

# A6.4 SB MEETING REPORT

A6.4 SB-007,  
10 – 14 September 2023





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The report is produced as part of the CarbonMechanisms project, conducted by Wuppertal Institute on behalf on the German Ministry for the Economy and Climate Action.

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# **Report**

## **Article 6.4 Mechanism Supervisory Body Seventh Meeting**

10 to 14 September 2023

Christof Arens



# Summary

- This meeting of the Supervisory Body saw considerable progress on regulating the Art. 6.4 activity cycle with crucial documentation being finalized and put out for a final stakeholder input round. This applies to the Activity Standard and the Activity Cycle Procedure, the Validation and Verification Standard, as well as the Accreditation Standard and the Accreditation Procedure. The final adoption of these key documents at the next meeting is therefore within reach.
- The Body also discussed concept proposals for the appeals and grievance processes as foreseen in the Art. 6.4 modalities and procedures. The SB members decided on basic principles and requirements, how to distinguish between the two processes, and who can file complaints. Independent panels will be set up to examine the issues raised. The SB tasked the secretariat to develop draft procedures until next meeting. After SB 008, a public call for inputs will be launched, so that the final processes can be adopted at SB 009 in 2024 only.
- A similar situation occurred with the sustainable development tool: based on the SB's feedback, the secretariat will develop a draft tool. This draft text, which a small group of SB members will review before the next meeting. After SB 008, a public call for inputs will be launched with the view to adopting the SD tool at SB 009.
- On including removals, the SB made significant progress at this meeting. SB members were able to agree on definitions. Further topics of consensus include monitoring and reporting. The nine paragraphs dedicated to monitoring are clean except for one occasion. The same goes for leakage and negative impacts, while – not surprisingly – the section on reversals covers the bulk of open issues. All in all, the 12-page document adopted at the session is a remarkable step forward and forms a substantive basis now.
- Similarly, substantive progress was made on the methodology requirements front. There is now a 16-page text proposal on the table with agreements on many issues at the conceptual level. Only occasional brackets remain as well as editorial changes to adapt the language to UNFCCC standards. The small group of SB members tasked with methodology requirements will continue to work on the text and present updates at the next meeting.
- Regarding the two overarching issues “removals” and “methodology requirements”, adoption of final text versions at the last SB meeting at the end of October is therefore within reach in principle. Yet this will require substantive further work, especially on language. Given the heavy workload on other outstanding agenda items, it is not clear if the remaining SB 008 session will suffice or if an extra SB session can or will be scheduled before the COP to ultimately deliver on the CMA4 mandates.

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# Standards and procedures for the Art. 6.4 mechanism

## Activity Standard

The Supervisory Body discussed a new version of the Activity Standard (AS) for projects – the set of regulatory documents for PoAs will be developed later. The secretariat had mainly revised the text on the following issues:

- Avoiding double registration and issuance
- Start of the crediting period
- Environmental and social impacts, SD benefits and integrity safeguards
- Measures to support small and micro businesses
- Local stakeholder consultation
- Post-registration changes

The Body members supported many of the secretariat's proposals. On double registration, however, members disagreed on the references to other crediting schemes. The secretariat had proposed two options, (1) a written confirmation that the project is *not* registered under or previously excluded from any other crediting scheme, and (2) no text relating to other crediting schemes.

The Body changed option 2 into a request to provide a confirmation of another crediting scheme that the project *is* requested under it – thus enabling, for example, a registration under both Art. 6.4 and the Gold Standard<sup>1</sup>.

This has to be seen in context with preventing double issuance, the prevention of which is the

ultimate goal here. SB members therefore included text in this regard, so that if the final AS allows for double registration, activity participants have to present a confirmation of the other crediting scheme that the respective emission reductions have not been or will not be credited under the other scheme.

Regarding the local stakeholder consultation, the secretariat had altered the text to clarify that the modalities in the Activity Standard are minimum requirements and that any gap from host Party rules needs to be filled, or justified why this is not possible. The Body, by contrast, insisted on having two options, with one option making it mandatory to “fill the gap”, that is if the Art. 6.4 requirements exceed what the host country requires, then the Art. 6.4 rules are to be adhered to, thus “the gap” to be filled. The other option makes this voluntary, but “encourages” it.

The Body further refined text options on post-registration changes. Based on the discussion and the related changes, the Body members finally agreed to adopt the current text as draft standard<sup>2</sup> and make it available publicly for comments. The comments will be sought in the new “focused and inclusive manner”, which includes an FAQ and webinars where stakeholders can ask questions. The draft activity cycle procedure, adopted at the previous meeting<sup>3</sup>, as well as the VVS (see below) will also be part of this interaction. The final adoption of these key

<sup>1</sup> In the respective Annex to the meeting report, option 2 does state what is described in the text above; however, on top of that, the text from option 1 is also reprinted there. As this seems highly contradictory, the author of this report does interpret this as an editorial error.

<sup>2</sup> View this document at [https://unfccc.int/sites/default/files/resource/a64-sb007\\_a02.pdf](https://unfccc.int/sites/default/files/resource/a64-sb007_a02.pdf)

<sup>3</sup> See [https://unfccc.int/sites/default/files/resource/a64-sb006\\_a03\\_1.pdf](https://unfccc.int/sites/default/files/resource/a64-sb006_a03_1.pdf)

documents at the next meeting is therefore within reach.

## *Validation and Verification Standard*

The Validation and Verification Standard (VVS) prescribes mandatory or recommended means of validation or verification for the auditors in the Art. 6.4 system, the so-called Designated Operational Entities (DOEs). Like the AS (see previous section), the document currently under discussion covers project-based activities only and also leaves out removals. It is based on the CDM VVS, but has been streamlined and adapted to the new A6 requirements.

Key issues dealt with at SB 007 included, among others, the frequency of on-site inspections to be carried out by DOE personnel, addressing double or revived registration, how to check the correct application of methodologies and standardized baselines, and simplified validation of selected activity requirements. The concept of materiality, which proved to be very difficult to operationalize in the CDM era, is also back on the agenda.

New elements for verification include the monitoring of sustainable development benefits, when and how to check compliance with safeguards, and addressing stakeholder comments received in the new stakeholder interaction process.

Regarding on-site inspections, the SB agreed to keep the two options for thresholds, i.e. mandatory on-site visits for activities exceeding estimated annual average of GHG emission reductions or net GHG removals exceeding at certain level of CO<sub>2</sub>. The Body, however, did insert a new requirement making on-site inspections obligatory for activities with a high degree of uncertainty, based on guidance to be developed at later stage, cp. the removals discussion. On

methodologies, the SB added text that requires DOEs to validate compliance of the selected methodologies or standardized baselines with specific host country requirements (cp. para 27a of the RMPs).

While the secretariat had suggested to include language on checking the double issuance risk later, the Body decided to add a section on the issue in the current draft. At verification stage, the DOE is now to determine whether the activity is registered under a competing scheme and if so that the project proponents did provide a confirmation from the respective scheme that the activity will not and or has not issued credits for the activity (cp. the Activity Standard discussions above).

On safeguards, the SB included a generic paragraph, as the sustainable development tool that will also cover safeguards is still being developed. The DOEs are requested to check “integrity safeguards”, which in the view of the SB covers “illegal activities as per the host and other participating Party rules, including money laundering, tax evasion, fraud, bribery and criminal activities.”

Like the Activity Standard, the draft text developed at the meeting<sup>4</sup> will now go out to the stakeholder interaction process.

## *Accreditation Standard*

A similar exercise was carried with the document set on accreditation of DOEs: the SB discussed outstanding issues, finalized a draft text, and put out the documents to seek stakeholder comments.

Based on feedback received at SB 005, the secretariat had revised the draft accreditation standard as well as the accreditation procedure, and added some sections. On the latter, text was added, inter alia, on the “risk-based approach”, so that the text better matches the validation,

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<sup>4</sup> [https://unfccc.int/sites/default/files/resource/a64-sb007\\_a03.pdf](https://unfccc.int/sites/default/files/resource/a64-sb007_a03.pdf)



verification, and certification functions to be carried out by DOEs. The original text had been taken from ISO 17029, and the amendment aims at reducing transaction costs in the Art. 6.4 system. Also, liability provisions were enhanced, so that various geographic areas where DOEs will likely operate are covered. Third, additional competence requirements for DOE staff were added, p.ex. regarding new requirements such as environmental and social impacts, or overall coverage of removal activities.

On revisions, text was amended, for example, regarding the internal audit process: provisions were included on audit planning and scheduling, and independence of an internal auditor (again, based on ISO text); responsibilities among central office, outsourced entities, and external resources were clarified; payment arrangements between DOE and its client were reviewed; the level of detail in which DOEs have to disclose information regarding their management, functions and appeal handling process; and provisions on how to conduct an impartiality analysis were included.

At the meeting, SB members reviewed the sectoral scopes that DOEs should be able to cover and decided to add a scope 17 called “other activities involving removals” and defined generic technical knowledge needed accordingly. Scopes 14 “Afforestation and reforestation” and 16 “Carbon capture and storage of CO<sub>2</sub> in geological formation” as developed under the CDM shall stay in the catalogue, in contrast to the previous draft. Further, the text on legal status and matters as well as finance and liability was improved. Finally, a

paragraph was added to make it clear that all sectoral scopes might be revised in 2024 depending on future CMA or SB decisions.

Based on these deliberations, the SB decided not to finally adopt the accreditation documents set, but to also launch a call for public input, complemented by a legal review.

## *Sustainable Development Tool*

Developing a tool to assess sustainable development benefits as well as possible negative impacts is still at concept level. The secretariat therefore open the work on this issue by presenting the results of a survey it had conducted among DNAs, DOEs and activity participants. It then presented a set of generic options to be decided upon before the actual drafting of a tool can begin.

### Survey results

Regarding the survey, the secretariat had made the following observations:

- 70 % of the **DNAs** have not yet established procedures for assessing SD contributions

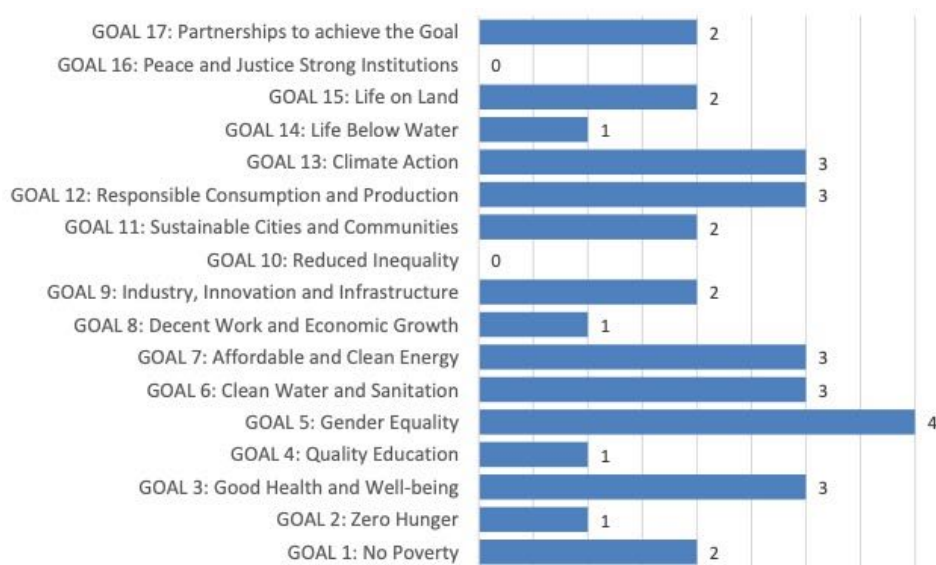


Figure 1: SDGs that DNAs participating in the secretariat's survey intend to use when identifying SD impacts of Art. 6.4 activities in their country. Source: UNFCCC secretariat

- 40 % of the DNAs have regulations on environmental impact assessment and stakeholder consultations
- Over 50 % of the DNAs expressed interest in developing and applying country-specific SD objectives
- About 50 % of the **DOEs** expressed the need for clear and detailed guidance on SDG targets and indicators
- 22 % of the participating auditors had SD validation / verification experience
- 95 % of them had conducted audits of safeguards before
- 86 % had experience in verifying continuous communication channels with stakeholders
- **Project participants** (PPs) surveyed indicated that 70 % of them had experience with demonstrating SD benefits
- The main challenges mentioned by PPs covers costs associated with monitoring, lack of guidance, and determining the relevant SD indicators.

Based on a review of other market-based mech-

- ✓ **Step 0:** Identify direct SD contribution based on proposed activity type
- ✓ **Step 1:** List of SDGs that A6.4 A/PoA impacts are aligned and positively contribute.
- ✓ **Step 2:** Describe how A6.4 A/PoA contribute to achieving the chosen SDG(s) & targets.
- ✓ **Step 3:** Elaborate relevant activity-level SD indicators.

SDG	SDG target	SDG indicator	Activity level SD indicator
Goal 5. Achieve gender equality and empower all women and girls (for high efficiency biomass fired cookstove activity)	5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate	5.4.1 Proportion of time spent on unpaid domestic and care work, by sex, age and location	Average time saving associated with cooking time and fuel collection

- ✓ **Step 4:** Define monitoring approach/parameters/frequency for activity level SD indicator.
- ✓ **Step 5:** Include the sustainable development objective of the host party.

Figure 2: Proposal for developing positive activity-level SD indicators. Source: UNFCCC secretariat

secretariat presented two basic options for designing an SD tool:

- Option 1 ("bottom-up"): Activity participants select relevant SDGs and define the relevant indicators
- Option 2 ("top-down"): The SB provides default SDG indicators for individual activity types / methodologies to be used by activity participants

### A pre-draft of the tool

The secretariat suggested to begin the SD tool work based on option 1, as this is less time-consuming to operationalize given the short time left for the SB this year, and to further develop the tool into option 2 at a later stage. Based on this consideration, the concept of a possible SD tool design was presented to the SB members, cp. Figure 2<sup>5</sup>. It foresees the use of a form, listing SDGs to which the activity contributes, how the activity contributes, the elaboration of activity-

level SD indicators as well as a monitoring approach, and checking compliance with the host Party's SD objectives.

Once the related form is completed, activity participants share this information during the during the local stakeholder consultation and with the validating DOE. Monitoring the SD indicators includes

- Parameters required for the chosen activity-level SD targets

anisms, the CDM SD tool, and the survey, the

<sup>5</sup> See also [https://unfccc-events.azurewebsites.net/sites/default/files/2023-09/SB007\\_6.4%20SD%20Tool\\_in%20meeting\\_public.pdf](https://unfccc-events.azurewebsites.net/sites/default/files/2023-09/SB007_6.4%20SD%20Tool_in%20meeting_public.pdf)

- Information on measurement procedures and equipment
- At least annual monitoring
- QA / QC process of the measured data

Assessing environmental and social safeguards, on the other hand, shall follow the following steps, according to the secretariat's proposal:

1. Conduct a do-not-harm risk assessment against 11 principles, cp. Figure 3
2. Conduct the assessment against criteria and guiding questions for the principles identified in step 1
3. Develop an environmental and social management plan to reduce and address negative impacts
4. DOEs: validate the environmental and social management plan

The outcome of the validation including the form for a specific monitoring period needs to be shared with the DOE performing verification.

## Discussing the proposals

The SB members welcomed the approach of the secretariat in principle, but had a lot of comments both on the approach and on individual aspects. Regarding the principal options, many members felt that the distinction between the bottom-up and top-down approach regarding the positive impacts assessment was not helpful, the SB should rather opt for a combination of the two.

One member alerted the Body to the risk of cherry-picking (say: the activity complies with SDG 13 (climate) and just one other category) . Having a mandatory requirement with a fixed

Environmental	Principle 1	Climate and energy
	Principle 2	Air, land and water
	Principle 3	Ecology and natural resources
Social	Principle 1	Human rights
	Principle 2	Labor
	Principle 3	Health and safety
	Principle 4	Gender equality
	Principle 5	Land acquisition and involuntary resettlement
	Principle 6	Indigenous people
	Principle 7	Corruption
	Principle 8	Cultural heritage

Figure 3: The proposed list of environmental and social risk categories for the safeguards process. Source: UNFCCC secretariat

number of minimum categories to fulfil could help out, she underlined.

Others preferred a pre-defined list or a framework that stakeholders can pick from, this indirectly supporting the merger of the two options. Yet others pointed to the connection to host Party preferences and suggested the SD assessment form could have an optional field where host Parties could indicate their preferred features or project types.

Based on the discussion, the SB tasked the secretariat to develop a draft tool focusing on the following review suggestions:

- Provide different options for assessing impacts of the activities on the SDGs, targets and/or indicators of the host Party
- Revise the steps for developing indicators
- Provide clear guidance for DOEs on how to validate and verify SD contributions and safeguards
- Include safeguards relating to removals and provide a separate module for REDD+ projects

The secretariat will develop the draft text until the next meeting. A small group of SB members will review a zero draft before the meeting. After SB 008, a public call for inputs will be launched with the view to adopting the SD tool at SB 009.

## Appeals and Grievances

Unlike in the CDM era, when introducing a grievance process was controversially discussed for years without a result, an appeal and grievance procedure is an integral part of the Art. 6.4 mechanism, enshrined in paragraph 62 of the RMPs. At SB 007, the secretariat thus presented an introduction to the topic and proposed approaches and possible design features of these processes.

### Basic considerations

First of all, the secretariat underlined that the RMP's comprise two different processes: filing appeals on the one hand, and expressing grievance on the other. The secretariat proposed definitions for scope (what can be appealed or requested as grievance) and standing (who can appeal or request grievance). The definitions were developed taking into account RMP language, long-standing common legal principles in appeals and grievance processes, stakeholder inputs both under the CDM appeals process discussions and input received under Art. 6.4, as well as considerations on balancing openness for inputs vs. providing certainty to Art. 6.4 activity participants. Regarding scope, the secretariat presented the following proposals:

- Appeal process:  
the possibility to file appeals against *decisions adopted by the SB* within the Art. 6.4 activity cycle
- Grievance process:  
the option to express dissatisfaction with the implementation or treatment of activities within the Art. 6.4 activity cycle, i.e. *all matters other than SB decisions, such as adverse environmental or social effects caused by an Art. 6.4 activity*

In order to clearly differentiate the processes, the secretariat further suggested that appealable matters cannot be submitted as grievance.

On standing, the following differentiation was presented:

- Appeals: can be filed by all stakeholders, activity participants and participating Parties that have a direct and active relation to the project
- Grievance: can be submitted by stakeholders that suffer from an adverse effect, but who may not have a direct and active relation to the project

The secretariat then presented selected key proposed features and considerations for the two processes separately.

### Appeals process: key features

On appeals, the following features had been developed:

- Apart from activity participants and involved Parties, any stakeholder who submitted comments during the local stakeholder consultation (LSC) can appeal
- For "On what matters", two options were presented: (i) on the matter raised at the LSC; and (ii) on any subject matter
- Affected SB decisions, according to the secretariat, shall comprise activity-specific decisions on registration, post-registration changes, issuance, and renewal, but not general decisions on methodologies and accreditation
- As grounds for appeals, the following was proposed:
  1. the SB exceeds its authority or mandate
  2. the SB incorrectly implements the RMPs or other CMA decisions
  3. the SB makes a procedural error or incorrectly implements its own regulations

Regarding process, the secretariat proposed the following steps for processing appeals:

1. Filing an appeal with a fee payment

2. Suspending the implementation of the respective SB decision
3. Checking completeness (by the secretariat)
4. Verifying the eligibility of the appeal (by an appeal panel)
5. Providing an initial response to the appellant
6. Consideration and ruling of the appeal panel (affirm / recommend to reconsider)
7. Reconsidering of the respective decision by the SB (revise / stand to original decision)
8. Reimbursing fees (no compensation for damages caused)

### Key aspects of the grievance process

On the grievance process, the secretariat made the following proposals:

- Who can express a grievance: activity participants, involved Parties, and stakeholders having local 'affinity' to the activity (i.e. domicile / residence)
- On what matters: implementation aspects, the treatment of the activity within the project cycle, and actual or likely direct adverse impacts on a local community, environment, or business interest
- Further requirements: a definition on how to demonstrate local affinity

The following steps were proposed for the grievance process:

1. Submitting a grievance incl. fee payment, including a proposal how the grievance should be resolved and information on attempts to resolve the matter prior
2. Checking completeness (secretariat)
3. Verifying eligibility (grievance panel)
4. Considering the matter and developing a recommendation (grievance panel): corrective action by host Party / decision within the activity cycle procedure considered by SB
5. Consequences:
  - Suspending issuance of Art. 6.4 ERs

- Requesting follow-up information from the host Party
- Analysing the relevant Art. 6.4 processes for improvements

### Establishing independent panels

Given the nature of the two processes, the secretariat recommended to establish separate panels independent from the SB. Key features would comprise:

- Setting up a roster of experts for the appeals and grievances
- Appointing 3-5 persons per case on an ad-hoc basis
- Approving TOR for the roster by SB (impartiality, independence, collegiality)

Further aspects to consider comprise, according to the secretariat, deciding on the finality of rulings or recommendations, how to keep identities of appellants and grievants as well as information provided in the processes confidential.

### Revising the drafts

The SB members welcomed the suggestions by the secretariat and discussed selected issues, such as introducing a filing fee. This was seen by some members as a means to address the risk of abusing the system (and to fund the independent panels), while other means might be needed and shall be developed by the secretariat. Others pointed to the need to ensuring equitable and inclusive access and demanded that there be waiver conditions (by location, by activity type, or by appellant / grievant type). Based on the discussions, the SB tasked the secretariat with further revisions, including:

- Broadening the standing, i.e. who can appeal or file a grievance
- Developing options to appeal against SB decisions on methodologies
- Extending the grounds of appeals to cover decisions based on wrong information



- Reviewing the possible consequences and examining whether legal sanctions are to be applied (such as suspension of issuance)
- Regarding grievances, exploring options for corrective actions, mediation, or legal sanctions

The SB tasked that the secretariat to develop draft procedures for the two processes along the comments above until next meeting. Like with the SD tool, a small group of SB members will review a zero draft of that revision before the meeting. After SB 008, a public call for inputs will be launched with the view to adopting the appeal and grievance processes at SB 009.

### *CDM transition framework*

The SB took up a bunch of detailed regulatory elements it had set aside when adopting the transition standard and the transition procedure for CDM activities, respectively. These comprise addressing non-permanence, environmental and social impacts, and compliance with the applied methodology.

With regard to non-permanence, the secretariat explained that the main activity with relevance to CDM transition affected were cookstove activities, which credit the non-renewable portion of biomass (fraction of non-renewable biomass, fNRB) saved by the activity. The transition of such activities is risky due to a number of issues; among others, the fNRB needs to be reliable, up-to-date, and conservative; biomass saved by the project could be used by non-project users; discount levels in case of leakage need to be accurate. Solutions include re-evaluation of the fNRB values and choosing a higher discount level for leakage issues.

On assessing environmental and social impacts, which was not mandatory for CDM projects, the secretariat suggested that activity participants shall apply the Art. 6.4 SD tool or the CDM SD tool, in case the Art. 6.4 tool is not developed on time.

Regarding transitioning activities that choose to continue applying the CDM methodologies, the secretariat proposed to require an attestation confirming the methodology is correctly applied and in compliance with the issues mentioned above (non-permanence and environmental / social impacts).

SB members welcomed these proposals. On cook stove projects, stakeholders had commented that re-evaluating fNRB values would be time-consuming and costly. Many SB members took this input up and pointed out that many cook stove projects are located in LDCs, serving low-income communities and delivering substantial co-benefits. The SB therefore tasked the secretariat to provide detailed information on the “transition pipeline” for CDM cook stove projects (number of projects eligible for transition, their total reduction potential, number of transition requests, co-benefits to households). The secretariat will further revise the text regarding all three transition issues and present revised drafts at the next meeting.

# Discussion of overarching issues and principles

## *Inclusion of removal activities*

The discussion on removals made significant progress at SB 007. While the secretariat tirelessly updated the enormous list of inputs (nearly 400 submissions have been received by now)<sup>6</sup> and kept feeding them into the information note<sup>7</sup>, the small removals group of SB members together with the secretariat for the first time this year tabled a draft recommendations text before the meeting<sup>8</sup>. All three documents were intensely discussed at the session and the recommendations text was remarkably advanced<sup>9</sup>. Given the large number of issues, the progress is illustrated in this report at the example of selected topics only.

One area of advancement is the **definitions** section. The text submitted to CMA4<sup>10</sup> last year had included a definition which left room for interpretation in several ways. Among others, it was not clear if removals should be seen as processes AND outcomes or as outcomes only, and whether processes include removal activities or not. Further issues include if a certain (literature-derived) definition of removals could lead to the understanding that it indicates the eligibility of specific categories, how to robustly explain how the SB interprets “durable storage”, how the role of non-CO<sub>2</sub> GHG could be taken up, and how to

refer to natural CO<sub>2</sub> uptake not directly caused by human activities.

In the end, the SB adopted the following comprehensive definition:

*“IPCC AR6 WGIII defines activities involving removals:*

- (a) Anthropogenic removals as the withdrawal of greenhouse gases (GHGs) from the atmosphere as a result of deliberate human activities. (IPCC AR6 WGIII Report Glossary);*
- (b) Carbon dioxide removal (CO<sub>2</sub>; CDR) as Anthropogenic activities removing CO<sub>2</sub> from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products. It includes existing and potential anthropogenic enhancement of biological, geochemical or chemical CO<sub>2</sub> sinks, but excludes natural CO<sub>2</sub> uptake not directly caused by human activities. (IPCC AR 6 WG III Technical Summary).*

*For the purposes of this guidance,*

- (i) **Removals** are the outcomes of processes to remove greenhouse gases from the atmosphere through anthropogenic activities and durably store them; and*
- (ii) Activities involving removals meet the requirements in Section 4<sup>11</sup>. Any examples in this guidance referring to specific activity types or categories are purely illustrative and do not give effect to decisions by the Supervisory Body regarding their use under the Article 6.4 mechanism unless this is explicitly indicated and authorized by the SB in this or related guidance.”*

Further topics where consensus on text could be achieved include monitoring and reporting. The nine paragraphs dedicated to **monitoring** are clean except for one occasion where the

<sup>6</sup> View the compilation of inputs at <https://unfccc.int/sites/default/files/resource/a64-sb007-aa-a13.pdf>

<sup>7</sup> The information note with the draft elements on removals can be downloaded at <https://unfccc.int/sites/default/files/resource/a64-sb007-aa-a14.pdf>

<sup>8</sup> See the draft recommendations as annex to the annotated agenda at <https://unfccc.int/sites/default/files/resource/a64-sb007-aa-a15.pdf>

<sup>9</sup> View the draft recommendations text adopted at SB 007 at [https://unfccc.int/sites/default/files/resource/a64-sb007\\_a07.pdf](https://unfccc.int/sites/default/files/resource/a64-sb007_a07.pdf)

<sup>10</sup> <https://unfccc.int/sites/default/files/resource/a64-sb003-a03.pdf>

<sup>11</sup> Section 4 is the main body of the text under headline “requirements”, footnote by the author of this report

question if monitoring includes modelling is still to decide upon.

SB members were able to agree on clean text on **reporting, accounting, and crediting periods**, with the latter repeating text from the SB 003 recommendations. Not surprisingly, the section on **reversals** comprises the bulk of open issues. Some progress was achieved through taking out elements such as the permanence period. While the pre-session document had included a range of 40 – 300 years as a minimum storage which shall be applied, the recommendations document adopted at SB 007 defers this issue to requirements to be developed by the SB in the future (as in the SB 003 text).

One other open issue is the frequency of reviewing the risk assessment. Options include

- Every five years
- In case of a reversal event
- At each new monitoring report
- After any extreme weather event within the project boundary
- At the start of each crediting period

The option “when economic and socio-political shocks occur affecting the project region”, on the other hand, was agreed and made it unbracketed into the text. Also unbracketed is the intention of the SB to develop a risk assessment tool in the future, along with possible additional guidance for applying this tool in selected methodologies.

The paragraphs on **leakage** and avoiding other **negative impacts** are remarkably clean. All in all, the 12-page document adopted at the session<sup>12</sup> is a remarkable step forward and forms a substantive basis, which puts adoption of a final version at the last SB meeting at the end of October within reach.

## *Requirements for methodologies*

Like with the removals discussion, this SB meeting saw remarkable progress also with respect to setting requirements for methodologies. The SB advanced the discussion on several topics and left the meeting with a 16-page recommendations text that will be taken up at the oncoming session again in order to finalize it and forward it to the CMA.

At the beginning, the secretariat presented an overview of the comments it had received and of the intersessional work, in cooperation with the small group of SB members. Major work had gone into the assessment of different options addressing the downward adjustment of baselines. The respective information note by the secretariat<sup>13</sup> now weighs advantages and challenges of (i) updating methodologies, (ii) using top-down adjustment factors, (iii) bottom-up factors, and (iv) prescribing transformative projects. Further, it takes up discussions on balancing the need for **substantive guidance in the recommendation vs. further detailed guidance in tools and methodologies**. In the concept note, the secretariat makes the case for for the “tools” option (or rather in sector-specific methodologies,) as these better allow for customization, given that elements such as thresholds, or default factors are difficult to develop across sectors and regions. The note consequently contains outlines for a tool on additionality, one on baselines approaches, and one to address leakage.

At the session, the SB worked, inter alia, on approaches to ensure **encouraging ambition over time**, following para 33 of the RMP. The baseline contraction factor, which has caused controversial discussions in the past, is no longer part of text, but the text is now significantly

<sup>12</sup> As stated above, the text can be viewed at [https://unfccc.int/sites/default/files/resource/a64-sb007\\_a07.pdf](https://unfccc.int/sites/default/files/resource/a64-sb007_a07.pdf)

<sup>13</sup> See <https://unfccc.int/sites/default/files/resource/a64-sb007-aa-a11.pdf>

more detailed and contains more options<sup>14</sup>. During the meeting, the SB was able to narrow down those, so that the recommendations text adopted at the session now covers three approaches, with one approach containing three sub-options, cp. also the pros and cons discussion described above:

- Approach A focuses on updating parameters in the methodologies at regular intervals (**in-built methodology updates**), as well as accounting for autonomous improvements of baseline parameters through discounting.
- Approach B uses **top-down adjustment factors** across methodologies, which could be operationalized through activity-level guidance by the SB, adjustment factors jointly developed by SB and host country, or having the factors developed by the host country and approved by the SB.
- Approach C foresees a focus on **transformative** activities, i.e. having the potential to transform an entire sector, taking into account the specifics of a sector, geographical location and level of uncertainty of greenhouse gas estimation.

This concept foresees the development of further details in tools and standards, as suggested in the information note (cp. above).

The SB members also strengthened the language on **additionality** with a view to avoiding lock-in (as per § 33 of the RMP). While the pre-session document had stipulated the use of “conservative approaches” in this regard, the final text now demands an assessment of the scale, crediting period, lifetime, and emissions intensity of the activity, covering all possible factors that could hamper a low emission development pathway. Also, the section on **leakage** was streamlined and emphasis put on avoiding or

minimizing leakage, and discounting of remaining volumes, taking into account equipment lifetime.

In sum, there is now substantial text with agreements on many issues at the conceptual level<sup>15</sup>. Only occasional brackets remain as well editorial changes to adapt the language to UNFCCC standards. The small group of SB members tasked with meth requirements will continue to work on the text and present updates at the next meeting.

<sup>14</sup> View the draft methodology recommendations text at [https://unfccc.int/sites/default/files/resource/a64-sb007\\_a06\\_0.pdf](https://unfccc.int/sites/default/files/resource/a64-sb007_a06_0.pdf)

<sup>15</sup> See previous footnote

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