



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

Fifth session

United Arab Emirates, 30 November to 12 December 2023

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***

Summary

This report covers the work of the Supervisory Body for the mechanism established by Article 6, paragraph 4, of the Paris Agreement between 7 November 2022 and 14 September 2023. During this period, the Supervisory Body focused on the mandates to implement the mechanism, including those that are to be delivered to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its fifth session. The work of the Supervisory Body from 15 September to 2 November 2023, including the outcomes of the 8th meeting of the Supervisory Body, will be covered in an addendum to this report. The addendum will provide an update on the work on activities involving removals under the mechanism and on the requirements for the development and assessment of mechanism methodologies, as mandated by decision 3/CMA.3, paragraphs 6(c) and 6(d) respectively.

* This document was submitted after the due date in order to reflect the outcomes of the 7th meeting of the Supervisory Body, held from 10 to 14 September 2023.



Abbreviations and acronyms

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
LDC	least developed country
RMPs	rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement
SB	meeting of the Supervisory Body

I. Introduction

A. Mandate

1. In accordance with the RMPs,¹ the Supervisory Body for the Article 6.4 mechanism is required 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 of the report

2. This second annual report of the Supervisory Body covers the work carried out by the Body between 7 November 2022 and 14 September 2023. The report provides information on progress in implementing the Article 6.4 mechanism during the reporting period and includes recommendations for consideration at CMA 5.

3. The report describes the status of the Article 6.4 mechanism, highlights achievements related to its implementation, and provides information on its governance, management and financial status of the mechanism.

4. All reports and other information and documentation relating to the mechanism and the Supervisory Body are available on the Article 6.4 mechanism web pages.²

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

D. Recommendations for the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

6. The Supervisory Body recommends that the CMA:

(a) Note the progress of work of the Supervisory Body with regard to the mandates in decisions 3/CMA.3 and 7/CMA.4 (see section II.A below);

(b) Agree to exempt activities under Article 6, paragraph 4, of the Paris Agreement in the LDCs from the share of proceeds from adaptation, while recognizing that the LDCs may choose not to use this exemption (see section II.A below);

(c) Request the Supervisory Body to establish a Designated National Authorities Forum on the Article 6.4 mechanism to facilitate the exchange of information and experience among designated national authorities and the identification of common challenges at the regional and subregional level in operationalizing the Article 6.4 mechanism.

¹ See decision 3/CMA.3, annex.

² <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism>.

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

7. To provide an overview of the issues to be considered by the Supervisory Body at each meeting and to identify and plan specific activities arising from the mandates from the CMA, the Body develops annual workplans. The workplan for 2023³ was approved at SB 004.

8. In the reporting period, the Supervisory Body focused on responding to the mandates that are to be delivered on by the time of CMA 5. Paragraphs 16–17 below provide information on the progress of the work conducted in response to those immediate mandates. The remainder of this subsection addresses the progress of work arising from the other mandates in decision 7/CMA.4 as well as in decision 3/CMA.3.

1. Activities involving removals

9. Following the request of the CMA in decision 7/CMA.4, paragraphs 19–20, the Supervisory Body considered the 289 inputs from Parties, observers and other stakeholders received through the structured public consultation process and work done by Supervisory Body members in an informal working group to elaborate and further develop recommendations on activities involving removals, on the basis of the RMPs. The Supervisory Body will continue to consider this matter at its 8th meeting and report on progress in the addendum to this report.

2. Application of the methodology requirements

10. Following the requests of the CMA in decision 7/CMA.4, paragraphs 21–22, the Supervisory Body considered the 34 inputs received from stakeholders through the structured public consultation process and work done by Supervisory Body members in an informal working group to elaborate and further develop the recommendation on the application of the requirements referred to in chapter V.B (Methodologies) of the RMPs. The Supervisory Body will continue to consider this matter at its 8th meeting and report on progress in the addendum to this report.

3. Transition of clean development mechanism activities

11. Significant progress was made regarding the transition of CDM activities to the Article 6.4 mechanism. In response to the request of the CMA in decision 7/CMA.4, paragraph 23(a), the Supervisory Body agreed to begin receiving requests for the transition of CDM activities to the Article 6.4 mechanism from their project participants starting on 30 June 2023. Additionally, the Supervisory Body adopted the standard⁴ and procedure⁵ for the transition process and agreed to make them effective from 1 January 2024, subject to the availability of detailed regulatory elements to enable the operationalization of the transition process. These elements are to be developed by the Supervisory Body.

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

12. The work on regulatory documents related to projects continued to progress during the reporting period. 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,

³ See Supervisory Body document A6.4-SB004-A01, available at <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-article-64-supervisory-body>.

⁴ Standard for the transition of CDM activities to the Article 6.4 mechanism is available at <https://unfccc.int/sites/default/files/resource/a64-sb006-a01.pdf>.

⁵ Procedure for the transition of CDM activities to the Article 6.4 mechanism is available at <https://unfccc.int/sites/default/files/resource/a64-sb006-a02.pdf>.

and activity cycle procedure for projects and agreed to conduct a focused and inclusive stakeholder interaction thereon. On the basis of the draft activity cycle procedure, the development of information technology infrastructure needed to support the activity cycle procedure will begin. In this regard, the Supervisory Body has also started to work on the appeal and grievance processes under the Article 6.4 mechanism. The Supervisory Body will consider a first draft of the appeal and grievance procedure at its 8th meeting with a view to seeking input from stakeholders thereafter.

13. Also, following the request of the CMA in decision 3/CMA.3, paragraph 5(a), as well as the provisions in paragraph 35 of the RMPs, the Supervisory Body adopted the following procedures: “Development, revision and clarification of methodologies and methodological tools” and “Development, revision, clarification and update of standardized baselines”. The arrangements necessary for operationalizing these procedures are being prepared with the aim of operationalizing them during the first quarter of 2024.

14. To fulfil the request of the CMA in decision 3/CMA.3, paragraph 5(b), the Supervisory Body has initiated work on reviewing the baseline and monitoring methodologies in use for the CDM with a view to applying them with revisions, as appropriate, for the activities under the Article 6.4 mechanism.

15. Regarding the sustainable development tool, the Supervisory Body decided that using such a tool is mandatory in the Article 6.4 mechanism. Following the request of the CMA in decision 3/CMA.3, paragraph 5(c), the Supervisory Body has been reviewing the sustainable development tool in use for the CDM and other tools and safeguard systems in use for existing market-based mechanisms to promote sustainable development with a view to developing a similar tool for the Article 6.4 mechanism. The Supervisory Body will consider a first draft of the tool at its 8th meeting with a view to seeking input from stakeholders thereafter.

16. Following the requests of the CMA in decision 3/CMA.3, paragraph 5(d) and (e), the Supervisory Body has been reviewing the accreditation standards and procedures of the CDM with a view to applying them with revisions, as appropriate, for the Article 6.4 mechanism by the end of 2023 and to approve the standard and procedure to be able to expeditiously accredit operational entities as designated operational entities. The Supervisory Body will continue to consider this matter at its 8th meeting.

17. Once the accreditation standards and procedures are approved, the Supervisory Body aims for the transition of CDM designated operational entities to the Article 6.4 mechanism (at least for verification of transition activities) to occur by the second quarter of 2024, following the request of the CMA in decision 3/CMA.3, annex, paragraph 24(b).

5. Capacity-building programme

18. Progress has been made regarding designing and implementing the capacity-building programme aimed at assisting Parties wishing to voluntarily participate in the Article 6.4 mechanism. Following the request of the CMA in decision 3/CMA.3, paragraph 14, the secretariat, in consultation with the Supervisory Body, has designed and started to implement a five-year capacity-building work programme through the secretariat’s regional collaboration centres.⁶

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

19. In accordance with the request of the CMA in decision 3/CMA.3, annex, paragraphs 55, 58–61 and 63–65, the Supervisory Body considered the modalities for operation of the Article 6.4 mechanism registry and will continue to consider the functional aspects and issues that require a decision by the Supervisory Body. Work on developing the requirements for

⁶ The report on the progress of implementation of the capacity-building programme is contained in Supervisory Body document A6.4-SB005-AA-A11, available at <https://unfccc.int/sites/default/files/resource/a64-sb005-aa-a11.pdf>.

the mechanism registry has advanced and will continue to advance in parallel. The procurement process for the registry software was launched during the reporting period.

7. Other considerations by the Supervisory Body

20. Following the request of the CMA in decision 3/CMA.3, paragraph 5(f), the Supervisory Body ensured that the special circumstances of the LDCs and small island developing States may be recognized in further decisions of the CMA relating to the RMPs. The Supervisory Body agreed to recommend to the CMA that it exempt activities under Article 6, paragraph 4, of the Paris Agreement in the LDCs from the share of proceeds for adaptation, while recognizing that the LDCs may choose not to use this exemption.

21. The Supervisory Body agreed to consider, on a case-by-case basis, the inclusion of provisions in methodologies under development that specifically address small and micro businesses scale activities as a means of supporting these businesses in the development of methodologies, inter alia, for simplified additionality, baselines, monitoring, calculations, and validation and verification, following the request of the CMA in decision 3/CMA.3, paragraph 5(g).

22. The Supervisory Body also considered matters related to Indigenous Peoples and local communities in its work and in the operations of the Article 6.4 mechanism. Following the request of the CMA in decision 3/CMA.3, paragraph 5(h), the Supervisory Body considered opportunities to engage with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group.

23. Following the request of the CMA in decision 3/CMA.3, paragraph 5(i), the Supervisory Body considered the gender action plan and incorporating relevant actions into the work of the Supervisory Body and the operations of the Article 6.4 mechanism.

24. In accordance with paragraph 21 of the RMPs, the Supervisory Body agreed on a decision-making and documentation framework.

B. Communications and outreach

25. The Supervisory Body continued to emphasize the importance of strategic communications in implementing the Article 6.4 mechanism.

III. Governance and management

26. The Supervisory Body applied its rules of procedure after their adoption at CMA 4. In this regard, members and alternate members of the Supervisory Body signed their oath of service, made their curriculum vitae publicly available and provided statements of conflict of interest for each meeting.

27. The first members and alternate members of the Supervisory Body were elected at CMA 3. As this was the initial election, 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. In this regard, the term of 12 members and alternate members will come to an end at the first meeting in 2024, and they will be replaced by members and alternate members elected at CMA 5.

28. At SB 004, the Supervisory Body welcomed Daegyun Oh, a member nominated by the Asia-Pacific States, elected at CMA 3 to replace outgoing member Rajasree Ray. The composition of the Supervisory Body in 2023 is presented in table 1.

29. During the reporting period, Maia Tskhvaradze resigned as alternate member of the Supervisory Body.

Table 1

Members and alternate members of the Supervisory Body in 2023

<i>Member</i>	<i>Alternate member</i>	<i>Group/constituency</i>
Benedict Chia ^a	Kristin Qui ^a	Small island developing States

<i>Member</i>	<i>Alternate member</i>	<i>Group/constituency</i>
Felipe De León Denegri ^b	Eduardo Calvo ^b	Latin American and Caribbean States
El Hadji Mbaye Diagne ^a	Tirivanhu Muhwati ^a	African States
Piotr Dombrowicki ^b	Imre Bányász ^b	Eastern European States
Olga Gassan-zade ^a	Maia Tskhvaradze ^a (resigned)	Eastern European States
Charles Hamilton ^a	Derrick Oderson ^a	Latin American and Caribbean States
Martin Hession ^a	Emily Mathias ^a	Western European and other States
Gebru Jember ^b	Manjeet Dhakal ^b	LDCs
Duan Maosheng ^a	Maria Aljishi ^a	Asia-Pacific States
Daegyun Oh ^b	Kazuhisa Koakutsu ^b	Asia-Pacific States
Molly Peters-Stanley ^b	Simon Fellermeier ^b	Western European and other States
Mkhuthazi Steleki ^b	Alick Muvundika ^b	African States

^a Two-year term, ending prior to the first meeting in 2024.

^b Three-year term, ending prior to the first meeting in 2025.

30. At its first meeting in 2023, the Supervisory Body elected Olga Gassan-zade and El Hadji Mbaye Diagne as its Chair and Vice-Chair respectively. Their tenures in these roles will end just before the first meeting of the Supervisory Body in 2024.

31. During the reporting period, the Supervisory Body held four meetings (see table 2). The annotated agendas for the meetings, information under consideration, on-demand webcasts, and reports containing all agreements adopted by the Supervisory Body are publicly available on the Body's meeting web page.⁷

Table 2

Meetings of the Supervisory Body in 2023

<i>Meeting</i>	<i>Date</i>	<i>Location</i>
SB 004	7–10 March	Bonn
SB 005	31 May to 3 June	Bonn
SB 006	10–13 July	Bonn
SB 007	10–14 September	Singapore
SB 008	30 October to 2 November	Bonn

32. During the reporting period, 50 Parties designated and communicated their national authority for the Article 6.4 mechanism to the secretariat in accordance with decision 3/CMA.3.⁸

33. During the reporting period, a webinar took place with the designated national authorities to discuss their views on matters referred to in paragraph 10 above.

A. Transparency and interaction with stakeholders

34. The Supervisory Body allowed registered observers to follow the proceedings of its meetings in person or virtually and made time for interaction with them (in person and

⁷ Available at: <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/meetings-of-the-article-64-supervisory-body>.

⁸ For more information, see <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/national-authorities>.

virtually) at the end of each meeting. The Supervisory Body agreed to keep this practice under review.

35. Observers continued to show considerable interest in the meetings of the Supervisory Body. On average, 25 observers per meeting were registered. A list of registered observers is made publicly available as part of the documentation for each meeting.

36. The Supervisory Body considered public inputs received on matters on the agenda for its meetings held during the reporting period. In addition to considering these inputs, the Supervisory Body opened calls for inputs from stakeholders on specific topics or issues, which helped the Body in its considerations.⁹ The Supervisory Body received more than 300 inputs on various topics during the reporting period.

37. At its 4th meeting, the Supervisory Body adopted a procedure entitled “Procedure: Consideration of unsolicited letters to the Supervisory Body” that sets out the modalities by which the Body considers and processes unsolicited letters sent by stakeholders.

38. Further, with a view to enhancing the engagement and interaction of stakeholders, the Supervisory Body held two webinars prior to its 6th meeting, which were highly attended by a broad range of stakeholders.

39. On 9 November 2022, the Supervisory Body held a side event entitled “Transparency and expectations from our Stakeholders” on the margins of the twenty-seventh session of the Conference of the Parties.¹⁰ In addition, on 10 June 2023, the Supervisory Body held the side event entitled “Status of implementation of the Article 6.4 mechanism” on the margins of the fifty-eighth sessions of the subsidiary bodies. Preparations are under way for a side event to be held at the twenty-eighth session of the Conference of the Parties.¹¹

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

40. To streamline its financial arrangements and expedite the implementation of the Article 6.4 mechanism, the Supervisory Body agreed on a two-year business and resource allocation plan. This plan outlines the strategic vision and goals for 2024–2025, expected activities to operationalize the mechanism and the related resources required.

41. During the reporting period, the Supervisory Body did not engage in any income-generating activities. Table 3 presents the Supervisory Body’s incurred expenses of USD 718,375 in the seven-month period from 1 January to 31 July 2023. Information on incurred expenses for the reporting period in 2022 are included in table 4.

Table 3
Expenditure of the Supervisory Body from 1 January to 31 July 2023

<i>Item</i>	<i>Amount (USD)</i>
Staff and other personnel costs	272 810
Contractual services	83 564
Travel	161 190
Operating and other direct costs	119 236
United Nations programme support costs	81 575
Total	718 375

42. Table 4 displays the expected balance on 31 December 2023. The projected 2023 expenses of USD 3.4 million will be fully met from the existing balance. Yet, the year-end projected balance will not be sufficient to cover the estimated resource needs for 2024–2025.

⁹ See <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism/calls-for-input>.

¹⁰ <https://seors.unfccc.int/seors/reports/archive.html>.

¹¹ See paragraph 41 of the 7th meeting report, available at https://unfccc.int/sites/default/files/resource/a64-sb007_0.pdf.

The Supervisory Body invites the CMA to assist in fundraising and to request the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for additional fund allocations from the Trust Fund for the Clean Development Mechanism, tapping into any available surpluses.

Table 4
Projected balance as of 31 December 2023

<i>Item</i>	2022 <i>(amount in USD)</i>	2023 <i>(amount in USD)</i>
Carry-over from previous year	30 000 000	29 569 386
Add: income	–	–
Less: expenses	430 614	3 400 000 ^a
Total: previous year's carry-over plus income and less expenses	29 569 386	26 169 386

^a Projected.