

A6.4 SBM MEETING REPORT

A6.4-SBM 015
11 – 14 February 2025



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Report

Article 6.4 Mechanism Supervisory Body Fifteenth Meeting

11-14 February 2025

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Summary

- Martin Hession of Ireland and Maria Al Jishi of Saudi Arabia, were elected as chair and vice chair, respectively
- Based on the CMA decision at the Baku summit, the SBM adopted rules on the transition of CDM A/R activities. A/R transition now possible, with additional requirements such as mitigation of reversal risks being checked at verification stage. The adoption of the full removals regulation is a prerequisite for a complete transition, however.
- The SBM further adopted a standard on additionality testing. The default approach is investment analysis, a barrier analysis can be conducted alternatively, if certain requirements are met. Both approaches have to be complemented by common practice test. In specific circumstances, performance-based approaches may be used, depending of the suitability of indicators and the availability of data. In all cases, a regulatory analysis has to be conducted. Non-enforcement of regulation cannot be claimed to demonstrate additionality. Updates of the regulatory analysis have to be conducted when renewing the crediting period. In the case of standardized baselines, this is tied to the validity period of the baseline. A new element (from the RMP) is lock-in prevention. Detailed provisions are still to be developed, technologies and practices with a lifetime of less than years are exempted from the lock-in risk analysis.
- On baseline setting, the session saw an intense debate with some first decisions taken, but no standard approved. Regarding downward adjustment, the SBM tasked the MEP to closer examine different downward adjustment coefficients related to the option “ensuring below BAU and encouraging ambition over time”. Further, a list of best available technologies is to be developed and approaches of demonstrating Paris Alignment shall be refined further. The SBM decided, however, not to pursue black-/whitelists any further; eligibility will be assessed via the additionality standard (see above) instead. After long and controversial debates, the meeting report underlines that any new categorizations of Parties other than developed / developing countries (high-/low-income had been suggestions) are to be avoided in this work, as are references to processes outside Article 6, including even outcomes of the global stocktake.
- The SBM finally adopted an interim registry, which will be further developed and refined throughout the year. Among other things, the registry frames user rights based on “control” rather than on ownership of units, foresees serialization for all A6.4 ERs, including Party ID, activity ID, vintage year, and serial number; MCU will be designated as MCUs, while an authorized A6.4 ER (AER) will have additional identifiers for the cooperative approach, the issuing registry, information on authorization, and a dedicated flag if it has been first transferred. Moderate fees when compared against other standards were adopted with USD 500 for opening an account (800 for the second), and USD 400 for annual account maintenance. A basic registry infrastructure is there in sight with further work carried out throughout the year. Apart from the issues mentioned above, this will include provisions for voluntary cancellation and issues of ownership and security interests. Regarding the latter, a “pledge system” is envisaged.
- In the rulings part of the session, the SBM approved the transition request for the CDM PoA “Clean Energy Program Supported by Republic of Korea” (10415), a cookstove programme in Myanmar.
- The SBM accredited the first DOE, Carbon Check (India) for a period of five years. The accreditation covers validation, verification, and certification and is applicable to sectoral scopes 1-5, 7-10 and 13-16.

Contents

- Governance and management matters 3**
 - Membership Issues* 3
 - Panels and Working Groups* 3
 - Report of the Methodological Expert Panel (MEP)..... 3
 - Report of the Accreditation Expert Panel..... 3
 - Designated national authorities 4
- Regulatory matters 5**
 - Activity cycle* 5
 - Revision of the Activity Cycle Procedure 5
 - Methodologies* 6
 - Additionality testing 6
 - Baseline setting 7
 - Registry*..... 8
 - CDM Transition* 10
- Rulings 11**
 - Accreditation..... 11
 - Registration 11

Governance and management matters

Membership Issues

In 2025, the Supervisory Body of the Mechanism consists of the following members:

- Ms. Maria AlJishi
- Mr. Eduardo Calvo
- Mr. Benedict Chia
- Mr. El Hadji Mbaye Diagne
- Mr. Piotr Dombrowicki
- Mr. Gebru Jember Endalew
- Ms. Olga Gassan-zade
- Mr. Felipe Rodrigues Gomes Ferreira
- Mr. Martin Hession
- Ms. Jacqui Ruesga
- Mr. Mkhuthazi Steleki

As alternate members serve:

- Mr. Duan Maosheng
- Mr. German Obando Vargas
- Mr. Kishan Kumarsingh
- Mr. Tirivanhu Muhwati
- Mr. Imre Bányász
- Mr. Olivier Ishimwe
- Mr. Charles Hamilton
- Ms. Angela Friedrich
- Mr. Simon Fellermeier
- Mr. Alick Muvundika
- Mr. Kentaro Takahashi

One alternative seat remains vacant, until a nomination is received.

The Body elected Martin Hession (Ireland) as Chair, and Maria AlJishi (Saudi Arabia) as Vice Chair.

Further, the following working group chair elections took place:

- Methodological Expert Panel (MEP):
chaired by El Hadji Mbaye Diagne and Simon Fellermeier
- Accreditation Expert Panel (AEP):
chaired by Angela Friedrich and Mkhuthazi Steleki

Panels and Working Groups

Report of the Methodological Expert Panel (MEP)

The Chair of the MEP reported on the Panel's work and the planned activities for 2025. Currently, a considerable number of CDM methodologies, standards and tools are being revised, including methodologies on renewable energy generation or the Grid Emissions Factor tool.

Apart from the issues on the agenda of this meeting, the MEP is currently working on an A6.4 investment analysis tool, a suppressed demand standard, and a standard on addressing non-permanence / reversal. A call for inputs on the draft standard "addressing leakage in mechanism methodologies" will be open for 21 days from 4 February.

Bottom-up submissions on A6.4 methodologies are now possibly via new forms that have been published on the UNFCCC website.

Report of the Accreditation Expert Panel

The Accreditation Expert Panel (AEP) reported that it had considered applications from

auditors and priority areas for the A6.4 assessment team calibration workshop, which will be held in conjunction with the AEP meeting in July. The recommendation of the AEP regarding one initial application from an auditor will be considered at this meeting (see below).

Designated national authorities

The counter for established designated national authorities stands at 98 (as of 14 February); 14 countries have submitted information on fulfilment of the host Party participation requirements.

Regulatory matters

Activity cycle

Revision of the Activity Cycle Procedure

Following the decisions taken by CMA6 at Baku, the SBM discussed on the authorization process for A6.4 emission reductions as well as exemptions for LDCs and SIDS.

Regarding authorization, the Body debated issues such as the timing of **authorization**, what elements exactly would be subject to authorization, guidelines for post-issuance authorization, and the withdrawal of authorization.

On timing, the SBM decided that the host Party is to provide a statement of authorization of A6.4 ERs as early as possible, but before the first issuance at the latest. The decision clarifies that authorization remains a prerogative of the host Party and that approval of activities does not create any rights regarding authorization, be it for use towards NDC achievement or 'other international mitigation purposes' (OIMP).

Regarding content, the Body ruled that the host Party would have to select from the following options:

- a) Authorization, in full or in part, of the A6.4ERs to be issued for use towards achievement of NDCs and/or for OIMP
- b) No authorization of any A6.4ERs to be issued for use towards achievement of NDCs and/or for OIMP

- c) Allowing mitigation contribution A6.4ERs to be issued

Until units are transferred out of activity participants' accounts, authorizations changes are possible. Furthermore, the Supervisory Body tasked the secretariat to develop proposals for a time limit regarding changes to authorization that occur after issuance.

On **exemptions for LDCs and SIDS**, CMA 6 had decided that Article 6.4 activities in LDCs and SIDS are exempted from the share of proceeds for adaptation, while acknowledging that the least developed countries and small island developing States may want to choose not to make use of this exemption. The SBM accordingly included provisions for LDCs and SIDS in the revised activity procedure. Relevant host Parties therefore are now asked to provide a statement at approval stage of an A6.4 activity regarding whether it chooses to make use of this exemption or not¹.

¹ For details, see the revised ACP for project activities at <https://unfccc.int/sites/default/files/resource/A6.4->

[SBM015-A09.pdf](https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A10.pdf), and the ACP for PoA at <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A10.pdf>

Methodologies

Additionality testing

Based on the methodologies standard adopted at CMA6 and stakeholder inputs, the MEP had developed a draft additionality standard for the PACM. In a first step, the MEP defined the relationship between different possible elements of analyzing additionality, cp. Figure 1.

Additionality testing begins with an obligatory analysis of the regulatory environment, followed by the new analysis of lock-in risks in terms of emissions, technologies, or carbon-intensive practices as required by the RMP. The next steps can vary, with investment analysis being the default approach, while a barrier analysis can be used subject to a set of applicability conditions. Both steps need to be complemented by a common practice analysis. As an alternative to all three tests, performance-based approaches can be applied, if an appropriate justification is provided. Depending of the approach chosen, different levels / entities will perform the testing. For example,

regulatory analysis is to be performed by activity participants, or by host countries when a standardized baseline is submitted.

The SBM members discussed different options for selected issues developed by the MEP. Regarding regulatory analysis, this included the question whether and how **non-enforcement of legal requirements** should be addressed. While some members argued that if policies are systematically not enforced, an activity could be additional as the incentives of the mechanism are the decisive element leading to implementation of the activity. Others pointed to the risk of creating perverse incentives for countries not to enforce certain regulation. Moreover, the SBM discussed options for the frequency of updating the regulatory analysis, weighing a trade-off between certainty for activity participants and environmental integrity.

On **avoiding lock-in**, the SBM members debated on how operationalize this requirement, especially with a view to lifetimes of technologies or practices, and considered a proposal of the MEP to assume that a lifetime

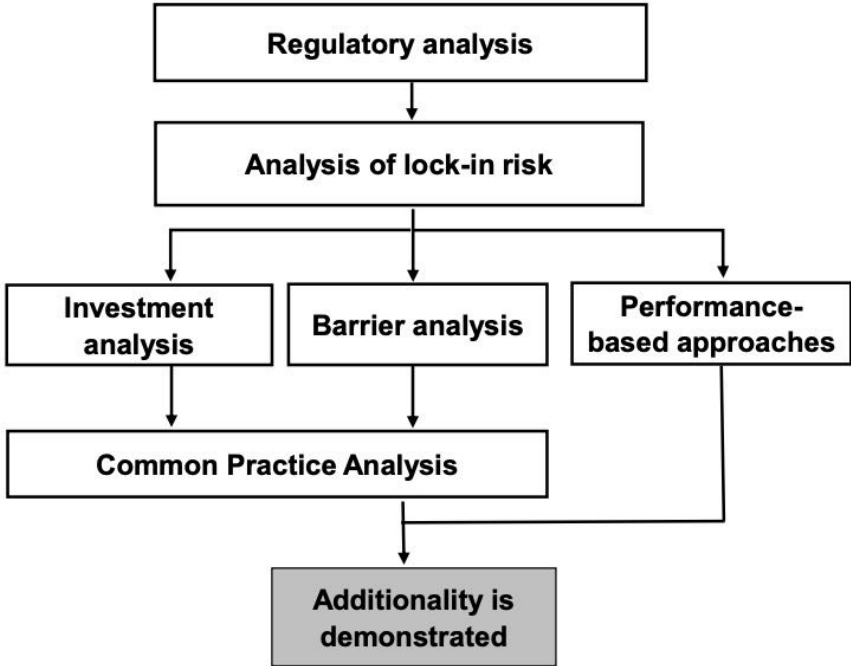


Figure 1: Applicability and relationship of additionality tests. Source: UNCCC

of less than 10 years does not cause lock-in risks with a view to reducing transaction costs.

Another controversial discussion evolved around the **consideration of public funding**. As some activities involve large shares of public funding, the question is can it still be demonstrated that the revenues from A6.4 ERs are the determinant factor for the activity. Also, given that public funding can be used for scaling up an activity, not all emission reductions might be attributable to the A6.4 ERs.

In the end, the SBM adopted the additionality standard² with the following features:

- On regulatory analysis, the SBM decided against including provisions on non-enforcement, so that these considerations cannot be used to demonstrate additionality. Updates of the regulatory analysis have to be conducted when renewing the crediting period. In the case of standardized baselines, this is tied to the validity period of the baseline.
- Regarding lock-in prevention, technologies and practices with a lifetime of less than years are exempted from the lock-in risk analysis
- The default approach of additionality testing is investment analysis. A barrier analysis can be conducted alternatively, if certain requirements are met. Both approaches have to be complemented by common practice test.
- In specific circumstances, performance-based approaches may be used, depending of the suitability of indicators and the availability of data.

The MEP was tasked to start developing a tool for common practice analysis, and one for lock-in risks. Also, a concept note is to be prepared that analyses the issues around the role of public funding.

Baseline setting

Developing baselines proved to be more controversial than additionality. Here as well, the MEP had developed a proposal based on the methodologies standard and public input.

The main points of discussion were

- the different approaches to baseline setting and downward adjustment as per para 33 and 36 of the RMP,
- alignment with the Paris Agreement long-term goal, and
- application of baselines approaches at different levels of aggregation.

Regarding downward adjustment, the MEP has developed a flowchart to illustrate the different ways possible, cp. Figure 2. Controversies persist, inter alia, on quantitative methods or factors for downward adjustment.

On applying the baseline approaches at different levels of aggregation, the MEP proposal differentiates three levels: (i) the mechanism proponent, (ii) activity participants, (iii) host countries (standardized baselines).

As regards Paris Alignment, the SBM members discussed at length about the usage of blacklists or whitelists. With regard to blacklists, the MEP suggested that the SBM could use exclusion lists developed by MDBs or the IC-VCM, or, as an alternative, having the SBM develop its own list, which would have to be updated regularly. In general, many supported the MEP's view that it would be difficult for the body to agree on what would NOT be aligned with the Paris Agreement long-term goal, given the diversity of relevant circumstances for each country.

² View the additionality standard at <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A11.pdf>

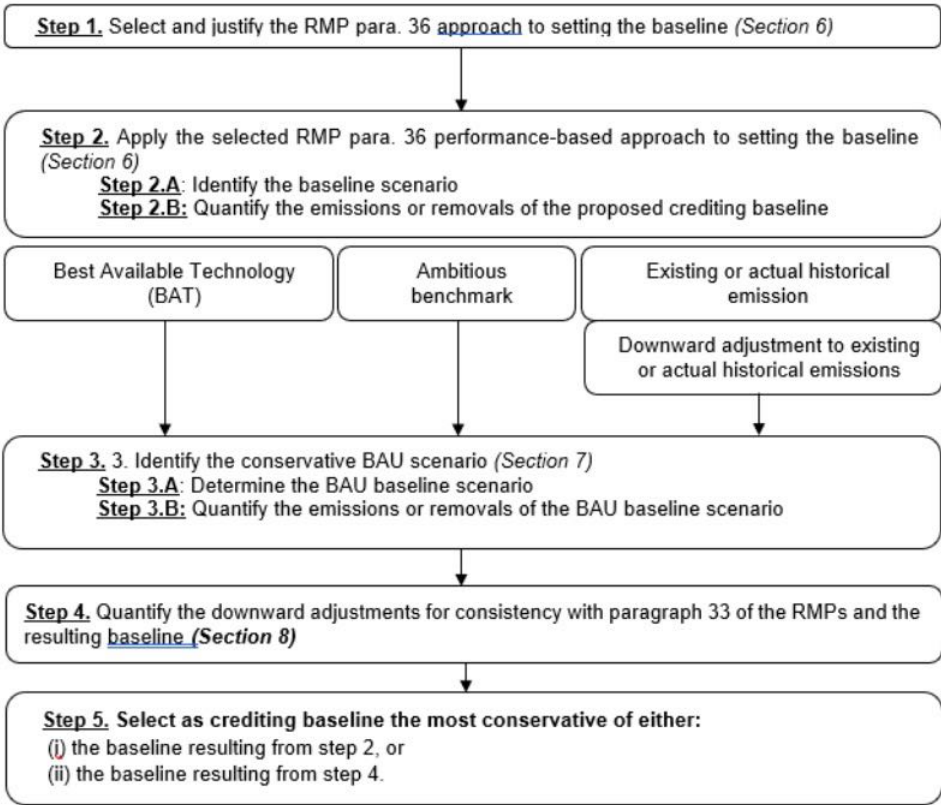


Figure 2: Stepwise approach for setting baselines and downward adjustments. Source: UNFCCC

As views continued to diverge, the SBM decided to postpone adoption of the baseline standard. It decided, however, not to pursue black-/whitelists any further; eligibility will be assessed via the additionality standard (see above) instead.

Regarding downward adjustment, the SBM tasked the MEP to closer examine different downward adjustment coefficients related to the option “ensuring below BAU and encouraging ambition over time”. Further, a list of best available technologies is to be developed and approaches of demonstrating Paris Alignment shall be refined further. After long and controversial debates, the meeting report underlines that any new categorizations of Parties other than developed / developing countries (high-/low-income had been suggestions) are to be avoided in this work, as are references to processes outside Article, including outcomes of the global stocktake.

Registry

The SBM discussed the next steps to make the PACM registry operational after the Baku decisions. While some issues are still outstanding, the secretariat had worked on the requests of SBM 013 and presented a proposal for an interim mechanism registry procedure. This included, among others, the following issues:

- Account types and purposes
- Transparency of account holdings and provisions for possible suspensions
- Issues of ownership or control and security interests
- Implications of multiple accounts
- Serialization of Article 6.4 emission reductions
- Tagging of A6.4ERs
- Options for voluntary cancellation

- Terms and conditions for authorized account holders and roles and responsibilities for Party account holders

Regarding account types, the secretariat had developed a differentiated set of accounts, in order to mirror different usage types and reporting purposes. A novelty is the introduction of the ‘authorized A6.4 emissions reduction’ (AER) as opposed to mitigation contribution units (MCUs), and the related accounts. Both Parties and entities can open multiple accounts in the registry, with the latter being associated with their authorizing Party. In order to ensure transparency, the secretariat proposal foresees that real-time information is provided on holdings in the registry, which will be publicly available. On the issuance and distribution process, the proposal includes provisions to hedge risks on accumulation of A6.4ERs in the pending account and automatically issued SOP and OMGE levies, cp. Figure 3. Other issues, such as suspension, reactivation, and termination accounts, should be solved at a later stage, the secretariat proposed.

In the discussion, SBM members suggested that there be additional reversal risk buffer pool accounts. Against the background of the Baku decisions, the SBM also decided to add a marker to MCUs on whether they can be authorized post-issuance or not. Post-authorization changes generally need further work, SBM members agreed.

The SBM finally adopted the current version as an interim registry³, which will be further developed and refined throughout the year. Among other things,

- the registry frames user rights based on “control” rather than on ownership of units
- foresees serialization for all A6.4 ERs, including Party ID, activity ID, vintage year, and serial number;
- MCU will be designated as MCUs, while an authorized A6.4 ER (AER) will have additional identifiers for the cooperative approach, the issuing registry, information on authorization, and a dedicated flag if it has been first transferred
- Moderate fees when compared against other standards were adopted with USD

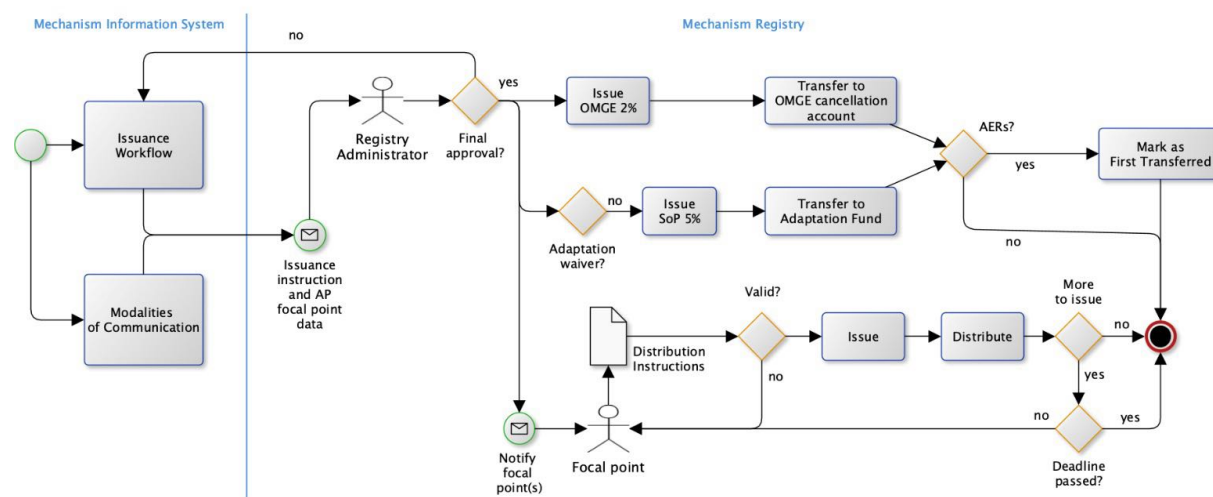


Figure 3: Issuance and distribution process of A6.4ERs in the mechanism registry. Source: UNFCCC secretariat

³ See the registry procedure at <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A12.pdf>

		A6.4 registry	Gold Standard	Verra	Universal Carbon Registry	Global Carbon Council	ACR Winrock	Puro. Earth	Climate Action Reserve	CTX
Account fees	Account opening	500 (800 for second account)	1000	750	No registry fees; only project registration and issuance fees	1000	500	1440	500	1623
	Annual account maintenance	400	1000	750		1000	500	1440	500	1623
	Account reactivation		1500	2000		N/A	N/A	N/A	500	
Operation fees	Credits activation		N/A	N/A		N/A	0.20/credit	N/A	N/A	
	Transfer		0.02/credit	0.02/credit		0.04/credit	0.02/credit	N/A	0.03/credit	
	Retirement		0.02/credit	0.02/credit		0.04/credit	0.02/credit	0.25	0.03/credit	
	Cancellation		0.02/credit	0.02/credit		N/A	0.03/credit	N/A	Free	

Table 1: Comparing A6.4 registration fees (in USD). Source: UNFCCC secretariat

500 for opening an account (800 for the second), and USD 400 for annual account maintenance, cp. Table 1.

A basic registry infrastructure is there in sight with further work carried out throughout the year. Apart from the issues mentioned above, this will include provisions for voluntary cancellation and issues of ownership and security interests. Regarding the latter, a “pledge system” is envisaged.

Next steps include the development of user guidance by the secretariat, further work with a focus on financial security issues, and two calls for stakeholder input.

CDM Transition

Taking up the decisions taken at the Baku CMA session, the SBM discussed the transition of afforestation / reforestation (A/R) project activities. The CMA had requested that transitioning CDM A/R activities would have to comply with the “requirements for removals” standard. This includes:

- Identification of risk of reversals,
- Reversal risk assessment,
- Reversal risk mitigation plan,
- Remediation of reversals,
- Post-crediting period monitoring.

The SBM therefore discussed how to check compliance with these additional requirements, with the debate revolving mainly about the timing of such checks. In the end, the Body decided that the validation of the requirements does not have to be complete before transition, but can be carried out at the verification stage. Nevertheless, the secretariat was tasked to conduct initial checks upon receipt of the transition request (which can occur until 31 December 2025). The transition standard⁴ and the transition procedure⁵ were amended accordingly.

The SBM underlined that the regulatory framework for activities including removals is still work in progress so that full completing of an activity transition hinges on the approval of this regulation.

⁴ <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A07.pdf>

⁵ <https://unfccc.int/sites/default/files/resource/A6.4-SBM015-A08.pdf>

Rulings

Accreditation

The SBM approved the accreditation of the first DOE for the PACM, Carbon Check (India) for five years⁶. The accreditation covers validation, verification, and certification and is applicable to sectoral scopes 1-5, 7-10 and 13-16⁷.

Registration

The Body further approved the transition request for the CDM PoA “Clean Energy Program Supported by Republic of Korea” (10415), a cookstove programme in Myanmar⁸.

⁶ Detailed information on DOEs can be found here <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/accreditation#DOEs>

⁷ For more info on sectoral scopes, see appendix 2 of the accreditation standard <https://unfccc.int/sites/default/files/resource/A6.4-STAN-ACCR-001.pdf>

⁸ Detailed information on transitioning activities can be found here <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/transition-of-cdm-activities-to-article-64-mechanism#CDM-projects-approved-by-Host-Parties-for-transition-to-Article-64-mechanism>

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