

# A6.4 SB MEETING REPORT

**A6.4 SB-010,  
26 February – 01 March 2024**



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# **Report**

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

26 February – 01 March 2024

Christof Arens



# Summary

- The Supervisory Body elected Maria Al-Jishi, Saudi Arabia, as Chairperson for 2024 and Martin Hession, UK, as Vice Chair. The Methodological Expert Panel (MEP) will be chaired by El Hadji Mbaye Diagne with Molly Peters-Stanley as Vice Chair. The Accreditation Expert Panel (AEP) chair will be Angela Friedrich with Mkhuthazi Steleki as Vice Chair.
- The Body reviewed the non-outcome of CMA5. Given that the CMA did not endorse the Body's recommendations nor adopted any guidance on the way forward, the SB decided that it will consider to further elaborate the recommendations documents developed last year and to use the UNFCCC intersessional in Bonn in June to engage with Parties and stakeholders in this regard. As a first step, the SB decided to open a call for inputs to improve its understanding of the concerns raised at CMA5. These inputs will be analysed by the Body in a short virtual session right before the intersessional meeting in order to ensure a well-prepared dialogue with Parties and stakeholders.
- In addition, the SB decided after controversial discussion to develop the methodological products and tools for methodology development and removal activities it had proposed to develop in its recommendation to CMA5 last year. This includes work on baselines and additionality, including the hotly debated downward adjustment concept, but also the reversal risk tool in the context of removals. The SB noted that this work does not prejudice any overarching decision that CMA6 might take and that the outcome of the work on methodological products hinges on this decision. The SB will also work on revising selected CDM methodologies this year.
- The body further developed the draft grievance and appeals process as well as the sustainable development tool. Regarding the latter, the SB reaffirmed its decision that the tool will comprise both positive and negative impacts and that safeguards for removals will be developed at a later stage. An adoption of the tool is foreseen for the next session.
- On grievances and appeals, the body tasked the secretariat with elaborating a differentiated fee structure and a streamlined timeline system. Submissions will be restricted to English, while support for translations will be offered. A revised draft will be discussed at the next meeting.
- Regarding the registry procedure, the SB discussed basic concepts, timing and interim solutions. On trading, the SB decided, unlike in CDM, to open up the registry for secondary transfers. The SB requested the secretariat to consider best practice in registry reporting when drafting the procedure while respecting the confidentiality of information. The draft procedure will be presented at SB 011.
- The SB further decided establish a DNA forum in analogy to the CDM.

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# Governance and management matters

## *Membership issues*

The composition of the Supervisory Body is currently not fixed, as two regional groups / constituencies have not yet nominated candidates for outgoing members or members who resigned last year. Regarding the alternate member nominated by WEOG, Angela Friedrich of Austria took over from Simon Fellermeier as previously communicated. Kazuhisa Koakutsu is also not in the Body any more, while Maia Tskhvaradze and Emily Mathias resigned in September and November last year, respectively. The composition of the Body currently looks as follows:

### Members:

- Ms. Maria AlJishi
- Mr. Benedict Chia
- Mr. Felipe De León Denegri
- Mr. El Hadji Mbaye Diagne
- Mr. Piotr Dombrowicki
- Ms. Olga Gassan-zade
- Mr. Felipe Rodrigues Gomes Ferreira
- Mr. Martin Hession
- Mr. Gebru Jember
- Mr. Satyendra Kumar
- Ms. Molly Peters-Stanley
- Mr. Mkhuthazi Steleki

### Alternative Members:

- Mr. Duan Maosheng
- Ms. Kristin Qui
- Mr. Eduardo Calvo
- Mr. Tirivanhu Muhwati
- Mr. Imre Bányász
- Mr. Derrick Oderson

- Mr. Manjeet Dhakal
- Mr. Daegyun Oh
- Ms. Angela Friedrich
- Mr. Alick Muvundika

The Body elected Maria AlJishi, Saudi Arabia, as Chairperson for 2024 and Martin Hession, UK, as Vice Chair. Regarding panels and working groups, the following chairpersons were elected:

### Methodological Expert Panel (MEP)

- Chair: El Hadji Mbaye Diagne
- Vice Chair: Molly Peters-Stanley

### Accreditation Expert Panel (AEP)

- Chair: Angela Friedrich
- Vice Chair: Mkhuthazi Steleki

## *Strategic planning and direction*

The Body reviewed the outcome of CMA5 in a (closed) strategy retreat as well as in the open session. Given the absence of a CMA decision, the SB decided that it would go ahead with operationalizing the mechanism and continue to develop the necessary regulatory framework as far as possible. This includes standards, guidelines tools for activities, the SD tool, the grievance mechanism, host party participation requirements, accrediting DOEs, processing transition of CDM projects, and implementing the registry. A particular focus will be on adapting CDM methodologies (see below). Two additional products were added to this year's work plan: the share of proceeds for adaption, and the

establishment of the DNA forum (see next chapter).

The SB discussed in detail on how to proceed with the work on removals and requirements for methodologies, given that the CMA did not endorse its recommendations. The SB decided that it will consider to further elaborate the recommendations documents developed last year and to use the UNFCCC intersessional in Bonn in June to engage with Parties and stakeholders in this regard. As a first step, however, the SB decided to open a call for inputs<sup>1</sup> to improve its understanding of the concerns raised at CMA5. The Body will review these inputs prior to its twelfth session, which will be dedicated to this discussion exclusively. This meeting takes place right before the intersessional sessions and will serve to prepare the dialogue with Parties and stakeholders.

In addition, the SB is going to continue developing the supporting products for methodology requirements and removals, including tools and guidance documents such as the reversal risk assessment tool. Which parts of these products will (need to) be sent to the CMA for approval, will be evaluated at a later stage. For more details, see next chapter below.

## *Panels and working groups*

Regarding the roster of experts for methodology-related work and the accreditation panel, the SB selected members for these two bodies. Noting a regional imbalance in applications, leading to a misrepresentation of experts from LDCs, SIDS and Eastern European States, the Body considered applications for the Meth Panel (MEP) and the accreditation panel (AEP). As the concerns with regard to regional imbalance were strongest for the MEP, the body decided to select MEP experts for a term of one year only,

while the accreditation panel members were chosen for a two-year term.

The SB asked the secretariat for launch a focused call to get more applications from the under-represented regions. Moreover, the secretariat is to undertake additional efforts in this regard. In addition, the SB adopted a procedure for selecting accreditation experts. This procedure also includes provisions for performance evaluation.

## *Other matters*

The calendar of meetings foresees the following SB meetings this year:

- SB 011: 29 April – 02 May (Bonn)
- SB 012: 22 – 23 May (virtual)
- SB 013: 15 – 18 July (Bonn)
- SB 014: 07 – 10 October (Bonn)

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<sup>1</sup> See the call at <https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting->

[mechanism/calls-for-input/call-for-input-2024-stakeholder-interactions-further-input-requirements-for-methodologies-and](https://unfccc.int/process-and-meetings/the-paris-agreement/paris-agreement-crediting-mechanism/calls-for-input/call-for-input-2024-stakeholder-interactions-further-input-requirements-for-methodologies-and)



# Development of the regulatory framework

## *Roles and responsibilities of host Parties*

Compared to the CDM, Art. 6.4 host Parties have a far greater role to play in the operation of the mechanism. The SB has therefore been eager to describe and make transparent the related roles and responsibilities since the beginning. At this session, the Body members discussed the current state of a 60-page information note which evolved over the last year<sup>2</sup>. The main outstanding issues in this regard comprise participation requirements, activity design (p.ex. stakeholder consultations), methodologies and standardized baselines, as well as issues of designating a focal point or rules for deregistration of a project.

Regarding methodologies, the SB discussed how to evaluate decisions by a host Party to determine a more ambitious level of setting the baseline, as enabled by para. 36 of the RMPs. The SB noted that the assessment shall include analysis on how conservative the approach taken by the host Party actually is. Additional guidance might be needed, some argued, while others said that a communication from the host Party might suffice. Also in this context, Body members considered the specifications of a possible communication interface with the DNA, which would allow, among others, to communicate of the prioritization of methodologies, issues involving the designation of focal points, or the deregistration of projects.

Considering the requirements for local or sub-national stakeholder consultations, the SB debated guidance on how host Parties are to communicate their domestic arrangements and rules for local stakeholders consultations. Here, two options were discussed, with option 1 having the domestic arrangements published on the UNFCCC website, and option 2 including a check by the SB upon host Party approval, based on the DOE's validation and verification.

In the end, the SB decided to request rather general guidance for the secretariat when drafting the new version for the next session. This goes back to the notion that some members felt that some of the options are not mutually exclusive, like in case of the communication stakeholder consultation framework. The feedback comprises the following issues:

- Distinguish clearly between mandatory elements, functional roles and those that are optional, possibly in a stand-alone document
- Develop communication channels or interfaces that ease access to information and facilitate communication with the Body, p.ex. for host Parties, but also activity participants, or DOEs
- Explore the merits of non-binding documents that help host Parties better understand conceptual questions, such as NDC achievement, LT-LEDS, or net-zero commitments.

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<sup>2</sup> Read the full 'Roles and responsibilities of host Parties' information note at [https://unfccc.int/sites/default/files/resource/a64\\_SB010\\_aa\\_an02.pdf](https://unfccc.int/sites/default/files/resource/a64_SB010_aa_an02.pdf)

In addition, the SB tasked the secretariat with developing a user-friendly manual to guide host Parties in order to ensure accessibility and 'digestibility' for host Parties and stakeholders, including the use of videos and animations.

### *Methodological products for the mechanism*

As laid out above, the SB is going to further develop the requirements documents relating to methodologies and removals, based on interaction with Parties and stakeholders via a call for input and exchanges at the Bonn intersessional in June. In addition, the SB discussed and planned this year's work on products and tools that support methodology / removal activity development, as well as the revision of CDM methodologies.

Deciding on how to move forward regarding the methodology / removal products proved to be difficult. The development of such products, such as guidance for post-crediting monitoring or the reversal risk tool in case of removals, had been part of the recommendations forwarded to the CMA last year. However, some of the proposed tools had caught particular criticism at the CMA5 discussions, such as the tool on downward adjustments. Therefore, some members argued, the SB should carefully consider which of the products it had envisaged last year would be actually worked on this year given the opposition of the CMA to them. Yet after lengthy discussions, the SB decided against reopening the catalogue of products it had recommended but go forward in developing all of them, while noting that this work does not prejudice any overarching decision that CMA6 might take.

These products include for the methodology part

- Baseline tools, including work on downward adjustment
- Guidance / tools on additionality
- Guidance on Standardized Baselines
- A tool for suppressed demand
- A leakage tool

Regarding removals, products include, among others:

- Guidance on post-crediting monitoring
- The reversal risk assessment tool
- Guidance on responses to activity failure
- Guidance on reversal compensation measures
- Requirements / Best practices in environmental and social safeguards

Most of these activities are to be started immediately, others such as the work on safeguards will be taken up later. Details on the work planned in this regard is contained in Annex 5 of the meeting report<sup>3</sup>.

Furthermore, the SB is going to work on revising CDM methodologies, especially

- on grid-connected electricity from renewable sources (ACM0002, AMS-I.D.),
- thermal energy production (AMS-I.C.),
- waste management (ACM0001)
- clean cooking (AMS-II.G., AMS-I.E.)

### *Operation of the registry*

The secretariat presented its concept note for developing the registry procedure as well as open questions and issues. The concept note first of all defines basic concepts of the registry, cp Figure 1 Figure 1:

- Units (authorized A6.4 ERs, eligible CERs, non-authorized A6.4ERs aka mitigation contribution units / MCUs)

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<sup>3</sup> See the full methodological products decision at <https://unfccc.int/sites/default/files/resource/a64-sb010-a05.pdf>

- Accounts (pending account, holding accounts, cancellation and retirements accounts)
- Transactions (issuance / transfer)
- Reports and fees (public reports, reporting to DNAs, internal reporting; a well-balanced fee system and schedule)

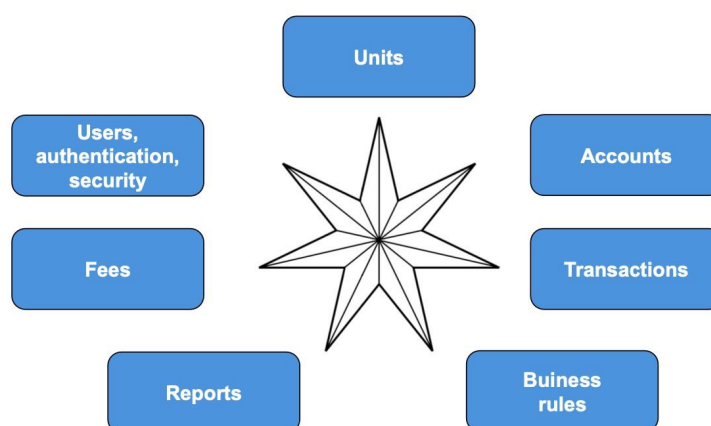


Figure 1: Basic concepts of the Art. 6.4 registry. Source: UNFCCC

The Body also debated the time planning for the finalization of the registry and considered interim solutions. Open questions the secretariat sought guidance on cover the questions of trading between accounts, the fee structure, and received non-AP units.

On the issue of trading, the SB decided, unlike in CDM, to open up the registry for secondary transfers (i.e. trading). Consequently, it tasked the secretariat with enabling accounts for authorized entities that are not activity participants and allow account holders to receive units from activities to which they are not participants. Also, secondary transfers are to be included in the fee structure to cover the costs of operating the registry.

Regarding reporting, the SB requested the secretariat to consider best practice in registry reporting when drafting the procedure while respecting the confidentiality of selected information. The draft procedure will be presented at SB 011.

### *Share of proceeds*

The Supervisory Body discussed how to deal with its decisions on levying a share of proceeds for adaptation in the absence of a CMA decision. The body reiterated its recommendation to the CMA on exempting activities in LDCs while leaving the use of this exemption to the host countries. Local DNAs get the option to notify to the SB a respective request. In case there are issuance for such Art. 6.4 activities, a 5 percent levy on every A6.4ERs will be kept in the pending

account of the registry (see above) until a CMA decision is made.

### *Sustainable Development tool*

The Supervisory Body considered an analysis of the submissions received from the call for inputs on the draft SD tool version it had issued late last year. Most of the comments received had addressed the environmental and social safeguards section, followed by the demonstration of the SD effects part of the tool.

Based on the submissions and guidance received at SB 007, the secretariat suggested that the SB considers changes in three areas:

- Positive and negative effects: the current draft tool requires a demonstration of both positive and negative impacts against the 17 SDGs. One submission from a DNA had criticized that this might be conflicting with SD contribution confirmations made in the LoA and that it could also overlap with the environmental and social safeguards section of the tool. The DNA therefore suggested to cover positive impacts only.
- REDD+ safeguards: the SB had requested a separate module for REDD+ projects / the AFOLU sector, including the Cancun safeguards. The secretariat therefore developed an Appendix with draft principles, criteria, and guiding questions.

- Removal safeguards: the SB had asked the secretariat to develop relevant safeguards, especially for novel CDR activities. The secretariat had thus developed an annex with draft criteria and guiding questions for such activities.

Furthermore, the secretariat had revised section 2 of the tool so that the tool’s involvement in the Art. 6.4 activity cycle and its interaction with other mechanism standards and procedures (stakeholder consultations, continuous monitoring of indicators, appeals) gets more clear. Best practice examples for validation and verification, as well as further guidance for DOEs, were also added.

The SB discussed the proposals and decided to maintain its earlier decision to include of both positive and negative impacts, underlining, inter alia, that this enhances transparency of the assessment. Regarding REDD+, the Body accepted the suggestions by the secretariat and decided to include the respective draft annex in the final version of the tool. However, the SB decided to broaden the scope of the annex to LULUCF activities in general.

On removal activities, the Body asked for reinforced safeguards criteria and guiding questions, including through continued monitoring and external safeguards systems. The Body underlined that these could be refined at a later stage, depending on the progress of the overall removals discussion in the Body.

The secretariat is going to present an updated version of the tool at the next session with the aim to adopting the SD tool at that meeting.

## Grievances and appeals

The appeals and grievances process had also been subject to a call for input. The secretariat reported that there had been 9 inputs commenting on, among others, on the standing of the stakeholders, on fees, timelines, and the scope on an appeal / a grievance. Based on the input, the following main changes to the current draft processes were proposed by the secretariat:

- On the scope of appeals, the secretariat suggested to include an option for appealing against multiple decisions of the SB (project cycle / methodologies / standardized baselines)
- On timelines, a package of streamlined deadlines was developed (see figure)
- On fees, the secretariat suggested to use (i) fees with waivers for stakeholders from selected regions, (ii) a “sliding scale” fee structure, based on the financial capacity of appellants / grievants, (iii) dedicated funding from Parties or generated by an additional share of proceeds
- Regarding confidentiality of identity and personal data of appellants / grievants, either a default provision or maintaining confidentiality upon request was proposed
- On accessibility, the secretariat suggested to either allow submissions in all 6 UN

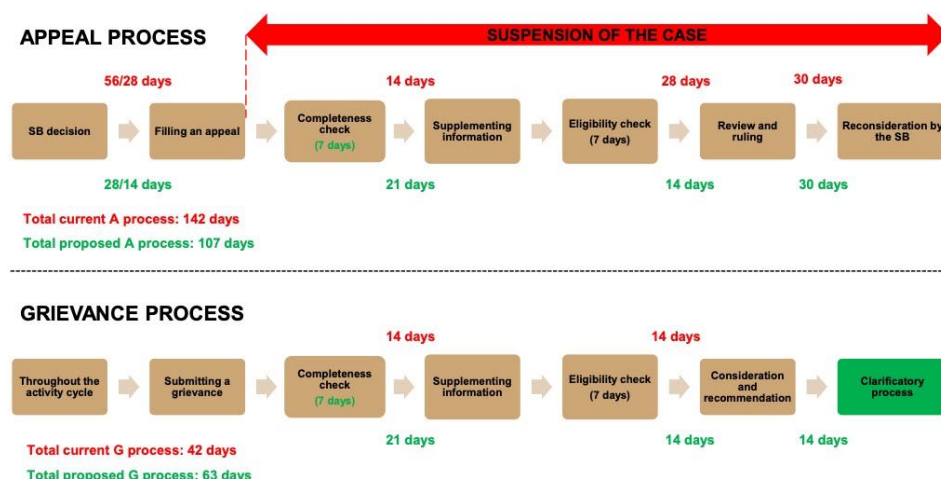


Figure 2: Existing and proposed timelines | the appeals and grievance processes; Source: UNFCCC secretariat

languages, to allow all languages (with funding provided for both options), or to restrict submissions to English.

The SB considered the proposals as well as further issues and tasked the secretariat to develop revised processes at the next meeting, focusing on the following guidance:

- Differentiate the fee structure depending on appeal / grievance type
- On confidentiality, establish the option “upon request”
- Develop a streamlined timeline system
- Restrict submissions to English but also establish facilitate access to translations
- Regarding standing for grievance, enable proof of residency by means other than documentary evidence
- Increase transparency by a clarificatory process that explains the rationale for the reconsideration decision
- Develop provisions representation by authorized representatives under both appeal and grievance processes

### *National Authorities*

72 Designated National Authorities were set up in host countries as of 01 March 2024. At the session, the Supervisory Body decided to establish a forum to connect the different national authorities with each other, as was common practice under the CDM. The so-called DNA forum serves to support the implementation of the Article 6.4 mechanism and to facilitate a dialogue with host Parties. The secretariat is going to facilitate the work and will prepare terms of reference for the operation of the forum as a first step.

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