

**A6.4-SB004-AA-A08**

Concept note

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Process for the development of  
methodologies, methodological tools and  
standardized baselines

Version 01.0



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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, adopted decision 3/CMA.3, containing in its annex the “Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4 of the Paris Agreement” (RMPs), setting out principles, key requirements and processes of the mechanism (hereinafter referred to as the Article 6.4 mechanism).<sup>1</sup> The aforementioned decision and the RMPs contain, inter alia, provisions for the Supervisory Body to advance work related to methodologies and standardized baselines. For example:
  - (a) The CMA requested the Supervisory Body to:
    - (i) 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 RMPs;<sup>2</sup>
    - (ii) In the context of developing and approving new methodologies for the Article 6.4 mechanism:
      - a. Review the baseline and monitoring methodologies in use for the clean development mechanism (CDM) under Article 12 of the Kyoto Protocol with a view to applying them with revisions, as appropriate, pursuant to chapter V.B of the RMPs for the activities under the Article 6.4 mechanism;
      - b. Consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to chapter V.B of the RMPs;<sup>3</sup>
    - (iii) Elaborate and further develop, on the basis of the RMPs, recommendations, for consideration and adoption by the CMA at its fourth session (November 2022), on the application of the requirements referred to in chapter V.B of the RMPs;<sup>4</sup>
  - (b) The Supervisory Body shall, in accordance with relevant decisions of the CMA, establish the requirements and processes necessary to operate the mechanism, relating to, inter alia: the development and/or approval of methodologies and standardized baselines for Article 6, paragraph 4, activities.<sup>5</sup>
2. The CMA, at its fourth session, requested the Supervisory Body to elaborate and further develop recommendations, on the basis of the RMP, for consideration and adoption by

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<sup>1</sup> See document FCCC/PA/CMA/2021/10/Add.1 available at: <https://unfccc.int/documents/460950>.

<sup>2</sup> See decision 3/CMA.3, paragraph 5(a).

<sup>3</sup> See decision 3/CMA.3, paragraph 5(b)(i) and (ii).

<sup>4</sup> See decision 3/CMA.3, paragraph 6(d).

<sup>5</sup> See decision 3/CMA.3, annex, paragraph 24 (a)(ii).

the CMA at its fifth session (December 2023), on the application of the requirements referred to in chapter V.B of the RMP. It further requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.<sup>6</sup>

3. Given the mandates above, the Supervisory Body included in its workplan for 2022–2023<sup>7</sup> the following provisions to develop the process for development, consideration and approval of methodologies, methodological tools and standardized baselines in 2023:
  - (a) **Procedure for methodology development**, including the revision and clarification of methodologies and methodological tools;
  - (b) **Procedure for standardized baseline development**, including the revision, clarification and update of standardized baselines.
4. These processes will need to be developed in conjunction with the consideration of interim and long-term arrangements for the support structure, as these processes will determine how the support structure will be involved and hence partially determine the terms of reference of the support structure. In this regard, the Supervisory Body, at its first meeting, already considered the concept note Support Structure of the Supervisory Body<sup>8</sup> and discussed the options presented in the concept note. Furthermore, the Supervisory Body, at its third meeting, agreed to establish an Article 6.4 mechanism roster of experts with the following three specializations: (a) accreditation; (b) methodologies; and (c) climate policy. The Supervisory Body also agreed that this is the first step in defining a support structure and may need to be revised as procedures and mandates for experts are defined and experience with this approach is gained.

## 2. Purpose

5. The purpose of this concept note is to provide an analysis on possible processes for the development of methodologies, methodological tools and standardized baselines for consideration by the Supervisory Body to provide guidance to the secretariat for its drafting of corresponding procedures.

## 3. Key issues and proposed solutions

### 3.1. Initiation of development of methodological products

#### 3.1.1. General requirements

6. One of the basic rules required for registration of an activity under the Article 6.4 mechanism is that it has to apply a methodology approved by the Supervisory Body. Paragraph 32 of the RMPs states that the activity shall apply a mechanism methodology

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<sup>6</sup> For CMA.4 guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement, see decision x/CMA.4, paragraph 21 and 22 (Advance unedited version), available at: <https://unfccc.int/documents/624417>.

<sup>7</sup> Available at: <https://unfccc.int/sites/default/files/resource/a64-sb002-a02.pdf>.

<sup>8</sup> Available at: <https://unfccc.int/sites/default/files/resource/a64-sb001-aa-a03.pdf>.

that has been developed in accordance with chapter V.B of the RMPs (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.
7. Therefore, if an activity intends to apply a new methodology and not an existing methodology, such methodology has to be approved by the Supervisory Body prior to its application to the activity. Likewise, a revision of an approved methodology has to be approved by the Supervisory Body prior to its application to the activity. If the applicability of an approved methodology to a specific activity is in doubt, a clarification may be sought from the Supervisory Body.

### 3.1.2. Bottom-up and top-down processes

8. Paragraph 35 of the RMPs states that 'Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body. Mechanism methodologies shall be approved by the Supervisory Body when they meet the requirements of the RMP and those established by the Supervisory Body. In this provision, it is reasonable to assume that mechanism methodologies developed by activity participants, host Parties or stakeholders on the one hand and those developed by the Supervisory Body on the other should inevitably undergo different processes as the former is initiated by an external party to the Supervisory Body, while the latter is initiated by the Supervisory Body itself. In this concept note, these processes are referred to as the "**bottom-up process**" and the "**top-down process**", respectively.
9. It is further assumed that the bottom-up process is primarily for stakeholders to develop a new methodology for the purpose of applying it to the activity for registration. The top-down process is assumed to be used when the Supervisory Body finds it strategically important to facilitate the application of a specific new methodology.
10. In addition to the development of a new methodology, the scope of the process should also cover the development of a new methodological tool, as it functions as a subset of methodologies, as well as the revision<sup>9</sup> or clarification of an approved methodology or methodological tool, as the purpose of revision or clarification of an approved methodology is the same as for the development of a new methodology, that is to apply it to a specific activity (through the bottom-up process), or to facilitate the application of a specific methodology or correct errors in it (through the top-down process). All of these products warrant a similar degree of technical scrutinization before they are approved by the Supervisory Body to ensure the integrity of the Article 6.4 mechanism.
11. When implementing the top-down process described above, the Supervisory Body may wish to prioritize the development or revision of methodologies that are particularly useful for host Parties that are least developed countries and small island developing States as

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<sup>9</sup> One form of revision includes the consolidation of similar mechanism methodologies to promote consistency and accessibility.

a means to meet the requirement in paragraph 29 of the RMPs, subject to availability of resources. Similarly, the Supervisory Body may wish to consider prioritizing the development of methodologies applicable to programmes of activities (PoAs) through the top-down process, particularly for the PoAs that contribute to the sustainable development of the host Parties and that facilitate the involvement of small and micro businesses, taking into account the request from the CMA in paragraph 5(g) of decision 3/CMA.3.

### **3.1.3. Process for standardized baselines**

12. A standardized baseline is a baseline developed for a host Party on a subnational/national basis rather than on an activity basis to facilitate the calculation of emission reductions and/or the determination of additionality for Article 6.4 activities, while providing assistance for assuring environmental integrity.
13. Paragraph 37 of the RMPs states that standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body. Also, the revision and clarification of an approved standardized baseline may be required under some circumstances. Therefore, similar to the corresponding processes for methodologies and methodological tools, the bottom-up process and the top-down process for the development of standardized baselines and revision and clarification of approved standardized baselines should be included in the procedure.
14. Under the CDM, one possible notable procedural difference for standardized baselines from methodologies and methodological tools<sup>10</sup> is that standardized baselines need to undergo regular 'updating' due to the validity period (three years by default; could be longer or shorter, which is to be specified in the respective standardized baselines) under a process that is separate from revision. Under the Article 6.4 mechanism, it may be reasonable to update standardized baselines through the revision process (either through bottom-up or top-down processes).

## **3.2. Preparation of the draft recommendation on methodological products**

### **3.2.1. Experience under the CDM and other standard-setting bodies**

15. Under the CDM, the Methodologies Panel (MP), comprised of 12 members, supports the CDM Executive Board (hereinafter referred to as the Board) in the creation of methodological standards, guidelines and clarifications and on other methodological matters. The MP makes recommendations to the Board on new methodologies, revisions and clarifications as well as standardized baselines. For reference, the process followed by other standard-setting bodies are also reviewed, and a summary and relevant extracts are included in appendix.
16. The methodology development process under the CDM (for bottom-up processes) is summarized below:
  - (a) Completeness check and initial assessment (by the secretariat);
  - (b) First stakeholder consultation (15 days);

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<sup>10</sup> In some cases, the validity period may be also set for some elements of methodologies (e.g. default values used or positive lists of technologies defined in the methodologies and methodological tools).

- (c) Draft recommendation to the Board (prepared by the secretariat and two MP members);<sup>11</sup>
  - (d) First consideration of the draft recommendation (by the MP), either to:
    - (i) Approve; or
    - (ii) Seek further input/clarification from the proponent; or
    - (iii) Reject;
  - (e) In case of subparagraph (d)(ii) above, a second consideration (by the MP, to be repeated until the recommendation to the Board is finalized);
  - (f) Second stakeholder consultation (seven days) conducted in the form of a call for input on the issues included in the annotated agenda of the Board meeting;
  - (g) Decision by the Board.
17. For the development of standardized baselines under the CDM, the secretariat works with two selected MP members for the preparation of a draft recommendation. Only if at least one selected MP member requests that it be considered by the whole MP will the draft recommendation be considered by the MP at its meeting. Otherwise, the recommendation from the secretariat and two selected MP members will be forwarded to the Board for consideration.

### **3.2.2. Stakeholder consultation**

18. To allow a broad spectrum of stakeholders to fully engage in the methodology development/revision processes as a measure to ensure broad participation in the Article 6.4 mechanism, it is important that the procedure for the development of new methodologies or the revision of approved methodologies require the integration of an inclusive public consultation process.
19. For example, under the CDM, there are two periods during which stakeholders are invited to provide their comments on a proposed new or revised methodology or methodological tool:
- (a) Under the bottom-up process, as summarized in paragraph 16, the first stakeholder consultation is done at the initial submission stage. After the submission from a proponent is concluded as qualified for consideration, the secretariat makes the submission publicly available on the United Nations Framework Convention on Climate Change (UNFCCC) CDM website for global stakeholder consultation for 15 days, and makes the comments received publicly available. Then, the comments received will be considered by the secretariat and the MP (e.g. on whether comments are accepted or rejected, with reasons) while a recommendation for the Board is prepared;
  - (b) Under the top-down process, the first stakeholder consultation is done after the MP prepares a draft recommendation for the Board on a new or revised methodology or methodological tool. The secretariat makes the draft recommendation publicly

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<sup>11</sup> Additionally, independent experts (consultants) may be engaged for the assessment of methodologies in a complex sectoral area.

available on the UNFCCC CDM website for global stakeholder consultation for 15 days, and makes the comments received publicly available. The comments will be received in the form of an International Organization for Standardization (ISO) commenting template, and will be considered by the secretariat and the MP (e.g. as to whether comments are accepted or rejected, with reasons) when the recommendation to the Board is finalized;

- (c) The second consultation is done just before consideration by the Board. The MP's recommendation to the Board will be placed on the agenda of the next Board meeting. Then, the call for inputs is open for seven days, during which stakeholders are invited to provide their comments on the issues included in the annotated agenda of the meeting. The comments received will be taken into account by the Board when the MP's recommendation is considered.
20. It is proposed to maintain **two stages for stakeholder consultation** under the Article 6.4 mechanism to fully ensure that views from a broad range of stakeholders are taken into account well in the methodology development/revision processes as a measure to ensure broad participation in the mechanism, and also to ensure that final methodological documents are of good quality and provide clarity and consistency (e.g. well-structured and clearly written, and logically and technically consistent within the methodological documents).
21. The procedure shall elaborate the steps for a structured public consultation process. The procedure shall require the proponent of a methodology to describe the efforts undertaken to ensure that the methodology is simple, clear and applicable for broad sectoral and technology coverage. Also, the procedure shall ensure that a wide range of stakeholders are informed of the consultation<sup>12</sup> and that stakeholders have sufficient time and the information they need to participate in the consultation process by making publicly available:
- (a) A summary of the mechanism methodology, including the proposed scope, objectives and technology measures covered;
  - (b) Steps in the mechanism methodology approval process, including timelines and clearly identified opportunities for contributing;
  - (c) Specific methodological questions to be asked to the public;
  - (d) The decision-making process and how input will be taken into account.

### 3.2.3. Drawing on external experts (expert panel and/or roster of experts)

22. Due to the highly technical and fast-evolving nature of technologies and measures involved that necessitates a deep understanding as well as the specific circumstances of the sector for which the methodology is applied (e.g. sector-specific scientific and methodological issues), it may be necessary to involve external experts for a substantive check of the proposed new or revised methodology or the clarification of an approved methodology. For this reason, it is a well-established practice for decision makers of

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<sup>12</sup> For example, dedicated email distribution lists may be used to reach stakeholders in the sector for which the proposed methodology is applicable.



crediting schemes similar to the Article 6.4 mechanism to be supported by external technical experts, as presented in appendix.

23. The secretariat has accumulated substantial experience in methodological work related to various sectors and countries under the CDM. Due to its role in directly supporting the Supervisory Body, the secretariat is well positioned to ensure consistency across different methodologies to be developed under the Article 6.4 mechanism. For this reason, under the CDM, the secretariat played a substantive role in the development of recommendations to the Board by facilitating and complementing the consideration of the MP and the Board.
24. Therefore, when designing the process of developing and assessing proposed methodologies for the Article 6.4 mechanism, ways to optimally combine the roles of the secretariat and external experts should be considered. To this end, **two possible models are proposed below (see table 1 below).**

**Table 1. Options for preparing the draft recommendation on methodological products, drawing on external expertise**

	<b>Option 1 (Recommendation made jointly by the secretariat and two external experts)</b>	<b>Option 2 (Recommendation made by a methodological expert panel)</b>
1	Completeness check and initial assessment (by the secretariat) ( <i>applicable only for bottom-up cases</i> )	
2	Stakeholder consultation (X weeks) ( <i>applicable only for bottom-up cases</i> )	
3	Technical work (by the secretariat) <ul style="list-style-type: none"> <li>- The secretariat assesses and analyses a proposed new or revised methodology, methodological tool or standardized baseline, or a clarification request submitted (<i>bottom-up case</i>);</li> <li>- The secretariat develops a draft for a new or revised methodology, methodological tool or standardized baseline, or clarification thereof, based on the mandate from the Supervisory Body (<i>top-down case</i>).</li> </ul>	
4	Methodological experts from the roster will be grouped into several working groups (e.g. working group for renewable energy, working group for transport, working group for waste). Then, two external experts from relevant working group will be selected for each case, taking into account the expertise required for the specific case.	The Supervisory Body establishes a methodological expert panel, comprising 10 members <sup>13</sup> to be appointed by the Supervisory Body; it should be chaired by two of its members/alternate members (chair and vice-chair). Two panel members are selected for each case, taking into account the expertise required for the specific case.
5	Two experts and the secretariat work together virtually to prepare a draft recommendation, consult with the relevant working group electronically, address comments from the working group, and send a final recommendation to the Supervisory Body.	Two panel members and the secretariat work together virtually to prepare a draft recommendation for consideration by the whole panel. The panel makes a recommendation to the Supervisory Body. The panel meets frequently through physical, virtual or hybrid meetings <sup>14</sup> to advance work rapidly.

<sup>13</sup> Members of the expert panel may be renewed every two to three years.

<sup>14</sup> As with standard-setting bodies, virtual meetings may be prioritized, allowing for a small number of physical or hybrid meetings.

	<b>Option 1 (Recommendation made jointly by the secretariat and two external experts)</b>	<b>Option 2 (Recommendation made by a methodological expert panel)</b>
6	During step 5 above: - Further inputs/clarification may be sought from the proponent, if required ( <i>bottom-up cases</i> ) - Stakeholder consultation (X weeks) ( <i>applicable only for top-down cases</i> )	
7	Decision by the Supervisory Body (see section 3.3 below this document for various options for decision-making)	
Pros	<ol style="list-style-type: none"> <li>1) The secretariat's experience and lessons learned under the CDM can be fully utilized, and it should be possible to augment the expertise of the secretariat by engaging external experts on the roster who have extensive experience and in-depth knowledge of specific sectors;</li> <li>2) Technical expertise can be flexibly drawn on as and when needed for a particular methodological task;</li> <li>3) A broader range of technical expertise and experience from the roster of experts may be accessed than is available within a fixed expert panel;</li> <li>4) Consultation with the relevant working group will be helpful to make a stronger recommendation;</li> <li>5) Making a recommendation may be done in a relatively shorter timeframe.</li> </ol>	<ol style="list-style-type: none"> <li>1) Broad review on technical issues can be expected with the involvement of all members of the panel;</li> <li>2) The established panel (though some of its members may be replaced every two to three years) could accumulate institutional memory on methodological issues. This will help keep consistency across methodological standards;</li> <li>3) Charing by two of the Supervisory Body members/alternate members (chair and vice-chair) is available to resolve difficult issues.</li> </ol>
Cons	<ol style="list-style-type: none"> <li>1) Challenge for the secretariat to select and assign two 'just right' experts from the roster where there are dozens of methodological experts with similar sectoral expertise;</li> <li>2) In cases where two experts and the secretariat have completely different views, it will be difficult to reconcile them and prepare a draft recommendation;</li> <li>3) It is an administrative burden for the secretariat to select and contract with rostered experts for each case.</li> </ol>	<ol style="list-style-type: none"> <li>1) Making a recommendation may take longer due to the organization of the panel;</li> <li>2) The panel may not have sufficient coverage of required technical expertise areas (which could be overcome by engaging external consultants);</li> <li>3) It is a big administrative burden for the secretariat to operate the panel (e.g. selection of members, logistics, administrative support before, during and after the meetings, etc.);</li> <li>4) Peaks and troughs in panel activity as the panel members have their main jobs.</li> </ol>

### 3.3. Consideration of methodological products by the Supervisory Body

25. Under the CDM, methodological products are considered by the Board as follows:

- (a) For a new methodology, methodological tool, revision or clarification thereof, the recommendation by the MP is considered at a Board meeting. Some of the recommendations are presented to the Board in detail as per the request from Board members;
- (b) For a new standardized baseline, if no member of the Board objects to the recommendation within 28 days of receipt of the recommendation by the secretariat and two MP members (or the MP), the recommendation is deemed accepted. If a member of the Board objects to the recommendation, the case is placed on the agenda of a Board meeting.

26. To further speed up the development of methodological products under the Article 6.4 mechanism, the following processes are proposed:
- (a) For (i) **minor revisions** to methodologies, methodological tools and standardized baselines (e.g. correcting inconsistencies, errors and/or ambiguities in the language and/or formulae); and (ii) **all clarifications** for methodologies, methodological tools and standardized baselines, it is recommended that the Supervisory Body consider them through **electronic consultation**.<sup>15</sup> Only if at least one Supervisory Body member or alternative member requests further discussion at a Supervisory Body meeting within 14 days of receipt of the recommendation will such a case be considered at the next meeting. Otherwise, the recommended methodology, methodological tool, standardized baseline or clarification is deemed adopted;
  - (b) For (i) **new methodologies, methodological tools and standardized baselines**; (ii) **major revisions** to methodologies, methodological tools and standardized baselines (e.g. substantive changes to applicability conditions, calculation of emission reductions and monitoring procedures on key parameters); and (iii) **other types of methodological products** (e.g. standard for sampling and survey), the following options are proposed:
    - (i) **Option A:** The Supervisory Body always considers the cases at its meetings;
    - (ii) **Option B:** The Supervisory Body sets up a **committee** consisting of some Supervisory Body members/alternate members. The committee will meet<sup>16</sup> to consider the cases and make a recommendation to the whole Supervisory Body. Then, the Supervisory Body will consider the recommendation:
      - a. **At the next meeting** of the Supervisory Body (**Option B-1**); or
      - b. **Through electronic consultation (Option B-2)**. Only if at least one Supervisory Body member or alternative member requests further discussion at a Supervisory Body meeting within 28 days of receipt of the recommendation will such a case be considered at the next meeting. Otherwise, the recommended methodology, methodological tool, standardized baseline or clarification is deemed adopted.
27. **Option A** ensures that all substantive methodological issues are fully discussed at meetings of the Supervisory Body. **Option B** may facilitate consideration of methodological products during the meetings of the Supervisory Body, but it will be administratively challenging to organize such committee meetings on top of Supervisory Body meetings based on past experience.

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<sup>15</sup> Recommendations may be sent to the Supervisory Body in batches (e.g. to avoid frequent electronic consultation).

<sup>16</sup> The committee may meet virtually or in person a few days prior to the Supervisory Body meeting.

### **3.4. Reviewing CDM methodologies and methodological tools to adapt to the Article 6.4 mechanism**

28. In the context of developing and approving new methodologies for the Article 6.4 mechanism, the CMA requested the Supervisory Body to review methodologies in use for the CDM and other market-based mechanism methodologies with a view to applying them with revisions for the activities under the Article 6.4 mechanism.
29. While CDM methodologies had already undergone thorough technical assessment during their approval and revision processes, a number of substantive revisions will need to be made to CDM methodologies to comply with the set of new requirements of the RMPs. This may require further technical review and assessment by external experts. Furthermore, it is critically important to receive feedback on the approach to the revisions and enhance the usability of the methodologies and methodological tools, which will be applied in the larger context of the implementation of nationally determined contributions under the Paris Agreement. Thus, the Supervisory Body may require that stakeholder consultation on the methodologies and methodological tools be undertaken to ensure that their comments are taken into account in the revised methodologies and methodological tools for use under the Article 6.4 mechanism.
30. For the preparation of draft recommendations on and consideration by the Supervisory Body of the revised methodologies and methodological tools, **the same process as proposed in sections 3.2 and 3.3 above** for the top-down development of methodological products could be applied.

### **3.5. Other elements for the proposed procedures**

31. In addition to the core issues described above, the following issues would need to be included in the scope of the procedures.

#### **3.5.1. Necessary documentation for submissions and fees**

32. When considering a proposed a new methodology or methodological tool or proposed revision to an approved methodology or methodological tool, a draft project design document (PDD) would provide useful information to better understand the underlying project activity and application of the proposed methodological approaches. Therefore, under the bottom-up process, in addition to a proposed new methodology or methodological tool, or proposed revision to an approved methodology or methodological tool, the submission of a draft PDD of a planned activity that intends to apply the proposed new or revised methodology or methodological tool could be made as a requirement, with the flexibility of submitting it at a later stage in the process to accommodate the various situations of the proponents.
33. For example, under the CDM, the Board has periodically reviewed and adjusted its fee structure, including the processing fee for a new methodology. Proponents had to pay a fee of USD 1,000 for each submission of a proposal of a new methodology, but the Board decided to remove the requirement for the methodology submission fee at its 89<sup>th</sup> meeting. The secretariat suggests that no fee should be requested for the submission of new methodologies, methodological tools and standardized baselines, including revisions and clarifications under the Article 6.4 mechanism, because approved methodological products will benefit all and no abuse of the system due to the absence of the fee would be expected based on past experience.

### **3.5.2. Process for put-on-hold**

34. In case the Supervisory Body identifies errors in the approved methodologies, methodological tools or standardized baselines that could undermine the integrity of the Article 6.4 mechanism (e.g. when new scientific evidence indicates that emission reductions are overestimated in an approved methodology), it may wish to decide to revise them immediately through the top-down process and simultaneously decide to 'put them on hold' with immediate effect. This has occurred in very few instances under CDM. The procedure needs to include a process to put a methodology, methodological tool and/or standardized baseline on hold.

### **3.5.3. Validity of new, revised and previous versions**

35. The procedure needs to specify the date from when an approved new or revised methodology, methodological tool or standardized baseline shall be effective; and when activity participants may apply them to their activities (it may simply be the date of publication on the UNFCCC website).
36. When approved methodologies, methodological tools or standardized baselines are revised, there would be a need to be a grace period (e.g. 240 days) because some activity participants would be preparing PDDs applying their previous versions and/or undergoing a validation of activities by a designated operational entity (DOE). Therefore, the procedure also needs to specify the validity of previous versions if the Supervisory Body approves a revised methodology, methodological tool or standardized baseline. For example, under the CDM, different treatment has been made depending on whether it is a major revision or a minor revision.

### **3.5.4. Specific issues relating to standardized baselines**

37. Under the CDM, proponents of a proposed standardized baseline are required to provide an assessment report prepared by a DOE. Based on past experience under the CDM, it was observed that:
- (a) Unlike the validation of activities, assessment of standardized baselines is limited to checking the credibility of the data used; therefore, the assessment can be conducted based solely on a desk review of calculations and documents since there is no specific activity site directly linked to the proposed standardized baseline;
  - (b) Designated national authorities of the host Parties for which standardized baselines were developed have faced difficulties with regard to financial resources and lengthy procedures/timelines for the procurement of services of DOEs;
  - (c) The scope of the assessment report prepared before the submission and the subsequent assessments conducted by the secretariat and experts or expert panel may overlap because both assessments examined almost the same elements of the standardized baselines.
38. Therefore, for the Article 6.4 mechanism, an assessment report could be prepared by external methodological experts on a roster instead of by a DOE.
39. As discussed in paragraph 14 above, the procedure also needs to include the matter on the validity of the standardized baseline (e.g. whether to set a default validity period or

whether that should be specified in individual standardized baselines, and how to deal with a gap in the valid standardized baselines when no update to the approved standardized baseline occurs).

#### **4. Impacts**

40. An efficient and effective process for the development, consideration and approval of methodological products will be crucial for the Supervisory Body to ensure that robust methodologies, methodological tools and standardized baselines are available to activity participants, DOEs and other stakeholders in a timely manner, following rigorous technical assessment. This will facilitate a quick start to the Article 6.4 mechanism.

#### **5. Subsequent work and timelines**

41. Subject to guidance from the Supervisory Body, subsequent work will include the following:
- (a) Preparation of a draft procedure for methodology development, for consideration by the Supervisory Body;
  - (b) Preparation of a draft procedure for standardized baseline development for consideration by the Supervisory Body.

#### **6. Recommendations to the Supervisory Body**

42. The secretariat recommends that the Supervisory Body consider the concept note and provide further guidance, including on items mentioned in paragraphs 24 and 26 above.

## Appendix. Process for the development of standards by other standard-setting bodies

1. This appendix includes relevant extracts and a summary of the process followed by other standard-setting bodies, such as the International Organization for Standardization (ISO), International Social and Environmental Accreditation and Labelling Alliance (ISEAL),<sup>1</sup> Verra, Gold Standard, California Air Resources Board and Forest Stewardship Council.
2. It is acknowledged that the context of these standards may be different from that of the Article 6.4 mechanism. Nevertheless, this compilation was done with a view to identifying good practices that may be useful to consider in the context of the development, consideration and approval of methodological products.

### 1. International Organization for Standardization

3. ISO standards are developed by groups of experts from around the world that are part of larger groups called technical committees. These experts negotiate all aspects of the standard, including its scope, key definitions and content. The life cycle of an ISO standard comprises the following stages:
  - (a) Under the **proposal stage**, a new work item is proposed and voted on, and it results in a **new work item proposal**;
  - (b) Under the **preparatory stage**, a working group is set up comprising experts and a convener, and it results in a **working draft**;
  - (c) Under the **committee stage**, comments from national bodies are taken into consideration with a view to reaching consensus, and this results in the **committee draft**;
  - (d) **The enquiry stage, approval stage and publication stage** are the final stages. At the approval stage, only editorial comments and obvious errors, if any, are addressed.
4. For the above process, ISO insists that participating members adhere to the following:
  - (a) Be disciplined with respect to deadlines and timetables;
  - (b) Ensure that the technical standpoint is made clear at an early stage in the work;
  - (c) Do not table substantial comments at meetings;
  - (d) Provide comments using the template for comments (see image below):

Template for comments and secretariat observations

					Date:	Document:	Project:
MB/NC*	Line number	Clause/Subclause	Paragraph/Figure/Table	Type of comment <sup>2</sup>	Comments	Proposed change	Observations of the secretariat

<sup>1</sup> <https://www.isealalliance.org/defining-credible-practice/iseal-codes-good-practice>.

5. **The ISO/International Electrotechnical Commission (IEC) Directives, Part 2,**<sup>2</sup> contain **rules for the structure and drafting of international standards** to ensure that they are clear, precise/unambiguous, consistent and accurate. Rules for the standards include the following:
  - (a) They are written using all **available knowledge about the state of the art**, taking into **account the current market conditions** and noting that there is sometimes a tension between what is technically feasible and what the market actually requires and is prepared to pay for;
  - (b) A framework for future technological development is provided;
  - (c) They are comprehensible to qualified people who have not participated in their preparation.
6. **Performance principle:** Whenever possible, **requirements** shall be expressed in terms of **performance rather than design characteristics**, allowing maximum freedom for technical development and reducing the risk of undesirable market impacts (e.g. limiting development of innovative solutions) (for example, “a work table shall have four wooden legs” (a design requirement) versus “a work table shall be constructed such that when subjected to ... [stability and strength criteria]” (a performance requirement)).
7. **Verifiability:** Only those requirements that can be verified shall be included. Phrases such as “sufficiently strong” or “of adequate strength” shall not be used because they are subjective statements. **The stability, reliability or lifetime of a product shall not be specified if no test method is known that can verify the claim in a reasonably short time.** A guarantee by the manufacturer is not a substitute for such requirements. Guarantee conditions shall not be included because they are commercial or contractual, rather than technical, in nature.
8. **Consistency:** Consistency should be maintained within each document and within a series of associated documents as follows:
  - (a) The structure of associated documents and the numbering of their clauses should, as far as possible, be identical;
  - (b) Identical wording should be used to express identical provisions;
  - (c) The same terminology should be used throughout, and the use of synonyms should be avoided;
  - (d) Consistency is particularly important to help the user understand documents or series of associated documents. It is also important when using automated text processing techniques and computer-aided translation.
9. **Avoidance of duplication and unnecessary deviations:** Documents should avoid duplication. This is particularly important in test methods, which are often applicable to more than one product, or type of product. **Before standardizing any item or subject, the writer shall determine whether an applicable standard already exists.** If it is necessary to invoke a requirement that appears elsewhere, this should be done by reference, not by repetition. If a test method is, or is likely to be, applicable to two or more

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<sup>2</sup> Available at [https://www.iso.org/sites/directives/current/part2/index.xhtml#\\_idTextAnchor054](https://www.iso.org/sites/directives/current/part2/index.xhtml#_idTextAnchor054), accessed on 12 July 2021.



types of product, a document shall be prepared on the method itself, and each document dealing with a given product shall refer to it (indicating any modifications that are necessary). This will help to prevent unnecessary deviations. In some fields, it can be desirable to write a document specifying generic requirements applicable to a group of items or subjects. If it is considered necessary to repeat a requirement from an exterior source, the source shall be referenced precisely.

10. **Verbal forms for expressions of provisions:** The user of the document shall be able to identify the **shall** requirements he/she is obliged to satisfy in order to claim conformance to a document. The user shall also be able to distinguish these requirements from other types of provision, i.e. recommendations (**should**), permissions (**may**), possibilities and capabilities (**can**).

## 2. International Social and Environmental Accreditation and Labelling Alliance

11. **ISEAL Alliance** is a non-governmental organization **aiming to strengthen sustainability standards and systems for the benefit of people and the environment.**<sup>3</sup> The ISEAL Standard-setting Code defines how a standard should be developed, structured and improved over time and addresses multi-stakeholder consultation and decision-making, taking into account related documents from ISO, the World Trade Organization, the European Commission and other agencies. Key requirements include:

- (a) As part of the **credibility principles**, ISEAL requires that “Standards are reviewed and revised regularly to integrate learning about sustainability, good practices and results of monitoring and evaluation activities. The standard-setting organization shall conduct a **regular review** of its standard-setting procedures, taking comments from stakeholders into account”. “Regular” is defined here as being **at least every five years OR before the next review of the standard, whichever is sooner**;
- (b) The standard-setting organization seeks to avoid duplication and to be consistent with standards that have overlapping scopes, while not limiting innovation and improvement. At the outset of a new standards development process, the standard-setting organization shall:
  - (i) Inform organizations that have developed similar international standards of its intention to develop a new standard;
  - (ii) Seek input from them on the terms of reference (TOR); and
  - (iii) Encourage their participation in its development.

12. At the outset of a new standards development process and as needed thereafter, the standard-setting organization **shall develop or update the TOR**, which shall include the following elements:

- (a) The proposed scope of the standard and the intended geographic application;
- (b) A justification of the need for the standard, including: an assessment of the most important sustainability issues falling within the scope of the standard; an

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<sup>3</sup> Available at [https://www.isealalliance.org/sites/default/files/resource/2017-11/ISEAL\\_Standard\\_Setting\\_Code\\_v6\\_Dec\\_2014.pdf](https://www.isealalliance.org/sites/default/files/resource/2017-11/ISEAL_Standard_Setting_Code_v6_Dec_2014.pdf), accessed on 12 July 2021.

explanation of whether the proposed standard will meet an expressed need; and documentation of other standards operating or in development that meet all or part of the expressed need;

- (c) Clear social, environmental and economic outcomes that the standard seeks to achieve and how those are linked to the organization's intended change;
  - (d) An assessment of risks in implementing the standard and how to mitigate these, including: identification of factors that could have a negative impact on the ability of the standard to achieve its outcomes; unintended consequences that could arise from its implementation; and possible corrective actions that could be taken to address these potential risks; and
  - (e) Developed or updated lists of sectors that have an interest in the standard and key stakeholder groups within those sectors, based on the standard's scope and its social, environmental and economic outcomes.
13. **Stakeholders have the information they need to determine whether and how to participate by making publicly available a summary of the process** that shall include:
- (a) A summary of the TOR for the standard, including the proposed scope, objectives and justification of the need for the standard;
  - (b) Steps in the standard-setting process, including timelines and clearly identified opportunities for contributing; and
  - (c) Decision-making procedures, including how decisions are made and who makes them.
14. **The public summary** is a concise overview for stakeholders to understand whether and how to engage, and to ensure that stakeholders have sufficient time and opportunity to provide input on the standard and can see how their input has been taken into account. The consultation period is as follows:
- (a) The public consultation phase for standards development or revision shall include at least one round of **60 days for comment submissions** by stakeholders;
  - (b) For new standards development, **a second round of consultation of at least 30 days shall be included**. A second round of consultation is necessary for new standards development to ensure that stakeholders have an opportunity to provide feedback on whether their comments were understood and taken into account, and to gather input on substantive, unresolved issues.

### 3. Verra

15. Verra is a non-profit and governed by a Board of Directors. The Board of Directors works through committees to oversee specific tasks, including the finances of the organization. It also works with Verra staff to guide the direction of Verra and is involved in specific strategic efforts. The committees usually include one or more directors.
16. Advisory groups and steering committees can be formed to provide strategic and/or technical advice for Verra's standards, programmes, and initiatives. One of the advisory groups and steering committees formed by Verra is the **Voluntary Carbon Standard (VCS) Program Advisory Group**. This advisory group supports the development of the

VCS program. The multi-stakeholder group includes representatives from project developers, voluntary carbon unit sellers and buyers, intergovernmental organizations, standards organizations, and auditors. This advisory group<sup>4</sup> is composed of 15 members who are selected annually through calls for applications. The members participate in four to six conference calls (60–90 minutes) annually and provide guidance via e-mail.

17. The methodology approval process in the VCS follows two main steps:<sup>5</sup> the methodology concept note and methodology development.
18. **Step 1 – Methodology concept note:** The concept note shall indicate basic elements of the methodology (eligible types of projects, draft set of applicability conditions, demonstration of additionality, calculation of emission reductions, and monitoring). Verra may propose to reject, ask for additional clarifications or recommend the development of a full methodology.
19. **Step 2 – Methodology development:** To ensure that the documentation is of sufficient quality (free from typos and grammatical errors, well-structured and clearly written, and logically and technically consistent within its text), there are two document checking stages:
  - (a) At the time of submission of the full methodology and before the publication for public consultation, Verra conducts a review of the documentation;
  - (b) After approval of the methodology, the Validation and Verification Body (equivalent to a designated operational entity in the clean development mechanism (CDM)) can propose a review of the methodology to address minor modifications, edits or clarifications within two years of its approval.

#### 4. The Gold Standard

20. The Gold Standard (GS) is governed by the GS Foundation Board that oversees the strategic and organizational development of the GS. The GS Foundation Board is composed of seven members with at least half of them recruited from the GS non-governmental organization supporter community.
21. The GS Foundation Board is supported by the Technical Governance Committee,<sup>6</sup> which is composed of independent experts appointed by the GS Foundation Board to oversee all technical aspects related to standards, assurance, and certification. In addition, there is the GS secretariat, which provides support to the GS Foundation Board and its support structure.
22. Following the GS secretariat's recommendation or as needed, the Technical Governance Committee can establish and mandate Technical Advisory Committees<sup>7</sup> (TACs) to make decisions following the GS Standards Setting Procedure. The GS TACs are composed of

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<sup>4</sup> See "Verified Carbon Standard (VCS) Program Advisory Group Terms of Reference" available at: <https://verra.org/wp-content/uploads/2018/11/VCS-Program-Advisory-Group-ToR-FINAL-posted.pdf>.

<sup>5</sup> Methodology Approval Process, ver. 4.0 available at [https://verra.org/wp-content/uploads/2019/09/Methodology\\_Approval\\_Process\\_v4.0.pdf](https://verra.org/wp-content/uploads/2019/09/Methodology_Approval_Process_v4.0.pdf), accessed on 12 July 2021.

<sup>6</sup> See Technical Governance Committee TORs here: <https://globalgoals.goldstandard.org/000-3-gov-terms-of-references-tgc/>.

<sup>7</sup> See TAC TORs here: <https://globalgoals.goldstandard.org/000-3-gov-terms-of-references-tac/>.

independent technical experts selected by the GS secretariat in cooperation with the TAC Chair and Vice-Chair.

23. The two key responsibilities of the TACs are project registration/credit issuance and standards development, including approval of new standards, standards updates, rule changes and clarifications.
24. The TACs are set up on a permanent or semi-permanent basis. Two permanent TAC bodies are in operation with the responsibility to oversee and administer technical governance. These are:
  - (a) Energy Committee for energy projects;
  - (b) Land-use Committee for the land use projects.
25. The methodology development process under the GS<sup>8</sup> includes the following elements:
  - (a) The GS secretariat targets key stakeholder groups, which include those who will be directly impacted by the implementation of the Standard and those who are indirectly affected;
  - (b) The GS offers a consultation period of 30 days to seek comments from the stakeholders;
  - (c) The outcome of any public consultation is published on the GS website within six weeks of the closure of consultation period;
  - (d) In order to seek public input on all new standards or major revisions to standards, the GS publishes a TOR document on its website. This document includes:
    - (i) Background and rationale for the development of the standard, including links to the GS vision, mission and theory of change;
    - (ii) The scope and the intended outcomes and impacts that the standard aims to achieve;
    - (iii) An overview of governance and decision-making and how the standard will be approved;
    - (iv) A high-level workplan, including reference to consultation periods;
    - (v) Complaints and grievance contact details and protocol;
    - (vi) Opportunities for engagement and consultation in standards development; and
    - (vii) Any risks associated with the proposed standard or its development;
  - (e) The TOR will be published no later than one month prior to the first public consultation round. A robust workplan should be designed and published. Relevant standards bodies will also be notified of the proposed development as per the Stakeholder Mapping and Consultation Process, which includes contacting key stakeholder groups;

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<sup>8</sup> Available at [https://globalgoals.goldstandard.org/standards/000.1\\_V2.1\\_Gov\\_Standards-Setting-Procedure.pdf](https://globalgoals.goldstandard.org/standards/000.1_V2.1_Gov_Standards-Setting-Procedure.pdf), accessed on 12 July 2021.

- (f) The GS secretariat announces any new standard or module development by posting it to the GS website. Such notices are also included in outreach material such as GS newsletters;
- (g) TAC members are expected to commit at least 5 per cent of their time to GS activities.

## **5. California Air Resources Board as it relates to the Compliance Offset Program**

- 26. In implementing the Compliance Offset Protocol, the California Air Resource Board (CARB) is supported by the Compliance Offsets Protocol Task Force.<sup>9</sup>
- 27. Members of the Task Force are appointed through calls for application and represent the following stakeholder groups: scientists; air pollution control and air quality management districts; carbon market experts; tribal representatives; environmental justice advocates; labour and workforce representatives; forestry experts; agriculture experts; environmental advocates; conservation advocates and dairy experts. CARB can also appoint up to two Task Force members from outside the statutory stakeholder groups (e.g. from the public) who demonstrate substantial experience that is beneficial to the work of the Task Force.
- 28. The Task Force meets twice a year, and the meetings are public and conducted in accordance with the applicable public meeting rules and regulations. The meetings can be attended by Board members, members of the California Legislature, and executives from CARB and other state agencies.
- 29. The Task Force recommendations are advisory only and limited to providing input on potential new Compliance Offset Protocols for the 2021–2030 compliance period identified in Assembly Bill 398. Within a year of convening, the Task Force shall prepare a final written report that identifies potential new Compliance Offset Protocols.
- 30. Task Force members may be assigned by the Task Force Chair to participate in subgroups responsible for drafting portions of the final report, subject to open meeting law requirements.
- 31. Formal consideration and approval of any new recommended Compliance Offset Protocols are conducted by CARB at its discretion, pursuant to applicable California state laws on adopting new regulatory requirements.

## **6. Forest Stewardship Council**

- 32. The Forest Stewardship Council (FSC) develops voluntary standards for the responsible management of forests. An independent organization then audits the forest or supply chain to ensure that it meets the FSC standard(s). The final step is ‘certification’ which then permits the use of a logo. In this regard it has similarities to the Supervisory Body as there is a standard-setting aspect (i.e. methodologies).
- 33. The supreme body of FSC is the General Assembly, which is a multi-stakeholder forum consisting of FSC’s members (representing social, environmental and economic

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<sup>9</sup> For more information on the Task Force see: <https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/compliance-offset-protocol-task-force>.

'chambers'). The day-to-day running of FSC is handled by FSC International (akin to a secretariat), which is based in Bonn and overseen by a Board of Directors.

34. FSC develops standards (and revisions) by constituting ad hoc working groups of 6, 12 or 18 members representing the three chambers equally (called chamber-balanced working groups). The working groups are constituted through a call to FSC membership, and the selection of members is carried out by the secretariat based on the TORs. The TORs are written for each working group based on the standard to be developed by the working group.
35. The activities of the working group may be aided by 'technical experts' or a 'technical working group'. For further information, see the document titled "The Development and Revision of FSC Normative Documents".<sup>10</sup>

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### Document information

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<sup>10</sup> FSC-PRO-01-001 V3-1 EN, The Development and Revision of FSC Normative Documents, available at: <https://fsc.org/en/document-centre/documents/retrieve/b4b7177b-0387-417d-9483-4f718d6fd73e>.