



United Nations

FCCC/SBSTA/2023/3



Framework Convention on
Climate Change

Distr.: General
30 May 2023

Original: English

Subsidiary Body for Scientific and Technological Advice

Fifty-eighth session

Bonn, 5–15 June 2023

Item 14 of the provisional agenda

**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**

Views on the matters referred to in decision 7/CMA.4, paragraph 9*

Synthesis report by the secretariat

Summary

This report summarizes the information on matters referred to in paragraph 9 of decision 7/CMA.4 contained in submissions from Parties and observers received between 15 March and 2 May 2023. It has been prepared to inform the continued consideration of and development of recommendations on those matters on the basis of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement.

* This document was submitted after the due date because the synthesis of information took longer than expected.



Abbreviations and acronyms

A6.4ER	Article 6, paragraph 4, emission reduction
Article 6.4 mechanism	mechanism established by Article 6, paragraph 4, of the Paris Agreement
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
GHG	greenhouse gas
ITMO	internationally transferred mitigation outcome
NDC	nationally determined contribution
REDD+	reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks (decision 1/CP.16, para. 70)
SBSTA	Subsidiary Body for Scientific and Technological Advice

I. Introduction

A. Procedural background

1. CMA 4 requested the SBSTA to continue its consideration of, and to develop, on the basis of the rules, modalities and procedures for the Article 6.4 mechanism¹ and elaboration thereon, recommendations for consideration and adoption at CMA 5 on:

(a) Consideration of whether Article² 6, paragraph 4, activities could include emission avoidance and conservation enhancement activities;

(b) Connection of the mechanism registry to the international registry as per paragraph 63 of the rules, modalities and procedures for the mechanism, as well as to other registries referred to in decision 2/CMA.3, annex, paragraph 29, if applicable, including the nature and extent of interoperable features;

(c) Provision of a statement by the host Party to the Supervisory Body for the Article 6.4 mechanism specifying whether it authorizes A6.4ERs issued for an Article 6, paragraph 4, activity for use towards achievement of NDCs and/or for other international mitigation purposes, as defined in decision 2/CMA.3, in accordance with paragraph 42 of the rules, modalities and procedures, including its timing, relevant information on the authorization and any revisions.³

2. CMA 4 invited Parties and admitted observer organizations to submit, via the submission portal, by 15 March 2023, their views on the matters referred to in paragraph 1 above, and requested the secretariat to prepare a synthesis report on the submissions for consideration at SBSTA 58.⁴

3. SBSTA 58 may wish to consider the information contained in this synthesis report.

B. Scope of the report

4. This report synthesizes the views on each of the matters referred to in paragraph 1 above in corresponding subchapters of chapter II below.

5. Views were submitted by five Parties or groups of Parties⁵ and four observers between 15 March and 2 May 2023.⁶

II. Synthesis of views

A. Article 6, paragraph 4, activities and emission avoidance and conservation enhancement activities

6. In considering whether Article 6, paragraph 4, activities could include emission avoidance and conservation enhancement activities, Parties and observers noted that the terms ‘emission avoidance’ and ‘conservation enhancement’ have no agreed definition, are ambiguous and are not used in the Convention, the Kyoto Protocol or the Paris Agreement. The term ‘emission reduction’ is broad enough to cover different types of mitigation activity, and is defined under crediting mechanisms as a reduction compared with a baseline level of

¹ Contained in decision 3/CMA.3, annex.

² Articles referred to in this report are Articles of the Paris Agreement.

³ Decision 7/CMA.4, para. 9.

⁴ Decision 7/CMA.4, para. 10.

⁵ In this report, “Party” and “Parties” is used to refer to a group and groups of Parties respectively.

⁶ The submissions are available at <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx> (in the search field, type “Article 6, paragraph 4”).

emissions (taking into account leakage) and not necessarily in comparison with historical emissions. This implies that the term could cover mitigation activities from which no historical emissions occurred.

7. One Party proposed the following definition for emission avoidance: “full displacement or prevention of GHG emissions expected to be generated by planned GHG emitting actions in energy, transport, manufacturing, agriculture, human induced deforestation, and other GHG emitting development activities”.⁷ Another Party proposed the invitation of submissions on definitions for and examples of activities that could be included under the Article 6.4 mechanism.

8. One Party indicated that, since emission avoidance zeroes out the risk of emissions being released before it happens, it therefore presents a greater mitigation opportunity. More specifically, this aligns with risk management frameworks whereby adverse impacts can be prevented if the source of the potential threat is avoided. The Party also indicated that, if this approach were applied on a wide scale by developing countries with significant mitigation potential from their guaranteed right to emit, deep, rapid and sustained emission reductions could be achieved.

9. Nature-based solutions were identified as essential to climate change mitigation and adaptation, as well as to sustainable development. However, both a Party and an observer reflected on whether it is appropriate to include emission avoidance and conservation enhancement activities under the Article 6.4 mechanism given the uncertainties and challenges involved in the measurement of their impacts on emissions.

10. Parties highlighted that under voluntary carbon standards for afforestation and reforestation projects, the concept of avoidance assumes that the land would have been deforested or degraded if the project in question had not been implemented. However, this assumption does not align with the Paris Agreement, which specify that real emission reductions must be demonstrated. Furthermore, while Parties and observers acknowledged that emission avoidance and conservation enhancement activities may provide diverse co-benefits, they noted the considerable uncertainties involved and that, therefore, these activities may be more appropriate to include under voluntary or non-market approaches.

11. Regarding the conservation of forests and emission removals, it was noted that by conserving forests, their removal function is preserved. One Party stressed that the promotion and incentivization of emission removals by forests, forest conservation and the sustainable management of forests are integral elements of REDD+ activities. Further, it was pointed out that conservation enhancement activities can represent emission reductions or enhancement of removals, as highlighted in the Warsaw Framework for REDD+. Therefore, it would not be necessary to introduce and define the term conservation enhancement in a CMA decision.

12. One Party suggested that examination of the compatibility between emission avoidance and conservation enhancement activities and the design requirements for activities under Article 6, paragraph 4, of the Paris Agreement continue at expert dialogues or at the sessions of the SBSTA.

B. Connection of the mechanism registry to the international registry and to other registries

13. Regarding the **connection of the Article 6.4 mechanism registry to the international registry** as per paragraph 63 of the rules, modalities and procedures for the mechanism, one suggestion was to design the two registries in a consistent manner and in such a way as to enable authorized A6.4ERs to be transferred from the mechanism registry to the international registry. An alternative suggestion was to connect the two registries in accordance with the provisions of decision 6/CMA.4, annex I, paragraphs 9–10 (on

⁷ Submission from the Philippines.

interoperability), with the submitter in question also noting that there is a need to strengthen these provisions.

14. Regarding the **connection of the Article 6.4 mechanism registry to other registries** referred to in decision 2/CMA.3, annex, paragraph 29, it was viewed that such connection should be considered for Parties not using the international registry in particular. Any such connection should be formalized, at a minimum replicating the key characteristics of the connection between the mechanism registry and the international registry, and allow for the clear visibility of ITMO transaction data. The connection should also allow for automated pulling and viewing of data and information on holdings and of the action history of authorized A6.4ERs for use from other registries through the least complex means possible.

15. To avoid the complexity and costs associated with establishing interoperability between registries and arrangements for the transfer of ITMOs, in one submission it was suggested that ‘meta-registries’ could be established to receive information from multiple registries and make this information available to users. In another submission it was suggested that the Article 6 database referred to in the annex to decision 2/CMA.3 be repurposed to perform a role akin to a clearing house for individual registries, with timely consistency checks to be performed in line with the frequency of information-sharing preferred by individual Parties. Further, it was suggested that the secretariat review existing solutions and technologies for tracking that deliver outcomes in line with the objectives agreed by the CMA and that meet the needs of Parties and market participants for participation in Article 6 activities.

16. It was also suggested that, if a Party that has its own registry decides to connect it to the international registry, that Party should have the option to access and view data and information on holdings and the action history of authorized A6.4ERs in the Article 6.4 mechanism registry via the international registry. This option should not preclude the Party from being able to connect its own registry directly to the mechanism registry if it wishes to do so. Furthermore, A6.4ERs could be transferred from the mechanism registry to the international registry if additional functionalities and procedures are developed by the SBSTA for the international registry as per paragraph 17(g) of decision 6/CMA.4 and agreed by the CMA; such arrangements should extend to linking Party registries with the mechanism registry.

17. Submitters shared their **general views on the infrastructure for tracking ITMO transfers**. The need to gain a clear picture of how the components of the Article 6 infrastructure will operate, particularly how the different registries will operate in coordination with one another – including in terms of interoperability standards, transparency and data consistency guarantees – was identified. Some submitters stressed the advantages of common tracking approaches, centralized communication protocols and interconnection of registries, including for the purpose of reporting. One Party stated that there remains a need to elaborate a clear central reconciliation process across registries to ensure the correct accounting of ITMOs.

18. One Party noted the need to allow international transfers of both ITMOs under Article 6, paragraph 2, of the Paris Agreement and authorized A6.4ERs across the tracking infrastructure. This Party also noted that (1) it is the Party’s decision whether to connect its own registry to the international registry or any other registry; (2) any Party is able to request an account in the international registry, but it could also decide to use its existing national registry in a complementary manner should it not desire a direct integration; and (3) with regard to interoperability, Parties that wish to develop their own registries are not obligated to apply all standards for interoperability to be developed by the secretariat, as long as the transparency of tracking and reporting is guaranteed.

19. In one submission it was recognized that some cooperative approaches will utilize underlying carbon crediting programme registries as their main tracking tool, with the function of national registries or the international registry being reduced to recording the underlying transactions for the Parties concerned. In this context, more work is needed to ensure that records of ITMOs are consistent with data from underlying programme registries

and that corresponding adjustments are appropriately reconciled. Furthermore, how host countries would be informed by underlying programme registries about transactions (such as cancellation) that may constitute a trigger for the application of corresponding adjustments needs clarification.

20. Regarding the interconnected nature of the requirements in the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, the need for tracking arrangements to be adaptable to any relevant future decisions was highlighted, in particular with respect to authorization. Linked to this consideration is the need to ensure the clear visibility of authorized A6.4ER transactions across registries, regardless of the type of registry used by Parties for Article 6, paragraph 2, cooperative approaches. It was proposed that the Article 6.4 mechanism registry set a high standard for transparency, providing comprehensive information to all stakeholders on all registered projects and including all transactions of units, with relevant details.

C. Authorization of Article 6, paragraph 4, emission reductions for use towards achievement of nationally determined contributions and/or for other international mitigation purposes

21. Regarding **information to be included in an authorization statement**, Parties identified the following key requirements:

- (a) Name of the host Party or first-transferring Party and the institution issuing the statement, including contact details;
- (b) Date of the authorization statement;
- (c) Authorization identifier assigned by the first-transferring Party;
- (d) Registration number;
- (e) Activity participants;
- (f) Specific A6.4ER activity or activities and the high-level sector (as per common nomenclature based on Intergovernmental Panel on Climate Change guidelines);
- (g) Purpose of authorization:
 - (i) A6.4ERs authorized for use towards an NDC and total amount and details of the authorized A6.4ERs in a manner that enables linking to tracking information;
 - (ii) A6.4ERs authorized for use towards other international mitigation purposes and total amount and details of the authorized A6.4ERs in a manner that enables linking to tracking information, and details of the other international mitigation purpose authorized and authorized entities;
- (h) First transfer definition applied (consistently with paragraph 2 of the annex to decision 2/CMA.3 to provide clarity on when the corresponding adjustment is to be applied);
 - (i) Total amount of A6.4ERs (in tonnes of carbon dioxide equivalent) authorized for each calendar year and the NDC period(s) during which the total amount of A6.4ERs is authorized for use;
 - (j) The registry that each participating Party will use for tracking as specified in paragraph 29 of the annex to decision 2/CMA.3.

22. One observer commented on limitations to the **use** of A6.4ERs not specified as authorized for use towards achievement of NDCs and/or for other international mitigation purposes in the authorization statement. It was suggested that such emission reductions should not be subject to corresponding adjustments by the host country, and thus any use in compliance markets or in voluntary markets for offsetting purposes, as it would result in double claiming of the emission reductions, by both the buyer and the host country. Therefore, the emission reductions must not be used in either compliance or voluntary

markets for offsetting purposes or as the basis for claims of carbon neutrality or net zero emissions for products, activities or organizations.

23. In terms of the **format** of the authorization statement, one Party and one observer suggested that a standardized digital template should be implemented. The template could contain drop-down lists and open text fields, as well as a model or sample authorization statement to help simplify the authorization process and reduce the risk of inconsistencies. The observer noted that the authorization should be part of a secure digital system connecting national, international and the mechanism registries so that the process of tracking authorization statements and applying corresponding adjustments can be digitized.

24. Regarding the **timing** of the authorization statement, one Party noted that the timing of authorization has implications for the level of flexibility in determining the use of A6.4ERs from a given activity. For example, if the host Party is to authorize the A6.4ERs from a given activity at registration, the use of all A6.4ERs generated throughout the life of the activity is confined to that particular use. But if the host Party authorizes A6.4ERs **any time after registration has occurred but prior to issuance**, the use of the A6.4ERs from a given activity need not be limited to a particular purpose.

25. Another Party suggested that providing authorization statements after the request for registration could affect the feasibility of ensuring that the relevant Article 6, paragraphs 2 and 4, rules are fully applied and validated (e.g. regarding share of proceeds, overall mitigation in global emissions and corresponding adjustments). As such, the provision of the authorization statement should occur **before or at the time of the request for registration**.

26. A group of Parties indicated that early clarity on the status of A6.4ERs is beneficial for buyers and mitigation activity proponents, as it confirms how the emission reductions can be used. As such, it was suggested that the authorization statement should be provided **at the registration stage**. However, the same Party suggested that it could also be possible to provide the statement **prior to each issuance** of A6.4ERs in order to provide further flexibility.

27. One Party and a group of Parties both indicated that providing the statement after issuance would create issues around applying and reconciling corresponding adjustments, implementing the provisions on share of proceeds and achieving overall mitigation in global emissions. In addition, it may negatively affect the transparency of the system and both Party and external stakeholder confidence.

28. One observer noted that an authorization statement should be provided **as early as possible, but prior to issuance** of A6.4ERs in order to provide a predictable price signal for investors in mitigation activities.

29. In terms of **revisions** to authorization statements, one Party indicated that revisions could have significant accounting and reporting implications and pose risks to environmental integrity, including the credibility and transparency of Article 6, paragraph 4, transactions. A group of Parties stated that revisions should either not be allowed or apply only to future issuances, as they could undermine the effective functioning of the Article 6, paragraph 4, market and create uncertainty for investors, as well as undermine the appropriate application of corresponding adjustments. Similarly, one observer stated that revisions and revocations may create a lack of certainty around the status of authorizations, which would negatively affect the value of A6.4ERs and discourage investment in mitigation activities. In general, revisions should be avoided, and revocation of authorizations should only be permissible in extreme cases, such as when fraud is determined to have occurred.

30. One Party recommended further work on determining potential types of revision that could be allowed and their impacts on reputation, accounting, environmental integrity, cost and participation.