

**A6.4-SB002-AA-A01**

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Draft annual report of the Supervisory Body  
to the CMA

DRAFT

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## 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 (A6.4 Mechanism),<sup>1</sup> the Article 6.4 Supervisory Body (hereinafter referred to as the Supervisory Body) reports on its activities to 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 the CMA at its fourth session (CMA 4), pending the inclusion of outcomes from the second meeting of the Supervisory Body (SB 002).

### 2. Purpose

2. This report describes the work undertaken by the Supervisory Body from 28 July 2022 to 22 September 2022. It provides information on initial progress in implementing the A6.4 Mechanism during its first year of operation and includes recommendations for consideration at CMA 4.

### 3. Key issues and proposed solutions

3. The report describes the status of the A6.4 Mechanism and work undertaken during the reporting period.
4. The report offers an opportunity for the Supervisory Body to make recommendations to and seek guidance from the CMA.

### 4. Impacts

5. The draft report describes the status of the A6.4 Mechanism, highlights achievements relating to its operation and provides information on the governance, management and financial status of the mechanism. The report will constitute an important basis for Parties' negotiations under the CMA agenda item on guidance related to the A6.4 Mechanism.

### 5. Subsequent work and timelines

6. The outcomes of SB 002 will be incorporated into this draft report, with updates on the work of the Supervisory Body where applicable. The report will then be formatted and edited as an official document for CMA 4.

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<sup>1</sup> See 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 page 29 (English language version).

**6. Recommendations to the Supervisory Body**

7. The secretariat recommends that the Supervisory Body, at SB 002:
  - (a) Consider and agree on the report, making any adjustments as necessary;
  - (b) Request the secretariat to finalize the report in cooperation with the Chair and Vice-Chair of the Supervisory Body, reflecting the outcomes of SB 002.

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## 1. Introduction

### 1.1. Summary

1. This report covers the work carried out by the Article 6.4 Supervisory Body (hereinafter referred to as the Supervisory Body) from 28 July to 22 September 2022. Placeholder: Summary to be completed after incorporating SB 002 outcomes.

### 1.2. Mandate

2. In accordance with the rules, modalities and procedures (RMP) for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (A6.4 Mechanism),<sup>2</sup> the Supervisory Body 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) The rules of procedure of the Supervisory Body;
  - (b) Recommendations made by the Supervisory Body relating to the RMP;
  - (c) Matters relating to the operation of the A6.4 Mechanism.

### 1.3. Scope of the report

3. This first annual report provides information on progress made in implementing the A6.4 Mechanism from 28 July to 22 September 2022 (hereinafter referred to as the reporting period) and includes recommendations for consideration at CMA 4.
4. This report describes the status of the A6.4 Mechanism, highlights achievements related to its implementation and provides information on the governance, management and financial status of the mechanism.
5. Further information is available on the A6.4 Mechanism web pages,<sup>3</sup> which is the central repository for all reports and other documentation relating to the Supervisory Body.

### 1.4. Action to be taken by the CMA

6. It is recommended that the CMA take note of this report.

### 1.5. Recommendations to the CMA

7. The Supervisory Body recommends that the CMA:
  - (a) Note the progress made by the Supervisory Body with regard to the mandates in decision 3/CMA.3 (see section 2.1 below);
  - (b) Adopt the “Rules of procedure of the Supervisory Body”, as contained in appendix # to this report (see para. 11 below and decision 3/CMA.3 para. 6 (a));

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<sup>2</sup> See 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 page 29 (English language version).

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

- (c) Adopt the levels for the share of proceeds for administrative expenses, as contained in appendix # [elaborate after SB 002] (see para. 12 below and decision 3/CMA.3 para. 6 (b));
- (d) Adopt the recommendations on removals, as contained in appendix # to this report [elaborate after SB 002] (see para. 14 below and decision 3/CMA.3 para. 6 (c));
- (e) Adopt the recommendations on methodologies, as contained in appendix # to this report [elaborate after SB 002] (see para. 15 below and 3/CMA.3 para. 6 (d)).
- (f) Invites Parties to support the resource mobilization efforts for the implementation of the A6.4 Mechanism, until such time that the A6.4 Mechanism has become self-financing (see para. 29 below);
- (g) Requests the secretariat to take steps necessary to establish a separate trust fund for the receipt of fees, shares of proceeds for the administration of the A6.4 Mechanism and other contributions (see para. 31 below).

## 2. Work in the reporting period

- 8. The final nominations to the Supervisory Body were received in June 2022 and SB 001 was then held at the end of July (25 to 28 July), following all the preparations needed for a physical meeting. In this initial phase, the work of the Supervisory Body was focused on putting in place the institutional foundations for operationalising the A6.4 Mechanism. This meant addressing, inter alia, the recommendations to the CMA at its fourth session as a priority (rules of procedure, share of proceeds, methodological issues) and planning its future work.
- 9. To utilize the limited time to best effect, the Supervisory Body agreed to hold three physical meetings between July and November 2022 (two of which were in the reporting period). In addition, the Supervisory Body made use of informal working groups composed of Supervisory Body members, alternate members, and secretariat staff to advance work between meetings. Work was fast-tracked through this enhanced engagement by the Supervisory Body.

### 2.1. Mandates from the CMA

- 10. Given the short time available in 2022 to deliver on the mandates received from the CMA at its third session, the Supervisory Body focused on those mandates that were to be delivered for the CMA at its fourth session (see 3/CMA.3 para. 6). The following paragraphs focus on progress made against these immediate mandates. The later part of this sub-section addresses the remaining mandates received from CMA 3.
- 11. Following the request of the CMA, through its decision 3/CMA.3, para. 6(a), the Supervisory Body elaborated and agreed to the draft rules of procedure, as contained in appendix # to this report. The Supervisory Body further agreed to apply these draft rules of procedure from SB 001 on a provisional basis until their formal adoption by the CMA at its fourth session. The signing of the oath of service will occur upon the adoption of the rules of procedure by the CMA.
- 12. Following the request of the CMA, through its decision 3/CMA.3, para. 6(b), the Supervisory Body elaborated and agreed on the appropriate levels for the share of proceeds for administrative expenses and operation of the A6.4 Mechanism. In setting these levels, due care was taken to ensure that a periodic contribution to the share of

proceeds for adaptation for the Adaptation Fund would be enabled. These levels and the approach to levying the share of proceeds are contained in appendix # to this report for adoption by the CMA at its fourth session. (Placeholder for SB 002)

13. In addition, at their second meeting, the Supervisory Body developed the processes for implementing the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet their costs of adaptation (see decision 3/CMA.3, annex, para. 67). (Placeholder for SB 002)
14. Following the request of the CMA, through its decision 3/CMA.3, para. 6(c), the Supervisory Body elaborated and agreed on recommendations to the CMA on activities involving removals. The recommendation is contained in appendix # to this report for adoption by the CMA at its fourth session. (Placeholder for SB 002)
15. Following the request of the CMA, through its decision 3/CMA.3, para. 6(d), the Supervisory Body elaborated and agreed on recommendations to the CMA on the application of the requirements referred to in chapter V.B of the RMP (Methodologies). The recommendation is contained in appendix # to this report for adoption by CMA 4. (Placeholder for SB 002)
16. The remaining mandates, which did not have a specific delivery date and provide guidance to the Supervisory Body in operationalizing the A6.4 Mechanism, are found in the 2022–2023 workplan<sup>4</sup> agreed upon by the Supervisory Body at its second meeting (SB 002) (Placeholder for SB 002). The following is a summary from the 2022–2023 workplan which translate the mandates into activities or approaches that the Supervisory Body is working on for delivery after CMA 4:
  - (a) Activity standards (see decision 3/CMA.3 para. 5(a));
  - (b) Activity procedures (see decision 3/CMA.3 para. 5(a));
  - (c) Validation and verification standard (see decision 3/CMA.3 para. 5(a));
  - (d) Review of methodologies, standardized baselines, methodological tools and guidelines from the CDM and other market-based mechanisms as a basis for developing standards for the A6.4 Mechanism (see decision 3/CMA.3 para. 5(b));
  - (e) Methodology development procedure (see decision 3/CMA.3 para. 5(b));
  - (f) Standardized baseline development procedure (see decision 3/CMA.3 para. 5(b));
  - (g) Review of the sustainable development tool used by the CDM and other similar tools (see decision 3/CMA.3 para. 5(c));
  - (h) Review of the accreditation standards and procedures of the clean development mechanism with a view to applying them with revisions, as appropriate, for the A6.4 Mechanism (see decision 3/CMA.3 para. 5 (d));
  - (i) As the accreditation standard and procedure are not yet developed, no request for accreditation has been received by the Supervisory Board (see decision 3/CMA.3 para. 5(e));

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<sup>4</sup> Add footnote after SB 002.

- (j) Ongoing in the context of operationalizing the A6.4 Mechanism (see decision 3/CMA.3 para. 5(f));
- (k) Ongoing in the context of operationalizing the A6.4 Mechanism (see decision 3/CMA.3 para. 5(g));
- (l) Ongoing in the context of operationalizing the A6.4 Mechanism (see decision 3/CMA.3 para. 5(h));
- (m) Ongoing in the context of operationalizing the A6.4 Mechanism (see decision 3/CMA.3 para. 5(i));
- (n) Ongoing in the context of operationalizing the A6.4 Mechanism (see decision 3/CMA.3 para. 12).

17. In addition to the mandates provided to the Supervisory Body, the CMA at its third session also requested (i) the Subsidiary Body for Scientific and Technological Advice to prepare recommendations for consideration by the CMA at its fourth session; and (ii) the secretariat to support the process. An overview of mandates that are being addressed by different actors and the breadth of the work being carried out, is provided for in one of the concept notes published with the annotated agenda of the first Supervisory Body meeting.<sup>5</sup>

## 2.2. Communication and outreach

18. The Supervisory Body underlined the importance of strategic communications and requested the secretariat to present a communications plan at a future meeting. **[elaborate after SB 002]**

## 3. Governance and management matters

19. Members and alternate members of the Supervisory Body were initially elected by CMA at its third session. As this was the initial election, and pursuant to the RMPs, half of the members and their alternate members were elected for a term of three years and the other half for a term of two years. This distinction and the composition of the Supervisory Body in 2022 are indicated in table 1 below.

**Table 1. Members and alternate members of the Article 6.4 Supervisory Body in 2022**

Member	Alternate member	Constituency
El Hadji Mbaye Diagne <sup>(a)</sup>	Tirivanhu Muhwati <sup>(b)</sup>	Africa
Mkhuthazi Steleki <sup>(b)</sup>	Alick Muvundika <sup>(b)</sup>	Africa
Maria Jishi <sup>(a)</sup>	Maosheng Duan <sup>(a)</sup>	Asia-Pacific
Kazuhisa Koakutsu <sup>(b)</sup>	Rajasree Ray <sup>(b)</sup>	Asia-Pacific
Olga Gassan-zade <sup>(a)</sup>	Maia Tskhvaradze <sup>(a)</sup>	Eastern Europe
Piotr Dombrowicki <sup>(b)</sup>	Imre Bányász <sup>(b)</sup>	Eastern Europe
Charles Hamilton <sup>(a)</sup>	Derrick Oderson <sup>(a)</sup>	GRULAC <sup>(c)</sup>

<sup>5</sup> Concept note: Planning the work of the Supervisory Body in 2022-2023 contained in document A6.4-SB002-AA-A02, available at: <https://unfccc.int/sites/default/files/resource/a64-sb001-aa-a02.pdf>.



Member	Alternate member	Constituency
Felipe De León Denegri <sup>(b)</sup>	Eduardo Calvo <sup>(b)</sup>	GRULAC <sup>(c)</sup>
Martin Hession <sup>(a)</sup>	Emily Mathias <sup>(a)</sup>	WEOG <sup>(d)</sup>
Molly Peters-Stanley <sup>(b)</sup>	Simon Fellermeier <sup>(b)</sup>	WEOG <sup>(d)</sup>
Gebru Jember <sup>(b)</sup>	Manjeet Dhakal <sup>(b)</sup>	LDCs
Kristin Qui <sup>(a)</sup>	Benedict Chia <sup>(a)</sup>	SIDS

- (a) Term: two years, i.e. ending prior to the first meeting in 2024.  
 (b) Term: three years, i.e. ending prior to the first meeting in 2025.  
 (c) Group of Latin America and Caribbean  
 (d) Western Europe and Others Group

20. The Supervisory Body, at its first meeting, elected Kristin Qui and Piotr Dombrowicki as Chair and Vice-Chair of the Supervisory Body, respectively. Their tenures in these roles will end just before the first meeting of the Supervisory Body in 2023.
21. In the reporting period the Supervisory Body held two meetings (see table 2). The first meeting of the Supervisory Body was made possible in July 2022 with the receipt of the final nominations to the Supervisory Body in June. The annotated agendas for the Supervisory Body meetings, on-demand broadcasts and reports containing all agreements adopted by the Supervisory Body are available on the Supervisory Body web page.<sup>6</sup>

**Table 2. Meetings of the Supervisory Body in the reporting period**

Meeting	Date	Venue
SB 001	25–29 July 2022	Bonn, Germany
SB 002	19–22 September 2022	Bonn, Germany

Note: SB 003 will be held from 3 to 5 November, 2022 in Sharm el-Sheikh, Egypt in conjunction with CMA 4.

### 3.1. Transparency and interaction with stakeholders

22. There was considerable interest by observers in the inaugural meeting of the Supervisory Body. Nineteen observers registered to the first meeting of the Supervisory Body and ## observers registered for the second meeting of the Supervisory Body.
23. The Supervisory Body agreed to allow registered observers to follow the proceedings of the meetings in person or virtually and held interactions with registered observers (in person and virtually) at the end of both meetings, taking into account time limitations. The Supervisory Body agreed to keep this practice under review.
24. Through its draft rules of procedure, interaction with stakeholders and organization of work, the Supervisory Body has sent a signal that it will apply best practices in regard to

<sup>6</sup> Available at: <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-article-64-supervisory-body>.

transparency. The draft rules of procedure contain various provisions to avoid conflicts of interest such as declaring conflicts of interest, refraining from decision making where a conflict of interest exists, and committing to develop provisions for making financial disclosures.

25. At the two meetings in the reporting period the Supervisory Body made available sufficient time to consult with observers and is committed to considering inputs from non-Party stakeholders. Furthermore, all information under consideration by the Supervisory Body has been made publicly available<sup>7</sup> and was available for public input<sup>8</sup>.
26. The Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) and the Supervisory Body exchanged letters during the reporting period. The Board (in a letter dated 8 July 2022) warmly welcomed the designation of the Supervisory Body and offered hard and soft infrastructure that had been built up over many years in support of the CDM. The Supervisory Body welcomed the offer from the Board and will consider it while operationalizing the A6.4 Mechanism (letter dated 30 August 2022).
27. Underlining the interest in the A6.4 Mechanism, one unsolicited communication was received from the Dominican Republic, designating its national authority for the A6.4 Mechanism. This was received before a process could be put in place to receive such designations in an orderly manner. [To further encourage such nominations, a notification has since been sent to Parties informing that such designations are a prerequisite to participate in the A6.4 Mechanism and explaining how such designations should be submitted – placeholder]

### **3.2. Financial status of the Article 6.4 Mechanism**

28. The Supervisory Body expresses its appreciation for the transfer of funds from the Trust Fund for the Clean Development Mechanism, pursuant to decision 2/CMP.16, para. 18 and 19.<sup>9</sup>
29. The Supervisory Body had no income generating activities in the reporting period. The Supervisory Body recommends that the CMA invites Parties to support the resource mobilization efforts for the implementation of the A6.4 Mechanism, until such time that the A6.4 Mechanism has become self-financing.
30. In operationalizing the mechanism during the reporting period, the Supervisory Body has incurred expenses for, among other things, contractual services and travel. This amounted to USD 196,000. These expenses were met from funds that were transferred from the Trust Fund for the Clean Development Mechanism.
31. To better organize its financial arrangements, the Supervisory Body will elaborate its Management Plan for 2022–2023. The Management Plan is due to be finalized after the reporting period and will outline the goals for the biennium as well as the resources needed. To support its financial management, the Supervisory Body recommends that the

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<sup>7</sup> Documents under consideration at meetings of the Article 6.4 Supervisory Body are available at: <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-article-64-supervisory-body>.

<sup>8</sup> Provide link to page for call for public input (when ready)

<sup>9</sup> Decision 2/CMP.16 is contained in document FCCC/KP/CMP/2021/8/Add.1, available at: <https://unfccc.int/documents/460957>.

CMA requests the secretariat to take steps necessary to establish a separate trust fund for the receipt of fees, shares of proceeds for the administration of the A6.4 Mechanism and other contributions. (Placeholder for SB 002)

## 4. Abbreviations and acronyms

**Table 3. Abbreviations and acronyms**

<b>CDM</b>	<b>clean development mechanism</b>
CDM	clean development mechanism
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
DOE	designated operational entity
RFP	Rules modalities and procedures

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## Appendix 1. Draft Rules of Procedure

## Appendix 2. Draft Level of Share of Proceeds

## Appendix 3. Recommendation on Removals

## Appendix 4. Recommendation on Methodologies

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### Document information

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