

Agenda item 3.3.

Paragraph 20 of the annotated agenda, Annex 6

Revision of the activity cycle regulatory documents for Article 6.4 projects and programmes of activities

Article 6.4 Supervisory Body – Fifteenth meeting

Thimphu, Bhutan, 11 to 14 February 2024



- ❑ Paragraph 42, decision 3/CMA.3, states that "The host Party shall provide a statement to the Supervisory Body specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for OIMP as defined in decision 2/CMA.3";
- ❑ Paragraph 55, decision 3/CMA.3, also states that "The mechanism registry shall distinguish A6.4ERs that are authorized for use towards the achievement of NDCs and/or for use for OIMP";
- ❑ Paragraph 38, decision 7/CMA.4, states "The mechanism registry administrator shall, at the time of the issuance of A6.4ERs, assign their authorization status in accordance with the statement by the host Party provided to the Supervisory Body";

- ❑ Paragraph 11, decision -/CMA.6 clarified that the statement of authorization (AS) shall contain information, which may be included as part of the approval of the activity by the host Party, on whether it:
 - a) Authorizes, in full or in part, the A6.4ERs to be issued for the underlying activity for use towards achievement of NDCs and/or for OIMP;
 - b) Does not authorize any A6.4ERs to be issued for the underlying activity for use towards achievement of NDCs and/or for OIMP;
 - c) Allows mitigation contribution A6.4ERs (MC A6.4ERs) to be issued for the underlying activity, while noting that the host Party may authorize the A6.4ERs at a later stage subject to further provisions.

- ❑ The CMA.6 decided that the host Party may authorize, for use towards achievement of NDCs and/or for OIMP, MC A6.4ERs already issued by providing to the SBM a AS within the specified time frame which applies from the date of issuance prior to any transfer of the MC A6.4ERs in or out of the mechanism registry, and applying the requirements for corresponding adjustments with respect to corresponding MC A6.4ERs forwarded for SOP and cancelled for OMGE;
- ❑ The CMA.6 requested the SBM to consider and determine whether, based on its experience, there is a need to set a time limit, from the date of issuance to when the host Party shall provide a statement of authorization, and report back to the CMA;

Procedural background

- ❑ CMA.6 requested the secretariat, with the approval of the SBM to establish necessary guidelines for and operationalize the process of post-issuance authorization, ensuring that:
 - a) Respective MC A6.4ERs are still held by the mitigation activity participants and have not been transferred in or out of the mechanism registry;
 - b) Corresponding adjustments pursuant to decision 2/CMA.3, annex, chapter III (Corresponding adjustments), are applied by the host Party as if the authorization had been provided no later than at issuance;
 - c) Respective SOP for adaptation received by the Adaptation Fund are comprised of authorized A6.4ERs rather than of MC A6.4ERs;
- ❑ The CMA.6 further requested the secretariat to develop a template for the authorization statement, to include the relevant applicable elements contained in paragraph 5 of decision -/CMA.6 (Cooperative approaches).



- ❑ The CMA, through decision -/CMA.6, paragraph 20, also decided to exempt Article 6.4 activities in the least developed countries (LDCs) and small island developing States (SIDS) from the share of proceeds for adaptation, while acknowledging that the LDCs and SIDS may choose not to make use of this exemption.

Purpose

- ❑ The purpose of revising the “Procedure: Article 6.4 activity cycle procedure for projects” and the “Procedure: Article 6.4 activity cycle procedure for programmes of activities” is to:
 - a) Operationalize the authorization process of the use of A6.4 ERs under the Article 6.4 mechanism, and
 - b) Reflect the exemption provided of Article 6.4 activities hosted in LDCs and SIDS from the share of proceeds for adaptation, with an option for these countries to choose not to make use of this exemption.



Key issues and proposed solutions: Timing of authorization

- ❑ AS, stems from paragraph 42 of the RMPs – approval stage
- ❑ Decision 7/CMA.4, annex I, paragraph 38, requires the mechanism registry administrator to assign the authorization status at the time of the issuance of A6.4ERs
- ❑ CMA.6 “encourages” the host Party to provide the SA “as early as possible” and it clarifies that the host Party may include a statement of authorization as part of the approval of an A6.4 activity
 - **Proposal:** The HP to provide a statement of authorization of A6.4ERs at approval of an A6.4 activity by default, but also have the flexibility to do that at the latest until before the issuance of A6.4ERs



- ❑ The primary content of the AS should be one of the three options whether the host Party:
 - a) Authorizes, in full or in part, the A6.4ERs to be issued for the underlying activity for use towards achievement of NDCs and/or for OIMP;
 - b) Does not authorize any A6.4ERs to be issued for the underlying activity for use towards achievement of NDCs and/or for OIMP; or
 - c) Allows mitigation contribution A6.4ERs to be issued for the underlying activity, while noting that the host Party may authorize the A6.4ERs at a later stage subject to the additional provisions.
- ❑ CMA.6 requested the secretariat to develop a template for the AS, to include the relevant applicable elements contained in paragraph 5 of decision -/CMA.6 (Cooperative approaches).

Key issues and proposed solutions: Content of authorization (cont)

Table: Comparative analysis of mandatory elements as per –/CMA.6

Para /CMA.6	Mandatory elements to be included in the authorization of use of the internationally transferred mitigation outcomes from A6.2 cooperative approaches:	Proposed relevant applicable elements to be included in the authorization of A6.4ERs:
5(a)	A unique identifier for the cooperative approach, obtained from the centralized accounting and reporting platform, where available	The authorization identifier and the UNFCCC reference number of the A6.4 project/PoA/CP
5(b)	The name(s) of the participating Party(ies) and/or entities, if known, covered by the authorization	The name(s) of the host Party and other participating Party(ies) and authorized activity participants, if known, covered by the authorization
5(c)	The date and duration of the authorization, including the final date for mitigation outcomes to be issued, or to be used or cancelled, in connection with the first transfer specified by the Party as per decision 2/CMA.3, annex, paragraph 2(b), as applicable	The date and duration of the authorization, including the final date for A6.4ERs to be issued, or to be used or cancelled, in connection with the first transfer specified by the Party as per decision 2/CMA.3, annex, paragraph 2(b), as applicable
5(d)	The specification of the first transfer of the mitigation outcome, as specified by participating Parties, as per decision 2/CMA.3, annex, paragraph 2(b)	The specification of the first transfer of the mitigation outcome, as specified by the host Party, as per decision 2/CMA.3, annex, paragraph 2(b)
5(e)	The uses covered by the authorization, consistent with decision 2/CMA.3, annex, paragraph 1(d) and (f)	The uses covered by the authorization, consistent with decision 2/CMA.3, annex, paragraph 1(d) and (f)
5(f)	The identification of or cross-reference to underlying regulations, frameworks, standards or procedures, including any specific methodologies underpinning the cooperative approach	The applied methodology(ies)
5(g)	Where changes to the authorization may occur, information on the circumstances in which such changes may occur and a description of the process for managing them in a way that avoids double counting	Where changes to the authorization may occur, information on the circumstances in which such changes may occur and a description of the process for managing them in a way that avoids double counting
5(h)	The quantity of internationally transferred mitigation outcomes, if applicable	The quantity of A6.4 emission reductions, if applicable

Key issues and proposed solutions: Content of authorization (cont)

Table: Comparative analysis of mandatory elements as per –/CMA.6

Para /CMA. 6	Mandatory elements to be included in the authorization of use of the internationally transferred mitigation outcomes from A6.2 cooperative approaches:	Proposed relevant applicable elements to be included in the authorization of A6.4ERs:
5(i)	Identification of the registry the participating Party has, or has access to, for the purpose of tracking and recording internationally transferred mitigation outcomes	Not applicable – the corresponding registry is the mechanism registry
5(j)	Identification of the relevant registry(ies) in the underlying regulations, frameworks, standards or procedures that (1) contain mitigation outcomes or inform their calculation by the participating Party(ies) and (2) transparently track the status of underlying mitigation activities and outcomes as well as participation and transactions by entities, as applicable	Not applicable- the corresponding registry is the mechanism registry
5(k)	The vintage(s) covered by the authorization	The vintage(s) covered by the authorization
5(l)	The metrics and units of measurement or conversion and the greenhouse gases covered by the authorization	Not applicable: as para 1(b) of the annex to decision 3/CMA.3 specifies that an A6.4ER is measured in carbon dioxide equivalent and is equal to 1 tonne of carbon dioxide equivalent calculated in accordance with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change and adopted by the CMA or in other metrics adopted by the CMA pursuant to these rules, modalities and procedures
5(m)	The sector(s) covered, if applicable	The sectors and sectoral scope(s) covered
5(n)	The activity type(s) and/or activity(ies) covered, if applicable	The mitigation type, activity type(s) and/or activity(ies) covered



- ❑ To comply with para 14,CMA.6 on post-issuance authorization, it is proposed to include procedural provisions instructing the mechanism registry administrator to:
 - a) Track and change the authorization status of the issued MC A6.4ERs to authorized A6.4ERs;
 - b) Track and change the authorization status of the 5 percent of the issued MC A6.4ERs to authorized A6.4ERs that were forwarded to the SOP for adaptation and to distinguish it as first transfer;
 - c) Track and change the status of the transfer of the 2 percent of the issued MC A6.4ERs to deliver OMGE to distinguish it as first transfer;
 - d) Send a notification to the host Party with a reminder to the host Party to apply corresponding adjustments regarding the A6.4ERs for which the authorization status has been changed and make them publicly available.

Key issues and proposed solutions: Time limit for post-issuance authorization

- ❑ CMA.6 also requested the SBM to determine, based on its experience, if there is a need to set a time limit from the date of issuance by which the host Party needs to provide the post-issuance authorization;
- ❑ Primary consideration is the time limit for recording authorized A6.4ERs for use towards an NDC or for OIMP – consistent with all ITMOs;
- ❑ Para 12 of decision -/CMA.6 (Cooperative approaches), state that the “first transfer” of auth A6.4ERs shall be recorded for the earlier of:
 - a) The first international transfer of the mitigation outcome, pursuant to decision 2/CMA.3, annex, paragraph 2(a);
 - b) The first transfer of the mitigation outcome, as specified by the first transferring Party, pursuant to decision 2/CMA.3, annex, paragraph 2(b);



- ❑ Para 14 of decision -/CMA.6 (Cooperative approaches), states that for use for OIMP, the first transfer of auth A6.4ERs shall be recorded no later than 31 December of the year prior to the submission of the biennial transparency report for the NDC period in which the MO occurred;
- **Proposal:** The ultimate timeline for recording of authorized A6.4ERs will translate into a time limit which is prior to **31 December of the year prior to the submission of the biennial transparency report referred to in decision 2/CMA.3, annex, paragraph 12, for the NDC period in which the mitigation outcome occurred**

***Note:** Allows host Party to finalize its accounting, apply corresponding adjustments and record the first transfer for authorized A6.4ERs for use towards NDCs and/or other international mitigation purposes.*

Key issues and proposed solutions: Withdrawal of authorization

- ❑ Status change of auth A6/4ERs to MC A6.4ERs should be consistent with changes to auth ITMOs as per para 7, decision -CMA.6 (Cooperative approaches) stating that “any changes to authorization of the use of ITMOs shall not apply to, or affect, MO that have already been first transferred, unless otherwise specified by the part Parties in applicable terms and conditions of the authorization that specify the circumstances for such changes and the process for managing them, in order to ensure the avoidance of double counting”;
- **Proposal:** In the A6.4 context the change to the authorization status may also apply to already issued and authorized A6.4ERs if they have not yet been transferred in and out of the mechanism registry;
- **Proposal:** Mechanism registry administrator to follow the same operational guidelines for change of the authorization status of already issues A6.4ERs.



- ❑ Decision -/CMA.6, paragraph 20, exempted Article 6.4 activities in the LDCs and SIDS from the SOP for adaptation, while acknowledging that the least developed countries and small island developing States may choose not to make use of this exemption.
- **Proposal:** A LDC or SIDS to provide a statement on whether it chooses not to exempt the project from the share of proceeds for adaptation at the approval stage of the activity

Key issues and proposed solutions: Other changes

- ❑ Giving opportunity to host Party to define first transfer for OIMP pursuant decision 2/CMA.3, annex, paragraph 2(b) up front with participation requirements and -/CMA.6 paragraph 15;
- ❑ Encouraging host Party to consider approval of the activity not later than 60 days or any longer time frame that may be indicated by the host Party instead of providing mandatory deadline of 60 days or any longer period to be indicated by the HP;
- ❑ Allowing activity participants to submit request for distribution of A6.4ERs to mechanism registry administrator as per Procedure: Article 6.4 mechanism registry instead of DOEs;
- ❑ Providing a deadline for consideration of a case when a SBM member objects to a proposed ruling.



- ❑ The revised activity cycle procedures operationalize all mandates from the CMA at its sixth session concerning the authorization of A6.4ERs, options of choosing to make use of the exemption from the share of proceeds for adaptation for project activities hosted in LDCs and SIDS, as well as improve clarity and consistency.

Recommendations to the Supervisory Body

- ❑ The secretariat recommends that the SBM consider and adopt the revised activity cycle procedures as presented, with modifications as appropriate



Subsequent work and timelines

- ❑ The secretariat will continue preparing for the operation of the Article 6.4 activity cycle, including further development of regulatory provisions, necessary forms (e.g. authorization template and others), and IT infrastructure to operationalize the authorization process.

