

A6.4-SBM013-AA-A01

Draft annual report of the Supervisory Body
for the mechanism established by Article 6,
paragraph 4, of the Paris Agreement to the
CMA

DRAFT

Version 01.0



COVER NOTE

1. Procedural background

1. In accordance with the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism),¹ the Supervisory Body for the mechanism (hereinafter referred to as the Supervisory Body or the SBM) reports on its activities at each session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). This document is a draft of the Supervisory Body's report to CMA 6, pending the inclusion of outcomes from the 13th meeting of the Supervisory Body (SBM 013).

2. Purpose

2. This report describes the work undertaken by the Supervisory Body between 18 November 2023 and 18 July 2024. It provides information on progress in implementing the Article 6.4 mechanism during its third year of operation and includes recommendations for consideration at CMA 6.
3. The report provides an opportunity for the Supervisory Body to make recommendations to and seek guidance from the CMA. Placeholders are included in this draft report for possible recommendations for the CMA, as these will be considered under separate agenda items at SBM 013. The recommendations agreed by the Supervisory Body at SBM 013 will be incorporated into this report after the meeting.
4. Given the limited duration of the reporting period and the likelihood of recommendations to CMA 6 arising from SBM 014, scheduled for October 2024, an addendum to this report will be published to cover the period between 19 July and 10 October 2024 and will include any recommendations agreed on at SBM 014.

3. Impacts

5. The report describes the status of the Article 6.4 mechanism, highlights achievements relating to its operation, and provides information on its governance, management and financial status. The report will constitute an important basis for Parties' negotiations under the CMA agenda item on guidance related to the Article 6.4 mechanism.

4. Subsequent work and timelines

6. The outcomes of SBM 013 will be incorporated into this report by the secretariat in consultation with the Chair and Vice-Chair of the Supervisory Body after the meeting. The report will then be formatted and edited as an official document for consideration at CMA 6.

¹ Decision 3/CMA.3, annex, contained in document FCCC/PA/CMA/2021/10/Add.1, available at <https://unfccc.int/documents/460950>, <https://unfccc.int/documents/460950>. The annex to the decision begins on p.29 (English-language version).

5. Recommendations for the Supervisory Body

7. The secretariat recommends that the Supervisory Body, at SBM 013:
 - (a) Consider and agree on this report, adjusted as necessary;
 - (b) Request the secretariat to finalize the report, reflecting the outcomes of SBM 013, in consultation with the Chair and Vice-Chair of the Supervisory Body.

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1. Introduction

1.1. Mandate

1. In accordance with the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (RMPs),² the Supervisory Body for the mechanism is required to report annually to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). The CMA provides guidance to the Supervisory Body by taking decisions on, inter alia:
 - (a) Recommendations of the Supervisory Body relating to the RMPs;
 - (b) Matters relating to the operation of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism).

1.2. Scope of the report

2. This third annual report of the Supervisory Body covers the work carried out by the Body between 18 November 2023 and 18 July 2024. The report provides information on progress in implementing the Article 6.4 mechanism during the reporting period and includes recommendations for consideration at CMA 6.
3. The report describes the status of the Article 6.4 mechanism, highlights achievements related to its implementation, and provides information on its governance, management and financial status.
4. Further information is available on the A6.4 mechanism web pages,³ the central repository for all reports and other documentation relating to the mechanism and the Supervisory Body.³

1.3. Action to be taken by the CMA

5. The CMA is recommended to take note of this report and consider the recommendations contained herein, as appropriate.

1.4. Recommendations for the CMA

6. The Supervisory Body recommends that the CMA:
 - (a) Note the progress of work of the Supervisory Body in response to the mandates in decisions 3/CMA.3 and 7/CMA.4 (see section 2.1 below);
 - (b) Agree to exempt activities under Article 6, paragraph 4, of the Paris Agreement in the least developed countries (LDCs) from the share of proceeds from adaptation, while recognizing that the LDCs may choose not to make use of this exemption (see para. 22 below);

² Decision 3/CMA.3, annex, contained in document FCCC/PA/CMA/2021/10/Add.1, available at <https://unfccc.int/documents/460950>. The annex to the decision begins on p.29 (English-language version).

³ <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism>.
<https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism>.

(c) [Placeholder for SBM 013 outcomes].

2. Work in the reporting period

7. To provide an overview of the issues to be considered by the Supervisory Body at each meeting and to identify and plan activities arising from the mandates from the CMA, the Body develops annual workplans. The workplan for 2024⁴ was approved at the 10th meeting of the Body (SBM 010).
8. In the reporting period, the Supervisory Body focused on responding to the mandates that are to be delivered on by the time of CMA 6. Paragraphs 9–16 below provide information on the progress of the work conducted in response to those mandates. The remainder of this section discusses the progress of work arising from the Body’s workplan for 2024, as well as progress in developing standards, guidelines and tools as necessary for operationalizing the Article 6.4 mechanism and facilitating the swift approval of related methodologies and the timely registration of activities under the mechanism.

2.1. Mandates from the Conference of the Parties serving as the meeting of the parties of the Paris Agreement

2.1.1. Activities involving removals

9. At its 5th session, the CMA requested that the Supervisory Body continue its relevant work to operationalize the mechanism, with the goal of elaborating and further developing the recommendations on activities involving removals⁵ for consideration and adoption.
10. During the reporting period, to better understand concerns raised by Parties at CMA 5, the Supervisory Body organized an event to engage with Parties and stakeholders during the sixtieth sessions of the Subsidiary Bodies (SB 60).⁶ The Supervisory Body considered 36 inputs from Parties and stakeholders received through a call for inputs⁷ as well as inputs from its engagement event held at SB 60. At its 13th meeting, the Supervisory Body agreed to revise the recommendations on activities involving removals that were initially developed at its ninth meeting for further consideration at its 14th meeting and to report on progress in the addendum to this report. (Placeholder for SBM 013)

11. Application of the methodology requirements

12. At its 5th session, the CMA also requested that the Supervisory Body continue its work to operationalize the mechanism, with a view to elaborating and further developing the recommendations on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs for consideration and adoption at CMA 6.
13. During the reporting period, to better understand concerns raised by Parties at CMA 5, the Supervisory Body organized an event to engage with Parties and stakeholders during SB

⁴ Contained in Supervisory Body document A6.4-INFO-GOV-010, available at <https://unfccc.int/sites/default/files/resource/A6.4-INFO-GOV-010.pdf>.

⁵ Pursuant to decision 7/CMA.4, paras. 20 and 22.

⁶ See https://unfccc.int/event/aA64_sbm_engagement_parties_stakeholders_requirements.

⁷ See <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-stakeholder-interactions-further-input-requirements-for-methodologies-and>

60. The Supervisory Body considered 36 inputs from Parties and stakeholders received through the call for inputs as well as inputs from its engagement event held at the SB 60. At its 13th meeting, the Supervisory Body agreed to revise the recommendations on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs, which were initially developed at its ninth meeting, for further consideration at its 14th meeting and to report on progress in the addendum to this report. (Placeholder for SBM 013)

2.1.2. Development of regulations and processes for implementing the Article 6.4 mechanism

14. Following the request of the CMA in paragraph 5(a) of decision 3/CMA.3, during the reporting period the Supervisory Body considered the activity standard, validation and verification standard, and activity cycle procedure for programme of activities (PoAs) and conducted a focused, inclusive stakeholder consultation on the regulatory documents. The Supervisory Body subsequently adopted the documents at SBM 013. With the adoption of the regulatory framework for PoAs and the regulatory framework for projects, the Supervisory Body completed its consideration of the foundational documents for implementing the mechanism. (Placeholder for SBM 013)

2.1.3. Appeal and grievance procedure

15. In response to the request of the CMA in decision 3/CMA.3, annex, paragraph 62, the Supervisory Body continued its work on developing an appeal and grievance procedure,⁸ taking into consideration nine inputs submitted during the structured call for public inputs⁹ as well as feedback obtained through direct interaction with stakeholders. The appeal and grievance procedure was adopted at SBM 011.

2.1.4. Article 6.4 mechanism registry

16. In accordance with paragraphs 55, 58–61 and 63–65 of the RMPs, during the reporting period the Supervisory Body considered and adopted the procedure for operation of the Article 6.4 mechanism registry. Work on developing the registry software continued at pace with the aim of making operational an interim offline solution by the end of 2024. (Placeholder for SBM 013)

2.2. Regulatory and other matters considered by the Supervisory Body

2.2.1. Transition of clean development activities

17. Further to the adoption at SBM 006 and further revision at SBM 008, the Supervisory Body adopted a revision of the procedure for the transition of CDM activities to the Article 6.4 mechanism, which aims to provide flexibility in the requirements for the transition of multi-country PoAs, as well as to provide provisions for revising and withdrawing a transition request. (Placeholder for SBM 013)

⁸ See para. 62 of the RMPs.

⁹ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input/call-for-input-2023-stakeholder-interactions-appeal-and-grievance-processes-under-the-article-64>.

2.2.2. Accreditation system

18. To further operationalize the mechanism, at SBM 010 the Supervisory Body authorized 30 clean development mechanism designated operational entities to conduct verification and verification of requests for issuance of transitioned activities to the Article 6.4 mechanism. Additionally, it adopted a procedure for selecting and evaluating the performance of experts on the Article 6.4 mechanism accreditation roster of experts.¹⁰
19. At SBM 011, the Supervisory Body took note of the report on the 1st meeting of the Accreditation Expert Panel (AEP), during which 26 experts were selected for the Article 6.4 mechanism accreditation roster of experts. Following the Supervisory Body's approval of the Article 6.4 mechanism accreditation standard and procedure at SBM 008, some entities have applied for initial accreditation in line with the Article 6.4 mechanism accreditation standard and procedure,¹¹ adopted at SB 008.

2.2.3. Methodological standards

20. To continue the relevant work to operationalize the Article 6.4 mechanism, the Supervisory Body decided to put in place the necessary standards, guidelines, and tools to enable the approval of Article 6.4 mechanism methodologies. This effort is supported by the work of the Methodological Expert Panel (MEP) which supports the development of methodological standards, tools and guidelines to facilitate the development of emission reduction and removal activities for registration under the Article 6.4 mechanism.¹²

2.2.4. Sustainable development tool

21. In the reporting period, the Supervisory Body considered 308 stakeholder inputs received through two calls for inputs,^{13,14} as well as the work of its members in an informal working group, in developing the sustainable development tool for the Article 6.4 mechanism, which was adopted at SBM 013.¹⁵ The tool allows activity participants to assess, demonstrate, manage and monitor the potential negative environmental and social impacts, as well as the potential positive and negative contributions to the 17 Sustainable Development Goals, of an Article 6.4 activity and/or PoA. (Placeholder for SBM 013)

2.2.5. Implementation of the requirements in relations to the LDCs and small island developing States

22. At SBM 010, the Supervisory Body agreed on an approach to collecting shares of proceeds levied to assist developing country Parties who are particularly vulnerable to the

¹⁰ Contained in Supervisory Body document A6.4-PROC-GOV-005, available at <https://unfccc.int/sites/default/files/resource/A6.4-PROC-GOV-005-v01.0.pdf>.

¹¹ Contained in Supervisory Body documents A6.4-STAN-ACCR-001 and A6.4-PROC-ACCR-001, available at <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/rules-and-regulations#Accreditation>.

¹² See Methodological Expert Panel at: <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/mep>.

¹³ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input/call-for-input-2023-stakeholder-interactions-sustainable-development-tool>.

¹⁴ See <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-a64-sd-tool>.

¹⁵ [link to SD tool].

adverse effects of climate change in meeting the costs of adaptation. Reiterating its recommendation to CMA 5, the Body agreed to exempting activities located in least developed countries under Article 6, paragraph 4, of the Paris Agreement from the share of proceeds for adaptation, while recognizing that the least development countries (LDCs) may choose not to make use of this exemption.

23. Further, in respect of issuances of these activities, the Supervisory Body will retain 5 per cent of A6.4ERs in the pending account of the Article 6.4 mechanism registry and forward them as appropriate, following the decision of CMA 6.

2.2.6. Capacity-building programme

24. During the reporting period, the secretariat, in consultation with the Supervisory Body, continued to implement the five-year capacity-building work programme through the secretariat's regional collaboration centres. The report on the progress of implementation of the work programme will be considered at SBM 014, with relevant information included in the addendum to this report.

2.2.7. Voluntary cancellation platform

25. At SBM 013, the Supervisory Body considered the possibility of repurposing the clean development mechanism voluntary cancellation platform to serve the Article 6.4 mechanism, including by conducting a cost–benefit analysis. It agreed to explore further options for repurposing the platform to suit the operations of the Article 6.4 mechanism and its registry. (Placeholder for SBM 013)

2.2.8. Gender action plan

26. At SBM 008, the Supervisory Body agreed to regularly report on gender-balanced representation and how the Supervisory Body has addressed gender considerations in their work. During the reporting period, the Body considered gender-balanced representation in its work, in particular during the selection of expert panel members (see paragraph 3435). Further, gender considerations featured prominently in the work of the Supervisory Body through the development of the sustainable development tool by having gender equality as one of the principles that activity participants shall identify potential gender-based risks and impacts and introducing effective measures to avoid, prevent or mitigate such risks and impacts.

2.3. Communications and outreach

27. The Supervisory Body continued to emphasize the importance of strategic communications in implementing the Article 6.4 mechanism. As part of its communications strategy, during the reporting period it provided information through the Article 6.4 newsletter, the Article 6 LinkedIn group and UNFCCC social media channels as well as reaching out to media covering climate change, both on background to provide factual information to inform media coverage and through, inter alia, press releases. The aim was to reach target audiences with time sensitive information, provide stakeholders with opportunities to engage with the mechanism and ultimately build trust in the mechanism. In so doing, it continues to demonstrate its commitment to transparency, community outreach and meaningful engagement.
28. The Supervisory Body made efforts to enhance the accessibility of the Article 6.4 mechanism to the public. After a comprehensive due diligence process, it was agreed that the mechanism would be referred to as the Paris Agreement Crediting Mechanism in

external communications. Further, to prevent confusion between the acronyms used for subsidiary bodies and the Supervisory Body, it was decided that the acronym 'SBM' would be used, with the "M" signifying 'of the Mechanism'.

3. Governance and management

3.1. Supervisory Body

3.1.1. Membership

29. The rules of procedure of the Supervisory Body were adopted at CMA 4 (as contained in decision 7/CMA.4, annex II). The members and alternate members of the Body subsequently signed the oath of service and made their curriculum vitae publicly available, and they provided statements of conflict of interests for each meeting.
30. Half of the current members and alternate members of the Supervisory Body were elected at CMA 5 for a term of two years. The seats for the other half of current members and alternate members will be up for election at CMA 6. The composition of the Supervisory Body in 2024 is presented in table 1.
31. During the reporting period, Emily Mathias resigned as alternate member of the Supervisory Body, effective as of 27 November 2023.

Table 1. Members and alternate members of the Supervisory Body in 2024

Member	Alternate member	Group/constituency
Maria AlJishi ^(a)	Duan Maosheng ^(a)	Asia-Pacific States
Benedict Chia ^(a)	Kristin Qui ^(a)	Small island developing States
Felipe De León Denegri ^(b)	Eduardo Calvo ^(b)	Latin American and Caribbean States
El Hadji Mbaye Diagne ^(a)	Tirivanhu Muhwati ^(a)	African States
Piotr Dombrowicki ^(b)	Imre Bányász ^(b)	Eastern European States
Olga Gassan-zade ^{(a) (c)}	<i>Vacant</i> ^(c)	Eastern European States
Felipe Rodrigues Gomes Ferreira ^(a)	Charles Hamilton ^(a)	Latin American and Caribbean States
Martin Hession ^(a)	Helen Finney ^(a)	Western European and other States
Gebru Jember ^(b)	Manjeet Dhakal ^(b)	LDCs
Satyendra Kumar ^(b)	Daegyun Oh ^(b)	Asia-Pacific States
Molly Peters-Stanley ^(b)	Angela Friedrich ^(b)	Western European and other States
Mkhuthazi Steleki ^(b)	Alick Muvundika ^(b)	African States

(a) Two-year term ending prior to the first meeting of the Supervisory Body in 2026.

(b) Three-year term ending prior to the first meeting of the Supervisory Body in 2025.

(c) Nomination pending from CMA 5. Current member will remain in office until nomination is received.

32. At its first meeting in 2024, the Supervisory Body elected Maria AlJishi and Martin Hession as its Chair and Vice-Chair respectively. Their tenures in these roles will end just before the first meeting of the Supervisory Body in 2025.

3.1.2. Meetings

33. During the reporting period, the Supervisory Body held four meetings. The annotated agendas for the meetings, information under consideration, on-demand webcasts and reports containing all agreements adopted by the Supervisory Body are publicly available on the Body's meeting web page.¹⁶ Table 2 lists all meetings of the Supervisory Body in 2024.

Table 2. Meetings of the Supervisory Body in 2024

Meeting	Date	Location
SBM 010	26 February to 3 March	Bonn
SBM 011	29 April to 2 May	Bonn
SBM 012	22–23 May	Virtual
SBM 013	15–18 July	Bonn
SBM 014	7–10 October	Bonn

3.2. Expert panels

34. At SBM 010, the Supervisory Body established the MEP and the AEP to assist in operationalizing the Article 6.4 mechanism. The workplans of those Panels for 2024¹⁷ were approved at SBM 011.
35. Also at SBM 010, the Supervisory Body elected El Hadji Mbaye Diagne and Molly Peters-Stanley as Chair and Vice-Chair of the MEP respectively, with their tenures in these roles to end immediately before the first meeting of the Supervisory Body in 2025. The Body also elected 10 experts to the MEP to serve for a term of one year. At the same meeting, the Body elected Angela Friedrich and Mkhuthazi Steleki as Chair and Vice-Chair of the AEP respectively, with their tenures in these roles to also end immediately before its first meeting in 2025. It also elected five experts to the AEP to serve for a two-year term.
36. During the reporting period, the MEP met twice and the AEP once. The annotated agendas for the meetings, information under consideration and reports are publicly available on the relevant web pages.¹⁸ Tables 3–4 list all meetings of the Panels in 2024.

Table 3. Meetings of the Methodological Expert Panel in 2024

Meeting	Date	Location
MEP 001	15–19 April	Bonn
MEP 002	24–28 June	Bonn

¹⁶ <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-supervisory-body>.

¹⁷ Contained in Supervisory Body documents A6.4-INFO-GOV-015 and A6.4-INFO-GOV-014, available at <https://unfccc.int/sites/default/files/resource/A6.4-INFO-GOV-015.pdf> and <https://unfccc.int/sites/default/files/resource/A6.4-INFO-GOV-014.pdf> respectively.

¹⁸ <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/mep/meetings> and <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/accreditation-expert-panel-aep/meetings>.

Meeting	Date	Location
MEP 003	9–13 September	Bonn

Table 4. Meetings of the Accreditation Expert Panel in 2024

Meeting	Date	Location
AEP 001	25–26 April	Bonn
AEP 002	19 September	Bonn

3.3. Host Parties

37. During the reporting period, 33 Parties designated and communicated their national authority for the Article 6.4 mechanism to the secretariat, bringing the total number of designated national authorities to 85 as at xx July 2024.¹⁹
38. At SBM 010, the Supervisory Body agreed to establish a Designated National Authorities Forum on the Article 6.4 mechanism to support the implementation thereof and to facilitate the exchange of information among designated national authorities and host Parties.
39. To guide host Parties to navigate through the activity cycle processes, providing clear and comprehensive guidance and with the views provided by host Party DNAs, the Supervisory Body considered a comprehensive and user-friendly guide or manual. (Placeholder for SBM 013)

3.4. Transparency and interaction with stakeholders

40. The Supervisory Body allowed registered observers to follow the proceedings of its meetings in person or virtually and made time for interaction with them (in person and virtually) at the end of each meeting. The Supervisory Body agreed to keep this practice under review.
41. Observers continued to show considerable interest in the meetings of the Supervisory Body. On average, 10 observers per meeting were registered. A list of registered observers is made publicly available as part of the documentation for each meeting.
42. The Supervisory Body considered public inputs received on matters on the agendas for its meetings held during the reporting period. In addition, the Body called for inputs from stakeholders on topics and issues to assist it in its consideration thereof.²⁰ During the reporting period, the Body received more than 120 inputs on various topics.
43. With a view to enhancing the engagement of stakeholders in the Article 6.4 mechanism and the Supervisory Body's interaction with them, the Supervisory Body held two webinars prior to SBM 013. Both webinars were well attended by a broad range of stakeholders.

3.5. Financial status of the Article 6.4 mechanism

44. At SBM 007, the Supervisory Body agreed on a two-year business and resource allocation plan. The plan outlines the strategic vision and goals for 2024–2025, activities expected

¹⁹ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/national-authorities>.

²⁰ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input>.

to be necessary to operationalize the Article 6.4 mechanism in that biennium, as well as the related resources required.

45. During the reporting period, the Supervisory Body received accreditation-related income of USD 7,500.00. Table 5 presents the expenses expected to be incurred by the Supervisory Body between 1 January and 30 June 2024.

Table 5. Forecasted expenditure of the Supervisory Body between 1 January and 30 June 2024

Item	Amount (USD)
Staff and other personnel costs	1 930 589
Contractual services	959 669
Travel	212 443
Operating and other direct costs	284 179
United Nations programme support costs	440 294
Total	3 827 174

46. Table 6 presents the expected balance on 31 December 2024. The projected 2024 expenses of USD 3.8 million will be fully met from the existing balance. However, the year-end projected balance will not be sufficient to cover the estimated resource needs for 2024–2025 (budget 2024–2025 amounts to total of USD 38.4 million). The Supervisory Body invites the CMA to assist in fundraising and to request the CMP for additional fund allocations from the Trust Fund for the Clean Development Mechanism, tapping into any available surpluses.

Table 6. Projected balance on 31 December 2024

Item	2023		2024
	Amount (USD)	Amount (USD)	Amount (USD)
Carry-over from previous year	29 569 386		25 915 250
Add: income		–	7 500
Less: expenses		3 654 136	3 827 174 ^(a)
Total: previous year's carry-over plus income and less expenses	25 915 250		22 095 576

^(a) Projected.

4. Abbreviations and acronyms

Table 5. Abbreviations and acronyms

AEP	Accreditation Expert Panel
Article 6.4 mechanism	mechanism established by Article 6, paragraph 4, of the Paris Agreement
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
LDC	least developed country
MEP	Methodological Expert Panel

RMPs	rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement
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Document information

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