

A6.4 SB MEETING REPORT

A6.4 SB-001, 25-28 July 2022



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Report

Article 6.4 Mechanism Supervisory Body First Meeting

25 to 28 July 2022

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Summary

- At its first meeting, the Article 6.4 Mechanism Supervisory Body elected Ms. Kristin Qui (Trinidad and Tobago) as the Chair and Mr. Piotr Dombrowicki (Poland) as the Vice-Chair of the Body for the year 2022.
- The meeting focus mainly on procedural issues and organizational matters. Priority areas for 2022 include developing provisions for activity development and approval, delivering on the CMA mandates that require inputs by the Body to the COP in Egypt this year (including role of removals, operationalising the principles for methodology development, share of proceeds).
- The Body further agreed on draft rules of procedure, which will be applied immediately on a provisional basis until the CMA has formally adopted them.
- On removals, the Body considered an overview of potential removal activities and key methodological challenges, such as baseline setting, quantification, uncertainty, addressing the risk of reversal, as well as avoidance of negative environmental and social impacts. A first discussion revealed a considerable diversity of views regarding fundamental issues, with members stressing that for certain technologies the scientific basis and knowledge is too thin to consider them, while others pointed out that environmental integrity would be secured by the provisions of the Glasgow decisions anyhow. An informal working group will prepare deliberations at the next Supervisory Body meeting.
- Regarding methodology development, Body members discussed, among others, whether existing CDM methodologies may be applied with modifications, specificities of greenfield and retrofit project activities, and whether and how to consider benchmarking by industry associations and country-driven determination of BAT. Regarding encouraging ambition over time, members discussed whether the issue should be addressed case-by-case or whether generic guidance should be developed. Again, an informal working group will prepare discussions prior to the next Body meeting.
- In the context of operationalising the share of proceeds, the Body decided on a number of principles, including:
 - The registration fee will be consumed as a fixed fee
 - The issuance fee will be proportional to the amount of A6.4 ERs
 - The levels / rates of these fees will be determined at a later stage
 - Like in the CDM, no fees will be charged for activities in LDCs and SIDS
 - The fees will be charged for renewal, post-registration change as well as inclusion of a component activity for PoAs
 - The fees are to be paid upon submission of the request, while some flexibility will be granted
- The second meeting of the Body will be held on 19–22 September 2022 in Bonn, Germany, while the third meeting will take place prior to the COP, from 3–5 November 2022 in Sharm el Sheik, Egypt.

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Governance and Management

Membership issues

The Article 6.4 Mechanism Supervisory Body met for the first time from 25-28 July 2022. The Body's 12 members comprise

- Mr. Felipe De León Denegri, Costa Rica
- Mr. El Hadji Mbaye Diagne, Senegal
- Mr. Piotr Dombrowicki, Poland
- Ms. Olga Gassan-zade, Ukraine
- Mr. Charles Hamilton, Bahamas
- Mr. Martin Hession, Ireland
- Mr. Gebru Jember, Ethiopia
- Ms. Maria Jishi, Saudi Arabia
- Mr. Kazuhisa Koakutsu, Japan
- Ms. Molly Peters-Stanley, US
- Ms. Kristin Qui, Trinidad and Tobago
- Mr. Mkhuthazi Steleki, South Africa

Alternate members are

- Mr. Eduardo Calvo, Peru
- Mr. Tirivanhu Muhwati, Zimbabwe
- Mr. Imre Bányász, Estonia
- Ms. Maia Tskhvaradze, Georgia
- Mr. Derrick Oderson, Barbados
- Ms. Emily Mathias, New Zealand
- Mr. Manjeet Dhakal, Nepal
- Mr. Duan Maosheng, China
- Ms. Rajasree Ray, India
- Mr. Simon Fellermeier, Switzerland
- Mr. Benedict Chia, Singapore
- Mr. Alick Muvundika, Zambia

The Supervisory Body elected Ms. Kristin Qui as the Chair and Mr. Piotr Dombrowicki as the Vice-Chair of the Body for the year 2022.

Rules of procedure

The Supervisory Body (herein referred to as the Body) considered draft rules of procedure (RoP) for the Body, developed by the secretariat based on the annex of decision 3/CMA.3, as well as rules, practices and experiences from UNFCCC constituted bodies.

The rules comprise membership issues, duties and conduct, meeting organization, decision making rules, as well as expert groups to be established, and the arrangements for the work of the secretariat.

Regarding decision making, the Body is to seek consensus whenever possible. If decisions are put to vote, a three fourth majority of the members, like in the CDM RoP, is required (including alternate members, but only when they are acting as members). It also takes at least three fourths of the members to constitute a quorum for meetings; unlike in the CDM, virtual participation counts towards the quorum.

Meetings of the Supervisory Body shall be open to the public via Webcast (live and on-demand), and they shall be open to observer organizations.

The Body agreed on the draft rules of procedure, which will be forwarded to the next CMA for adoption¹. The Supervisory Body further agreed

¹ The draft RoP can be downloaded at <https://cop23.unfccc.int/sites/default/files/resource/a64-sb001-a01.pdf>

to apply these draft rules of procedure immediately on a provisional basis until the CMA has formally adopted them.

Organization of work

The Supervisory Body considered a concept note by the secretariat on organizing the work of the Body on the substantive number of tasks and requests in decision 3/CMA.32. Based on this overview, the Body tasked the secretariat to present a workplan for the Body covering the time until the end of 2023 to be considered at the next meeting. Priority areas for 2022 include procedural issues, developing provisions for activity development and approval, as well as delivering on the CMA mandates that require inputs by the Body to the COP in Egypt this year (including role of removals, operationalising the principles for methodology development, share of proceeds).

Based on a further concept note, the Body discussed the required support structure for its work and the need for external expertise required with respect to the immediate needs. The secretariat will prepare relevant terms of reference and further elaborate the needs for external expertise for discussion at the next SB meeting.

The Supervisory Body further agreed that the second meeting of the Body will be held on 19–22 September 2022 in Bonn, Germany, while the third meeting will take place prior to the COP, from 3–5 November 2022 in Sharm el Sheik, Egypt.

² A good overview of the mandates and tasks can be obtained here <https://unfccc->

events.azurewebsites.net/sites/default/files/2022-07/SB1_06_SB%20workplan%202022-2023.pdf

Rules, Modalities and Procedures for the Mechanism

Guidelines for methodological principles

The Supervisory Body discussed how the principles for baseline and additionality methodologies adopted at the Glasgow conference could be further developed into guidance for actually developing methodologies. At COP26, the CMA had decided, among others, that each mechanism methodology shall apply a performance-based approach, that methodologies shall encourage ambition over time, recognize suppressed demand, and align with the long-term temperature goal of the Paris Agreement.

The Supervisory body discussed the three performance-based approaches named in the CMA decision, i.e. a BAT approach, an ambitious benchmark approach, and an approach based on existing actual or historical emissions, adjusted downwards. The secretariat pointed out that one issue needing clarification from the Body is whether these approaches may be applied in combination or whether they are to be regarded mutually exclusive.

The Body members also discussed, for example, whether existing CDM methodologies may be applied with modifications, specificities of greenfield and retrofit project activities, and whether and how to consider benchmarking by industry associations and country-driven determination of BAT. Regarding encouraging ambition over time, members discussed whether the issue should be addressed case-by-case or whether generic guidance should be developed.

Body members also stressed the need for data availability and collection, called for thoroughly

reviewing CDM methodology experiences, and that targeted capacity building is needed.

On additionality testing, members discussed the development of activity types that could be deemed automatically additional, less stringent benchmarks of LDCs and SIDS, as well as a possible negative list with activity types that lead to a lock-in of emissions-intensive technologies.

To move forward, the Body agreed to form an informal working group on these matters that is to prepare deliberations at the oncoming second meeting of the Supervisory Body. The group comprises both Body members and secretariat staff with the aim to prepare a first draft of possible recommendations to the CMA prior to the second meeting of the Supervisory Body in September.

Removal activities under the A6.4 Mechanism

Upon request by the CMA, the Supervisory Body discussed the possible eligibility of removal activities under the Article 6.4 Mechanism. The secretariat presented a detailed overview of potential removal activities to consider, cp. figure 1, and outlined key methodological challenges, such as baseline setting, quantification, uncertainty, addressing the risk of reversal, as well as avoidance of negative environmental and social impacts.

The Body members welcomed the presentation, but stressed that more in-depth information would be required on the different activity

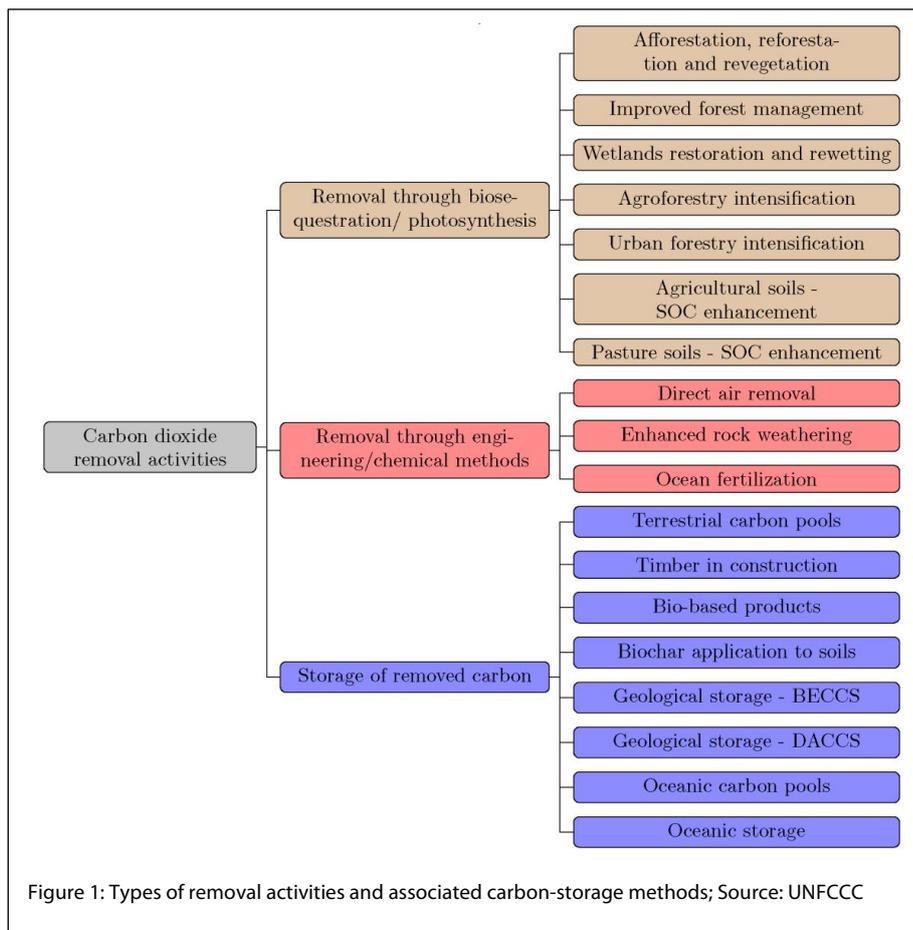


Figure 1: Types of removal activities and associated carbon-storage methods; Source: UNFCCC

Yet one Body member warned against excluding technologies that could play an important role in combating climate change in the future. She stressed that any activity will need to adhere to the overall Art. 6 framework anyhow, including the safeguards laid out in the Glasgow decisions, so that risk would be thoroughly addressed and mitigated.

In the end, the Body agreed to the same approach as applied for methodology development: an informal working group consisting of Body members

types; especially regarding storage, how to evaluate possible impacts, both positive in the sense of sustainable development benefits, but also possible negative impacts caused by activities. It was also pointed out that the list of technologies is mirroring the current state-of-the-art only and is likely to extend in the future.

The members also discussed what technical areas would need to be elaborated in what detail. Some activities may require specific requirements, while others might not, one member argued. Leakage issues, she argued, would be comparable across activity types.

Others argued on a more fundamental level that the scientific basis and knowledge about certain options is only at the beginning and little is known about possible long-term impacts of, for example, ocean fertilization. Also, the priorities of LDCs and SIDS are on other economic sectors / technologies, they stressed.

and secretariat staff was formed that is to develop input for the oncoming second meeting of the Supervisory Body in September. The draft recommendations to be developed will not cover the activity cycle for potential removal activities.

Share of proceeds

At Glasgow, Parties had decided that the Share of Proceeds (SOP) for adaptation shall be comprised of

- A levy of 5% of A6.4 emissions reduction units (A6.4 ERs) at issuance
- A monetary contribution related to the scale of the A6.4 activity or to the number of A6.4ERs issues, to be set by the Supervisory Body
- A periodic contribution from the remaining funds received from

administrative expenses to be determined by the CMA.

Further, a share of proceeds for administrative expenses will be determined by the CMA.

Based on these decisions, CMA3 had mandated the Supervisory Body to firstly develop recommendations on (a) appropriate levels for the SOP administrative expenses and (b) the processes necessary for implementing the levy. Parts of this work are also carried by SBSTA.

The Body thus considered the ways the registration fee as well as the issuance fee of the CDM is charged, and what the levels for the different fees are and discussed several options put forward by the secretariat.

The Supervisory Body agreed on a set of principles, while a final decision on recommendations to the CMA is to be taken at a later meeting:

- The registration fee will be consumed as a fixed fee
- The issuance fee will be proportional to the amount of A6.4 ERs
- The levels / rates of these fees will be determined at a later stage
- Like in the CDM, no fees will be charged for activities in LDCs and SIDS
- The fees will be charged for renewal, post-registration change as well as inclusion of a component activity for PoAs
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