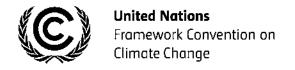
A6.4-SB004-A03

Information note

Guidance and questions for further work on methodologies

Version 01.0



Guidance and questions for further work to prepare the updated information note on requirements for the development and assessment of mechanism methodologies

1. General approach: information, analysis, options

- Information note will include elaboration of the approaches to address the rules, modalities and procedures (RMP) elements by the secretariat under the guidance of the small group of Supervisory Body (SB), on the basis of available literature taking into account public input.
- The information note will be structured as a clear proposal, covering background information, analysis, options for the guidance (anchoring), and pros & cons of such options.
- Mode of work: Small group members will take ownership by enrolling to specific areas of the information note to give timely guidance to the secretariat and to ensure quality assurance and quality control (QA/QC). Entire SB will be informed in informal consultations at regular intervals.

2. Elaborate with reference to literature and public inputs:

2.1. Context

- 1. Discuss the following:
 - Larger context in which carbon markets operate (based on strategy meeting with further information requests at SB004 meeting);
 - Current Supply/ demand, forecasts;
 - Trends in the market (offsetting, results-based finance etc.);
 - 2030/2050 climate goals;
 - Balancing emissions with removals.

2.2. Baseline Setting

- 2. Discuss what is understood by the elements in the chapeau to paragraph 33 of RMP and how could they be operationalized (elements):
 - (a) encourage ambition over time;
 - (b) encourage broad participation;
 - (c) be real, transparent, conservative, credible, below 'business as usual';
 - (d) avoid leakage, where applicable;
 - (e) recognize suppressed demand;
 - (f) align with the long-term temperature goal of the Paris Agreement;

- (g) contribute to the equitable sharing of mitigation benefits between the participating Parties;
- (h) 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.
- 3. Discuss what is understood by the performance-based approach(es) identified in paragraph 36 of the RMP (approaches):
 - (a) Best Available Technologies (BAT) that represent an economically feasible and environmentally sound course of action, where appropriate;
 - (b) 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;
 - (c) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 of the RMP.
- 4. With reference to different programmes or experiences, discuss on the applicability and implementation aspects of above approaches.
- 5. Discuss the interaction of the elements and approaches including how the following measures may deliver on elements while implementing the approaches:
 - (a) Scalability and replicability
 - (b) Increasing stringency over time.

2.3. Additionality

- 6. Discuss the interaction of the elements and approaches with paragraph 38 of the RMP.
- 7. Discuss how the different elements below be understood and implemented:
 - (a) 'would not have occurred in the absence of the incentives from the mechanism';
 - (b) 'taking into account all relevant national policies, including legislation';
 - (c) 'representing mitigation that exceeds any mitigation that is required by law or regulation;
 - (d) 'taking a conservative approach that avoids locking in levels of emissions, technologies or carbon intensive practices incompatible with paragraph 33 of the RMP'.
- 8. Discuss classes of project, or levels and lifetimes of emissions that would deliver lock in and how might these be identified.
- 9. Discuss what elements or criteria should be used to determine eligibility for automatic additionality, i.e., inclusion on a "positive list", describe classes of project, or levels and lifetimes of emissions that might be favoured in a positive list.

2.4. General aspects on baseline and additionality

- Discuss how might the application of the elements and approaches for baseline and additionality identified vary according to countries, sectors, technologies or practices or implementation scale.
- 11. Discuss how might the application of the elements and approaches for baseline and additionality identified vary in respect of activities that 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.
- 12. Discuss how might these elements or options to address them be informed by assessments such as from the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) or Food and Agriculture Organization of the United Nations (FAO).
- 13. Discuss how might these elements be informed by host countries standards or policies.

2.5. Leakage

- 14. Discuss what is meant by leakage.
- 15. Discuss when does leakage occur, where are the greatest risks.
- 16. Discuss what are the main approaches to address leakage at different scales.
- 17. Discuss what are the classes of activities for which monitoring at jurisdictional level may be necessary to quantify and account for leakage.

2.6. Non-permanence and reversals

- 18. Discuss where are non-permanence risks in respect of emission reductions.
- 19. Discuss how are these typically addressed and what are the options.

2.7. Policies, measures and circumstances:

20. In relation to paragraph 34 of the RMP, discuss what guidance should be developed to take into account policies, measures and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances.

3. Annexes:

- 21. Examples of revision of methodologies or their elements and conclusions from that exercise:
 - (a) Renewables (already made available)
 - (b) Land-based removals (to be developed)
 - (c) Engineering removals (to be developed)

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Version 01.0

Document information

Version	Date	Description
01.0	10 March 2023	SB004 Annex 3 Initial publication.

Decision Class: Regulatory Document Type: Information note Business Function: Methodology

Keywords: A6.4 mechanism, developing and assessing methodologies, methodologies, regulatory

framework

Related documents:

21 February 2023	A6.4-SB004-AA-A10 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 3.0) (Zip file: Appendices 1 - 4 to Annex 10)
07 November 2022	A6.4-SB003-A04 – 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 1.0)
25 October 2022	A6.4-SB003-AA-A05 – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 2.0) A6.4-SB003-AA-A06 - Information note: Requirements for the development and assessment of mechanism methodologies (version 2.0)
12 September 2022	A6.4-SB002-AA-A07 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 1.0) A6.4-SB002-AA-A08 - Information note: Requirements for the development and assessment of mechanism methodologies (version 1.0)
08 July 2022	A6.4-SB001-AA-A06 - Concept note: Guidelines for implementation of methodological principles, approaches, and methods for the establishment of baseline and additionality (version 1.0)