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Concept note

Development of activity standard, validation and verification standard and activity cycle procedure

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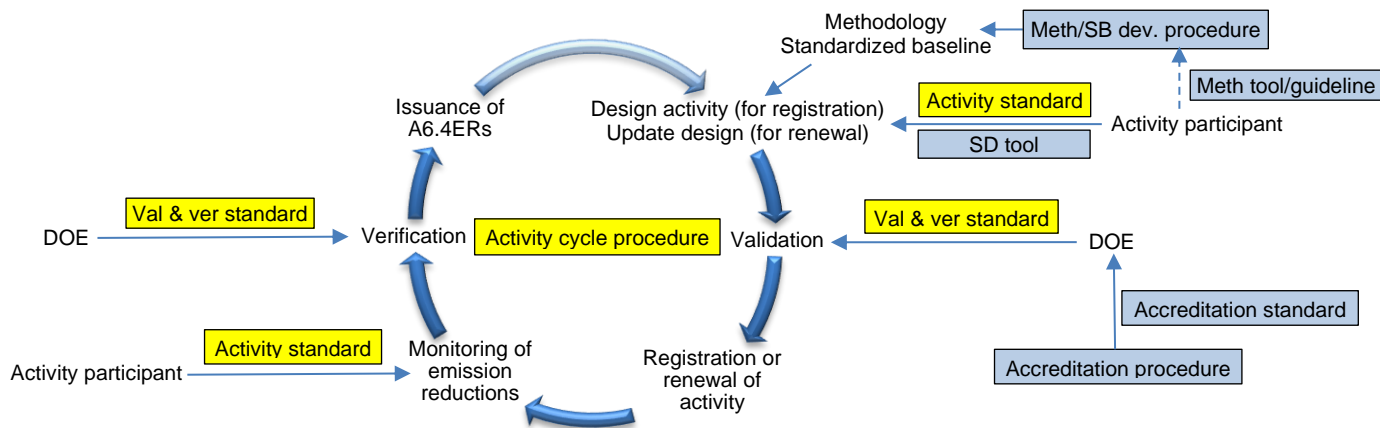
1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session, requested¹ the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (the Article 6.4 mechanism) to “Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes pursuant to chapters V.B–L and VIII” of the rules, modalities and procedures for the mechanism as contained in the annex to decision 3/CMA.3 (RMPs).
2. The CMA, in the same decision, also requested² the Supervisory Body to “review the accreditation standards and procedures of the clean development mechanism with a view to applying them with revisions, as appropriate, for the mechanism by the end of 2023” and to “review the sustainable development tool in use for the clean development mechanism and other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism by the end of 2023”.
3. Based on this, the Supervisory Body included in its workplan for 2022–2023 the development of the following regulatory documents in 2023 to operationalize the Article 6.4 mechanism:
 - (a) Activity standard;
 - (b) Validation and verification standard;
 - (c) Activity cycle procedure;
 - (d) Methodology development procedure;
 - (e) Standardized baseline development procedure;
 - (f) Accreditation standard;
 - (g) Accreditation procedure;
 - (h) Sustainable development tool.
4. Furthermore, it is expected that other tools and guidelines on specific requirements in these regulatory documents, in particular in the area of methodologies, would be required to make the Article 6.4 mechanism operational.
5. The linkages of these regulatory documents are illustrated in figure 1 below. Of these, the activity standard, the validation and verification standard and the activity cycle procedure constitute the core regulatory framework directly supporting the operation of the activity cycle.

¹ See decision 3/CMA.3, paragraph 5(a) contained in document FCCC/PA/CMA/2021/10/Add.1 available at: <https://unfccc.int/documents/460950>.

² See decision 3/CMA.3, paragraphs 5(c–d).

Figure 1. Core regulatory framework of the Article 6.4 mechanism



2. Purpose

6. The purpose of this concept note is to propose approaches to developing the activity standard, the validation and verification standard and the activity cycle procedure, which constitute the core regulatory framework for the operation of the activity cycle of the Article 6.4 mechanism.

3. Key issues

3.1. Activity standard

3.1.1. General

7. Chapter V.A of the RMPs sets out design requirements for activities that may be registered under the Article 6.4 mechanism, as quoted below:

30. 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 other relevant requirements adopted by the CMA or the Supervisory Body.

31. The activity:

- (a) Shall be designed to achieve mitigation of GHG emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans (hereinafter collectively referred to as emission reductions), and not 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;
- (c) Shall be designed to achieve emission reductions in the host Party;
- (d) 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 these are addressed in full;
 - (iii) Minimize the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals;
 - (iv) Minimize and, where possible, avoid negative environmental and social impacts;
 - (e) Shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation and local communities and indigenous peoples, as applicable;
 - (f) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of 5 years renewable a maximum of twice, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice 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. The crediting period shall not start before 2021.
32. 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.

3.1.2. Scope

8. As in any regulatory documents, the scope of the activity standard needs to be defined first to clarify its role and limitation in the Article 6.4 mechanism regulations. It is evident that the activity standard should elaborate and provide concrete means for demonstration of the compliance with the activity design requirements contained in chapter V.A (Activity design) of the RMPs, as quoted in paragraph 7 above, not only at registration, but at all stages of the activity cycle of the Article 6.4 mechanism. This would mean that the activity standard should elaborate at least the following areas of requirements:
- (a) Activity design requirements for registration;
 - (b) Implementation and monitoring requirements;

- (c) Post-registration change design requirements;
 - (d) Activity design requirements for renewal.
9. The activity standard would be a document for use primarily by activity participants but would also serve as a reference for other actors in the activity cycle, including designated operational entities (DOEs) in their validation and verification, host and other participating Parties for their approval and/or authorization, and the Supervisory Body for its decision-making, in relation to specific activities processed under the activity cycle.
 10. It should be noted that paragraph 30 of the RMPs indicates that the CMA or the Supervisory Body may adopt “any other relevant requirements” with regard to activity design. Therefore, the activity standard should be revised in the future accordingly.
 11. Pursuant to paragraph 31(a) of the RMPs, activities that may be registered under the Article 6.4 mechanism include those that reduce emissions, increase removals and bring about mitigation co-benefits of adaptation actions and/or economic diversification plans, and do not lead to an increase in global emissions. Of these, basic rules on activities increasing removals have not yet been adopted by the CMA. Mitigation co-benefits would result in either emission reductions or removals. Based on this, the activity standard could, at the outset, contain only requirements applicable to emission reduction activities. Requirements for removal activities could be included in the activity standard once the CMA adopts the respective set of basic rules for removal activities.
 12. Pursuant to paragraph 31(b) of the RMPs, activities that may be registered under the Article 6.4 mechanism may be a project, programme of activities (PoA) or other type of activity approved by the Supervisory Body. Although there would be common requirements irrespective of activity type, different or additional requirements may be needed depending on the activity type due to the different nature of activity design and implementation. A single activity standard could cover all activity types, clearly specifying which provisions are applicable to which activity type(s), but this could create confusion for use.
 13. Under the CDM, the project standard was initially developed as a single document covering both project activities and PoAs, but as the PoA rules evolved the project standard was separated into two standards to clarify the applicability of provisions to either a project activity or PoA. As such, in the event that an activity standard for the Article 6.4 mechanism would need to document specific rules for the different activity types, it would be advisable to develop separate standards for each activity type at the outset.
 14. If an “other type of activity” referred to in paragraph 31(b) of the RMPs is proposed, the proponent should first seek clarification from the Supervisory Body as to whether the existing activity standard (and the validation and verification standard and the activity cycle procedure) is applicable to such activity type with or without deviations from some of the provisions. The Supervisory Body should consider whether an entirely new set of rules would be required when such clarification is sought.
 15. Procedural requirements for submission and processing of requests for registration, issuance, post-registration changes, renewal and deregistration under the activity cycle should be outside the scope of the activity standard. Such requirements should be covered by the activity cycle procedure as discussed in section 3.3 below.

3.1.3. Registration requirements

16. At registration under the Article 6.4 mechanism, activities need to demonstrate compliance with all the requirements contained in paragraphs 30–32 of the RMPs. Possible approaches to elaborating each requirement to ensure clarity and understanding of the requirement for compliance by activity participants or other actors in the activity cycle are summarized in table 1 below.

Table 1. Registration requirements

RMPs paragraph	Proposed elaboration approach
<p>30. 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 other relevant requirements adopted by the CMA or the Supervisory Body.</p>	<p>Elaboration not required.</p>
<p>31. The activity:</p> <p>(a) Shall be designed to achieve mitigation of GHG emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans (hereinafter collectively referred to as emission reductions), and not lead to an increase in global emissions;</p> <p>(b) May be a project, programme of activities or other type of activity approved by the Supervisory Body;</p>	<ul style="list-style-type: none"> • The activity standard should at the outset contain only requirements applicable to emission reduction activities. Requirements for removal activities could be included once the CMA adopts the respective set of basic rules for removal activities. (see paragraph 11 above). • The activity standard should require the identification of GHGs that are considered in the calculation of emission reductions and leakage. • The activity standard should refer to the additionality requirement as a general principle, noting that, in accordance with paragraph 38 of the RMPs, the additionality requirement should be elaborated in each methodology. Should common guidance for more than one methodology be required or deemed beneficial, such guidance could be compiled in the form of a methodological tool. • The activity standard should define “project” and “programme of activities”. • The activity standard should require the identification of an activity type with a description of the activity. • The activity standard should require that clarification be sought from the Supervisory

RMPs paragraph	Proposed elaboration approach
<p>(c) Shall be designed to achieve emission reductions in the host Party;</p> <p>(d) Shall also:</p> <p>(i) Deliver real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b);</p>	<p>Body prior to proposing an “other type of activity” (see paragraph 14 above);</p> <ul style="list-style-type: none"> • The activity standard should set out the necessity of demonstrating additionality, appropriate monitoring and calculating estimated emission reductions as general requirements. However, the concrete means to do so should be contained in each methodology or methodological tool to be developed in accordance with the document on the application of chapter V of the RMPs, as mandated at CMA 3. • The activity standard should provide concrete and objective means to demonstrate how to qualify “real, measurable and long-term benefits relating to climate change”. • The activity standard should, at minimum, require that the activity be among the activity types indicated by the host Party in accordance with paragraph 26(e) of the RMPs and follow the methodological conditions and crediting period rules that may be specified by the host Party in accordance with paragraph 27 of the RMPs, as such indication and specification are expected to be based on the host Party’s consideration on the contributions to the achievement of its NDC and long-term low GHG emission development strategy, as applicable. Furthermore, paragraph 33 of the RMPs states that “mechanism methodologies shall encourage ambition over time; encourage broad participation; be real, transparent, conservative, credible and 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”. Therefore, this requirement may be deemed met if the activity meets the indication on activity type and the

RMPs paragraph	Proposed elaboration approach
<p>(ii) Minimize the risk of non-permanence of emission reductions over multiple NDC implementation periods and, where reversals occur, ensure that these are addressed in full;</p> <p>(iii) Minimize the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals;</p> <p>(iv) Minimize and, where possible, avoid negative environmental and social impacts;</p> <p>(e) Shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation and local communities and indigenous peoples, as applicable;</p> <p>(f) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum</p>	<p>specification on methodological and crediting period conditions set by the host Party, and applies a methodology approved by the Supervisory Body.</p> <ul style="list-style-type: none"> • This requirement is relevant only to removal activities. Provided that the project standard will include only provisions for emission reduction activities at the outset, this requirement should be referred as a general principle in the activity standard when it is revised to cover removal activities and should be elaborated in methodologies and methodological tools for removal activities. • The activity standard should include this requirement as a general principle, while how to identify the activity boundary and leakage and quantify the leakage should be elaborated in each methodology or methodological tool. • The activity standard should clarify that this requirement may be met by conducting environmental and social impact assessments in accordance with the relevant national law of the host Party. The activity standard should further clarify that, in case such law does not exist in the host Party, or is not applicable to the activity in question, the activity shall still undergo assessments of environmental and social impacts and describe how the impacts will be minimized; for that purpose, the activity standard could provide standard modalities. • The activity standard should clarify that this requirement could be met by conducting a local stakeholder consultation in accordance with the relevant national law of the host Party. The activity standard should further clarify that in case such law does not exist in the host Party, or is not applicable to the activity in question, the activity shall still undergo a local stakeholder consultation and describe how the comments are addressed; for that purpose, the activity standard could provide standard modalities. • The activity standard should require that the crediting period type (renewable or

RMPs paragraph	Proposed elaboration approach
<p>of 5 years renewable a maximum of twice, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice 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. The crediting period shall not start before 2021.</p>	<p>fixed) be chosen at registration and clarify that it cannot be changed thereafter. The activity standard should also require that the length and the start date of the crediting period be specified by referring to the conditions on the crediting period that may be specified by the host Party in accordance with paragraph 27(b) of the RMPs, if applicable.</p> <ul style="list-style-type: none"> • The activity standard should clarify that the crediting period may start as early as 1 January 2021 if it is demonstrated that the activity had started achieving emission reductions from or before that date, provided that the additionality requirement is met.
<p>32. 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:</p> <ol style="list-style-type: none"> Set a baseline for the calculation of emission reductions to be achieved by the activity; Demonstrate the additionality of the activity; Ensure accurate monitoring of emission reductions; Calculate the emission reductions achieved by the activity. 	<ul style="list-style-type: none"> • The activity standard should refer to this requirement as the basis for the common elements of all mechanism methodologies, but the elaboration of each of these elements and addition of further elements as appropriate should be made in a separate document on the application of chapter V of the RMPs, as mandated at CMA 3.

17. In addition to the proposed elements in the table above, the activity standard should also include the following registration requirements:
 - (a) Provision of a detailed description of the activity, including geographical location, technologies/measures deployed, how the activity is to be implemented and maintained, start date and expected lifetime of the activity;
 - (b) Provision of information on the activity participants, including their names and contacts;
 - (c) Demonstration of the contribution to sustainable development of the host Party with a reference to the sustainable development tool to be developed by the Supervisory Body;

18. In addition, the activity standard should contain provisions relating to standardized baselines, defining their nature and applicability to activities at registration, and clarify as to whether the application of an applicable standardized baseline is mandatory or optional.

19. Due to the procedural nature, the following elements should be covered by the activity cycle procedure, as proposed in section 3.3 below:

- (a) Use of a relevant form (activity design document) specified by the Supervisory Body to describe the activity and demonstrate its compliance with the registration requirements;
- (b) Approval of the activity by the host Party and authorization of activity participants by host and participating Parties;
- (c) Authorization on the use of Article 6, paragraph 4, emission reductions (A6.4ERs) issued for the activity in accordance with paragraph 42 of the RMPs;
- (d) Modalities of communication with activity participants.

3.1.4. Implementation and monitoring requirements

- 20. Paragraph 50 of the RMPs states that “The activity participants shall monitor emission reductions achieved by the activity during each monitoring period, in accordance with the relevant requirements adopted by the Supervisory Body. The activity participants shall also monitor potential reversals over a period to be decided by the Supervisory Body.” In this context, it should be noted that the activity design as approved by the Supervisory Body at registration serves as the reference for various procedural actions including monitoring of emission reductions under the activity cycle. Therefore, implementing a registered activity as described in the activity design document is a prerequisite for requesting issuance of A6.4ERs. Consequently, the activity standard should require the demonstration of whether the registered activity has been implemented as per the activity design as registered; and, if there is any change, require that such post-registration change be in accordance with the scope and conditions set for post-registration changes as described in section 3.1.5 below and has undergone the post-registration change approval process as described in section 3.3.3 below.
- 21. Monitoring emission reductions in accordance with the monitoring plan approved at registration is the basis for calculating emission reductions that may be credited for issuance of A6.4ERs. Therefore, the activity standard should require that monitoring be conducted in accordance with the monitoring plan in the registered activity design document (registered monitoring plan). It is important to note that once the monitoring starts, it should be continuous to prevent any oversight of “negative emission reductions” (i.e. emissions) and monitoring reports should be published in chronological order for transparency.
- 22. The experience under the CDM shows that the activity standard would also need to include provisions on temporary deviation of monitoring from the registered monitoring plan to address situations where the activity participants are not able to conduct monitoring as per the registered monitoring plan for a limited period of time due to technical or administrative reasons. The activity standard should further provide a principle for the estimation of emission reductions for such period of deviation, which should be sufficiently conservative.

3.1.5. Post-registration change requirements

- 23. It is not unusual for the activity participants of a registered activity to face a situation where the activity cannot be implemented as planned at its registration, or where the activity participants voluntarily wish to change the activity design due to a change in the business

plan, regulations or any other reasons. To address such practical needs, the activity standard should include provisions on post-registration changes.

24. Theoretically, post-registration changes could be diverse, ranging from administrative or managerial changes to technology or process changes. Some changes could completely alter the nature or scale of the activities affecting baseline setting, additionality and linkage with the NDC of the host Parties, while other changes would have no material impact on emission reductions. Major post-registration changes may have irreconcilable implications on the validity of the host Party approval and local stakeholder consultation as well as the assessments of contributions to sustainable development and environmental and social impacts that had taken place before registration. Therefore, the activity standard should specify the types and degree of post-registration changes that may be allowed under the Article 6.4 mechanism and attach certain conditions, as appropriate, to ensure the integrity of the process.
25. Given that the activity after post-registration changes should continue to meet methodological and other design requirements under the Article 6.4 mechanism, the continued validity of the compliance with some of the requirements checked at registration may need to be rechecked to maintain the validity (see paragraph 76 below).
26. On the other hand, minor post-registration changes that have no or marginal impact on key requirements should be accepted under a simple process (e.g. notification).

3.1.6. Renewal requirements

27. The RMPs contains the following provisions relating to renewal of the crediting period of a registered activity:
 27. A host Party may specify to the Supervisory Body, prior to participating in the mechanism:

...

 - (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, if it has submitted one, its long-term low GHG emission development strategy.
31. The activity:

...

 - (f) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of 5 years renewable a maximum of twice, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice 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. The crediting period shall not start before 2021.

40. The host Party shall provide to the Supervisory Body an approval of the activity, prior to a request for registration. The approval shall include:
- ...
- (b) Approval of any potential renewal of the crediting period, if the Party intends to allow the activity to continue beyond the 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;
56. The crediting period of a registered Article 6, paragraph 4, activity may be renewed in accordance with further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body, if the host Party has approved such renewal in accordance with paragraph 27(b) above.
57. The renewal of a crediting period shall be approved by the Supervisory Body and the host Party following a technical assessment by a designated operational entity to determine necessary updates to the baseline, the additionality and the quantification of emission reductions.
28. The specification of renewability of the crediting periods of activities in accordance with paragraph 27(b) of the RMPs is an optional requirement for host Parties that may be made prior to participating in the Article 6.4 mechanism. If this option is chosen, the renewability should be applicable to all activities in the host Parties. Paragraph 31(f) of the RMPs provides for options of renewable and fixed crediting periods, the maximum length of each crediting period for each crediting period type and the maximum number of renewals for the renewable crediting period option. Paragraph 40(b) of the RMPs describes a process for a host Party to confirm the renewability of the crediting period of each activity that it hosts when approving the activity, which should be in line with the specification on the renewability made in accordance with paragraph 27(b) of the RMPs.
29. Where a host Party has utilized the provision in paragraph 27(b) of the RMPs to specify the crediting period type, the length of each crediting period and/or the renewability deviating from the default options and values referred to in paragraph 31(f) of the RMPs, activity participants must apply those. Where a host Party has not utilized the provision in paragraph 27(b) of the RMPs, activity participants may choose either of the crediting period types and entitled to the maximum length and, if the renewable crediting period option is chosen, the maximum number of renewals of the crediting period referred to in paragraph 31(f) of the RMPs. Paragraph 56 of the RMPs also refers to the host Party's specification on the renewability that may be made when participating in the Article 6.4 mechanism as a condition for renewal of each activity. All of these paragraphs of the RMPs suggest that the renewability of the crediting periods of registered activities will be known when the respective host Parties participate in the 6.4 mechanism, or when activities are registered at the latest.
30. Paragraph 56 of the RMPs also put the renewability of the crediting period is conditional to "in accordance with further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body", which may include further procedural and substantive conditions. Furthermore, paragraph 57 of the RMPs sets out three procedural and substantive requirements for each renewal:

- (a) The renewal shall make necessary updates to the baseline, the additionality and the quantification of emission reductions to be determined a technical assessment by a DOE;
 - (b) The renewal shall be approved by the host Party;
 - (c) The renewal shall be approved by the Supervisory Body.
31. The requirement referred to in paragraph 30(c) above appears to be the final procedural step after the requirements referred to in paragraphs 30(a) and 30(b) above are met. The latter requirement is another procedural condition, which appears to be at the discretion of the host Party. Such procedural step should be elaborated in the activity cycle procedure as discussed in see section 3.3.5 below.
32. With regard to the requirement referred to in paragraph 30(a) above, the activity standard should elaborate how to “make necessary updates to the baseline, the additionality and the quantification of emission reductions”, while the modalities for a technical assessment by a DOE should be elaborated in the validation and verification standard. Updating the baseline, the additionality and the quantification of emission reductions could be undertaken as a package by applying the latest version of an applicable methodology, using the latest set of data and information at renewal.
33. Based on the experience under the CDM, the activity standard should also clarify conditions for the application of a standardized baseline at renewal.

3.2. Validation and verification standard

3.2.1. Scope

34. In accordance with section V.D of the RMPs, validation under the Article 6.4 mechanism is a process to independently assess the activity against the requirements set out in the RMPs and relevant requirements adopted by the Supervisory Body, that is to determine whether the design of the activity as documented in the activity design document conforms to all relevant design requirements in the activity standard. In accordance with section V.G of the RMPs, verification under the Article 6.4 mechanism is the process to independently review and determine the implementation of, and the emission reductions achieved by, the activity during the monitoring period against the requirements set out in the RMPs, further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body; that is, to determine whether the monitored emission reductions as documented in monitoring reports conform to all relevant monitoring requirements in the activity standard. Validation and verification are to be conducted by DOEs in an impartial manner from business interests of activity participants to inform the Supervisory Body for its decision whether to register the activity under the Article 6.4 mechanism, issue A6.4ERs, and so on.
35. The validation and verification standard is meant to “standardize” validation and verification methods for DOEs to validate an activity for registration, renewal or post-registration changes, and to verify monitoring results for issuance of A6.4ERs. Under the CDM, the validation and verification standard has been developed to specify a certain means of validation or verification of each requirement for registration, renewal, post-registration change or monitoring results, resulting in a document with provisions that mirror almost each and every requirement in the project standard.

36. DOEs are expected to perform validation and verification utilizing their technical knowledge and understanding of the processes/measures deployed by the activities as well as the rules and regulations of the Article 6.4 mechanism set by the CMA and the Supervisory Body. For a specific requirement for a request for registration, issuance, renewal, and so on, there may be many means of validation or verification, and the most efficient means that provide a reasonable level of assurance may depend on the specific circumstances that the request or underlying activity is under. The approach taken to developing the validation and verification standard under the CDM may be convenient for DOEs, but could be too restrictive. Therefore, there should be a degree of flexibility and reliance on professional judgement of DOEs in choosing a means of validation or verification. When considering such flexibility, consideration on liability of DOEs if their validation or verification outcome has later been found incorrect, resulting in excessive issuance of unauthorized A6.4ERs that will not be correspondingly adjusted by the host Parties.
37. From the regulatory management point of view, specifying certain means of validation or verification for each and every requirement in the activity standard would not only require significant time and resources to develop and maintain each validation or verification requirement, but would also create a risk of inconsistency between the activity standard and the validation and verification standard, particularly when either of these standards is revised.
38. Therefore, the validation and verification standard for the Article 6.4 mechanism should contain general validation and verification means and approaches at each stage of the activity cycle, and provide specific means of validation or verification only if such specification is deemed to be necessary to ensure the required level of assurance of validation or verification outcome.

3.2.2. Validation requirements

39. Validation is required at various stages of the activity cycle as follows:
- (a) For registration of an activity (standalone activity or PoA);
 - (b) For inclusion of a component project activity (CPA) in a registered PoA;
 - (c) For renewal of crediting period;
 - (d) For post-registration change.
40. Means of validation would be similar for all validation types, but attention and focus could be different depending on the validation type. Consequently, the validation and verification standard should provide common means of validation applicable to all validation types as well as specific focus for each validation type.
41. Common means of validation could include document review, interviews, on-site inspection and sampling approach. Of these, specific guidance would be needed especially on when and how to conduct on-site inspection and sampling, considering the cost and time involved in these means and value additions for a specific validation purpose, with a view to achieving a sufficient level of confidence in the validation outcome. In this context, on-site inspection would be needed only at key moments in the activity cycle (e.g. before registration, before first verification, at post-registration changes that involve major process changes). Notwithstanding this, an on-site inspection may be

- replaced by a remote site inspection if the latter provides the same level of assurance to the DOE by, for example, utilizing recent information technologies that may capture the state of the activity site accurately and convincingly. In this respect, providing specific guidance on when and how a remote site inspection may be conducted based on the experience under the CDM prompted by the COVID-19 pandemic would be useful. Guidance on a sampling approach to validation requires statistical considerations, hence would be suited to develop a dedicated standard or tool based on the experience under the CDM.
42. Identifying issues found during validation and prompting actions by activity participants through Corrective Action Request (CAR), Clarification Request (CL) and Forward Action Request (FAR) are well-established and common practice in many validation/verification/certification schemes and are deemed effective. Therefore, the validation and verification standard could adopt this practice for the Article 6.4 mechanism.
43. For validation for registration, the main areas to be validated and the focus may include:
- (a) Description of the activity – whether it transparently provides sufficient information relevant to activity design requirements including on the technologies and/or measures that generate emission reductions and whether it conforms to the specifications by the host Party regarding the activity types, and, if applicable, methodological conditions and/or crediting periods;
 - (b) Environmental and social impact assessments, appraisal of sustainable development contributions, and stakeholder consultation – whether they have been appropriately conducted in accordance with the relevant provisions in the activity standard;
 - (c) Application of a methodology and standardized baseline – whether the activity qualifies the applicability conditions set out in the methodology and, if applicable, the standardized baseline, and appropriately applies the methodology and the standardize baseline, including on baseline setting, demonstration of additionality and calculation of emission reductions;
 - (d) Design of monitoring plan – whether the monitoring plan is developed in accordance with the applied methodology.
44. Registration is an official recognition of an activity as an Article 6.4 mechanism activity and the information provided in the activity design document that comes with the registration is the reference point for all subsequent steps of the activity cycle. Therefore, validation for registration should be particularly comprehensive and scrutinizing, making full use of common validation means, in particular on-site inspection, interviews with activity participants and any personnel who are involved in designing and implementing the activity.
45. Each PoA defines in its design document “templates” of activity type, methodology and standardized baseline to be applied and monitoring plan applicable to all CPAs that may be included in the PoA. Therefore, for validation for inclusion of a CPA in a registered PoA, the focus would be on the compliance of the CPA with such templates. The necessity of environmental and social impact assessments, stakeholder consultation and appraisal of sustainable development contributions for each CPA would depend on the level(s) at which these would have to be conducted, to be clarified by the activity standard. Validation

for inclusion of a CPA could be performed in a simple means, primarily by document review and remote inspection.

46. In accordance with paragraph 56 of the RMPs, the possibility of renewal of the crediting period of a registered activity primarily depends on the host Party's approval of renewal, which may be specified in accordance with paragraph 27(b) of the RMPs. Also, in accordance with paragraph 57 of the RMPs, for renewal of the crediting period of a registered activity, updating the baseline, the additionality and the quantification of emission reduction is required. Consequently, these areas should be the focus for validation for renewal. Most of these could be assessed by document review, but may be combined with interviews and on-site inspection if deemed necessary by the DOE.
47. While the focus of validation for post-registration change should obviously be on the changes themselves, particular attention should be paid as to whether the change is within the scope and boundary of acceptable changes and whether the activity after the post-registration change continues to meet methodological and other design requirements as discussed in paragraphs 24 and 25 above, respectively. Since the types of post-registrations and their impact on various activity design requirements are diverse, means of validation should be determined, primarily by the judgement of the DOE, based on the type of change and gravity of such impact.

3.2.3. Verification requirements

48. Verification is required at the monitoring stage in the activity cycle. Since the amount of emission reductions actually achieved depends on the specifications of the activity design and its operation, it is important to confirm, prior to verification of monitoring results, that the registered activity has been implemented as per the specifications and operational plan described in the registered activity design document, including the cases where post-registration changes have been approved by the Supervisory Body subsequent to the registration of the activity. Therefore, the validation and verification standard should require verification of implementation of the registered activity prior to or in conjunction with the first verification of monitoring results.
49. Common means of verification would basically be the same as those for validation, that is document review, interviews, on-site inspection and sampling. As pointed out in paragraph 41 above, specific guidance would be needed especially on when and how to conduct on-site inspection and sampling. In this context, on-site inspection would be needed at least at the first verification after registration and at the first verification after any post-registration change that involves major process changes (e.g. technology and/or scale change). On other occasions, whether to conduct an on-site inspection may be left to the judgement of the DOE (i.e. optional), while it would be a good practice to periodically conduct an on-site inspection to ensure that the process operation and monitoring have been conducted in the same way as at the previous verifications. As with validation, replacing an on-site inspection with a remote inspection of the activity site could be an option under certain conditions and specific guidance on remote inspection would need to be included in the validation and verification standard. Likewise, with regard to sampling approach to verification, a dedicated standard or tool based on the experience under the CDM would be needed. Furthermore, identifying issues found during verification and prompting actions by activity participants through CAR, CL and FAR would also be reasonable.

50. Applying the concept of materiality to verifications would allow DOEs to perform verifications efficiently without risking the verified emission reductions being overestimated at a “material” level due to omission, misstatement or non-compliance with relevant requirements of monitoring results that may be contained in the monitoring report. For this reason, under the CDM, the materiality standard for verifications by DOEs and the assessment of requests for issuance by the CDM Executive Board and its support structure were adopted by the CMP.³ The validation and verification standard under the Article 6.4 mechanism may incorporate the same materiality standard, although with an adjustment to the emission reduction scale categories due to the absence of the concepts of “small-scale” and “microscale” activities under the Article 6.4 mechanism.
51. Under the CDM, there is a restriction on the selection of a DOE, originating from the annex to decision 3/CMP.1 (the modalities and procedures for the CDM), that the same DOE may not perform both validation and verification for the same project activity unless approved by the CDM Executive Board. This restriction appears to ensure impartiality of the work of the DOE by not being influenced by its previous validation or verification work. Although the RMPs do not mention such restriction under the Article 6.4 mechanism, it would be a good practice to place a certain restriction on the selection of a DOE to ensure the impartiality of the work of the DOE. Based on the experience under the CDM, it is proposed that the same DOE that has conducted validation for registration or renewal may not perform the respective first verification, as the first verification often detects errors of or changes after the validation. Restrictions in the selection of a DOE for subsequent verifications or for validation for renewal for the next crediting period may not be necessary.

3.3. Activity cycle procedure

3.3.1. Scope

52. Chapters V.D–L of the RMPs describe the main steps of the activity cycle in order for each activity to become registered under the Article 6.4 mechanism and to have A6.4ERs issued, as well as other processes related to the activity cycle as listed below:
- (a) Validation (chapter V.D);
 - (b) Registration (chapter V.E);
 - (c) Monitoring (chapter V.F);
 - (d) Verification and certification (chapter V.G);
 - (e) Issuance (chapter V.H);
 - (f) Renewal of the crediting period (chapter V.I);
 - (g) First transfer from the mechanism registry (chapter V.J);
 - (h) Voluntary cancellation (chapter V.K);
 - (i) Other processes associated with Article 6.4 activities (chapter V.I).

³ Decision 9/CMP.7 contained in document FCCC/KP/CMP/2011/10/Add.2 available at: <https://unfccc.int/resource/docs/2011/cmp7/eng/10a02.pdf>.

53. The scope of the activity cycle procedure could cover all procedural steps of the activity cycle listed in paragraph 52 above, possibly with the exception of voluntary cancellation process. Any post-issuance processes including voluntary cancellation, forwarding of A6.4ERs could be covered by a separate procedure dedicated to the operation of the mechanism registry, since such processes are independent from the lifecycle of a specific activity.
54. The activity cycle procedure would be a document for use by all actors relating to specific activities that undergo the activity cycle, including activity participants, DOEs, host and other participating Parties, the Supervisory Body and the secretariat.

3.3.2. Registration

55. Chapter V.D of the RMPs requires a proposed activity to undergo an independent assessment (validation) by a DOE on the conformity with the relevant requirements in the RMPs and other decisions by the CMA and the Supervisory Body as a preceding step to requesting registration. Chapter V.E of the RMPs describes the steps of submission of registration request by the DOE, payment of the registration fee, and registration by the Supervisory Body. To operationalize the registration process based on these key procedural requirements, many detailed modalities would need to be developed, including:
 - (a) Documents required for requesting registration;
 - (b) Modalities of payment of the registration fee;
 - (c) Modalities (who and how) of completeness check of submitted documents in the registration request, including the process for resubmissions to address incompleteness;
 - (d) Modalities (who and how) of substantive check (assessment and/or review) of the submitted documents in the registration request to confirm the compliance with the relevant activity design requirements, including the process for corrections to address deficiencies;
 - (e) Modalities for making a decision on the registration request by the Supervisory Body;
 - (f) Modalities for the publication of relevant information regarding the registration request;
 - (g) Timelines for each sub-step above;
 - (h) Modalities of communication with activity participants.
56. Concerning the documents to be included in the registration request, the following would be required at minimum:
 - (a) Registration request cover note, providing essential information of the activity (e.g. activity name, host Party, crediting period, activity type, scale of emission reductions, applied methodology, validating DOE name);
 - (b) Activity design document, providing detailed information of the activity to demonstrate that the activity meets all relevant requirements to be registered as an Article 6.4 activity;

- (c) Modalities of communication with activity participants, providing contacts of authorized communication channels with the Supervisory Body and the secretariat;
 - (d) Validation report prepared by a DOE.
57. To standardize the elements and alignment of information to be provided, a template (form) for each of these documents would need to be developed. Furthermore, to streamline the preparation of these documents, an online-based preparation and submission system may be created for some of these documents where practical.
58. In addition, in accordance with paragraph 40 of the RMPs, the host Party shall provide to the Supervisory Body an approval of the activity (host Party approval) prior to a request for registration. In accordance with paragraphs 41 and 45 of the RMPs, the host Party and other participating Parties shall further provide to the Supervisory Body an authorization of activity participants of each activity. Although these are independent Party-driven processes, the modalities of such processes would need to be established in terms of the exact timing in the activity cycle and the means of submissions. To ensure the provision of necessary information and to allow timely submissions, developing templates of these approvals and an on-line based submission interface for Parties should be developed to enable a prompt start of processing of submitted registration requests.
59. Furthermore, in accordance with paragraph 42 of the RMPs, the host Party shall provide a statement to the Supervisory Body specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes as defined in decision 2/CMA.3 (host Party authorization on the use of A6.4ERs). As this is also a process to be initiated by the host Party to directly communicate to the Supervisory Body, similar modalities as for approval of the activity and authorization of activity participants proposed above would need to be developed. However, the required timing of such communication to the Supervisory Body and its impact on the activity are not clear yet. The CMA is expected to continue considering this at CMA 5; hence, detailed modalities can be developed only after the CMA provides clarification on this.
60. Activity design document is the core document in the registration request. Under the CDM, a project design document (PDD) is to be published and undergo a global stakeholder consultation (for 30 days) prior to proceeding to a registration request. During the validation for registration of the activity, the DOE is required to take into account comments submitted from global stakeholders. Conducting a global stakeholder consultation is not mentioned as a requirement in the RMPs, but it may be a good practice for the Article 6.4 mechanism to also include such step in the activity cycle to enhance the transparency and integrity of the activities to be registered. However, the experience under the CDM shows that the time gap between the publication of the PDD for global stakeholder consultation and the submission of the registration request necessitated the creation of complicated processes to address any change that may happen during this time gap to the project participants, validating DOE, project design, existence of applicable or newer version of methodology and/or standardized baseline, as well as raised a question on the value of the global stakeholder consultation if such changes happen. Therefore, under the Article 6.4 mechanism, instead of such two-stage process, it would be worth considering allowing global stakeholders to comment on the validated activity design document after the registration request has been published and the Supervisory Body will take those comments into account in its decision on the request.

61. Modalities of payment of the registration fee could follow the same as under the CDM, i.e. through bank transfer and submission of evidence of such transfer within a certain time frame (e.g. one year) of submission of the registration request. In accordance with paragraph 56 of annex to decision -/CMA.4,⁴ the processing of the registration request should be prompted only after the payment of the registration fee, which would guarantee the recovery of administrative expenses associated with the processing of the registration request.
62. The CMA adopted the structure and levels of the registration fee as follows:
- (a) A maximum of USD 2,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of up to 15,000 tonnes of carbon dioxide equivalent (t CO₂ eq);
 - (b) A maximum of USD 6,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of between 15,001 and 50,000 t CO₂ eq;
 - (c) A maximum of USD 12,000 for an activity achieving annual average emission reductions or removals over the (first) crediting period of over 50,000 t CO₂ eq or for a PoA;
 - (d) A maximum of USD 1,000 for inclusion of a CPA per inclusion.
63. As the adopted fee structure and levels set the maximum fee level for each emission-reduction scale category, a specific fee level for each category needs to be decided by the Supervisory Body with the intention to determine the fee level low where appropriate, as noted in paragraph 14 of decision -/CMA.4. For that purpose, the analysis provided in the concept note on the share of proceeds presented at the second meeting of the Supervisory Body⁵ would help.
64. As part of handling of the registration fee, modalities for the reimbursement of the paid registration fee would need to be developed to address the cases where requests for registration are voluntarily withdrawn by the submitting DOE or rejected before they incur substantive administrative cost in processing of the requests. For example, if a registration request is voluntarily withdrawn before the request starts being processed, it would be reasonable to reimburse the paid registration fee in full as it has not incurred material administrative cost; if the request is voluntarily withdrawn or rejected after the completeness check but before the start of the substantive check, the reimbursement could be made but reduced by a proportion (e.g. 50%) or by a fixed amount for any activity scale (e.g. USD 1,000).
65. Completeness check of the submitted documents in the registration request should be straightforward: to check whether all required documents have been submitted and relevant sections of the templates have been completed appropriately. Under the CDM, completeness check is conducted by the secretariat against a published checklist. It would be reasonable for the Article 6.4 mechanism to follow suit.

⁴ See Decision -/CMA.4 (Advance unedited version), available at: <https://unfccc.int/documents/624417>.

⁵ Document A6.4-SB002-AA-A04 entitled, "Information note: Analysis on the structure and levels of share of proceeds for administrative expenses under the Article 6.4 mechanism is available at: <https://unfccc.int/sites/default/files/resource/a64-sb002-aa-a04.pdf>.

66. There could be different ways of conducting substantive check of registration requests, varying from light to heavy check. Since an independent assessment of the proposed activity has been conducted by a DOE before a registration request is submitted, substantive check of the submitted registration request could focus on the areas that would be critical to determine the eligibility for registration and the calculation of emission reductions. The required level of scrutinization of a submitted registration request may depend on the activity type, the technologies/measures deployed and the scale of expected emission reductions; Less common activity types or technologies/measures would pose a higher risk of misjudgement by activity participants and/or DOEs due to the lack of experience, while activities with higher scale of emission reductions would pose a higher risk of negative environmental consequence if not designed and validated properly. It may also depend on the level of confidence that the Supervisory Body could have in the validation work done by DOEs and the clarity in the relevant rules and regulations.
67. Under the CDM, substantive check of a registration request is conducted through the following two stages:
- (a) "Information and reporting check" by the secretariat against a published checklist, and preparation of a "summary note" of key findings in the request, with a recommendation to CDM Executive Board members whether they should trigger a review;
 - (b) Review by the CDM Executive Board (if at least three members of the Board or a Party involved request a review), involving two external experts and the secretariat to provide independent assessments on the issues that triggered the review request to support the consideration of the CDM Executive Board.
68. The process under the CDM as described in paragraph 67 above may have helped the CDM Executive Board take a sound decision on each registration request. On the other hand, the process is time-consuming and resource-intensive. Nevertheless, also under the Article 6.4 mechanism, considering that registration requests contain highly technical and dense information, it would be necessary to provide some form of technical support to the Supervisory Body on each registration request. How to utilize the secretariat and/or external experts in this regard would also be a point of consideration. In any case, streamlining the process should be pursued where possible.
69. Based on the above considerations, the following process is proposed for substantive check of a registration request under the Article 6.4 mechanism:
- (a) "Substantive check" by two external experts (selected from the roster) to be undertaken independently, summarizing key findings and potential issues in the request, with a recommendation to Supervisory Body members and alternate members on whether to trigger a review;
 - (b) Review by the Supervisory Body if at least one member/alternate member or the host Party requests a review, involving the secretariat to provide an assessment of the issues that triggered the request for review.
70. It should be noted that the proposal is that an alternate member may also trigger a review, unlike under the CDM, where alternate members cannot request a review. This proposal is reasonable because this step is not a decision-making step, which would need to follow the rules of procedure of the Supervisory Body where only members can vote in decision-makings (if no consensus can be reached). It should also be noted that the proposal is

that one request for review should trigger a review as any concern raised by any member/alternate member should warrant an investigation of the raised issue.

71. With regard to the modalities for decision-making, since submissions of registration requests may come at any time and will be continuous throughout every year, initiating a review and making a decision by the Supervisory Body on individual registration requests only at its physical meetings would delay final decisions for many requests. Also, the consideration of individual requests is highly technical and case-specific; hence, the limited time of physical meetings could be better spent for consideration of general policy matters (e.g. developing and revising regulations, governance, capacity-building and stakeholder support). Therefore, it would be worth considering setting up virtual meetings to specifically conduct a review and decide on individual registration requests. Such virtual meetings could be scheduled whenever a review is triggered, or at a regular and frequent interval (e.g. every month).
72. In accordance with paragraph 24(c)(i) of the RMPs, the Supervisory Body is mandated to develop and maintain a public website for information related to proposed and registered Article 6.4 mechanism activities, subject to confidentiality. Based on this, publication of information of registration requests could include the prompt publication of documentation of registration requests after the successful completeness check, indication of the status of processing (e.g. under review) of each registration request, and the final decision by the Supervisory Body, all on a dedicated website. The experience under the CDM would be useful in this regard.
73. Defining a reasonable timeframe for each sub-step in the registration process is necessary to operate the process transparently and in a predictable manner for all parties involved. A reasonable timeframe required for a specific sub-step depends on the complexity of the action involved in that sub-step. Overall, it would be reasonable to aim at reaching a decision on a registration request within a maximum of 10 weeks provided that there is no additional submission or revision of documents of a registration request required at the completeness check, substantive check and/or possible review stages. Any such additional submission or revision of documents of a registration request would inevitably extend the overall timeframe, but that should be acceptable. The experience under the CDM would help determine the actual timeframe (number of days) to be allocated for each sub-step.
74. Since any action to a registered activity could affect business interests of activity participants, and there could be more than one person or entity who are activity participants, it is necessary to specify authorized contacts that represent activity participants of each activity for communication with the Supervisory Body and the secretariat, including for requesting forwarding A6.4ERs issued for the activity to particular accounts and for providing information on any other matters related to the activity. Such specification would allow the Supervisory Body and the secretariat to act on the activity securely on the basis of understanding of all activity participants. This could be done by activity participants notifying the secretariat of the modalities of communication, which would be needed at registration of the activity. The CDM has ample experience in this regard, which can be drawn upon.

3.3.3. Post-registration change

75. The RMPs do not refer to the process for submission and approval of a post-registration change to a registered activity. However, it is a necessary process to check whether the

post-registration change is within the acceptable scope of changes and whether the activity, after the change, still meets the relevant activity design requirements defined in the activity standard.

76. Some types of post-registration changes substantively affect key activity designs such as technologies/measures, scale of emission reductions and monitoring procedure, which could therefore affect baseline setting, additionality and calculation of emission reductions. Such substantive changes would need to undergo a substantive check process akin to the registration process, but could be made simpler because the focus of the substantive check is limited to the changes, not the entire activity design. A DOE may also need to be involved to validate such substantive changes. On the other hand, the process for approval of any post-registration changes that do not affect the technologies/measures, scale of emission reductions or monitoring procedure could be made simpler. Consequently, it would be reasonable to establish different processes for submissions, check and approvals of post-registration changes depending on their types. In this regard, the experience under the CDM would be useful.
77. The CMA decided to charge a fixed-rate fee of a maximum of USD 2,000 for each post-registration request. Similar to other fees, a specific fee rate needs to be determined by the Supervisory Body within this limit. The modalities of payment and possible reimbursement of the post-registration fee should follow the same principles as those for the registration fee, as proposed in paragraph 61 and 64 above, respectively.

3.3.4. Issuance

78. Key procedural steps for issuance of A6.4ERs for a registered activity are contained in Chapters V.G and V.H of the RMPs: Chapter V.G requires monitored emission reductions to undergo an independent assessment (verification) by a DOE on the conformity with the relevant requirements in the RMPs and other decisions by the CMA and the Supervisory Body prior to proceeding with requesting issuance; chapter V.H describes the steps of submission of an issuance request by the DOE, approval of issuance of A6.4ERs by the Supervisory Body, and issuance of A6.4ERs by the mechanism administrator. These provisions mirror those for the registration process referred to in chapters V.D and V.E of the RMPs. The only notable difference is the absence of the reference to the timing of the payment of the issuance fee, but this has been clarified by paragraph 56 of decision -/CMA.4 that it is at the submission of an issuance request, similar to that of the registration fee. Therefore, similar detailed procedural steps as for the registration process as proposed in paragraphs 56–73 above could be developed in terms of:
- (a) Documents required for requesting issuance;
 - (b) Modalities of payment of the issuance fee;
 - (c) Modalities (who and how) of completeness check of submitted documents in the issuance request, including the process for resubmissions to address incompleteness;
 - (d) Modalities (who and how) of substantive check (assessment and/or review) of the submitted documents in the issuance request to confirm the compliance with the relevant monitoring and issuance requirements, including the process for corrections to address deficiencies;
 - (e) Modalities for making a decision on the issuance request by the Supervisory Body;

- (f) Modalities for the publication of relevant information regarding the issuance request and issued A6.4ERs;
 - (g) Timelines for each sub-step above.
79. With regard to the payment of the issuance fee, decision -/CMA.4 set the fee structure and level as “a proportional levy to the amount of A6.4ERs requested for issuance, set at a maximum of USD 0.20 per A6.4ER requested for issuance”, and noted that the Supervisory Body will determine a specific fee level within this maximum. For this purpose, the analysis provided in the concept note on the share of proceeds presented at the second meeting of the Supervisory Body referred to in paragraph 63 above would help. In terms of the modalities for payment and possible reimbursement of the paid issuance fee, the same principles as for the registration fee as proposed in paragraphs 61 and 64 above could be applied with the exception of possible partial reimbursement by proportional reduction (e.g. 50%), as the issuance fee could be potentially very high if the amount of A6.4ERs being requested for issuance is very large, hence such large reduction in the reimbursement would not be reasonable.
80. Under the CDM, the publication of a monitoring report precedes the submission of the corresponding issuance request, with an opportunity for stakeholders to comment on the monitoring report (for 14 days) only if it is the first monitoring report for the activity. If the Supervisory Body finds value in such stakeholder consultation also under the Article 6.4 mechanism, a similar process for doing so can be established as for global consultation on the activity design document as proposed in paragraph 59 above.

3.3.5. Renewal

81. As mentioned in paragraph 30 above, paragraph 57 of the RMPs provides three procedural steps for renewal of crediting period: 1) a technical assessment by a DOE; 2) approval by the host Party of the renewal; and 3) approval by the Supervisory Body of the renewal. Of these, approval by the host Party of the renewal is deemed to have been provided if the host Party’s approval of the activity provided at registration contains the approval of any potential renewal of the crediting period of the activity in accordance with paragraph 40(b) of the RMPs.
82. Since the renewal of activities updates the key substantive elements of the activity design – baseline, additionality and quantification of emission reductions – thereby establishing a new reference of the activity design, it would be reasonable to apply the same detailed procedures as those for registration for the other two steps – a technical assessment (validation) by a DOE and approval by the Supervisory Body as analysed and proposed in paragraphs 55–73 above, *mutatis mutandis*.
83. One notable procedural aspect for consideration when developing a renewal process is a time window for requesting renewal, as the experience under the CDM showed that such time window had many implications on the integrity of the process. To reflect the latest methodological conditions for the activity (e.g. baseline setting, methodology version), the timing of requesting renewal needs to be as close as possible to the expiry date of the crediting period. If the submission is delayed until long after the expiry of the crediting period, not only the activity cannot request for issuance for the new crediting period, but also could lose the basis for continued monitoring after the expiry of the crediting period. Furthermore, the status of the activity itself under the Article 6.4 mechanism would become ambiguous, i.e. whether the activity participants have an intention to renew the crediting

period, and if so, how to reconcile a situation where the continued monitoring in the new crediting period before the renewal is eventually approved by the Supervisory Body is not in line with the updated monitoring plan. Based on such considerations, the CDM introduced a window for submission of a request for renewal as 270 days prior to, and until 1 year after, the expiry of the crediting period. Failing to meet the 1-year deadline would result in the activity no longer being able to renew the crediting period, hence no further crediting is possible for the period after the expiry of the crediting period. The Article 6.4 mechanism could also introduce such timeframe and clarify the consequence of failing to meet the timeframe for submissions of renewal requests.

84. The CMA decided to charge the renewal fee at the same level as the registration fee applicable to the activity based on its scale of emission reductions or removals, or inclusion fee, as applicable. The modalities of payment and possible reimbursement of the renewal fee should follow the same as for the registration fee as proposed in paragraphs 61 and 64 above, respectively.

3.3.6. Voluntary deregistration

85. Deregistration is a process to cancel the status of registration of an activity under the Article 6.4 mechanism, with the consequence of not being able to obtain issuance of A6.4ERs for the period from the date of deregistration. Under the CDM, deregistration is possible only on a voluntary basis to be requested by the project participants and with conditions of consent by all project participants and no-objection by the host Party. Although such process has not been used often under the CDM (22 cases in total to date), there may be a need to introduce a similar process under the Article 6.4 mechanism as an option for activity participants to exercise for whatever the reason (e.g. switching to another crediting scheme to proactively and transparently avoid double issuance for the same crediting period).
86. Under the CDM, separately from the deregistration process, there is a process for withdrawal of the letter of approval by the host Party. The consequence of withdrawal of the letter of approval is basically the same as for deregistration – no crediting is possible from the date of withdrawal. Although such process has been used very rarely under the CDM, and would create a huge uncertainty for activity participants on the crediting life of their activities under the Article 6.4 mechanism, it might be inevitable to create such process under the Article 6.4 mechanism, considering that it is the national prerogative of the host Party to approve activities for registration in the first place.
87. In both of these processes, retroactive application of deregistration or withdrawal of the approval should be avoided, as it would necessitate the reconciliation or compensation of already issued and transferred A6.4ERs before the deregistration or the withdrawal becomes effective, which would be technically difficult to implement and could face legal challenges, and would be very unfair to activity participants in case of withdrawal of the letter of approval, which could be against their will.

3.3.7. Specific process for programmes of activities

88. Since a PoA has a two-tiered structure – a PoA as a design template and CPAs that represent actual mitigation activities following the template – two separate processes are necessary: one for PoAs and the other for CPAs. The main reason for and benefit of clubbing multiple similar mitigation activities under a PoA is to streamline their registration, issuance and other steps in the activity cycle, thereby reducing time and transaction costs

incurred in the activity cycle. Therefore, while the registration, post-registration change and renewal of a PoA may need to undergo the same level of scrutinization as standalone activities by following similar processes, the corresponding processes for CPAs could be simplified since the main check of CPAs would be about the compliance with the template, which would automatically ensure the compliance with relevant methodological and other requirements. For the issuance process for a PoA, the simplification is already built-in, as an issuance request for a PoA is expected to cover a group of CPAs included in the PoA.

89. With this background and due to the complication of the two-tiered structure of PoAs, the following aspects, among others, would need to be specifically decided upon in order to design a process for PoAs under the Article 6.4 mechanism:
- (a) How to achieve a sufficient level of assurance that the inclusion, renewal and post-registration change of each CPA are within the scope and following the template of the PoA under a simplified process (i.e. is validation by a DOE sufficient, or is some form of substantive check by the secretariat or the Supervisory Body necessary through, for example, a sample check?);
 - (b) How to correct situations where CPAs have been found to be erroneously included, renewed or undergone post-registration changes due to a simplified process, including whether or how to compensate A6.4ERs issued for such CPAs;
 - (c) What flexibility in requesting issuance for a PoA needs to be provided regarding the coverage and monitoring periods of individual CPAs, considering that the timings of inclusion of CPAs and their implementation status may vary;
 - (d) How a change to the PoA through its renewal or post-registration change would affect the CPAs that have already been included before the change.
90. In proposing PoA and CPA processes, the experience under the CDM will be taken into account when addressing these aspects.

3.3.8. Appeals

91. Paragraph 62 of the RMPs states that “Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by an independent grievance process.”
92. Such process does not exist under the CDM, although its possible introduction under the CDM had been considered for many years, initially mandated to the CDM Executive Board,⁶ then to the Subsidiary Body for Implementation (SBI),⁷ but Parties concluded the consideration without an agreement.⁸ Therefore, there is no practical experience in implementing such process under the CDM.

⁶ Decision 2/CMP.5, paragraph 42. Decisions of CMP 5 are available at: <https://unfccc.int/process-and-meetings/conferences/past-conferences/copenhagen-climate-change-conference-december-2009/cmp-5/cmp-5-decisions>.

⁷ Decision 3/CMP.6, paragraph 18. Decisions of CMP 6 are available at: <https://unfccc.int/process-and-meetings/conferences/past-conferences/cancun-climate-change-conference-november-2010/decisions-cancun-climate-change-conference-november-2010>.

⁸ Decision 2/CMP.16, paragraph 8(b). Decisions of CMP 16 are available at: https://unfccc.int/event/cmp-16#decisions_reports.

93. Nevertheless, based on the previous considerations by the CDM Executive Board and the SBI on possible appeals process under the CDM, key questions to be answered to design and operationalize appeal and grievance processes under the Article 6.4 mechanism could be listed as follows:
- (a) What decisions of the Supervisory Body could be appealed against?
 - (b) What could be the scope of grievances that may be requested to address?
 - (c) Who may appeal decisions of the Supervisory Body or request a grievance to be addressed, in particular what is the scope of “stakeholders” referred in paragraph 62 of the RMPs?
 - (d) What body should be created or assigned the role that could review appeals and address grievances independently?
 - (e) What should be possible grounds for appeal?
 - (f) What would be an appropriate process for handling appeals and grievances?
94. With regard to the scope of decisions of the Supervisory Body that may be appealed against, since paragraph 62 of the RMPs sits in chapter V.L titled “Other processes associated with Article 6, paragraph 4, activities” within chapter V “Article 6, paragraph 4, activity cycle”, it would be reasonable to assume that the decisions referred to here are those on specific activities in relation to their requests or other submissions under the activity cycle. Since there will be many different types of requests/submissions under the activity cycle (e.g. requests for registration, issuance, renewal, post-registration changes and inclusions of CPAs), defining which of those requests/submissions may be appealed against would be necessary, taking into account the significance of decisions of the Supervisory Body on the status of the activities under the activity cycle, noting that the activity cycle procedure is likely to introduce a process for resubmissions of rejected requests/submissions. Therefore, for example, limiting the scope for subjects of appeals to decisions on requests for registration and issuance as had been considered under the SBI, plus requests for renewal, as renewal has a similar effect as registration in terms of crediting, may be an option.
95. As for who may appeal, it would be reasonable to assume that paragraph 62 of the RMPs refers to activity participants and participating Parties of a specific activity regarding which an appeal is filed. It would also be reasonable and practical to interpret that the reference to “stakeholders” in the same paragraph means those invited to the local stakeholder consultation for the activity in question, which is a requirement for requests for registration in accordance with paragraph 31(e) of the RMPs (see table 1 above), and who had provided inputs in the local stakeholder consultation.
96. A body that reviews appeals, makes a judgement on them, and orders the Supervisory Body to take appropriate actions (the appeals body) needs to be independent from the Supervisory Body; hence, it could not be created under the Supervisory Body. Consequently, such body would need to be established directly under the CMA. However, considering the existence of various corrective processes that are likely to be incorporated in the activity cycle (e.g. resubmissions, revision of requests during the review), filing appeals may not be frequent. Therefore, the appeals body may be established for each appeal in the form of a tribunal, instead of establishing it as a permanent constituted body under the CMA. The selection of members of the appeals body for each appeal may be

delegated to the secretariat, which should select members from a roster of experts suitable for each appeal based on pre-determined selection criteria.

97. Regarding the grounds for filing appeals and processes to handle appeals, as well as any other elements of the appeals process, drawing on the proposals in the recommendation by the CDM Executive Board⁹ and in the draft procedures prepared by the SBI¹⁰ for appeals under the CDM would be a pragmatic approach.
98. Grievances may cover any complaints or dissatisfaction on the operation of the activity cycle, including the roles of the Supervisory Body and its support structure in the operation. In accordance with paragraph 62 of the RMPs, like the appeals body, the body dealing with grievances should be independent from the Supervisory Body. For administrative efficiency, the same roster established for selecting members of the appeals body may be used to establish an ad-hoc and case specific body (team) to address a specific grievance. Due to the different scope and nature from appeals, a separate procedure for addressing grievances would be necessary.

3.4. Summary of recommendations

99. The recommendations made in the previous sections are summarized in the table below.

Table. Summary of recommended approaches

Document	Area	Recommended approach	Reference
Activity standard	Scope	<ul style="list-style-type: none"> Set design and implementation requirements for registration, monitoring, post-registration changes and renewal. 	Para. 8
		<ul style="list-style-type: none"> Exclude removal activities until the CMA adopts rules on them. 	Para. 11
		<ul style="list-style-type: none"> May separate into two sets of standards: one for standalone activities, the other for PoAs. 	Para. 12
<ul style="list-style-type: none"> Clarify that proponents of “other activity type” should first seek clarification from the Supervisory Body on the applicability of the existing activity standard. 		Para. 14	
Registration	Registration	<ul style="list-style-type: none"> Elaborate requirements in paras. 31 and 32 of the RMPs as proposed in table 1 above. 	Para. 16
		<ul style="list-style-type: none"> Include requirements to provide basic information on the activity and activity participants and demonstration of sustainable development contribution by using the tool developed by the Supervisory Body. 	Para. 17
		<ul style="list-style-type: none"> Contain provisions on the use of standardized baselines. 	Para. 18
Implementation and monitoring	Implementation and monitoring	<ul style="list-style-type: none"> Require the demonstration that the activity has been implemented as per the registered activity design, and if there is any change, require that the change has been approved through the post-registration change approval process. 	Para. 20
		<ul style="list-style-type: none"> Require that the monitoring has been conducted as per the registered monitoring plan continuously and publish monitoring reports in chronological order. 	Para. 21
			Para. 22

⁹ FCCC/KP/CMP/2010/10, annex II is available at: <https://unfccc.int/documents/6393>.

¹⁰ FCCC/SBI/2012/33/Add.1, appendix is available at: <https://unfccc.int/resource/docs/2012/sbi/eng/33a01.pdf>.

Document	Area	Recommended approach	Reference
		<ul style="list-style-type: none"> Allow temporary deviation from the registered monitoring plan for a limited period and estimate emission reductions in a conservative manner for that period. 	
	Post-registration change	<ul style="list-style-type: none"> Specify types and degree of post-registration changes that may be approved. Accept minor post-registration changes under a simple process. 	<p>Para. 24</p> <p>Para. 26</p>
	Renewal	<ul style="list-style-type: none"> Elaborate how to make necessary updates to the baseline, the additionality and the quantification of emission reductions, possibly by applying the latest version of the applied methodology using the latest set of data and information. Clarify conditions for the application of a standardized baseline at renewal. 	<p>Para. 32</p> <p>Para. 33</p>
Validation and verification standard	Scope	<ul style="list-style-type: none"> Contain mainly general validation and verification means and approaches and provide specific means of validation and verification only if deemed necessary. 	Para. 38
	Validation	<ul style="list-style-type: none"> Provide common means of validation applicable to all validation types – for registration, inclusion of CPAs, renewal and post-registration change – as well as specific focus for each validation type. Develop guidance on when and how to conduct on-site inspection and sampling approach. Require on-site inspection only at key moments in the activity cycle. Develop guidance on remote site inspection that may replace on-site inspection if it provides the same level of assurance. Develop a dedicated standard or tool for sampling approach to validation. Apply the common practice of raising issues in the findings in validation and verification through the classification of CAR, CL and FAR. Validation for registration should be particularly comprehensive and scrutinizing. Validation for inclusion of CPAs in a registered PoA could be simple. Validation for renewal could be undertaken mainly by document review, but may be combined with interviews and on-site inspection. Means for validation for post-registration change is to be determined by DOE based on the type of change and gravity of impact of the change. 	<p>Para. 40</p> <p>Para. 41</p> <p>Para. 41</p> <p>Para. 41</p> <p>Para. 41</p> <p>Para. 41</p> <p>Para. 42</p> <p>Para. 44</p> <p>Para. 45</p> <p>Para. 46</p> <p>Para. 47</p>
	Verification	<ul style="list-style-type: none"> Require the confirmation of the implementation of the activity as registered prior to or in conjunction with the first verification of monitoring results. Common means of verification are the same as for validation. Require on-site inspection at least at the first verification after registration, and at the first verification after major post-registration change, plus possibly at periodic intervals. Allow remote inspection as a replacement of on-site inspection under certain conditions. Develop a dedicated standard or tool for sampling approach to verification. 	<p>Para. 48</p> <p>Para. 49</p> <p>Para. 49</p> <p>Para. 49</p> <p>Para. 49</p> <p>Para. 49</p> <p>Para. 50</p>

Document	Area	Recommended approach	Reference
		<ul style="list-style-type: none"> Allow applying the concept of materiality to verifications based on the guidance adopted by the CMP for the CDM with necessary adjustment. Place a restriction that the same DOE that has conducted validation for registration or renewal may not perform the respective first verification. 	Para. 51
Activity cycle procedure	Scope	<ul style="list-style-type: none"> Cover all steps of the activity cycle until issuance. Develop a separate procedure on the mechanism registry for any post-issuance process (e.g. voluntary cancellation, transfer of A6.4ERs to other registries). 	Para. 53 Para. 53
	Registration	<ul style="list-style-type: none"> Define documents to be submitted for requesting registration and their templates. Develop a template and on-line-based submission interface for host Party approval. Develop modalities for submission of a statement by the host Party on the authorization on the use of A6.4ERs after the CMA provides clarification on the timing of its submission and impact on the activity. Initiate a global stakeholder consultation after the registration request is published, and the Supervisory Body takes comments into account in its decision-making on the request. Apply the same modalities for the payment of the registration fee as under the CDM. Determine specific fee levels of the registration fee as per the CMA 4 decision taking into account the analysis provided at SB 002. Introduce reimbursement rules of the paid registration fee. Decide that the completeness check to be conducted by the secretariat. Decide that the substantive check to be primarily conducted by external experts. Allow for both members and alternate members, or the host Party to trigger a review. Consider that the Supervisory Body reviews and decides at virtual and frequent meetings (i.e. separately from physical meetings). Publish information on registration requests on a dedicated website. Set the time frame for each sub-step, aiming for the overall time from the start of completeness check until the final decision by the Supervisory Body to be a maximum of 10 weeks. Include provisions on modalities of communication, drawing on the experience under the CDM. 	Paras. 56–57 Para. 58 Para. 59 Para. 60 Para. 61 Para. 63 Para. 64 Para. 65 Para. 69 Para. 69–70 Para. 71 Para. 72 Para. 73 Para. 74
	Post-registration change	<ul style="list-style-type: none"> Differentiate the processes for validation, submission, check and approval by type of change. Determine a specific level of the post-registration change fee as per the CMA 4 decision and apply the same modalities of payment and reimbursement of the post-registration fee as for the registration fee. 	Para. 76 Para. 77
	Issuance	<ul style="list-style-type: none"> Apply the similar process as for the registration process in terms of submissions, completeness check, substantive check, possible review and decision by the Supervisory Body on issuance requests. Determine a specific level of the issuance fee as per the CMA 4 decision, taking into account the analysis provided at SB 002 and apply the same modalities of 	Para. 78 Para. 79

Document	Area	Recommended approach	Reference
		<p>payment and reimbursement of the issuance fee as for the registration fee.</p> <ul style="list-style-type: none"> Consider whether to introduce a global stakeholder consultation for the first monitoring report after the issuance request is published. 	Para. 80
	Renewal	<ul style="list-style-type: none"> Deem that host Party approval of renewal is already provided, if the host Party approval at registration contains the approval of any potential renewal. Require requests for renewal to undergo validation by a DOE and the same process of submission, completeness check, substantive check, possible review and decision by the Supervisory Body as for requests for registration. Introduce a time window for submissions of requests for renewal and provide consequence of failing to meet the deadline for submissions. Apply the same modalities of payment and possible reimbursement of the renewal fee as for the registration fee. 	Para. 81 Para. 82 Para. 83 Para. 84
	Deregistration	<ul style="list-style-type: none"> Develop a process for voluntary deregistration by activity participants. Develop a process for withdrawal of approval by host Parties. Avoid retroactive application of deregistration and withdrawal of approval. 	Para. 85 Para. 86 Para. 87
	PoAs	<ul style="list-style-type: none"> Make processes for registration, renewal and post-registration change for PoAs similar to those for standalone activities. Simplify processes for inclusion, renewal and post-registration changes to CPAs. Develop provisions to address erroneous inclusion/renewal/post-registration change of CPAs Develop provisions to provide flexibility in the coverage of CPAs in an issuance request of a PoA Develop provisions to clarify the impact of a change (incl. renewal) to PoA on the already included CPAs. 	Para. 88 Para. 88 Para. 89 Para. 89 Para. 89
	Appeals	<ul style="list-style-type: none"> Clarify that decisions on requests for registration, issuance and renewal may be appealed against. Clarify that activity participants and participating Parties of a specific activity in question as well as stakeholders who were invited for local stakeholder consultation and provided comments on the activity may appeal. Establish an appeals body directly under the CMA as an ad-hoc tribunal that operates on an as-needed basis, with its members selected from a roster for each appeal case. Draw on considerations by the CDM Executive Board and the SBI on introduction of appeals process under the CDM when developing other elements. Clarify that grievances may cover any complaints or dissatisfaction on the development or operation of the activity cycle, including the roles of the Supervisory Body and its support structure in them. Establish an ad-hoc body directly under the CMA to deal with grievances, selecting its members from the same roster established for the appeals body. Develop a procedure for addressing grievances separately from the procedure for appeals. 	Para. 94 Para. 95 Para. 96 Para. 97 Para. 98 Para. 98 Para. 98

4. Impacts

100. Development of the activity standard, the validation and verification standard, and the activity cycle procedure enables the activity cycle under the Article 6.4 mechanism to be operationalized.

5. Subsequent work and timelines

101. Based on the guidance provided by the Supervisory Body on the proposals provided in this note, the secretariat will draft the activity standard, the validation and verification standard, and the activity cycle procedure and present them at the next meeting of the Supervisory Body (SB 005) for its consideration.

6. Recommendations to the Supervisory Body

102. The secretariat recommends that the Supervisory Body provide guidance to the secretariat on the scope and essential elements to be included in the activity standard, the validation and verification standard and the activity cycle procedure.

Document information

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