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**Conference of the Parties serving as the meeting  
of the Parties to the Paris Agreement**

**Fifth session**

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Item 14(b) of the provisional agenda

**Matters relating to Article 6 of the Paris Agreement**

**Rules, modalities and procedures for the mechanism established by  
Article 6, paragraph 4, of the Paris Agreement and referred to in  
decision 3/CMA.3**

**Annual report of the Supervisory Body for the mechanism  
established by Article 6, paragraph 4, of the Paris Agreement  
to the Conference of the Parties serving as the meeting of the  
Parties to the Paris Agreement**

**Addendum**

*Summary*

This report covers the work of the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement between 15 September 2023 and 17 November 2023, including its 8<sup>th</sup> and 9<sup>th</sup> meetings. During this period, the Supervisory Body focused its work on the recommendations to be delivered to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session, namely the recommendations on activities involving removals under the mechanism and on requirements for the development and assessment of mechanism methodologies.



## Abbreviations and acronyms

A6.4ER	Article 6, paragraph 4, emission reduction or removal
Article 6.4 mechanism	mechanism established by Article 6, paragraph 4, of the Paris Agreement
CDM	clean development mechanism
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CO <sub>2</sub>	carbon dioxide
GHG	greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
LT-LEDS	long-term low-emission development strategies
NDC	nationally determined contribution
PDD	project design document
RMPs	rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

## **I. Introduction**

### **A. Mandate**

1. In accordance with the RMPs,<sup>1</sup> the Supervisory Body for the Article 6.4 mechanism is to report annually to the 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 Article 6.4 mechanism.

### **B. Scope**

2. The second annual report of the Supervisory Body<sup>2</sup> provides information on progress in implementing the Article 6.4 mechanism during its second year of operation and contains recommendations for consideration at CMA 5.

3. This addendum covers the period from 15 September to 17 November 2023 (inclusive), which included the 8<sup>th</sup> and 9<sup>th</sup> meetings of the Supervisory Body. In chapters II and III below, only the sections for which new information was available on the area of work were updated. Sections that were not updated are indicated as “no change” compared with document FCCC/PA/CMA/2023/15.

4. Annex I contains the recommendations on requirements for the development and assessment of Article 6.4 mechanism methodologies and annex II contains the recommendations on activities involving removals under the Article 6.4 mechanism.

### **C. Action to be taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement**

5. The CMA, in taking note of this report, may wish to consider and adopt the recommendations contained in the annexes in addition to taking the actions identified in document FCCC/PA/CMA/2023/15.

## **II. Work in the reporting period**

### **A. Mandates from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement**

6. This addendum covers a short reporting period of two months and serves to report on progress regarding the mandates from CMA 4. Given the limited reporting period, the Supervisory Body focused its work on the mandated deliverables for CMA 5.

#### **1. Activities involving removals**

7. Following the request of the CMA in decision 7/CMA.4, paragraphs 19–20, the Supervisory Body continued and finalized its work on elaborating and further developing, on the basis of the RMPs, recommendations on activities involving removals. The Supervisory Body, at its 9<sup>th</sup> meeting, agreed to forward the recommendations, which are contained in annex II, for consideration and adoption at CMA 5.

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<sup>1</sup> Decision 3/CMA.3, annex.

<sup>2</sup> FCCC/PA/CMA/2023/15.

## **2. Application of the methodology requirements**

8. Following the requests of the CMA in decision 7/CMA.4, paragraphs 21–22, the Supervisory Body continued and finalized its work on elaborating and further developing, on the basis of the RMPs, recommendations on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs. The Supervisory Body, at its 9<sup>th</sup> meeting, agreed to forward the recommendations, which are contained in annex I, for consideration and adoption at CMA 5.

## **3. Transition of clean development mechanism activities**

9. Further to the adoption at its 6<sup>th</sup> meeting the Supervisory Body at its 8<sup>th</sup> meeting adopted revisions of the standard and procedure for the transition of CDM activities to the Article 6.4 mechanism, which relate, inter alia, to the requirements for addressing non-permanence risk and, in the case of the standard, to assessing and monitoring environmental and social impacts.

## **4. Development of regulations and processes for implementing the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

10. Following the request of the CMA in decision 3/CMA.3, paragraph 5(a), the Supervisory Body considered the activity standard, validation and verification standard, and activity cycle procedure for projects and facilitated a focused, inclusive stakeholder interaction on these regulatory documents. The Supervisory Body adopted the documents at its 8<sup>th</sup> meeting.

11. Regarding the standard and procedure for Article 6.4 accreditation, the Supervisory Body reviewed the accreditation standards and procedures of the CDM with a view to applying them, with revisions, as appropriate, to the Article 6.4 mechanism by the end of 2023. At its 8<sup>th</sup> meeting, the Supervisory Body approved the standard<sup>3</sup> and procedure<sup>4</sup> in order to be able to expeditiously accredit operational entities as designated operational entities.

## **5. Capacity-building programme**

12. No change.

## **6. Registry for the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

13. No change.

## **7. Other considerations by the Supervisory Body**

14. No change.

## **B. Communications and outreach**

15. No change.

## **III. Governance and management**

16. At its 8<sup>th</sup> meeting, the Supervisory Body made progress in establishing the support structure that will assist it in performing its functions and achieving its objectives by approving the terms of reference of the Article 6.4 mechanism expert panels<sup>5</sup> and the procedure for the selection and performance evaluation of members of the expert panels under the Supervisory Body.<sup>6</sup>

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<sup>3</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a11.pdf>.

<sup>4</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a12.pdf>.

<sup>5</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a02.pdf>.

<sup>6</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a03.pdf>.

17. During the reporting period, 15 Parties designated a national authority for the Article 6.4 mechanism and communicated that designation to the secretariat.<sup>7</sup> As at 20 November 2023, 65 designated national authorities had been established.

**A. Membership and meetings**

18. No change.

**B. Transparency and interaction with stakeholders**

19. Thirteen observers registered to attend the 8<sup>th</sup> meeting of the Supervisory Body. No observers registered to attend the 9<sup>th</sup> meeting.

**C. Financial status of the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

20. No change.

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<sup>7</sup> See decision 3/CMA.3.8.

## Annex I

### **Recommendations on requirements for the development and assessment of methodologies for the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

#### **I. Procedural background**

1. CMA 3 requested the Supervisory Body of the Article 6.4 mechanism to elaborate and further develop recommendations on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs<sup>1</sup> for consideration and adoption at CMA 4.<sup>2</sup>
2. CMA 4 requested the Supervisory Body to elaborate and further develop recommendations for consideration and adoption at CMA 5. It also requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.<sup>3</sup>
3. Following the requests of the CMA referred to in paragraphs 1–2 above, and taking into account the inputs from stakeholders, the Supervisory Body agreed to the recommendations on requirements for the development and assessment of Article 6.4 mechanism methodologies contained in this guidance.

#### **II. Normative references**

4. The “shall” requirements in this document are those that the user of this document (i.e. activity participants, host Parties, stakeholders, the Supervisory Body) is obliged to meet in order to claim conformance to it. Other types of provisions in this document include recommendations (“should”), permissions (“may”), possibilities and capabilities (“can”), and items for inclusion in the workplan of the Supervisory Body (“will”). Besides prescriptive recommendations, explanatory information is also included in this document (e.g. summarizing the basis for or reasoning behind a requirement).
5. Reductions in emissions and increases in removals, as well as mitigation co-benefits of adaptation actions and/or economic diversification plans, are each and collectively referred to as A6.4ERs in this document.
6. Article 6.4 mechanism projects, programmes of activities and component projects are collectively referred to as “activity” or “activities” in this document.
7. The terms “technologies”, “measures” and “practices” are interchangeably used in this document and refer to technologies, measures and practices across all sectors.
8. Where scientific information is relied on for methodologies, IPCC publications should be used, when applicable.

#### **III. Methodology principles**

9. Article 6.4 mechanism methodologies are intended to provide the basis for the assessment of creditable emission reductions or removals and of whether activities satisfy additionality requirements.
10. Paragraph 33 of the RMPs applies to methodologies, and is also relevant to baseline-setting, the avoidance of leakage and the demonstration of additionality of activities.

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<sup>1</sup> Decision 3/CMA.3, annex.

<sup>2</sup> Decision 3/CMA.3, para. 6(d).

<sup>3</sup> Decision 7/CMA.4, paras. 21–22.

11. Paragraph 34 of the RMPs sets out additional requirements, including with respect to policies, national circumstances and reversals.
12. Paragraph 35 of the RMPs frames the basic procedures for the development of methodologies by host Parties, the Supervisory Body, activity participants and stakeholders.
13. Paragraph 36 of the RMPs provides a choice of approaches for baseline-setting and notes the requirement for justification of the choice(s) made, including demonstration of consistency with the principles set out in paragraph 33 of the RMPs.
14. Paragraph 37 of the RMPs provides for host Parties and the Supervisory Body to develop standardized baselines consistent with the principles set out in paragraph 33 of the RMPs.
15. Paragraph 38 of the RMPs applies to the demonstration of additionality of activities and identifies specific tests.
16. The Supervisory Body may in the future consider the eligibility of other types of activities such as policy, jurisdictional or sectoral programme approaches to incentivize increased ambition and mitigation at a large scale, as well as improve the understanding of policy, jurisdictional or sectoral programme crediting approaches, while acknowledging that these approaches are inherently different.

#### **A. Encouraging ambition over time**

17. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall “encourage ambition over time”.
18. Mechanism methodologies shall contain provisions that ensure total creditable amounts of emission reductions are progressively reduced to encourage ambition of activities over time while taking into account host Party circumstances and the creditable amount of emission reductions required to remove barriers to the deployment of technologies (see para. 19 below).
19. Mechanism methodologies shall contain provisions that encourage the deployment of technologies or measures that are not widely used or available in specific locations to facilitate knowledge transfer and to encourage the deployment of technologies that reduce the cost of decarbonization and unlock investment in low-carbon solutions.
20. Mechanism methodologies may contain provisions that enable the inclusion of progressively more efficient and less GHG-intensive technologies, replicable and scalable mitigation activities, an expanded user base, broader geographical coverage and greater penetration of low-carbon solutions after initial deployment.

#### **B. Being real, transparent, conservative and credible**

21. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall “be real, transparent, conservative, credible”.
22. Mechanism methodologies shall contain credible methods for estimating emission reductions or removals to ensure that the results of activities represent actual tonnes of GHG emissions reduced or removed. Such estimation should be based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions or removals.
23. Mechanism methodologies shall contain provisions that require transparent descriptions of the source of the data used, the assumptions made, the references consulted and the steps followed in estimating the results of activities, including equations, where necessary.
24. Mechanism methodologies shall contain provisions aimed at the conservative estimation of emission reductions or removals from the measures applied, options chosen or

assumptions made, and shall not overestimate the emission reductions or removals from activities.

25. Mechanism methodologies shall contain provisions that require activities to have a robust monitoring and data capture system and a reporting system. Where secondary data are used, the mechanism methodologies shall contain provisions that require activity participants to provide justification that these data are from an appropriate and conservative source.

26. Mechanism methodologies shall contain provisions that ensure emission reductions or removals are real, transparent, conservative and credible by:

(a) Including robust, transparent and user-friendly measurement, reporting and verification systems;

(b) Requiring the use of technical performance standards that are data driven;

(c) Including requirements to demonstrate changes in GHG emissions in a manner that transparently shows each step in the calculations and the results, and ensuring that the calculated emission reductions or removals are uniquely achieved by and attributable to the activity;

(d) Adopting life cycle approaches and considering embodied emissions of materials and products, where relevant;

(e) Choosing the most conservative emissions baseline when multiple sources of data and parameters are available to set the baseline.

### **C. Establishing the selected baseline as below ‘business as usual’**

27. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall be “below ‘business as usual’”.

28. Mechanism methodologies shall contain provisions that specify the baseline selected for an emission reduction activity in accordance with paragraph 36 of the RMPs shall be demonstrated as being below the ‘business as usual’ level of emissions. ‘Business as usual’ emissions are plausible reference benchmarks or scenarios for GHG emissions prior to or in the absence of the implementation of the activity. For this purpose, mechanism methodologies shall require the identification of the ‘business as usual’ scenario or reference benchmark emissions and provide an approach for their estimation.

29. Mechanism methodologies shall contain provisions that require activity participants to calculate the difference between the baseline emissions estimated as per the requirements in paragraphs 38–44 below and ‘business as usual’ emissions estimated as per paragraph III.C.28 above as a total amount with respect to the crediting period. This shall be demonstrated in the PDD and at each renewal of the crediting period.

### **D. Contributing to the equitable sharing of mitigation benefits between participating Parties**

30. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall “contribute to the equitable sharing of mitigation benefits between the participating Parties”.

31. Mechanism methodologies shall contain provisions for contributing to the equitable sharing of mitigation benefits between participating Parties. These methodologies may include one or more of the provisions below:

(a) Conditions to ensure that the total length of the crediting period(s) of activities is shorter than the lifetime of the technology implemented where there is very high confidence that emission reductions from the technology continue to be achieved beyond the end of the crediting period(s);



(b) The application of conditions specified by the designated national authorities that ensure host Party benefits are retained.

32. The Supervisory Body will establish a process for host Parties to communicate their approach to the operationalization of the provisions referred to in paragraph 31(b) above.

33. The Supervisory Body may prepare recommendations for host Parties to assist them in considering the equitable sharing of mitigation benefits between participating Parties, including co-benefits in mechanism methodologies.

34. Mechanism methodologies shall require the estimation of the mitigation benefits to the host Party, taking into account the relevant provisions referred to in paragraph 31 above.

**E. Aligning with the nationally determined contribution of each participating Party, if applicable, its long-term low-emission development strategies, if it has submitted one, the long-term temperature goals and the long-term goals of the Paris Agreement**

35. Paragraph 33 of the RMPs states, inter alia, 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”.

36. Paragraph 33 of the RMPs also states that mechanism methodologies shall “align with the long-term temperature goal of the Paris Agreement”.

37. Mechanism methodologies shall require demonstration that the activity does not constrain but rather aligns with the policies, options and implementation plans of the host Party with regard to its latest NDC, if applicable, its LT-LEDS, if it has submitted one, and the long-term temperature goals and the long-term goals of the Paris Agreement.

**F. Approaches to set the baseline**

38. Paragraph 36 of the RMPs 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 above [of the RMPs] and recognizing that a host Party may determine a more ambitious level at its discretion:

“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;

“(iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above [of the RMPs].”

39. Paragraph 27 of the RMPs states that “A host Party may specify to the Supervisory Body, prior to participating in the mechanism: (a) Baseline approaches and other methodological requirements...”.

40. Mechanism methodologies shall contain provisions that require justification of the appropriateness of the choice of approach(es) identified in paragraph 36 of the RMPs for

setting the baseline, with reference to the requirements referred to in paragraphs 33 and 35 of the RMPs.

41. With regard to setting the baseline for emission reduction activities, factors affecting the appropriateness of the choice of approach(es) may include:

(a) The similarity of emissions sources with respect to technologies and measures applied or sectors covered by the methodology, which may allow the use of an ambitious benchmark covered in paragraph 36(ii) of the RMPs;

(b) The availability of the data required for a conservative and reliable estimation of the baseline.

42. For the approaches identified in paragraph 36 of the RMPs, mechanism methodologies shall contain provisions for applying the method detailed in paragraphs 45–50 below to adjust the baseline emissions downward and to ensure consistency with the provisions in paragraph 33 of the RMPs.

43. A host Party may determine a more ambitious baseline requirement at its discretion and specify it to the Supervisory Body for approval.

44. The Supervisory Body will develop tool(s) for baseline-setting (baseline tools). Mechanism methodologies may contain provisions that require the application of the baseline tool(s).

## **G. Addressing elements of paragraphs 33 and 36 of the rules, modalities and procedures**

45. Mechanism methodologies shall address the consistency of application of the provisions in paragraph 36 of the RMPs with the requirements of paragraph 33 of the RMPs through the appropriate application of one or both of:

(a) Downward adjustment to the baseline included in paragraph 36(iii) of the RMPs;

(b) Downward adjustment to the baseline resulting from or applied to the approaches in paragraph 36(i–ii) of the RMPs.

46. If the calculated difference referred to in paragraph C.29 above demonstrates a downward adjustment that is greater than the adjustment calculated as per paragraphs 47–48 below, no further adjustment is required. Where the calculated difference in paragraph C.29 above is less than the adjustment calculated as per paragraphs 47–48 below, further adjustment is required to align with the result of paragraphs 47–48 below to ensure consistency with the requirements of paragraph 33 of the RMPs.

47. Factors or quantitative methods for downward adjustment shall be:

(a) Included in the PDD and updated at each renewal of the crediting period;

(b) Based on an estimation of emission reductions and removals necessary to achieve NDCs, if applicable, and LT-LEDS, where they have been submitted;

(c) Based on an estimation of emission reductions and removals necessary to achieve the long-term temperature goal of the Paris Agreement, differentiated by technology, sector, country or region, while taking into account the socioeconomic conditions and national circumstances of the host Parties.

48. The downward adjustment shall be undertaken in a manner that considers the economic viability of critical mitigation activities, large-scale transformation and decarbonization technologies and negative emission approaches, and it shall be informed by the need for activities to contribute to achieving the long-term temperature goal of the Paris Agreement.

49. The downward adjustment to the baseline referred to in paragraph 45 above may be operationalized through:

(a) The use of factors or quantitative methods for activities included in methodologies approved by the Supervisory Body. Activity participants, stakeholders or host Parties may propose factors or quantitative methods for consideration by the Supervisory Body;

(b) The development of factors or quantitative methods, jointly by the Supervisory Body and the host Party, with provision for the host Party to make a request to the Supervisory Body to initiate the development of the factors or quantitative methods. The procedures for developing standardized baselines may be used for this purpose; or

(c) The development of factors or quantitative methods by the host Party that are specified to the Supervisory Body for approval. The procedures for developing standardized baselines may be used for this purpose.

50. The Supervisory Body will develop standards, tools and guidance to inform the implementation of the adjustments referred to in paragraphs 45–49 above.

## **H. Encouraging broad participation**

51. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall “encourage broad participation”.

52. The Supervisory Body shall encourage the development of methodologies covering a wide range of emission reduction and removal activities with broad sectoral and geographical coverage.

53. The Supervisory Body shall encourage the participation of a broad range of stakeholders during the methodology development process by enabling informed consultation, as described in the procedure adopted by the Supervisory Body for the development, revision and clarification of methodologies and methodological tools.<sup>4</sup>

54. Mechanism methodologies shall:

(a) Contain, where relevant to the sectoral and/or geographical coverage of the methodology, provisions that balance stringency and maximum participation by being accurate, simple and clear and by avoiding complexity so that a wide range of activity participants and host Parties can apply the methodology requirements irrespective of their scientific infrastructure, available financial resources and national circumstances;

(b) Contain, where relevant to the sectoral and/or geographical coverage of the methodology, particularly in the least developed countries and small island developing States, provisions that require the consideration of the context on the ground in host Parties, including institutional arrangements, and the provision of options to facilitate the meeting of requirements, such as permitting the use of multiple data sources to address data gaps, of conservative default values and of benchmarked data from comparable regions, to the extent they are applicable;

(c) Use language that is easy to understand, inclusive, gender-sensitive and accessible to a wide range of stakeholders, including local communities and Indigenous Peoples.

55. The Supervisory Body and its support structure should ensure that, if it is necessary to invoke a requirement in a methodology that appears in another methodology, this should be done by reference and not by repetition. If a test method or procedure is, or is likely to be, applicable to two or more methodologies, a tool should be prepared for the method or procedure itself, and each methodology shall refer to it to prevent potential deviations.

<sup>4</sup> <https://unfccc.int/sites/default/files/resource/a64-sb006-a04.pdf>.

## **I. Including data sources, accounting for uncertainty and monitoring requirements**

56. Paragraph 34 of the RMPs states, inter alia, that mechanism methodologies shall “include relevant assumptions, parameters, data sources and key factors”.

57. The Supervisory Body shall ensure that mechanism methodologies are transparent and comprehensible with respect to included assumptions, parameters, data sources and key factors.

58. Mechanism methodologies shall contain provisions that require the accounting of uncertainty associated with emission factors, activity data and other estimation parameters applied in calculating emission reductions or removals.

59. Mechanism methodologies shall contain provisions that require the listing of data parameters that need to be monitored throughout the crediting period. These may include data that are directly measured, where necessary and on a sample basis, and data that are collected from sources such as official statistics, expert judgment, IPCC guidelines and the scientific literature. In this regard, methodologies shall contain provisions on monitoring plans related to the collection and storage of all relevant data needed to estimate baseline, project and leakage emissions, including provisions related to quality assurance and quality control.

## **J. Recognizing suppressed demand**

60. Paragraph 33 of the RMPs states, inter alia, that mechanism methodologies shall “recognize suppressed demand”.

61. Suppressed demand in the context of an activity is a situation where services provided to a population are insufficient to meet basic human needs (such as the minimum amount of electricity for lighting and for heating or cooling) owing to barriers, including low income or lack of infrastructure, and where the growth in emissions resulting from meeting such needs requires special consideration when assessing Article 6.4 baseline scenarios.

62. The Supervisory Body will recognize suppressed demand where the ‘business as usual’ approach cannot realistically provide the level of service required of the activity by considering that the baseline scenario is not set on the basis of historical conditions and the continuation of current conditions but rather is set on the basis of an alternative that provides a level of service comparable to that provided by the activity.

63. The Supervisory Body will recognize suppressed demand by including in specific methodologies benchmarks and default factors that may not be below ‘business as usual’. The Supervisory Body will assess, on an activity-by-activity basis, whether suppressed demand is plausible in a given context.

64. The Supervisory Body will provide guidance on how to determine suppressed demand and the minimum level of service that may be considered as a reference level to determine the baseline through the development of a tool for this purpose.

## **K. Taking into account policies and measures and relevant circumstances**

65. Paragraph 34 of the RMPs states, inter alia, that mechanism methodologies shall take into account “policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances”.

66. Mechanism methodologies shall contain provisions that require relevant circumstances, including national, regional or local, as well as social, economic, environmental and technological circumstances, be taken into account on the basis of robust data and verifiable information. In this regard, the type of data and information necessary to

meet such provisions shall be specified in the methodologies, particularly with regard to meeting eligibility conditions, setting the baseline and demonstrating additionality.

67. The Supervisory Body will develop further guidance on how mechanism methodologies shall take into account policies and measures, and relevant circumstances.

## **L. Developing standardized baselines**

68. 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. 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 [of the RMPs].”

69. A standardized baseline is a baseline developed by a host Party or group of host Parties on a subnational, national or group of Parties basis rather than on an activity basis to facilitate the determination of the baseline, the calculation of the GHG emission reductions or removals and/or the determination of additionality for activities, while ensuring environmental integrity within the scope of the standardized baseline.

70. The application of a standardized baseline is not mandatory unless explicitly stated in an approved standardized baseline or in another standard approved by the Supervisory Body. When the application of a standardized baseline is not mandatory, activity participants may establish additionality or baseline emissions for their activity using other approved approaches.

71. A host Party may specify the application of a standardized baseline as a mandatory requirement for the activities implemented in the host Party. The Supervisory Body may specify the application of a standardized baseline as a mandatory requirement for certain cases, such as when the standardized baseline is being used to address leakage emissions of an activity (see paras. 85–91 V below). These provisions may also apply to standardized baselines developed by or for a group of host Parties.

72. The approaches for setting the baselines referred to in paragraphs 38–44 III.F above shall also be applied for the development of standardized baselines.

73. The host Party and the Supervisory Body should determine the level of aggregation of facilities, 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 or a specific subregion determined by the 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 or region. In this case, the facilities shall be disaggregated according to relevant criteria, such as scale of production, installed capacity or age of the facilities. Standardized baseline values should be determined for each group of similar facilities in this case;

(c) Disaggregation should not result in standardized baselines with overlapping applicability.

74. Standardized baselines shall have 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 the specificity of sectors in which activities are undertaken, and by providing a justification for the consideration of the Supervisory Body.

75. After the validity period of a standardized baseline has expired, an updated standardized baseline can be submitted by the host Party for the consideration and approval of the Supervisory Body. An updated standardized baseline shall not impact registered activities applying the previous version up until the end of their current crediting periods.

76. Standardized baselines may be developed by the host Party and approved by the Supervisory Body following an assessment against the procedure for the development, revision, clarification and update of standardized baselines.<sup>5</sup>

77. The Supervisory Body will develop and approve separate guidance on standardized baselines, including guidance on standardized baselines for a group of host Parties.

#### **IV. Demonstration of additionality**

78. Paragraph 38 of the RMPs 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 [of the RMPs]”.

79. Paragraph 39 of the RMPs 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”.

80. Mechanism methodologies shall contain provisions that require the demonstration of additionality through:

(a) Demonstration, through an investment analysis, that the proposed activity would not have occurred in the absence of the incentives from the mechanism (default approach);

(b) Assessment of the barriers to the implementation of the activity, such as financial, technological and institutional barriers, taking into account all relevant national policies, including legislation and current practices within the sector relevant to the activity and the geographical area of the host Party. The assessment may be undertaken to complement the investment analysis referred to in paragraph IV.80(a) above. If activity participants wish to use barriers to demonstrate additionality for their activity, they shall:

(i) Describe the barriers, including the reasons investment analysis is not suitable;

(ii) Provide evidence of the barriers and how the mechanism will help overcome them;

(iii) Include parameters in the monitoring plan to demonstrate how the barriers will be overcome;

(c) Demonstration that the proposed activity represents mitigation that exceeds any mitigation that is required by law or regulation, through a regulatory analysis conducted to assess whether the activity is mandated or triggered by an applicable law or regulation. For this purpose, a law or regulation applicable to the proposed activity that may require a certain technological, performance or management action shall be considered;

(d) Demonstration that the proposed activity takes a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with the principles set out in paragraph 33 of the RMPs, including through an assessment of the scale, lifetime and emissions intensity of the activity.

81. When formulating an approach to demonstrate additionality, the Supervisory Body shall take into account any communication from the host Party regarding paragraphs 82–83 below.

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<sup>5</sup> <https://unfccc.int/sites/default/files/resource/a64-sb006-a05.pdf>.

82. An approach to demonstrate additionality in a mechanism methodology should consider the relevant circumstances, including national, regional or local, as well as social, economic, environmental and technological circumstances, in line with paragraphs III.K.65–III.K.67 above, including Party-led identification of activities that may be transformative.

83. The Supervisory Body will develop further guidance and tools for demonstrating additionality, including a stepwise procedure for addressing the elements of paragraph IV.80 above and potential approaches based on standardized performance for determining additionality for application in methodologies that take into account best available technologies or an ambitious benchmark. Mechanism methodologies may contain provisions that require the application of this procedure or these approaches.

84. Simplified approaches to demonstrate additionality for use by the least developed countries and small island developing States will be developed by the Supervisory Body when a request is made by a least developed country or a small island developing State.

## V. Leakage

85. Paragraph 33 of the RMPs states, *inter alia*, that mechanism methodologies shall “avoid leakage, where applicable”.

86. Leakage refers to anthropogenic emissions from sources of GHGs that occur outside the activity boundary that are nevertheless attributable to the activity.

87. Mechanism methodologies shall contain provisions that:

(a) Ensure the potential sources of leakage related to activities covered by a mechanism methodology, including but not limited to the sources referred to in paragraph V.88 below, are identified;

(b) Require activities to avoid or minimize all sources of leakage, as far as possible, by applying the appropriate approach(es) referred to in paragraph 89 below and addressing remaining leakage, where necessary, by discounting credited volumes (see para. V.89(a) below);

(c) Require activity participants to list all the potential sources of leakage that may reasonably be attributable to the activity and describe how each one is being addressed. If activity participants exclude any source of leakage from consideration, they shall justify its exclusion;

(d) Include, where necessary, the requirement for robust monitoring, reporting and verification systems that encompass specific sources of potential leakage identified;

(e) Include, where necessary, the requirement for life cycle analysis of the products or materials related to the source indicated in paragraph V.88(d) below;

(f) Require activity participants to take into account relevant information from the designated national authority of the host Party on leakage, where available and as per the application of the tool referred to in paragraph V.90 below.

88. Leakage may occur owing to, *inter alia*:

(a) The continued use of baseline equipment transferred beyond the activity boundary;

(b) The 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 in pre-project activities that lead to a net change in emissions outside the boundary;

(c) The diversion of existing production processes or services accounted for in the baseline through, *inter alia*, relocation and continuation of baseline activities outside the activity boundary;

(d) The impacts on upstream and downstream processes associated with the materials and services used by the activity and/or products or services provided by the activity, relative to the baseline, unless they are accounted for as activity emissions.

89. Leakage may be avoided, minimized or addressed by, inter alia:

(a) Discounting credited volumes: deducting emission reductions from credited volumes, taking into account equipment lifetime, where applicable;

(b) Scrapping baseline equipment: undertaking and demonstrating the destruction, decommissioning or disposal of baseline equipment;

(c) Applying 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 and/or system;

(d) Implementing nesting: aligning relevant aspects of activity design and implementing activities together with an existing higher-level crediting programme;

(e) Scaling up implementation: implementing activities at a higher level (e.g. sectoral, subnational or national).

90. The Supervisory Body will develop a methodological tool for implementing the provisions set out in paragraph V.87 above.

91. For some types of activities, monitoring at the jurisdictional level and the use of a standardized baseline (or equivalent) will be necessary to quantify and account for leakage. Further work will be undertaken by the Supervisory Body on assessing the implications of activities implemented outside national borders and transboundary activities.

## **VI. Non-permanence and reversals**

92. Paragraph 34 of the RMPs states, inter alia, that mechanism methodologies shall “address reversals, where applicable”.

93. Mechanism methodologies shall address reversals of removals and emission reductions using an approach consistent with the guidance on activities involving removals (see annex II to this document).

94. The Supervisory Body will develop further guidance regarding the application of the guidance referred to in paragraph 93 above.



## Annex II

### Recommendations on activities involving removals under the mechanism established by Article 6, paragraph 4, of the Paris Agreement

#### I. Procedural background

1. CMA 3 requested the Supervisory Body of the Article 6.4 mechanism to elaborate and further develop, on the basis of the RMPs,<sup>1</sup> recommendations on activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, in addition to the activities referred to in chapter V of the RMPs (Article 6, paragraph 4, activity cycle), for consideration and adoption at CMA 4.<sup>2</sup>
2. In response to this request, the Supervisory Body agreed on the recommendations on activities involving removals under the Article 6.4 mechanism contained in the annex to the addendum of its report to CMA 4.<sup>3</sup>
3. CMA 4 invited Parties and admitted observer organizations to submit, via the submission portal, by 15 March 2023, their views on activities involving removals and requested the Supervisory Body to consider the views of Parties and observers in elaborating and further developing recommendations on activities involving removals, on the basis of the RMPs, and taking into account the mandate provided to the Supervisory Body contained in paragraph 24(a)(ix) of the RMPs. CMA 4 requested the Supervisory Body to also consider broader inputs from stakeholders provided in a structured public consultation process.<sup>4</sup>
4. Following the requests of the CMA referred to in paragraphs I.1 above I.3 above, and taking into account the views of Parties and observers as well as the inputs from stakeholders, the Supervisory Body agreed on the recommendations on activities involving removals under the Article 6.4 mechanism contained in this annex.

#### II. Context of removals under this guidance

##### A. Background

5. Relevant information from the contribution of Working Group III to the Sixth Assessment Report of the IPCC<sup>5</sup> related to the definitions of activities involving removals includes:
  - (a) Anthropogenic removals as “the withdrawal of greenhouse gases (GHGs) from the atmosphere as a result of deliberate human activities” (from the glossary of the report, p.1795);
  - (b) CO<sub>2</sub> removal as “anthropogenic activities removing CO<sub>2</sub> from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products. It includes existing and potential anthropogenic enhancement of biological, geochemical or chemical

<sup>1</sup> Decision 3/CMA.3, annex.

<sup>2</sup> Decision 3/CMA.3, para. 6(c).

<sup>3</sup> FCCC/PA/CMA/2022/6/Add.1.

<sup>4</sup> Decision 7/CMA.4, paras. 19, 20 and 22.

<sup>5</sup> IPCC. 2022. *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*. P Shukla, J Skea, R Slade, et al. (eds.). Cambridge and New York: Cambridge University Press. Available at <https://www.ipcc.ch/report/ar6/wg3/>.

CO<sub>2</sub> sinks, but excludes natural CO<sub>2</sub> uptake not directly caused by human activities” (from the technical summary of the report, p.114).

## **B. Definitions**

6. For the purpose of this guidance:

(a) “Removals” are the outcomes of processes to remove GHGs from the atmosphere through anthropogenic activities and destroy<sup>6</sup> or durably store them;

(b) “Activities involving removals” meet the requirements referred to in paragraph III.7 below. Any examples in this guidance referring to specific activity types or categories are purely illustrative and do not give effect to decisions by the Supervisory Body regarding their use under the Article 6.4 mechanism unless explicitly indicated as such.

## **III. Requirements**

7. Activities involving removals under the Article 6.4 mechanism shall meet the requirements set out in this chapter; any further requirements developed and approved by the Supervisory Body for activities involving removals on the basis of the RMPs; requirements identified in any further relevant decisions of the CMA; and requirements in all relevant Article 6.4 mechanism standards and procedures, including the requirements for the development and assessment of Article 6.4 mechanism methodologies.

### **A. Monitoring**

8. Activity participants shall<sup>7</sup> monitor removals through an appropriate application of quantification and estimation based on field measurement, remote sensing, measurement through instrumentation and modelling, in combination as necessary. Mechanism methodologies shall contain provisions that require the specification of the monitoring approach(es) for all parameters needed for the calculation of removals according to the type of removal activity.

9. Methodologies shall contain provisions that ensure approaches related to the use of measurements, sampling, data from third parties, the literature, satellite data, default values or modelling are robust, statistically representative, conservative and appropriately address uncertainty.

10. Methodologies shall contain provisions that require the calculation of removals and associated uncertainties. The methodologies shall specify the limits for the uncertainties for the calculation of removals and shall require activity participants to demonstrate that the calculated removals are within these limits. If the uncertainty of estimated removals exceeds the specified limits owing to factors beyond the control of activity participants, mechanism methodologies may specify methods for adjusting the calculated values in a conservative manner.

11. The calculation of removals may employ conservative default values that appropriately address uncertainty in order to allow for flexibility in monitoring.

12. Methodologies may include provisions for the use of higher-tier methods such as the use of measured values in lieu of conservative default values when the default values have been demonstrated to underestimate an activity’s net removals.

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<sup>6</sup> Does not refer to Article 6.4 mechanism activities engaging in point-source capture and destruction of GHGs that are eligible for crediting for emission reductions based on measured volumes.

<sup>7</sup> For normative references, see chapter II of annex I to this document.

13. Methodologies shall contain provisions that require appropriate quality assurance and quality control measures, such as cross-checking the results of monitoring with other sources of data, including the literature, or calibrating measuring equipment at regular intervals.

14. Monitoring plans shall include the monitoring of measures to mitigate risks identified by the reversal risk assessment tool to be developed by the Supervisory Body and the Article 6.4 sustainable development tool.<sup>8</sup>

15. Methodologies shall contain provisions that require activity participants to submit a monitoring plan at the registration stage of the activity. The monitoring plan shall be reviewed and updated at the start of each crediting period, as well as in any of the following circumstances:

- (a) When verification reveals the need for a revision of the monitoring plan;
- (b) Following any significant reversal event that reveals a risk factor that is not already included or may have been underestimated in the monitoring plan and corresponding risk assessment;
- (c) When required as per existing applicable national or regional regulations specified by the host Party.

## **B. Post-crediting period monitoring, reporting, and remediation of reversals**

16. Monitoring shall also be conducted after the end of the last active crediting period<sup>9</sup> of the activity to ensure that the residual risk of reversals of removals for which A6.4ERs were issued is negligible and/or that potential future reversals are remediated.

17. During the post-crediting monitoring period, activity participants shall implement monitoring, reporting, verification and remediation measures to confirm the continued existence of removals and to address any reversals of removals for which A6.4ERs were issued during the activity's active crediting period(s). No A6.4ERs will be issued for removals generated after the last active crediting period, including during the post-crediting monitoring period.

18. Activity participants may submit requests to conclude post-crediting monitoring by providing evidence, for the consideration and approval of the Supervisory Body, that the removals will be stored with negligible risk of reversal and/or that potential future reversals of removals for which A6.4ERs have been issued have been remediated as though a reversal has occurred, as per the guidance on addressing reversal risk and reversals (see paras. 48–51 below), taking into account the residual reversal risk of the activity based on its current reversal risk assessment.

19. Activity participants shall indicate the arrangements for monitoring, reporting and remediating any reversals during the post-crediting monitoring period in the PDD and communicate any updates to the monitoring plan at each renewal of the crediting period and before the end of the last active crediting period.

20. The Supervisory Body will develop further guidance in this regard, including on:

- (a) Further requirements and identification of the existing requirements that are applicable during the post-crediting period for monitoring, reporting and verification of removals and remediation of reversals, including consideration of the optional use of methods based on digital technologies and remote sensing;

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<sup>8</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a10.pdf>.

<sup>9</sup> “Last active crediting period” refers to the last crediting period during which the activity was implemented for the purpose of issuing A6.4ERs, which can be any of the three possible crediting periods permitted by the RMPs (subject to renewal procedures).

(b) The time frame for post-crediting monitoring, including factors that inform its duration and phasing;

(c) Requests to conclude post-crediting monitoring, including on the evidence-based demonstration of removals storage by the activity participant and on the consideration and approval of such evidence by the Supervisory Body (see para. 18 above).

## **C. Reporting**

21. Activity participants shall prepare monitoring reports after implementing the monitoring operations and methods specified in monitoring plans, including for seeking issuance of A6.4ERs.

22. Monitoring reports shall contain:

(a) An outline of the monitoring plan, including a description of the monitoring procedures and methods used to implement the plan and the resulting calculated removals during the monitoring period along with the uncertainties associated with the calculation;

(b) The field data collected, including remotely sensed data, or if the data set is too voluminous, a summary of the data and an indication of how the complete data set may be accessed;

(c) Records and logs of observed events that could potentially lead to the reversal of removals as well as a summary of any reversal notifications that were submitted during the monitoring period;

(d) Estimates of any reversals that occurred during each monitoring period, including descriptive information on how reversals occurred, whether they were avoidable or unavoidable, and remedial actions taken;

(e) Information on how the environmental and social impacts of the activity were assessed and addressed by applying robust environmental and social safeguards (as per the guidance in paras. 62–63 below), as well as on how the activity fosters sustainable development (this information can be obtained through use of the Article 6.4 sustainable development tool);

(f) Information on how reversal risks were assessed and addressed consistently with risk mitigation measures described in the reversal risk assessment tool that will be developed by the Supervisory Body.

23. Monitoring reports shall be prepared without a gap between two successive monitoring periods, which may be of the same or different durations according to the activity participant's implementation of the requirements in paragraph 22 above.

24. Methodologies shall contain provisions that specify the minimum frequency of monitoring report submission, which shall be commensurate with the degree and nature of the risk of reversals determined through a risk assessment undertaken by activity participants (see paras. 33–37 below). Depending on the results of the risk assessment, the frequency may range from one to five years from the submission date of the first monitoring report. Activity participants may choose a shorter period for monitoring than the specified minimum frequency. A reversal event may also trigger the preparation of a monitoring report (see para. 38 below).

25. Methodologies shall contain provisions that specify the maximum time allowed from the starting date of the first crediting period to the submission of the first monitoring report. Depending on the results of the risk assessment (see the guidance on reversal risk assessment in paras. 33–37 below), the duration may range from one to five years from the starting date of the first crediting period. Methodologies shall contain provisions that require the submission of subsequent monitoring reports at least every two years for activities with high reversal risk or at least every five years for those with low reversal risk.

26. The Supervisory Body will develop guidance on and procedures for addressing late, incomplete or missing monitoring report submissions, including remedial measures to address situations where monitoring is stopped prematurely, that is, prior to the conclusion of the crediting period(s) and fulfilment of requirements for post-crediting period monitoring. The guidance will address options for giving effect to the remediation of reversals of removals for which A6.4ERs have been issued in such circumstances.

#### **D. Accounting for removals**

27. Removals eligible for crediting shall exceed the applicable baseline determined in accordance with the requirements for the development and assessment of Article 6.4 mechanism methodologies (see annex I to this document) and are calculated for each year in the crediting period. In each given monitoring report, such calculations are done:

(a) By calculating net removals, which involves the estimation and deduction of emissions within the activity boundary that result from the implementation of the activity and/or from an event that could potentially lead to a reversal of removals, and any leakage emissions, in accordance with the applicable provisions of the activity standard, requirements for the development and assessment of Article 6.4 mechanism methodologies (see annex I to this document), and the applicable methodology;

(b) By comparing the current cumulative net removals to cumulative net removals in the previous monitoring report. Current cumulative net removals that fall below the cumulative net removals in the previous monitoring report constitute reversals.

28. Removals are also calculated as per paragraph 27 above for each year in the post-crediting monitoring period as indicated in paragraphs B.16–B.18 above.

29. Any carbon pools and GHGs may be optionally excluded from accounting, if such exclusion results in a more conservative calculation of net removals, which shall be demonstrated in the PDD.

30. If an activity involving removals also results in emission reductions, relevant guidance shall be applied through a relevant methodology or a combination of methodologies applicable to the activity in accordance with the provisions to be developed by the Supervisory Body.

#### **E. Methodologies applicable for the crediting period**

31. On renewal of the crediting period, activities involving removals shall apply the latest version of the applicable methodology.

#### **F. Addressing reversals**

32. Activity participants shall minimize the risk of the release of stored removals and, where such reversals of removals occur, ensure that these are addressed in full, in accordance with the relevant guidance in this document.

##### **1. Reversal risk assessment**

33. The risk of reversals may be avoidable or unavoidable and may include:

(a) Risks related to activity finances and management;

(b) Risks related to asset ownership, rising opportunity costs, regulatory and social instability, country-specific political risks and legal risks;

(c) Risks related to fires, pests and droughts.

34. Activity participants shall conduct a risk assessment at the activity level using robust methods to identify and assess the reversal risks, including to quantify and score them,

considering the nature, scale, likelihood and duration of the risks and of potential reversals. The percentage-based reversal risk rating resulting from this assessment shall inform, among other procedures, the application of remediation measures to an activity (see paras. 48–51 below).

35. Activity participants shall develop plans, including steps to be taken, to mitigate and monitor the risks, and implement these plans. Risks that cannot be eliminated shall be addressed (see paras. 3.48–3.51 below).

36. Activity participants shall review and revise the risk assessment every five years from the start of the first crediting period, as well as in any of the circumstances specified in paragraph A.15 above.

37. The Supervisory Body will develop a reversal risk assessment tool. Methodologies may include additional guidance on the application of the tool.

## **2. Post-reversal actions**

### **(a) Reversal-related notifications and actions**

38. Activity participants shall notify the Supervisory Body of reversals that occur within their activity boundary. Submissions of reversal-related notifications shall be made as follows:

(a) A preliminary notification shall be provided by activity participants within 30 days of an event that could potentially lead to a reversal becoming known (an “observed event”), taking into account the risks identified in the risk assessment and the applied methodology, including, at a minimum, the date, the location and a short description of the observed event. It may be provided digitally;

(b) A verified monitoring report containing the information referred to in paragraph C.22(a)(a–c) above shall be submitted by activity participants wishing to demonstrate that removals for which A6.4ERs have been issued were not disturbed by the observed event prior to submitting a full monitoring report, which may be provided digitally;

(c) A reversal notification as a full monitoring report (see para. C.22 above) shall be provided by activity participants within 360 days of the observed event;

(d) In case the reversal event is still ongoing, such that a delayed submission of the full monitoring report would result in more complete and accurate information, the activity participant may submit a verified monitoring report (see para. 38(b) above) requesting the Supervisory Body to extend the submission deadline of the full monitoring report by 90–180 days from the original submission deadline.

39. On submitting a preliminary notification as per paragraph 38(a) above, activity participants will be unable to issue, transfer or cancel A6.4ERs from the activity for which the notification was provided until they submit a verified monitoring report or a full monitoring report demonstrating that removals for which A6.4ERs have been issued were not disturbed by the observed event, or until the Article 6.4 mechanism registry administrator confirms that the reversal has been remediated (see paras. 48–51 below).

40. Following the submission of a full monitoring report that reflects reversals, the Supervisory Body will review the report to confirm, among other things, that the activity proponents have accurately characterized the reversal event as being avoidable or unavoidable. The activity participants will be notified of the outcome of the Supervisory Body’s review within a time frame to be specified by the Supervisory Body.

41. The Supervisory Body will develop further guidance in regard to the measures in this section, including the format of notifications and reports and procedures for submitting them, which may include digital submission, as well as treatment of notifications from third parties to the Supervisory Body of observed events.

**(b) Corrective actions**

42. Following the submission of the preliminary notification (see para. 38(a) above), activity participants shall initiate appropriate corrective measures and demonstrate in requisite updates to a reversal risk assessment that accompanies a full monitoring report that reflects reversals, inter alia:

- (a) An assessment of how the reversal occurred and its causes;
- (b) A plan to prevent further reversals by, for example, improving control measures, storage conditions and handling procedures and arranging further personnel training in various aspects of the removal process;
- (c) A reassessment of adherence of the activity to applicable local and international regulations;
- (d) Engaging stakeholders in accordance with the procedures of the Supervisory Body;
- (e) An increase in the activity rating, resulting in increased buffer contributions, if required as per the risk assessment update.

**(c) Preventive actions**

43. Activity participants shall update and submit the reversal risk assessment as per the guidance on reversal risk assessment (see paras. 33–37 above).

44. Activity participants shall also update the assessment conducted using the Article 6.4 sustainable development tool to reflect the relevant underlying causes and any negative impacts, as well as plans for remediation and prevention of a recurrence, and submit these updates with the updated reversal risk assessment accompanying the full monitoring report submitted for reversal notification.

**(d) Activity continuation post reversal**

45. Activity participants shall continue to be responsible for implementing an activity, including while undertaking the processes set out in this section.

46. Activity participants shall only be permitted to issue, transfer and/or cancel A6.4ERs related to the activity on fulfilment of the requirements in paragraph (a)38 above and if the calculated removals meet the requirements in paragraph D.27 above.

47. The Supervisory Body will develop further guidance on the treatment of activities for which a reversal results in calculated removals within the activity boundary that fall below the baseline level.

**3. Addressing reversal risk and reversals**

48. Reversals of removals for which A6.4ERs have been issued will be fully remediated by taking the measures described in this section. The measures are intended to effectively address reversals and maintain incentives for activity participants to proactively mitigate reversal risks and avoid reversals.

49. Reversals shall be remediated through the cancellation of an equivalent amount of A6.4ERs. Measures for effecting this cancellation include the cancellation of the reversal risk buffer pool and/or the direct cancellation of A6.4ERs from other Article 6.4 mechanism activities for this purpose. These measures may be applied on a stand-alone basis or in combination.

50. The determination of the appropriate remediation measure(s) to be applied by an activity shall be based on the level of the activity's reversal risk rating indicated in the reversal risk assessment submitted in the PDD and, if a reversal occurs, on the avoidable or unavoidable nature of the event that led to the reversal.

51. The Supervisory Body will develop further guidance and/or procedures in regard to the measures in this section for, inter alia:

(a) The review by the Supervisory Body of monitoring reports that reflect reversals, including its consideration of whether an event that led to a reversal was avoidable or unavoidable, as represented by activity participants, and its response to instances of possible mis-categorization of such events and subsequent notifications of the Article 6.4 mechanism registry administrator and activity participants;

(b) Reversal risk buffer pool use, operation and composition, including the treatment of uncanceled buffer A6.4ERs and options for addressing buffer insufficiency;

(c) Direct cancellation of A6.4ERs from other activities in lieu of contributing to and using the reversal risk buffer pool, including the threshold for a reversal risk rating that constitutes a negligible reversal risk and would qualify an activity as having to apply these procedures, as well as the basis and procedures for the Supervisory Body's initial and periodic review and approval of the sufficiency of coverage of an insurance policy or comparable guarantee product for insuring the activities that apply these procedures;

(d) The nature of A6.4ERs from other Article 6.4 mechanism activities that are cancelled to remediate reversals as per the requirements in this section, including whether they are issued in respect of removals and/or emission reductions.

#### **4. Buffer pool operations and contributions**

52. The Supervisory Body shall establish a reversal risk buffer pool that will serve to insure against the general risk of, and to remediate, unavoidable reversals under the Article 6.4 mechanism. Activity participants applying the guidance in this document for activities involving removals shall contribute A6.4ERs to the reversal risk buffer pool, which are cancelled in the event of an unavoidable reversal.

53. On issuance of A6.4ERs, an amount of A6.4ERs proportionate to the issuing activity's reversal risk rating shall be forwarded to the reversal risk buffer pool, which is a holding account that aggregates all contributions of buffer A6.4ERs. The reversal risk buffer pool account is overseen by the Supervisory Body and is administered and shall only be accessed by the Article 6.4 mechanism registry administrator.

54. Following its review of a full monitoring report that reflects reversals, the Supervisory Body will notify the Article 6.4 mechanism registry administrator of the results of its review, after which the registry administrator shall effect a cancellation of buffer A6.4ERs equal to the amount of unavoidable reversals requiring remediation. Where possible, reversals should be remediated with A6.4ERs from the same vintages.

55. Buffer A6.4ERs shall not be cancelled to remediate avoidable reversals.

56. The Supervisory Body shall oversee a stress test of the reversal risk buffer pool at least every three years to assess, inter alia, the buffer pool's resilience for a range of plausible reversal risk scenarios affecting the activities linked to it. In addition to periodic stress testing, the composition of the buffer pool, including the share of A6.4ERs by vintage, region and country, activity type and methodology, should be published annually.

#### **5. Direct cancellation of Article 6, paragraph 4, emission removals or reductions**

57. Reversals of removals for which A6.4ERs have been issued shall be remediated through the cancellation of an equivalent amount of A6.4ERs from other Article 6.4 mechanism activities in the following circumstances:

(a) Activity participants implementing an activity with negligible reversal risk, as evidenced by the risk assessment, indicate in the PDD that the activity will forgo the use of the reversal risk buffer pool throughout all active crediting periods and the post-crediting monitoring period;

(b) Activity participants are required to address reversals of removals found to be avoidable, even when the activity is contributing to the reversal risk buffer pool.



58. In order to apply the option referred to in paragraph 57(a) above, activity participants shall obtain and maintain sufficient coverage under an insurance policy or comparable guarantee product approved by the Supervisory Body to insure the continued implementation of the activity in the instance that reversals occur that require remediation, which shall be submitted with the PDD.

59. Following the Supervisory Body's review of a full monitoring report that reflects reversals and involves either of the circumstances described in paragraph 57 above, the Supervisory Body will notify the Article 6.4 mechanism registry administrator of the results of its review. No more than 30 days following this communication, the registry administrator will confirm with the activity participants the cancellation of A6.4ERs from other activities equal to the amount of reversals requiring remediation and indicate the purpose of cancellation in the Article 6.4 mechanism registry.

#### **6. Avoidable versus unavoidable reversals**

60. The Supervisory Body will develop further guidance on avoidable and unavoidable reversals, including how they are distinguished and demonstrated.

### **G. Avoidance of leakage**

61. Activity participants shall address the risk of leakage and account for any remaining leakage in calculations of net removals in accordance with the requirements for the development and assessment of Article 6.4 mechanism methodologies (see annex I to this document), including by applying the tool to be developed by the Supervisory Body for this purpose. Methodologies and related tools may include additional requirements applicable to specific types or categories of removal activities.

### **H. Avoidance of other negative environmental and social impacts**

62. Activity participants shall apply robust social and environmental safeguards to minimize and, where possible, avoid negative environmental and social impacts of the activity, namely, they shall apply:

(a) The requirements in the Article 6.4 activity standard for projects,<sup>10</sup> including the application of the Article 6.4 sustainable development tool, guidance on local and global stakeholder consultation and, where applicable, the procedure for appeal and grievance processes under the Article 6.4 mechanism;<sup>11</sup>

(b) Any other applicable provisions developed by the Supervisory Body to avoid negative environmental and social impacts of an activity involving removals.

63. In addition to the requirements set out in paragraph 62 above, the Supervisory Body will develop further requirements regarding specific removal activity categories or types, taking into account national and international best practices in environmental and social safeguards, which activity participants shall also apply.

### **I. Host Party roles**

64. Subject to further guidance that will be developed by the Supervisory Body, based on the RMPs and guidance in this document, a host Party may specify to the Supervisory Body the following arrangements voluntarily provided by the host Party:

(a) The host Party requires activity participants to comply with existing and applicable national or regional regulations such as those specifying the frequency, timing and/or basis for updating and submitting an updated monitoring plan, in addition and subject

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<sup>10</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a04.pdf>.

<sup>11</sup> <https://unfccc.int/sites/default/files/resource/a64-sb008-a09.pdf>.

to and consistent with the guidance in this document, as referred to in paragraph A.15(c) above;

(b) The host Party, where it assumes the role of an activity participant in the post-crediting monitoring period, provides a sovereign guarantee to apply corresponding adjustments in respect of any amount of reversals incurred as an alternative measure to those described in the guidance on addressing reversal risk and reversals (see paras. 48–51 above) in a manner consistent with Article 6.2 guidance and further guidance to be developed by the Supervisory Body in this regard.

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