

A6.4-SB007-A06

Draft recommendation

Requirements for the development and
assessment of mechanism methodologies

Version 07.0

DRAFT



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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, requested the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Mechanism) to elaborate and further develop 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 (titled Methodologies) of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMP).¹
2. The CMA, at its fourth session, requested the Supervisory Body to elaborate and further develop recommendations for consideration and adoption by the CMA at its fifth session. It further requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.²

2. Purpose

3. The purpose of this document is to advance the work to elaborate and further develop draft recommendations, on the basis of the RMP, on the application of the requirements referred to in chapter V.B. (Methodologies) of the RMP.

3. Normative Reference

4. The “shall” requirements in this document are those that the user of this document (i.e. activity participants, host Parties, stakeholders or the Supervisory Body) is obliged to satisfy in order to claim conformance to this document. Other types of provisions in this document include (i.e., recommendations (“should”), permissions (“may”), possibilities and capabilities (“can”). Besides prescriptive recommendations explanatory information is also included in this document (e.g., summarizing the basis for or reasoning behind a requirement).
5. Reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans in relation to reducing emissions of GHGs are collectively referred to as ‘emission reductions’ in this document.

4. Methodology Principles

6. Paragraph 33 of the RMP applies to methodologies, and it is relevant to both baseline setting and additionality. Paragraph 34 of the RMP sets out additional general requirements, including with respect to policies, national circumstances, and reversals.
7. Paragraph 35 of the RMP frames the basic procedures and indicates that methodology may be developed by host Parties, by the Supervisory Body and by activity participants.

¹ See decision 3/CMA.3, para. 6(d), for the request, and the annex to 3/CMA.3, for the Rules, modalities and procedures for the mechanism established by Article 6, para. 4, of the Paris Agreement, contained in document FCCC/PA/CMA/2021/10/Add.1, available at: <https://unfccc.int/documents/460950>.

² See decision 7/CMA.4, paras. 21 and 22, for the request, contained in document FCCC/PA/CMA/2022/10/Add.2, available at: <https://unfccc.int/documents/626570>.

Paragraph 37 provides for host Party and the Supervisory Body to develop standardized baselines consistent with paragraph 33 of the RMP.

8. Paragraph 36 of the RMP applies to baselines by indicating approaches that need to be applied, with justification of the choices, including consistency with paragraph 33 of the RMP particularly.
9. Paragraph 38 of the RMP applies to additionality, where three basic tests are set out, including avoidance of lock-in and compatibility with paragraph 33 of the RMP particularly.

4.1. Encouraging ambition over time

10. Paragraph 33 of the RMP states that “Mechanism methodologies shall encourage ambition over time (...)”.
11. Mechanism methodologies are intended to provide the basis for assessment of creditable emission reductions, and whether activities satisfy additionality requirements.
12. Mechanism methodologies should ensure that crediting levels are progressively reduced to encourage ambition over time.
13. Mechanism methodologies should exclude activities that are not consistent with encouraging ambition over time.
14. Mechanism methodologies shall encourage ambition over time by prioritizing technologies that are not widely used or available in specific locations, thereby facilitating technology transfers, removing barriers to deployment of clean technologies, reducing the cost of decarbonization, and unlocking investment in low-carbon solutions.
15. Mechanism methodologies shall encourage ambition over time by including progressively more efficient and less GHG intensive technologies, supporting replicable and scalable mitigation activities, enabling an expanded user base and greater penetration of low-carbon solutions after initial deployment.
16. Mechanism methodologies shall ensure consistency with the element “encourage ambition over time” of paragraph 33 of the RMP through the application of an approach detailed in section 4.8.

4.2. Being real, transparent, conservative, credible

17. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be real, transparent, conservative, credible (...)”.
18. Mechanism methodologies shall ensure that the results of Article 6.4 activities developed using them represent actual tonnes of GHG emissions reduced or removed and shall provide credible methods for estimating emission reductions. Such estimation should be based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions.
19. Mechanism methodologies shall require transparent descriptions of the source of the data used, and disclosure of data sources unless they are confidential, the assumptions made, the references used and the steps followed in deriving the estimates of the results of Article 6.4 activities, where necessary, including equations.

20. Mechanism methodologies shall result in conservative emission reduction estimates, from the measures applied, options chosen or assumptions made, and shall not overestimate the emission reductions from Article 6.4 activities.
21. Mechanism methodologies shall require Article 6.4 activities to have a robust monitoring and data capture system as well as a reporting system. Where secondary data is used, the mechanism methodologies shall require that the activity developer demonstrate that it is from a best available source.
22. Mechanism methodologies shall ensure that baselines are real, transparent, conservative, credible by:
 - (a) Including robust, transparent and user-friendly measurement, reporting and verification (MRV) systems;
 - (b) Using technical performance standards that are data driven and made publicly available;
 - (c) Including requirements to demonstrate concrete changes in GHG levels, transparently showing each step in the process, including the scientific calculations;
 - (d) Adopting life-cycle approaches and considering embodied emissions of materials and products where relevant;
 - (e) Choosing the lowest emissions baseline when multiple sources of data and vintages are available to set the baseline;
 - (f) Avoiding double counting.

4.3. Establishing that the selected baseline is below BAU

23. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) be below business as usual (...)”.
24. Mechanism methodologies shall require that the baseline selected shall be demonstrated as being below ‘business as usual’ (BAU). For that purpose, mechanism methodologies shall require the identification of the BAU scenario(s) and provide an approach for the calculation of BAU emissions.
25. BAU emissions are plausible GHG emissions that are assumed if no Article 6.4 activity is implemented.
26. ‘Below BAU’ may be demonstrated by estimating the difference between emissions of the baseline as per the requirements in section 4.7 below and BAU emissions.

4.4. Contributing to the equitable sharing of mitigation benefits between participating Parties

27. Paragraph 33 of the RMP states that “Mechanism methodologies shall...contribute to the equitable sharing of mitigation benefits between the participating Parties...”.
28. Mechanism methodologies shall contribute to the equitable sharing of mitigation benefits between participating Parties, *inter alia*, as follows:

- (a) Ensuring that the total length of crediting period(s) is shorter than the lifetime of technology/measure implemented, and host Parties derive a long-term benefit beyond the lifetime of the activity in terms of lower emission levels;
 - (b) Ensuring only mitigation contribution units are generated and no corresponding adjustment on the part of the host Party is required;
29. Mechanism methodologies shall require the activity participants to describe, in the project design document, application of measures to deliver equitable mitigation benefits to the participating Parties. For example, pre-conditions specified by the designated national authorities (DNAs) to be applied by the activity participants, so as to ensure host Party benefits are retained, as part of the process to approve and/or authorization of activities achieve their nationally determined contributions (NDCs).
30. Methodologies shall ensure consistency with the element “equitable sharing of mitigation benefits between participating Parties” of paragraph 33 of the RMP through the application of an approach detailed in section 4.8.
31. The Supervisory Body will develop further guidance regarding the consideration of co-benefits in mechanism methodologies in relation to contributing to the equitable sharing of mitigation benefits between participating Parties.

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

32. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one and the long-term goals of the Paris Agreement”.
33. Mechanism methodologies shall require demonstration that the activity aligns with the policies, options and implementation plans of the host Party with regard to the latest NDC of the host Party (if applicable) and long-term low greenhouse gas emission development strategies (LT-LEDs), if it has submitted one, and the long-term goals of the Paris Agreement. This shall include the demonstration that the expected crediting levels of the activity do not exceed the expected contribution of the sector or do not prejudice host Parties’ ability to meet these goals in any way. Mechanism methodologies should encourage the activity to facilitate increasing ambition in the NDCs.
34. Mechanism methodologies shall require that the proposed activity applying the methodology has been approved by the host Party for implementation under Article 6.4, for example by showing that the activity is included in a published host Party approval list or in another formal communication of the relevant national authority or specified in its NDC implementation plan.

4.6. Aligning with the long-term temperature goal of the Paris Agreement

35. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) align with the long-term temperature goal of the Paris Agreement (...)”.
36. Mechanism methodologies shall align with the long-term temperature goal of the Paris Agreement by crediting only emission reductions and removals that avoid creating perverse incentives and/or reward activities that lead to locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP,

taking into account relevant IPCC recommendations. In this regard mechanism methodologies shall require demonstration that the emission levels from the activity are aligned with pathway to deliver the long-term temperature goal of the Paris Agreement while taking into account different circumstances, capabilities and emission pathways that apply at the host Party level.

37. Mechanism methodologies shall ensure that crediting levels set do not exceed levels that would prejudice achievement of the long-term goal of the Paris agreement.
38. Methodologies shall ensure consistency with the element “align with the long-term temperature goal of the Paris Agreement” of paragraph 33 of the RMP through the application of an approach detailed in section 4.8.

4.7. The approaches for the BASELINES

39. Paragraph 36 of the RMP states that:

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

- (a) A performance-based approach, taking into account:
 - (i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;
 - (ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;
- [(b)] [(iii)] An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above [in the RMP].”

40. Paragraph 27 of the RMP states that “A host Party may specify to the Supervisory Body, prior to participating in the mechanism: (a) Baseline approaches and other methodological requirements... ” and (b) specifications as to crediting period and renewals.”
41. Mechanism methodologies shall require justification of the appropriateness of the choice(s) made in the methodology for setting the baseline, and in particular the choice of approach, with reference to the requirements of paragraphs 33 and 35 of the RMP, as detailed in this document and any further guidance that will be provided by the Supervisory Body. Factors affecting the appropriateness of the choice shall include the homogeneity or variability of emission sources with respect to technologies and measures applied, or sectors covered by the methodology, availability of data required for the parameters for a conservative and reliable estimation of the baseline. When considering these elements methodologies shall, where applicable, draw from experience from typical mitigation activities that have been already implemented.
42. For the approach identified in paragraph 36 of the RMP based on existing actual or historical emissions, the mechanism methodology shall apply, as an option, one of the

- approaches detailed in section 4.8 to adjust the existing actual or historical emissions downwards and to ensure consistency with paragraph 33 of the RMP.
43. A host Party may determine a more ambitious baseline requirement at its discretion and propose it to the Supervisory Body (e.g., by developing sector-specific standardised baselines and requiring its application in the activities hosted in the country).
 44. The Supervisory Body will develop further guidance by developing a methodological tool for the baseline.
 45. The Supervisory Body may develop further guidance on modalities for eligibility of policy crediting to incentivize increased ambition and mitigation at a large scale, acknowledging that the approaches for crediting the introduction of policies is inherently different from crediting projects or programmes.

4.8. Approaches to address elements of paragraph 33 of the RMP and downward adjustment element of paragraph 36 of the RMP

46. The approaches below enable baselines to evolve over time or result in downward adjustment of creditable emission reductions over time or support transformative actions in relation to Article 6.4 activities, so as to ensure consistency with paragraphs 33 of RMP.
47. A methodology may require the application of a single approach to meet the requirements of one or more elements of paragraph 33 of the RMP (e.g., encouraging ambition over time, aligning with the long-term temperature goal of the Paris Agreement, downward adjustment of existing actual or historical emissions).
48. Approaches include:
 - (a) **Approach A:** The measures for this option includes: (a) forward-looking baselines for the parameters in the methodologies consistent with emissions pathways to achieve climate goals (e.g. higher weightage for low emitting prospective power plants as compared to current stock of power plants in the estimation of country specific or region specific electricity grid emission factors); (b) increasing the stringency of baselines over time by updating the parameters in the methodologies at regular intervals based on latest science; (c) reassessing and updating the parameters of the baseline at the renewal of the crediting period of registered activities; (d) accounting for autonomous improvements of baseline parameters systematically and consistency by including an annual discount factor in the methodology. This option is operationalized through methodology approval process and rules applicable to registered activities at the renewal of the crediting period.
 - (b) **Approach B:** Development of default downward adjustment factors for emission reductions estimates applied across methodologies consistent with emissions trajectories to achieve climate goals differentiated by technology/sector or country/region considering socio-economic conditions accommodating different circumstances of the Host Parties. This option may be operationalised through:
 - (i) Activity level guidance provided by the Supervisory Body regarding the development and application of factors;
 - (ii) The factors are jointly developed by the Supervisory Body and the Host Party with the provision for the Host Party to make a request to the Supervisory

Body to initiate the development of the factor. The procedures of standardised baselines may be used for this purpose;

- (iii) The factors are developed by the Host Party and submitted to the Supervisory Body for consideration and approval. The procedures of standardised baselines may be used for this purpose.
- (c) **Approach C:** Identifying and approving activities eligible under the methodologies that are transformative to enable deep decarbonisation consistent with emissions pathways to realise climate goals. Activities shall have the potential to transform an entire sector to low carbon option (e.g. based on scalability, innovation potential, catalytic impact), as opposed to producing incremental improvements, taking into account the specificities of a sector, geographical location and level of uncertainty of greenhouse gas estimation.
49. The Supervisory Body will develop standards, tools and guidance to operationalise the above options.

4.9. Encouraging broad participation

50. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) encourage broad participation (...)”.
51. The Supervisory Body should encourage development of a broad range of methodologies covering a wide range of mitigation and removal technologies and measures with broad sectoral and geographic coverage.
52. Mechanism methodologies should:
- (a) Encourage participation of a broad range of stakeholders during methodology development process, by enabling informed consultation as described in “Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools”;
 - (b) Balance stringency and maximum participation by being accurate, simple, clear, avoiding complexity such that a wide range of activity participants and host Parties can apply methodology requirements irrespective of the scientific infrastructure, financial resources available to them, and their national circumstances;
 - (c) Take into account the context on the ground in host Parties, including institutional arrangements, and provide options to facilitate the meeting of requirements, such as by enabling the drawing from multiple data sources to address any data gaps, particularly for lesser developed countries, and use of conservative default values and benchmarked data from comparable regions to the extent they can be applicable;
 - (d) Use language that is easy to understand, inclusive, gender-sensitive and accessible to a wide range of stakeholders, including local communities and Indigenous Peoples.

4.10. Including data sources and accounting for uncertainty

53. Paragraph 34 of the RMP states that “Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors (...)”.

54. The Supervisory Body should ensure that mechanism methodologies are transparent, comprehensive and comprehensible and that they include relevant assumptions, parameters, data sources and key factors. Where relevant, requirements shall be expressed in terms of performance rather than specification of a product, and these requirements should be verifiable.
55. Mechanism methodologies shall require the accounting of uncertainty associated with modelled and surveyed data where relevant.
56. If it is necessary to invoke a requirement in a methodology that appears elsewhere in another methodology, this should be done by reference and not by repetition. If a test method or a procedure is, or is likely to be, applicable to two or more methodologies, a tool should be prepared on the method/procedure itself, and each methodology shall refer to it to prevent potential deviations on account of repetition.

4.11. Recognizing suppressed demand

57. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) recognize suppressed demand (...)”.
58. The Supervisory Body will recognise suppressed demand under a situation where the baseline equipment or measure cannot realistically provide the level of service required of the Article 6.4 activity, by considering that the baseline scenario is not the historical condition, but rather an alternative technology that provides the level of service comparable to that provided by the Article 6.4 activity.
59. Suppressed demand in the context of an Article 6.4 activity is a situation where services provided to a population are insufficient to meet the basic human needs such as minimum amount of electricity for lighting, heating or cooling due to barriers, including low income or lack of infrastructure in relation to users and where the growth of emissions resulting from meeting such needs requires special consideration in the assessment of Article 6.4 baseline scenarios.
60. In the context where the baseline equipment or measure cannot realistically provide the level of service of the Article 6.4 activity, the Supervisory Body will recognize that the baseline scenario is an alternative technology that provides a level of service comparable to or higher than the service provided by the Article 6.4 activity rather than the historical situation. The emission intensity of the alternative technology shall be different from the technology applied by the Article 6.4 activity to result in emission reductions.
61. The Supervisory Body will assess whether suppressed demand is a plausible situation in a given context on a case-by-case basis and, where relevant, it will recognize suppressed demand by including benchmarks and default factors in specific methodologies that may not be below BAU. Mechanism methodologies may include such factors, where relevant, for use by activity participants; however, activity participants shall not directly estimate suppressed demand while applying a methodology.
62. The Supervisory Body will develop a tool to determine whether there is suppressed demand and minimum level of service that may be considered as reference level to determine the baseline.

4.12. Taking into account policies and measures and relevant circumstances

63. Paragraph 34 of the RMP states that “Mechanism methodologies shall (...) take into account (...) policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances (...)”.
64. Mechanism methodologies shall envisage flexibility to account for relevant circumstances, including national, regional or local, social, economic, environmental and technological, provided that they are documented with robust data and verifiable information, and should indicate the type of data and information that would be required for apply the above-mentioned flexibilities.
65. The Supervisory Body will develop guidance on how mechanism methodologies shall take into account policies and measures and relevant circumstances at a future meeting of the Supervisory Body.

4.13. Standardized baselines

66. Paragraph 37 of the RMP states that “Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party and be consistent with paragraph 33 above [in the RMP].”
67. A standardized baseline is a baseline developed at the request of or by a host Party or a group of host Parties on a sub-national, national or group-of-Parties basis rather than on an activity basis, to facilitate the calculation of GHG emission reductions and/or the determination of additionality for Article 6.4 activities, while facilitating assurance of environmental integrity.
68. The application of standardized baselines is not mandatory unless explicitly stated in an approved standardized baseline or in another standard approved by the Supervisory Body. When application of a standardized baseline is not mandatory, activity participant may establish additionality or baseline emissions for their activity using other approved approaches as an alternative to applying a standardized baseline.
69. A host Party may specify the application of a standardised baseline as a mandatory requirement for the activities hosted in the host Party. The Supervisory Body may specify the application of a standardised baseline as a mandatory requirement when the standardised baseline is being used to address leakage emissions of an activity, as further detailed in this document. The provisions in this paragraph may also apply to standardized baselines developed by or for a group of host Parties.
70. The approaches for setting the baselines referred to in section 4.7 above shall also be applied for the development of standardized baselines.
71. The host Party and the Supervisory Body should determine the level of aggregation taking into account the following:
 - (a) A default level of aggregation shall comprise the facilities or equipment producing a similar type of output within the geographical boundaries of one Party. The level of aggregation may be expanded to a group of Parties with similar circumstances relating to the output;

- (b) A default group of facilities should be disaggregated when significant dissimilarities exist in the performance of facilities or groups of facilities in the country/region. In this case, the disaggregation shall be carried out according to relevant criteria, such as scale of production, installed capacity or age of the facilities. Standardized baselines values should be determined for each group of similar facilities in this case;
 - (c) Disaggregation should not result in standardized baselines with overlapping applicability.
72. Standardized baselines may include a default validity period of three years, starting from the date of approval by the Supervisory Body. A host Party may propose a shorter or longer validity period taking into account specificity of sectors in which activities are undertaken, and by providing justification for the consideration of the Supervisory Body.
73. After the validity of a standardized baseline has expired, the updated standardized baseline shall be considered by the Supervisory Body for approval subject to the host Party making a request for the update. The updated standardized baseline shall not impact already registered activities up to the end of their first crediting period.
74. Standardized baselines may be developed by the host Party and approved by the Supervisory Body following an assessment against the “Procedure: Development, revision, clarification and update of standardized baseline development”.
75. The Supervisory Body will develop and approve separate guidance on standardized baselines at a future meeting of the Supervisory Body, including “Procedure: Development, revision, clarification and update of standardized baseline development”.
76. The Supervisory Body will develop separate guidance on standardized baselines for a group of Parties at a future meeting of the Supervisory Body.

5. Additionality

77. Paragraph 38 of the RMP states that “Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 above [in the RMP]”.
78. Paragraph 39 of the RMP states that “The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body”.
79. Mechanism methodologies shall require demonstration that the proposed activity:
- (a) Would not have occurred in the absence of the incentives from the mechanism through an investment analysis and/or an assessment of barriers to the implementation of the activity such as the financial, technological, institutional barriers taking into account all relevant national policies, including legislation and current practices within the activity sector and geographic area.

- (b) Represents mitigation that exceeds any mitigation that is required by law or regulation, through a regulatory analysis conducted to determine that the activity is neither mandated nor triggered by applicable law or regulation. For this purpose, law or regulation at the national, subnational or local levels applicable to the proposed activity that may require a certain technological, performance or management actions shall be considered. These requirements may, for example, require the use of a specific technology, meeting a certain standard of performance, or managing operations according to a certain set of criteria or practices.
 - (c) Avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP through an assessment of the scale, crediting period, lifetime, and emissions intensity of the activity including any related technical, economic, or institutional factors that may limit the ability to achieve a low emission development pathway that is compatible with the goals of the Paris Agreement.
80. The Supervisory Body will develop a tool for demonstration of additionality (additionality tool) including stepwise procedure to address the elements in paragraph above at a future meeting of the Supervisory Body. Mechanism methodologies may require the application of the additionality tool.
81. When formulating an approach to the assessment of additionality, mechanism methodologies should consider the relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances in line with paragraph above.
82. The Supervisory Body may develop standardized performance-based approaches for additionality for application in methodologies.
83. A least developed country or small island developing State may propose simplified approaches for demonstration of additionality such as positive lists for the consideration and approval by the Supervisory Body, where necessary using the process for the development of standardized baselines.
84. Host Parties may also propose national positive lists for the consideration and approval by the Supervisory Body, where necessary using the process for the development of standardized baselines. Positive list of technologies are activities deemed automatically additional. The following conditions apply to positive lists:
- (a) Activity types that can show, in the national context, that their costs exceed revenues and savings and that they have very low penetration rates;
 - (b) They may be region-specific;
 - (c) They should be periodically reviewed;
 - (d) They should be developed based on inputs from experts and the public and should include independent assessment and validation.

6. Leakage

85. Paragraph 33 of the RMP states that “Mechanism methodologies shall (...) avoid leakage, where applicable (...)”.

86. Leakage is the net change of anthropogenic emissions by sources of GHGs which occurs outside the activity boundary, and which is attributable to the Article 6.4 activity.
87. Mechanism methodologies shall:
- (a) Ensure that the potential sources of leakage in activities covered by the Article 6.4 mechanism methodology are identified, including, but not limited to, any sources referred to in paragraph 88;
 - (b) Require activities to avoid or minimize all sources of leakage as far as possible and address remaining leakage by discounting credited volumes as described in paragraph 89;
 - (c) Require that activity participants list all the potential sources of leakage that may reasonably be attributable to the activity and describe how each one is being addressed. If the activity participant excludes source of leakage, from consideration they shall justify its exclusion.
 - (d) Include, where necessary, provisions for robust monitoring, reporting and verification systems that encompass specific sources of potential leakage identified;
 - (e) Include, where necessary, life cycle analysis of the products or material in relation to source indicated in paragraph 88(e);
 - (f) Require the activity participant to consider relevant information from the DNA of the host Party on leakage, where available:
88. Leakage may occur due to, inter alia:
- (a) Continued use of baseline equipment being transferred beyond the activity boundary or baseline equipment from outside of the activity boundary transferred into the boundary for continued use;
 - (b) Use of resources that have competing uses from activities outside the activity boundary that lead to a net change in emissions outside the boundary or shifts of pre-project activities that lead to a net change in emissions outside the boundary;
 - (c) Diversion of production or service provision accounted for in the baseline, inter alia through relocation and continuation of baseline activities outside the activity boundary;
 - (d) Baseline production or services provision being, i.e., relocated or accelerated beyond the activity boundary;
 - (e) Impacts on upstream and downstream effects associated with the materials and services used, and products or services provided of by the activity, relative to the baseline, unless they are accounted as activity emissions.
89. Leakage may be avoided, minimised, or addressed by, inter alia by:
- (a) **Discounting credited volumes:** deducting emission reductions from credited volumes taking into account equipment lifetime, where applicable;
 - (b) **Scrapping of baseline equipment:** undertaking and evidencing the destruction / decommissioning / disposal of baseline technology equipment;

- (c) **Demonstrating abundance of resources:** demonstration of surplus availability of resources used as inputs by the activity that has competing uses in the region so that impacts on emissions outside the boundary are unlikely;
- (d) **Application of higher-level elements:** applying a standardized baseline at a higher level of aggregation (or equivalent) that is regularly updated and any associated higher-level monitoring information / system;
- (e) **Upscaling implementation:** implementing activities at a higher level, e.g., sectoral, sub-national, or national, or aligning relevant aspects of activity design and implementing with those of an existing higher-level crediting program.
90. For some types of activities, monitoring at jurisdictional level and use of a standardized baseline (or equivalent) is necessary to quantify and account for leakage. In addition, further work will be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.
91. The Supervisory Body will develop a methodological tool for the implementation of paragraph 87.

7. Non-permanence and reversals {The work from removal WG will be reflected here}

92. Paragraph 34 of the RMP states that “Mechanism methodologies shall (...) address reversals, where applicable”.
93. ‘Reversal’ means the release into the atmosphere of the verified tonnes of removals.
94. Mechanism methodologies shall address reversals of removals using a consistent approach specified under the recommendations on removals.
95. [The Supervisory Body will develop further guidance in this regard at a future meeting of the Supervisory Body.]

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
07.0	14 September 2023	Published as an annex to the meeting report of SB 007. This version is a work-in-progress and will be used to make further improvements based on guidance provided by the Supervisory Body at SB 007.
06.0	1 September 2023	Published as a late annex to the annotated agenda of SB 007. This version takes into account guidance from the Supervisory Body at SB 006 (SB 006 meeting report, para. 18).
05.0	03 August 2023	Published for the structured call for public inputs (open from 3 to 16 August 2023) launched between SB 006 and SB 007

<i>Version</i>	<i>Date</i>	<i>Description</i>
04.0	28 June 2023	Published as a late annex to the annotated agenda of SB 006. This version takes into account guidance from the Supervisory Body at SB 005 (SB 005 meeting report, para. 17 & 18).
03.0	21 February 2023	Published as an annex to the annotated agenda of SB 004. This document integrates: A6.4-SB003-A04 – Information note: Status of current work on the application of the requirements referred to in chapter V B (Methodologies) of the rules, modalities and procedures (version 1.0, 07 November 2022). A6.4-SB003-AA-A05 – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 2.0, 25 October 2022). This version incorporates comments from the Supervisory Body at SB 003 (SB 003 meeting report, para. 15).
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Related documents:

3 August 2023	A6.4-SB007-AA-A## - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 05.0) This version was published for the structured call for public inputs (open from 3 to 16 August 2023) launched between SB 006 and SB 007
28 June 2023	A6.4-SB006-AA-A08 – Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 4.0)
28 June 2023	A6.4-SB006-AA-A07 - Concept note: Proposals and options to operationalize baseline contraction factor, 'lock-in levels of emissions' and leakage in the draft recommendation on requirements for the development and assessment of mechanism methodologies (version 01.0)
17 May 2023	A6.4-SB005-AA-A07 - Information note: Draft elements for the recommendation on requirements for the development and assessment of mechanism methodologies (version 01.0) A6.4-SB005-AA-A08 - Information note: Compilation of inputs in response to the “public consultation: Requirements for the development and assessment of mechanism methodologies” and related literature (version 01.0)
21 February 2023	A6.4-SB004-AA-A10 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 03.0) (Zip file: Appendices 1 - 4 to Annex 10)

07 November 2022	A6.4-SB003-A04 - Information note: Status of current work on the application of the requirements referred to in chapter V B (Methodologies) of the rules, modalities and procedures (version 01.0)
25 October 2022	A6.4-SB003-AA-A05 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 02.0) A6.4-SB003-AA-A06 - <i>Information note</i> : Requirements for the development and assessment of mechanism methodologies (version 02.0)
12 September 2022	A6.4-SB002-AA-A07 - Draft recommendation: Requirements for the development and assessment of mechanism methodologies (version 01.0) A6.4-SB002-AA-A08 - <i>Information note</i> : Requirements for the development and assessment of mechanism methodologies (version 01.0)
08 July 2022	A6.4-SB001-AA-A06 - <i>Concept note</i> : Guidelines for implementation of methodological principles, approaches, and methods for the establishment of baseline and additionality (version 01.0)

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