3/CMA.3). [The relevant paragraphs in the RMP are as follows:

33. Mechanism methodologies shall encourage ambition over time; encourage broad participation; be real, transparent, conservative, credible, below 'business as usual'; avoid leakage, where applicable; recognize suppressed demand; align with the long-term temperature goal of the Paris Agreement, contribute to the equitable sharing of mitigation benefits between the participating Parties; and, in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy if it has submitted one and the long-term goals of the Paris Agreement.

34. Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors and take into account uncertainty, leakage, policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances, and address reversals, where applicable.

35. Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body. Mechanism methodologies shall be approved by the Supervisory Body where they meet the requirements of these rules, modalities and procedures and the requirements established by the Supervisory Body.

36. Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 above and recognizing that a host Party may determine a more ambitious level at its discretion:

A performance-based approach, taking into account:

(i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;

(ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;

(iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above.

37. 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 and be consistent with paragraph 33 above.

38. Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 above.

39. The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body.]

2. The Supervisory Body, at its first meeting, considered the concept note “Guidelines for the implementation of methodological principles, approaches and methods for the establishment of baseline and additionality” and discussed how the principles included in chapter V.B of the RMP can be further elaborated as guidance for the development of methodologies for the mechanism.
3. The Supervisory Body agreed that an informal working group on methodologies comprising its members and alternate members as well as secretariat staff would work to prepare draft recommendations for the CMA, taking into account the input provided at the second meeting of the Supervisory Body, for consideration by the Supervisory Body at its third meeting, with a view to forwarding the recommendations to the CMA at its fourth session. The Supervisory Body noted that there are capacity-building needs for host Parties to participate in the mechanism, including those relating to methodologies, to deliver higher ambition of the Parties.
4. Further where activities occur within the boundaries of a large-scale (e.g., national, sub-national) sectoral strategy or program for reducing and removing greenhouse gas (GHG) emissions, further methods for coordinating and/or reconciling accounting, emissions leakage, monitoring, and safeguards will need to be developed by the Supervisory Body.

2. Elaboration of the requirements in paragraphs 33 to 39 of the rules, modalities and procedures

2.1. Normative reference

5. The “shall” requirements in this document are those that the user of this document (i.e. activity participants, host Parties, stakeholders or the Supervisory Body) is obliged to satisfy in order to claim conformance to this document. Other types of provisions in this document include (i.e. recommendations (“should”), permissions (“may”), possibilities and capabilities (“can”).
6. Reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans are collectively referred to as ‘emission reductions’ in this document.

2.2. Process for methodology development

7. Paragraph 35 of the rules, modalities and procedures (RMP) states that ‘Mechanisms methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body. Mechanism methodologies shall be approved by the Supervisory Body when they meet the requirements of the RMP and those established by the Supervisory Body’.
8. A bottom-up process is when mechanism methodologies are developed by activity participants or host Parties or stakeholders and submitted for the consideration of the Supervisory Body. A top-down process is when the Supervisory Body and its support structure develop mechanism methodologies.
9. The Supervisory Body will develop the procedure for bottom-up and top-down processes for the development of new mechanism methodologies. This should also cover, inter alia, developing broadly applicable methodological tools to promote consistency of approaches across methodologies where applicable.
10. The Supervisory Body will undertake the top-down process to develop or revise mechanism methodologies, subject to availability of resources, to alleviate barriers due to capacity and financial constraints of host Parties or stakeholders. In this regard, once the mechanism has evolved and fully functional, the Supervisory Body will prioritize (i) the requests of host Parties that are least developed countries (LDCs)/small island developing States (SIDS); and (ii) methodologies suitable for programmatic approaches.
11. The procedure for development of a new or revision of mechanism methodologies shall integrate a public consultation process. Such a procedure should allow a broad spectrum of stakeholders to fully engage in the methodology development/revision processes as a measure to ensure broad participation in the mechanism. The procedure shall ensure that stakeholders have sufficient time and the information they need to participate in the consultation process.

2.3. Encouraging ambition over time

12. Paragraph 33 of the RMP states that ‘Mechanism methodologies shall encourage ambition

over time’.

13. This requirement shall be implemented through the application of approaches to be elaborated in accordance with further guidance and procedures to be developed by the Supervisory Body, which are relevant and applicable to the implementation of other elements of para 33 of the RMP.

[Approaches]

14. These approaches shall include approaches based on:
 - (a) increasing the stringency of the baselines over time;
 - (b) the implementation of replicable and scalable mitigation activities.
15. Developing Baseline Contraction Factors (BCFs) to periodically adjust the baseline downwards, is one way of implementing more stringent baselines over time. BCFs could be developed by the Supervisory Body at the request of the host Party or could be developed by host Party and approved by the Supervisory Body. A procedure [will][could] be established to guide the development of BCFs including the process for consultation with the host Parties.
16. Approaches to include progressively more efficient and less GHG intensive technologies in programmes, or activities which expand the user base of project technologies or greater penetration among potential end users, or expansion of geographical sectoral coverage, are potential ways of supporting replicability and scalability of mitigation activities.
17. The Supervisory Body shall develop further guidance on the applicability and/or procedures on the implementation of these approaches.

2.4. Encouraging broad participation

18. Paragraph 33 of the RMP states that the ‘Mechanism methodologies shall encourage broad participation’.
19. Supervisory Body should encourage development of a broad range of methodologies covering wide set of mitigation technologies and measures. Mechanism methodologies should encourage broad participation by being simple, clear and applicable for broad sectoral and technology coverage. Mechanism methodologies should encourage participation of a broad range of stakeholders during the methodology development as described in paragraph 11 of section 2.2.

2.5. Being real, transparent, conservative, credible

20. Paragraph 33 of the RMP states that the ‘Mechanism methodologies shall be real, transparent, conservative, credible’.
21. Mechanism methodologies shall ensure that the results of Article 6.4 activities developed using them, represent actual tonnes of greenhouse gas emissions reduced or removed and shall provide credible methods for estimating emission reductions. Such estimation should be based on up-to-date scientific information and reliable data gathered through robust monitoring methods, excluding extraneous cofactors affecting emission reductions.

22. Mechanism methodologies shall require transparent descriptions of the source of the data used, and disclosure of data sources unless they are confidential, the assumptions made, the references used and the underlying steps deriving the estimates of the results of Article 6.4 activities, where necessary, including equations.
23. Mechanism methodologies shall result in conservative emission reduction estimates, from the measures applied or the options chosen, or assumptions made and shall not overestimate the emission reductions from Article 6.4 activities. Where relevant, the mechanism methodologies shall require the accounting of uncertainty associated with modelled and surveyed data.

2.6. Being below business as usual

24. Paragraph 33 of the RMP states that the 'Mechanism methodologies shall be below 'business as usual''.
25. Mechanism methodologies shall require that the baseline selected following the approach described under section 2.15 shall be demonstrated as being below business-as-usual (BAU). For that purpose, the mechanism methodology shall require the identification of the BAU scenario(s) and provide an approach for the calculation of BAU emissions.

2.7. Avoid leakage where applicable

26. Paragraph 33 of the RMP states that the 'Mechanism methodologies shall avoid leakage, where applicable'.
27. Leakage is the net change of anthropogenic emissions by sources of greenhouse gases (GHGs) which occurs outside the project boundary, and which is measurable and attributable to the Article 6.4 activity, as applicable.
28. Mechanism methodologies shall:
 - (a) Ensure that the potential sources of leakage in a typical activity covered by the mechanism methodology are identified, including, but not limited to, used equipment transferred outside of the project boundary and diversion of resources from other activities, or diversion of production or service provision;
 - (b) Include provisions to avoid or minimize all sources of leakage as far as possible;
 - (c) Quantify the leakage that cannot be avoided and deduct it from the emission reduction achieved by the Article 6.4 activities;
 - (d) Require the activity participant to follow any guidance from the designated national authority (DNA) of the host Party on leakage, where available.
29. For some classes of activities, monitoring at jurisdictional level may be necessary to quantify and account for leakage. In addition, further work will be required to assess the implications of activities implemented outside national borders and transboundary activities. Supervisory Body will develop further guidance in this regard at a future meeting of the Supervisory Body

2.8. Recognizing suppressed demand

30. Paragraph 33 of the RMP states that the 'Mechanism methodologies shall recognize suppressed demand'.
31. Supervisory Body will recognise suppressed demand, where applicable, by considering that the baseline scenario is not the historical condition, but rather a situation where the baseline equipment or measure cannot realistically provide the level of service required of the Article 6.4 activity and alternative technology that provides the level of service comparable to Article 6.4 activity is assumed/assessed.
32. In context where the baseline equipment or measure cannot realistically provide the level of service of the Article 6.4 activity, the Supervisory Body will recognize alternative technology that provides the level of service comparable to Article 6.4 activity to be the baseline scenario rather than a historical situation.
33. The Supervisory Body will assess if suppressed demand is a plausible situation for a given context on a case-by-case basis and, where relevant, it will recognize suppressed demand by including benchmarks and default factors in specific methodologies that may not be below BAU. Mechanism methodologies may include such factors where relevant for use by activity participant, however activity participants shall not directly estimate suppressed demand while applying a methodology.

2.9. Contributing to the equitable share of mitigation benefits between participating Parties

34. Paragraph 33 of the RMP states that the 'Mechanism methodologies shall contribute to the equitable sharing of mitigation benefits between the participating Parties'.
35. Mechanism methodologies may specify application of [an approach based on increasing the stringency of the baselines over time under paragraph 14 (a)] [approaches identified under paragraphs 14 to 17] so as to ensure that activity will contribute to equitable sharing of mitigation benefits.
36. Mechanism methodologies shall require the activity participants to describe the measures taken to contribute to the delivery of mitigation benefits to the participating Parties in the project design documents.
37. This requirement may also be operationalized through the DNAs, acknowledging that it is their full right to demand an equitable share of benefits as a pre-condition for the approval of activity(ies) and/or authorization of A6.4ERs to achieve their NDCs. Activity participants shall follow any guidance from the DNAs in this regard.

2.10. Aligning with NDC of each participating Party, if applicable and LT-LEDs, if it has submitted one [and the long-term goals of the Paris Agreement]

38. Paragraph 33 of the RMP states that 'mechanism methodologies shall, in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one and the long-term goals of the Paris Agreement'
39. Mechanism methodologies shall require demonstration that the activity aligns with the latest NDC of the host Party (if applicable) or [encourages] [enables] increasing ambition

in the NDCs, and aligns with the LT-LEDs (if it has submitted one) [and the long-term goals of the Paris Agreement].

40. The Supervisory Body will develop further guidance on how this requirement will be demonstrated.

2.11. Aligning with long-term temperature goals of the Paris Agreement

41. Paragraph 33 of the RMP states that 'Mechanism methodologies shall align with the long-term temperature goal of the Paris Agreement.'
42. Mechanism methodologies shall require demonstration that the activity is aligned with long-term temperature goals of the Paris Agreement.
43. Mechanism methodologies may require the application of 'approaches' identified under paragraph 14 to 17 so as to ensure that activity aligns with the long-term temperature goal of the Paris Agreement.
44. The Supervisory Body will develop further guidance on how this requirement will be demonstrated.

2.12. Including data sources and accounting for uncertainty

45. Paragraph 34 of the RMP states that 'Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors'.
46. The Supervisory Body should ensure that the mechanism methodologies are transparent, comprehensive and comprehensible and include relevant assumptions, parameters, data sources and key factors. Where relevant, requirements shall be expressed in terms of performance rather than specification of a product, and these requirements should be verifiable.
47. If it is necessary to invoke a requirement in a methodology that appears elsewhere in another methodology, this should be done by reference and not by repetition. If a test method or a procedure is, or is likely to be, applicable to two or more methodologies, a tool shall be prepared on the method itself, and each methodology shall refer to it to prevent potential deviations on account of repetitions.

2.13. Taking into account policies and measures and relevant circumstances

48. Paragraph 34 of the RMP states that 'Mechanism methodologies shall take into account policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances.
49. [The Supervisory Body will develop [further] guidance how mechanism methodologies shall take into account policies and measures and relevant circumstances at a future meeting of the Supervisory Body.]
50. [The Supervisory Body will address take into account relevant circumstances when developing guidance at a future meeting of the Supervisory Body.]

2.14. Addressing Reversals

51. Paragraph 34 of the RMP states that 'Mechanism methodologies shall address reversals, where applicable'.
52. "Reversal" means the release into the atmosphere of the verified tonnes of removals.
53. Mechanism methodologies shall address reversals of removals using a consistent approach specified under the recommendations on removals.

2.15. Requirements on baselines

54. Paragraph 36 of the RMP states that

'Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 above and recognizing that a host Party may determine a more ambitious level at its discretion:

A performance-based approach, taking into account:

- (i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;
 - (ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;
 - (iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above'.
55. Paragraph 27 of RMP states that 'A host Party may specify to the Supervisory Body, prior to participating in the mechanism: (a) Baseline approaches and other methodological requirements...'
 56. Mechanism methodologies shall justify the appropriateness of the choice(s) made in the methodology for setting the baseline while taking into account guidance on the performance-based approach in the RMP. For the approach based on existing actual or historical emissions, the mechanism methodology may apply [approaches identified under paragraph 14 to 17 as an option] [BCF(s) identified under paragraph 15 as one option] to adjust the existing actual or historical emissions downwards to ensure alignment with paragraph 33 of the RMP.
 57. Mechanism methodology should include provisions to progressively increase the stringency of the baselines applied in the methodology, as applicable.
 58. A host Party may determine a more ambitious baseline requirement at its discretion.
 59. The Supervisory Body may undertake further assessment and develop further guidance in relation to the baselines at a future meeting of the Supervisory Body.

2.16. Additionality

60. Paragraph 38 of the RMP states that 'Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 above'.
61. Paragraph 39 of the RMP states that 'The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body'.
62. Additionality assessment shall require that the activity participants take a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with the requirements discussed under sections 2.3 to 2.11 above.
63. Mechanisms methodology shall require that additionality demonstration of the article 6.4 activity is established by showing that:
 - (a) Without the incentive from the mechanism, the activity would not be feasible; and
 - (b) The activity represents mitigation that exceeds any mitigation that is required by law or regulation.
64. The Supervisory Body may approve a list of technologies that are considered additional and termed as positive list of technologies. Mechanism methodologies should require that the activity participant demonstrate that that the proposed article 6.4 activity is part of the positive list of technologies established by the Supervisory Body in order to use the positive list for the demonstration of additionality.
65. The Supervisory Body will consider the technologies for which necessary conditions exist with a high degree of certainty in accordance with the requirements in paragraph 63, where relevant on a regional basis, considering special circumstances of LDCs/SIDS, as the basis for developing the positive list.
66. The Supervisory Body will develop further guidance on the demonstration of additionality and the positive list of technologies at a future meeting of the Supervisory Body, including simplified approaches for demonstration of additionality for any LDCs/SIDS.

2.17. Standardized baselines

67. Paragraph 37 of the RMP states that '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 and be consistent with paragraph 33 above'.
68. A standardized baseline is a baseline developed for a host Party or a group of host Parties on a sub-national, national or group-of-countries basis rather than on an activity basis, to facilitate the calculation of GHG emission reductions and/or the determination of

- additionality for Article 6.4 activities, while providing assistance for assuring environmental integrity.
69. The approaches for the baselines referred to above under section 2.15 shall also be applied for the development of the standardized baseline.
70. Standardized baselines may be developed by the host Party and approved by the Supervisory Body following an assessment against the procedures for the development of a standardized baseline that shall be developed and approved by the Supervisory Body.
71. [Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party. The Host Party and the Supervisory Body should determine the level of aggregation taking into account the following aspects:
- (a) A default level of aggregation shall comprise the facilities or equipment producing the similar type of output within the geographical boundaries of one Party. The level of aggregation may be expanded to a group of Parties with similar circumstances relating to the output;
 - (b) A default group of facilities should be disaggregated when significant dissimilarities exist in the performance of facilities or groups of facilities in the country/region. In this case, the disaggregation shall be carried out according to relevant criteria, such as production scale, installed capacity or age of the facilities, and standardized baselines values should be determined for each group of similar facilities;
 - (c) Disaggregation should not result in standardized baselines with overlapping applicability.]
72. Standardized baselines may include a [default] validity period of three years, starting from the date of approval by the Supervisory Body. A host Party may propose a shorter or longer validity period taking into account specificity of sectors in which activities are undertaken, and by providing justification for the consideration of the Supervisory Body.
73. After the validity of a standardized baseline has expired, the updated standardized baseline shall be considered by the Supervisory Body subject to host Party making a request for the update. The updated standardized baseline shall not impact already registered activities up to the end of their first crediting period.
74. The Supervisory Body may develop and approve separate guidance on standardized baselines at a future meeting of the Supervisory Body.

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Document information

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