

A6.4 SB MEETING REPORT

A6.4 SB-011,
29 April – 02 May 2024



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Report

Article 6.4 Mechanism Supervisory Body Eleventh Meeting

29 April – 02 May 2024

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Summary

- The Supervisory Body adopted the procedure for the grievance and appeals processes. Prior to adoption, the SB discussed selected outstanding issues, including the standing and the scope of appeals and grievances, the fee structure as well as safeguards against meritless claims. On scope, the SB decided that appeals can only be filed against decisions on Art. 6.4 activities, and not on methodologies and standardized baselines, in contrast to what NGOs had called for. Regarding fees, the SB decided after intense discussions and considering input from stakeholders to drop the fees for grievances completely, while for appeals a fixed standard fee which can be waived under certain circumstances. The adoption marks a significant step given the failure to agree on such measures for the CDM and the recent break-down of the Art.6 negotiations at UNFCCC level.
- The SB discussed a revised version of the Sustainable Development (SD) tool. While concrete safeguards regarding LULUCF and removals were shelved for later and related appendices taken out of the tool for the moment. A new debate came up on the 'verifiability' of requirements and possible cost implications. The body took up these concerns and decided to seek inputs especially from auditors through a dedicated call for inputs and to have an informal group of SB members, together with the secretariat, work on possible changes in this regard. The SD tool will be discussed at SB 013 in July again.
- The regulatory documents developed by the secretariat build on project cycle regulation for Art. 6.4 projects and on the CDM's PoA framework. The main differences from these documents include mandatory 'prior consideration', a maximum amount of emissions reductions that can be included annually to give host countries more control, shorter crediting periods (max 20 years in total), stakeholder consultation to be conducted at component level, and the concept of coordination / managing entities (CME's) is dropped for more flexibility. The Supervisory Body decided to launch a call for public inputs on the revised documentation and to reconsider the topic at SB 013.
- The Supervisory Body also reviewed the draft text for the registry procedure and decided upon selected areas that need further elaboration, including transaction rules and unit life cycles, fees, types and handling of accounts, references to CMA guidance and the handling of MCUs, and identification of areas that refer to pending guidance from the CMA and / or the SB. The body will revisit the procedure at SB 013, including proposals for TORs for users of the registry.
- The body met for an interaction with UNFCCC Executive Secretary Simon Stiell and discussed mainly the capacity building constraints due to the cancellation of the climate weeks. Especially the body members from Africa underlined the importance of such exchanges and demanded meaningful capacity building measures for the mechanism. Simon Stiell made it clear that the cancellation of the climate weeks is only a pause due to current budget constraints and that they will resume next year. He also promised to settle staffing shortages within the secretariat so that the both the body members and the Art. 6 unit get the resources they need.

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Governance and management matters

Membership issues

The Supervisory Body had received outstanding nominations from selected constituencies and welcomed Felipe Ferreira, of Brazil, representing GRULAC, and his alternate member, Charles Hamilton (Bahamas). The alternate member from WEOG will be Helen Finney of UK, who was also welcomed to the meeting. Nominations for a member and alternative member from Eastern European states are still pending; last year's members and alternates continue serving on the body in the meantime.

Strategic planning and direction

Capacity building

The Body held an interaction with the UNFCCC Executive Secretary Simon Stiell. The main topic was capacity building for Art. 6, which some body members see at risk due to the budget constraints the UNFCCC secretariat is facing. These constraints yielded, among others, the cancellation of the regional climate weeks 2024. However, especially the body members from Africa underlined that it is these exchanges which crucial for knowledge exchange and sharing lessons learnt, underlining that African countries want to participate in the mechanism but are lacking the capacity to do so. This applied in particular because Art. 6 requires more involvement of host countries than the CDM did, they argued.

Simon Stiell acknowledged the importance of capacity building and made it clear that the cancellation of the climate weeks is only a pause – they will resume next year. He also promised to settle staffing shortages within the secretariat so

that the both the body members and the Art. 6 unit get the resources they need.

New acronym

The Body further decided that it would refer to itself to SBM (Supervisory Body of the Art. 6.4 Mechanism) in the future, in order to avoid confusion with the acronym for the subsidiary bodies. Meetings will be called SBM meetings accordingly. The changes will become effective as of the next meeting.

Panels and Working Groups

Body members heard the reports of the first meetings of the Accreditation Expert Panel (AEP) and of the Methodology Expert Panel (MEP), respectively. The AEP has appointed 26 experts to work on the panel and is currently reviewing the accreditation process, as requested by the SB.

The methodology experts identified scope and details of their work this year, focusing on requirements for methodologies as well as removals, and on the revision of CDM methodologies. Regarding the latter, the panel launched a call for public input on revising CDM ACM 1 "Flaring of landfill gas", ACM 2 "grid connected renewable energy", as well as the tool for calculating the grid emissions factor. Inputs will be discussed at the second MEP meeting in June.

In addition, the Body noted that 3 additional DNAs had been set up since the last Body meeting, with a total of 75 host country authorities as of May 2, 2024.

Development of the regulatory framework

Appeal and Grievance processes

The Supervisory Body discussed and adopted the procedure “Appeal and grievance processes under the Art. 6.4 mechanism”¹.

Prior to adoption, the SB discussed selected outstanding issues, including

- The standing and the scope of appeals and grievances
- The information available and its interlinkages with the stakeholder engagement process, cp. Figure 1
- The fee structure

- Safeguards against meritless claims

On scope, the SB decided that appeals can only be filed against decisions on Art. 6.4 activities, and not on methodologies and standardized baselines, in contrast to what NGOs had called for. This decision was made to limit appeals to concrete activities that have implications on the ground. Also, the technical details of methodologies were regarded as difficult to being liable. However, the SB added a provision that DNAs of host Parties where Party-specific elements of a methodology are applicable can file an appeal.

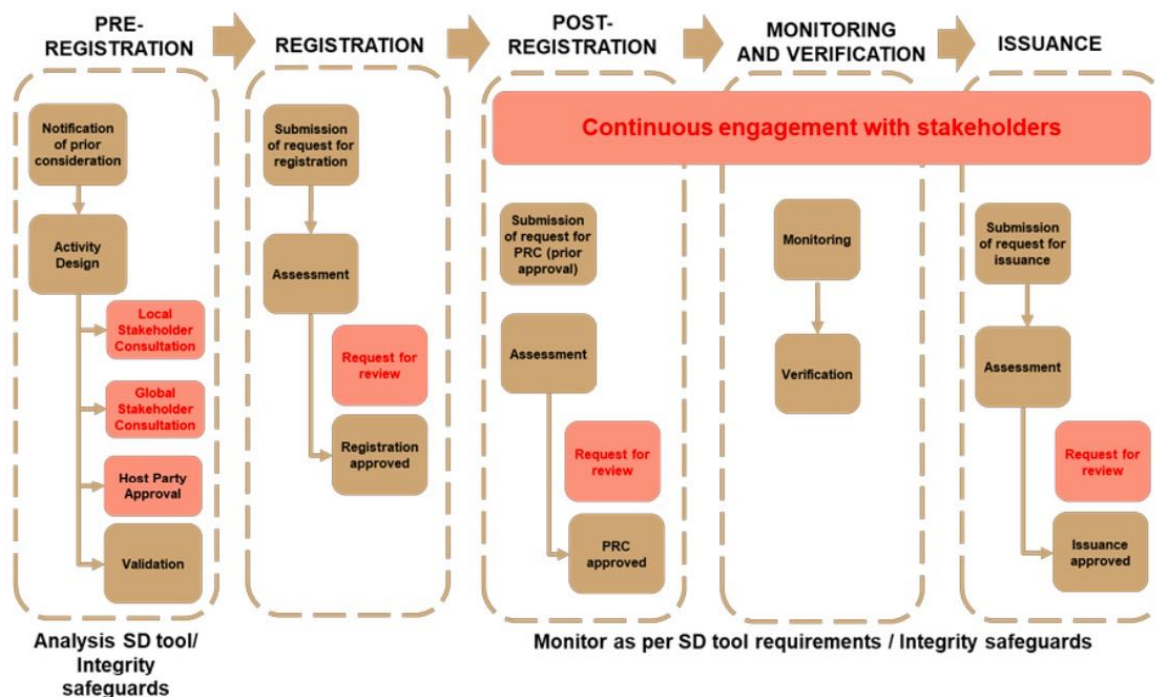


Figure 1: Interlinkages of the Appeals and Grievance processes with stakeholder engagement; Source: UNFCCC

¹ Download the procedure at <https://unfccc.int/sites/default/files/resource/a64-sb011-a03.pdf>

Regarding fees, the secretariat had proposed a standard fee with a waiver for appeals and for grievances a set of options with the fees differentiated by grievant (reductions or waiver for LDCs / SIDS) or by grievance type (no fee for human rights violations / half fee for grievances on environmental or social impacts of activities).

The SB, after intense discussions and considering input from stakeholders, decided to drop the fees for grievances completely.

For appeals, the SB discussed several options and models. One aspect that sparked intense debates was how to prohibit speculative appeals that could actually hamper issuance. Covering the cost that processing appeals implies was also an argument put forth with a view to keep fees at a certain level.

In the end, the SB decided for a higher fee level while incorporating a set of waivers: the standard appeal fee was set at 30,000 USD. This fee is to be paid upon filing the appeal in case of targeting a request for issuance – this measure was introduced to address the concerns of speculative appeals. In all other cases the fee is to be paid within 30 days of receipt of the statement of the appeal fee. Waivers apply for DNAs and appeals for vulnerable groups such as Local Communities and Indigenous Peoples.

Furthermore, the SB debated, how the body should reconsider a remand ruling by the appeal panel. The original text proposal had been “take into account the remand ruling”. However, body members regarded this language as too weak and the body decided that the body is to justify its reconsideration decision including an explanation how the new decision addresses the conclusions of the remand ruling.

Finally, the SB decided upon the communication channels and ruled that the working language is English, and that submissions also possible in the other four UN languages (but no local languages).

Sustainable Development tool

The SB discussed a revised version of the Sustainable Development (SB) tool. Based on input received at the previous SB session and on stakeholder input, the secretariat had revised the draft tool. The main revisions cover the following areas:

- Revision of Appendix 1 on LULUCF: now contains relevant IPCC definitions
- CDR activities: reinforced safeguards and guiding questions included
- Revision of environmental and social safeguards: requirement to commit to Universal Declaration of Human Rights included
- On rights addressing Indigenous Peoples, linkages between principle 9 (indigenous peoples) and principle 8 (land acquisition and involuntary resettlement) and principle 11 (cultural heritage) were established

With regard to the appendix 1, the secretariat highlighted that this part should be revised once the SB has approved its removals regulation.

The SB discussed safeguards relating to possible REDD+ activities, but also issues on respecting human rights. Regarding the latter, stakeholders had criticised that compliance with international law and internationally agreed minimum standards, including human rights considerations, were not guaranteed by the current provisions. Based on feedback and requests from SB members, the secretariat, at the meeting, suggested to include a section on due diligence in the context of the principle 4 “human rights”, and added principal level questions in this regard.

Other body members, however, questioned the ‘verifiability’ of requirements like these. One member alerted the body that there had not been any input by auditors during the previous stakeholder inputs and demanded that such a check by DOEs or other bodies was needed in order to ensure a feasible, workable concept for

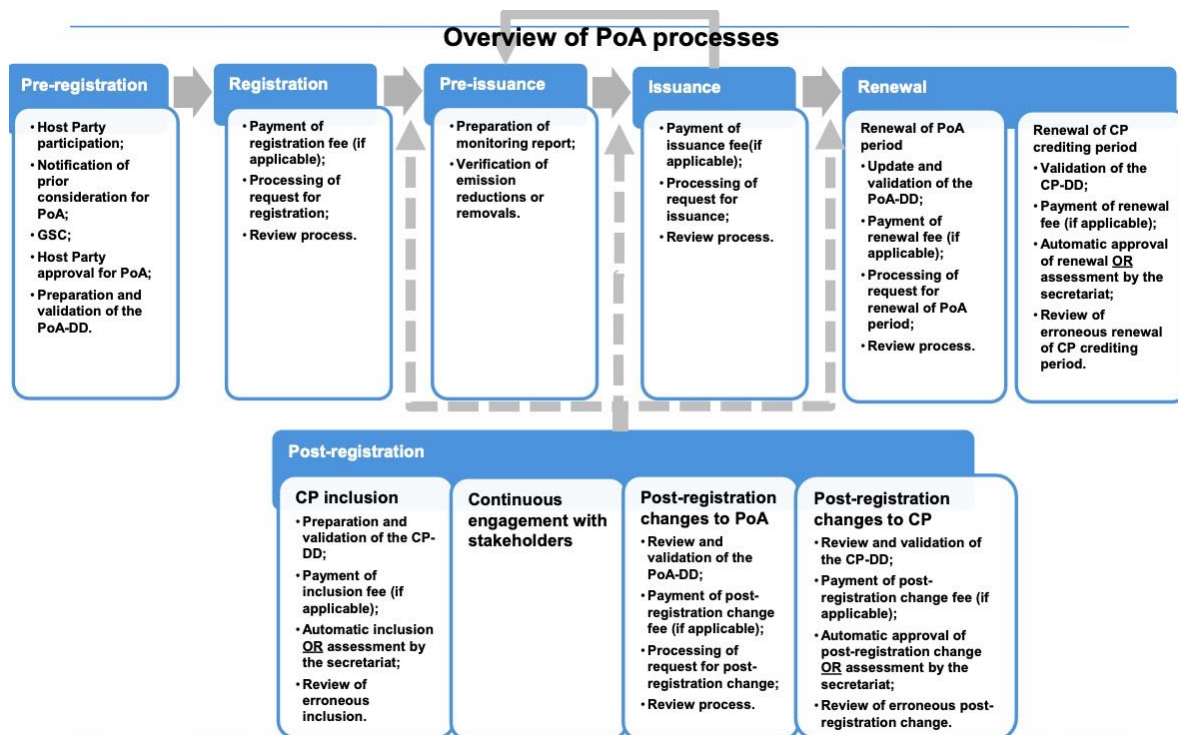


Figure 2: Macro-processes under the activity cycle of a programme of activities;
Source: UNFCCC secretariat

the whole tool, also pointing out cost implications of regulation which is difficult to comply with.

In the end, the body took up these concerns and decided to seek inputs from auditors through a dedicated call for inputs and to have an informal group of SB members, together with the secretariat, work on possible changes in this regard. This work will focus on the tool itself, without appendix 1 on LULUCF. The body decided to shelve this work for a later stage. As the oncoming SB session is dedicated to methodology requirements and removals only, the SD tool will therefore be discussed again at SB 013 in July.

The registry procedure

The Supervisory Body considered the first draft of the procedure that is going to govern the A6.4 registry. At the previous meeting, the body had adopted a set of basic provisions, such as allowing accounts for authorized entities that are not activity participants, that these can actually

receive units, that secondary transfers will be allowed, and on the transparency in reporting while ensuring confidentiality of data.

At SB 011, the body reviewed the draft text at the meeting and decided upon selected areas that need further elaboration. These comprise

- Transaction rules and unit life cycles (listing all rules needed, distinguishing between forwarding and first transfer)
- Fees (Basis, fee models, fee schedules)
- Types and handling of accounts (restrictions on type and number of accounts, suspension and termination)
- Better references to CMA guidance and the handling of MCUs
- Identification of areas that refer to pending guidance from the CMA and / or the SB

The body will revisit the procedure at SB 013, including proposals for TORs for users of the registry.

Regulatory framework for PoA

The Supervisory Body discussed a set of regulatory documents for Programmes of Activities (PoA), comprising the respective activity standard, the validation and verification standard, and the activity cycle procedure. While such regulatory documents were adopted for project-type activities at SB 008, the body had decided to keep PoA regulation separate, which is why this meeting considered the PoA framework for the first time.

The regulatory documents developed by the secretariat build on project cycle regulation for Art. 6.4 projects and on the CDM's PoA framework. The main differences from these documents include:

- Regarding the notification of prior consideration, this step is now mandatory (which it had not been in the CDM); additionally, there will be a maximum amount of emissions reductions or net removals that can be included annually, in order to give host countries more control
- The local stakeholder consultation as well as the assessment of environmental, social, and sustainable development impacts are to be assessed / undertaken at the level of the component activity (CP), while under the CDM there was flexibility on choosing the PoA or CPA level
- The concept of coordination / managing entities (CME's), as used in CDM, is dropped, in order to allow for more flexibility as to how manages the PoA

Transition Status	Total Volumes
Total Number of activities that requested transition	1,796
Have moved to or have completed Global Stakeholder Consultation	1,464
Withdrawn or closed due to objection of Focal Points	6
Have initiated MoC amendments in order to resubmit a request for transition	103
Have not communicated with the secretariat since submitting the request for transition	223

Figure 3: Status of transition requests from CDM; Source: UNFCCC secretariat

- Approval and authorization is obtained directly on the UNFCCC web interface
- The crediting periods are shorter than in CDM: they can be renewed every five years max. three times, i.e. a lifetime of max. 20 years in total (for activities including removals, it is 15 years, resulting in a max. lifetime of 60 years).
- An erroneous inclusion of a component activity (CPA) can now trigger a performance evaluation by the DOE and compensation of the issued A6.4ERs is mandatory

The body considered the documents and requested a few minor changes in the context of authorization. The body decided to launch a call for public inputs on the revised documentation and to reconsider the topic at SB 013.

CDM Transition

The body took note of the status of transition requests from the CDM, see Figure 3. About 1,800 projects have requested transition. The secretariat alerted the body members that transition of more than 300 projects is hampered due to incomplete pending documentation. Incompleteness in this context means that there is incorrect or missing contact information on the designated focal point of the activity. Processing a change of such information by the secretariat takes between 30-60 days, and more than 200 activities did not even request such a change. The secretariat therefore suggested to give project participants another 90 days to submit up-to-date information, and otherwise to reject the request for transition. The body agreed, but decided for a longer grace period and set project participants an extended deadline until 04 November, 2024.

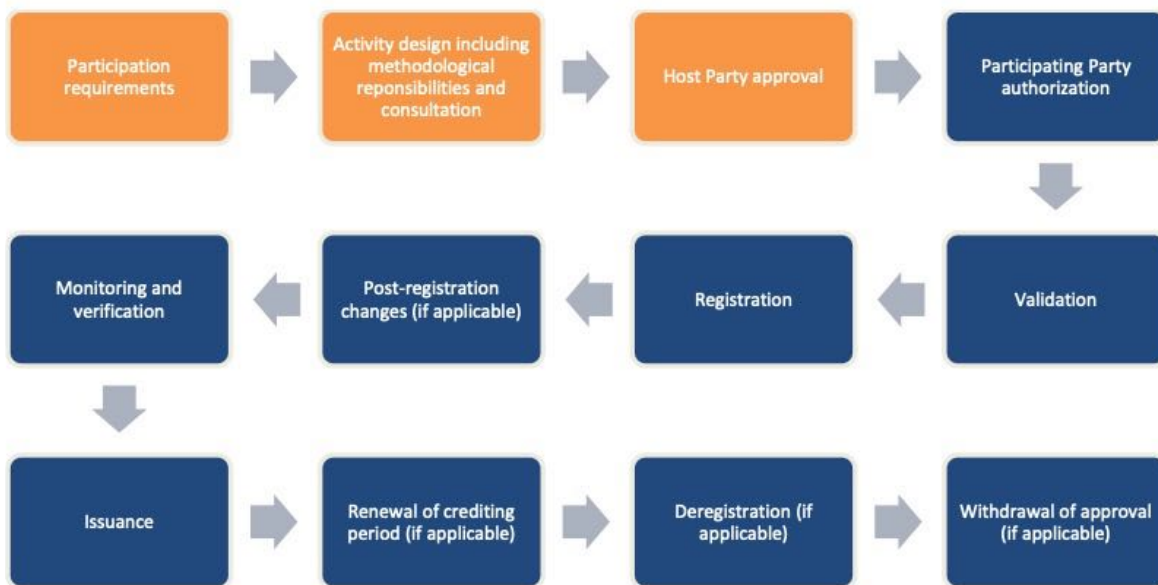


Figure 4: Art. 6.4 activity cycle with points at which a host Party has communication roles highlighted in orange.
Source: UNFCCC

Roles and responsibilities of host Parties

The Supervisory Body continued discussing its information note on the roles and responsibilities of host Parties. Upon request by the body, the secretariat had updated the note, focusing on:

- Providing more context with respect to how where host Parties influence Art.6.4 activities
- Clearly separating the division of responsibilities between host Parties and other actors
- Thereby distinguishing between mandatory duties, functional roles as well as optional roles

The secretariat has therefore structured the document accordingly, separating (1) participation requirements (mandatory), (2) work on methodologies (optional), (3) activity-specific responsibilities and roles, such as approval and authorization (mostly mandatory), (4) functional roles, p.ex. forwarding stakeholder comments during validation (optional).

The body welcomed the changes and mainly discussed the format and the communication of the planned document. It tasked the secretariat with developing a user-friendly guide or manual and to seek feedback from DNAs on it with a view to have the guide adopted at SB 013 in July.

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