Briefing

Article 6.4 progress update: work of the Supervisory Body on the Paris Agreement Crediting Mechanism

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July 2024
Executive Summary

This briefing provides an update on the activities and work of the Article 6.4 Supervisory Body (SBM) through June 2024. The purpose of this briefing is to ensure that relevant persons from Small Island Developing States (SIDS) and Least Developed Countries (LDCs) are aware of the body’s ongoing work and aware of the several standards and procedures this body has already adopted, which will impact the design of Article 6.4 project activities and programmes of activities.

The information in this briefing will be of benefit to SIDS and LDC government personnel, private sector actors in SIDS and LDCs interested in participating in the Article 6.4 mechanism (known as the Paris Agreement Crediting Mechanism), impacted stakeholders, non-governmental representatives from SIDS and LDCs, academia and other interested entities and stakeholders.
Table of Contents

Executive Summary 1
Introduction 3

What is the Article 6.4 mechanism/Paris Agreement Crediting Mechanism? 3

Background 4

Supervisory Body Membership and Rules of Procedure 4
Mode of work and methods of engagement 5
Supervisory Body Tasks 6
Project activity cycle 7

Progress update 8

Conclusion 29

Annex 1 – excerpts from Decision 3/CMA.3 related to the Article 6.4 Supervisory Body 30
Introduction

What is the Article 6.4 mechanism/Paris Agreement Crediting Mechanism?

Article 6.4 of the Paris Agreement establishes a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development, for use by countries that have joined the Paris Agreement (“Parties” to the agreement) on a voluntary basis. Article 6.4 states that the mechanism shall aim:

a) to promote the mitigation of greenhouse gas emissions while fostering sustainable development;

b) to incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;

c) to contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution; and

d) to deliver an overall mitigation in global emissions.

e) to deliver finance, through a share of proceeds to implement adaptation action in developing countries.

Article 6.6 requires that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) ensure that a share of the proceeds from activities under the mechanism is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

Parties to the Paris Agreement have agreed that the mechanism (known as the Paris Agreement Crediting Mechanism) will be supervised by a body designated by the CMA, which is now called the Article 6.4 Supervisory Body, or SBM.

In 2021, at COP26 in Glasgow, the CMA adopted decision 3/CMA.3, which set out the Article 6 rulebook, and formally established the Article 6.4 Supervisory Body for governance of the Article 6.4 Mechanism, now called the Paris Agreement Crediting Mechanism (PACM). This briefing aims to explain the work done by the SBM to date in implementing its mandate, and what this work means for SIDS and LDCs.

1 See UNFCCC Decision 3/CMA.3 Annex.
Background

Supervisory Body Membership and Rules of Procedure

The Article 6.4 Supervisory Body (SBM) oversees the Paris Agreement Crediting Mechanism. It operates under the authority of the Parties to the Paris Agreement, who meet as the CMA, and it is fully accountable to the CMA. The full details of membership and the rules of procedure for the Supervisory Body can be found in Decision 3/CMA.3.

The SBM comprises 12 members from Parties to the Paris Agreement, taking into account geographic distribution and striving for gender balance. The CMA elects SBM members, and alternate members, based on nominations by the respective groups and constituencies under the UNFCCC, with two members from each of the five UN regional groupings, one member from the LDCs and one member from SIDS. Each member has an alternate. Even though members and alternate members are nominated by their respective groups, each serves in his or her individual expert capacity. Each is bound by clear rules to avoid any conflicts of interest and must declare any conflicts of interest in connection with any items to be discussed by the SBM prior to the start of each meeting. Each member and alternate member can serve up to two terms.

Transparency is of utmost importance to the work of the SBM. Decision 3/CMA.3 mandates that:

(i) meetings of the SBM are made open to the public including via electronic means, and a recording shall be made available via electronic means unless closed for reasons of confidentiality,
(ii) documents for meetings of the Supervisory Body are made publicly available, unless they are confidential,
(iii) reports of the SBM meetings are also made publicly available, and
(iv) the SBM ensures transparency of decision-making and makes publicly available its decision-making framework and decisions, including standards, procedures and related documents.
Mode of work and methods of engagement

The United Nations Framework Convention on Climate Change (UNFCCC) secretariat serves as the secretariat of the Supervisory Body and supports the SBM in its work.

SBM meetings follow a specific format, which is detailed in the Rules of Procedure that were adopted at the very first SBM meeting (SBM001):

- At the first meeting of the calendar year, the SBM elects a Chair and Vice Chair from among its members. The SBM also agrees to the frequency and timing of meetings at this first meeting.
- The secretariat, in consultation with the Chair, gives notice of the date of each meeting of the Supervisory Body not less than eight (8) weeks prior to the meeting.
- The proposed agenda for each meeting is shared three (3) weeks prior to that meeting.
- All documentation for a meeting of the Supervisory Body is made available to members and alternate members by the secretariat at least two (2) weeks before the meeting unless otherwise decided by the Chair. These documents are posted online on the SBM website.
- The Supervisory Body is open to receiving public comments, including from stakeholders, on meeting documentation up until one week prior to each scheduled meeting, unless otherwise decided by the Chair.
- Meetings of the Supervisory Body are open to attendance by representatives of country Parties to the Paris Agreement, and by UNFCCC-admitted observer organisations upon request, unless closed for reasons of confidentiality.
- The SBM may invite observers to make presentations relating to matters under consideration by the SBM at its meetings and the SBM may invite specific stakeholders to a meeting to seek their views on specific items on the agenda for the meeting.
- The SBM adopts a report at the end of each meeting, detailing the discussions and decisions that took place. These reports are made publicly available on the SBM website. Meetings are recorded and the webcasts can be viewed in real time, as well as after the fact. All of this information can be viewed here.
Supervisory Body Tasks

The CMA has tasked the Supervisory Body with making recommendations to the CMA on various aspects of operationalising the Paris Agreement Crediting Mechanism. Overall, the work of the SBM is to be undertaken in line with the agreed Article 6.4 Rules, Modalities and Procedures (RMPs) set out in Decision 3/CMA.3. The CMA has made a number of work requests to the SBM, which can be found in the Annex to this briefing.²

In simple terms, the SBM is tasked with developing recommendations on the full activity cycle of Article 6.4 projects – including project activity design, the calculation of emissions reductions associated with a given project activity type, and how to register project activities, through to the process for transfer and cancellation of units associated with emissions reductions from a project. Figure 1 below illustrates how the Article 6.4 Mechanism is governed.

Table 1 below provides an in-depth breakdown of each task currently allocated to the SBM and a progress update on the SBM’s work to date in responding to this task.

² See the annex to Decision 3/CMA.3 for full details on the tasks of the Supervisory Body
**Project activity cycle**

There are four main stages from design of an Article 6.4 activity to implementation of the activity: activity design, activity implementation, issuance of credits reflecting emission reductions, and first transfer, in the case of authorised A6.4ERs. These are shown in Figure 2 below.

In the approval and authorisation stage, the host Party and activity participants design the activity, defining the activity’s scope and determining the appropriate methodology to be applied for the calculation of emission reductions. This stage includes adoption of the baseline setting approach, additionality demonstration, establishment of monitoring procedures, and determination of the activity’s crediting period length.

Designated Operational Entities (DOEs) are then responsible for validating the activity – ensuring it meets PACM rules and requirements prior to registration. Where validation has been successful, the DOE may submit a request for registration with the validation outcomes to the SBM. At the time of registration, a monetary administrative fee – a part of the share of proceeds – needs to be paid by the activity participants to cover administrative expenses (see Table 1 below). After each monitoring period, calculated mitigation outcomes are verified by the DOE. Subject to successful verification, the DOE will request the issuance of A6.4ERs.3

**Figure 2: Article 6.4 Activity Cycle**

![Article 6.4 Activity Cycle](source-image)

Each of the above steps is guided by procedures, standards and tools to assist host Parties and DOEs in executing the activity cycle. The procedures, standards and tools that have already been adopted by the SBM are listed in Table 1 below.

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3 ECBI pocket guide to Article 6
Progress update

The SBM has met multiple times since its establishment. Over the course of these meetings, the body has worked on many iterations of procedures, recommendations, standards and tools and considered hundreds of stakeholder inputs. The documentation that has been produced thus far is vast, and includes:

- Rules of Procedure for the SBM (adopted, see decision 7/CMA.4)
- Information note on the roles and responsibilities of host Parties
- Gender Action Plan concept note
- Article 6.4 Activity standard for projects
- Article 6.4 Validation and verification standard for projects
- Article 6.4 Activity cycle procedure for projects
- Article 6.4 Accreditation Regulations
- CDM transition Standard and Procedure
- Appeal and grievance processes under the Article 6.4 mechanism
- Draft Sustainable Development Tool
- Terms of reference of the Article 6.4 mechanism expert panels
- Draft Recommendations regarding removals
- Draft Recommendations regarding methodologies

Many draft recommendations, information notes and forms have also been produced to facilitate engagement. See Article 6.4 Supervisory Body Rules and Regulations [here](#).

Table 1 below presents an overview of tasks mandated to the SBM by decision 3/CMA.3 and a brief progress update on each task.
Table 1: SBM tasks and progress-to-date

<table>
<thead>
<tr>
<th>SBM task category</th>
<th>Sub-task</th>
<th>Explanation of task</th>
<th>Progress Update</th>
<th>What this means for SIDS and LDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Governance</td>
<td>1.1. <strong>Adoption of Rules of procedure</strong></td>
<td>CMA requested the SBM to make a recommendation on its rules of procedure, including in relation to transparency of meetings.</td>
<td>At the 1st SBM meeting (SBM001), the SBM agreed to recommend the draft rules of procedure it had developed and annexed to its meeting report. These draft rules were formally adopted by Decision 7/CMA.4 in Sharm el-Sheikh, Egypt.</td>
<td>Rules of Procedure are now in place and available in Decision 7/CMA.4.</td>
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<td>1.2. <strong>Consideration of special circumstance of SIDS and LDCs</strong></td>
<td>In Decision 3/CMA.3, the CMA requested the SBM to ensure the implementation of the recognition of the special circumstances of LDCs and SIDS requirements where the Article 6.4 rules, modalities and procedures relate to NDCs, and other aspects of their special circumstances (see Decision 3/CMA.3, para 29 – see annex to this document).</td>
<td>At the 7th SBM meeting, the SBM agreed to address the special circumstances of LDCs and SIDS at the time of developing Article 6.4 methodologies and methodological tools, on a case-by-case basis, and to report on the progress achieved on this matter through its annual report to the CMA on a regular basis. The SBM also requested the secretariat to include a component that recognises the special circumstances of LDCs and SIDS when designing and implementing the capacity-building programme for the Paris Agreement Crediting Mechanism.</td>
<td>If there are particular challenges that SIDS and LDCs face when designing and developing project activities for the Paris Agreement Crediting Mechanism, special provisions can be made, if proper explanation and justification are given. These situations will be addressed by the SBM on a case-by-case basis. In future, other issues related to special circumstances can be brought to the attention of the SBM.</td>
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The SBM has agreed to recommend that LDCs and SIDS be granted exemptions from many of the administrative fees associated with project initiation. See section 1.2. on Special Circumstances of SIDS and LDCs.

The SBM further agreed to recommend to the CMA that Article 6.4 activities in LDCs be exempted from the share of proceeds for adaptation, while recognizing that these developing countries may choose not to use this exemption.

1.3. Designation of National Authorities and DNA-related activities

By Decision 3/CMA.3 and its annex, Parties to the Paris Agreement are invited to designate their national authority for the Paris Agreement Crediting Mechanism and communicate that designation to the UNFCCC secretariat (Supervisory-Body@unfccc.int).

At the 1st SBM meeting, the SBM requested the secretariat to invite Parties to designate their national authority for the mechanism and communicate such to the secretariat.

As of 29 April 2024, 75 countries have submitted a designated national authority.

SIDS and LDCs that wish to participate in the Paris Agreement Crediting Mechanism and have not yet identified and notified the secretariat of their DNAs should identify and communicate their DNA to the UNFCCC secretariat.

DNAs play a central role in the mechanism. The DNA’s roles include approval of activity on behalf of the host Party, authorisation of the activity participants, confirmation that and information on how the activity fosters sustainable development in the host
### Roles and responsibilities of host Parties

At the 4th SBM meeting, the Supervisory Body requested the secretariat to prepare a note summarizing the roles and responsibilities of host Parties and their implications on activities at various stages of the activity cycle.

The Secretariat has produced an information note on roles and responsibilities of host Parties and their implications on activities at various stages. This note has been considered and updated since SBM004. The SBM has requested that the secretariat incorporate explanations of host Party roles and responsibilities into the capacity-building activities and materials it produces under the capacity-building programme (mentioned below).

SIDS and LDCs may wish to review the note on roles and responsibilities of host Parties in order to better understand what is required of host Parties with regard to implementation of Article 6.4 activities.

Information on host Parties responsibilities will become more readily accessible through the Secretariat’s capacity-building programme, which is described below.

Information on the process for nominating a DNA can be found [here](#).

Information on the roles of a DNA can be found using the [resources tab](#) of the UNFCCC’s RCC page.
The SBM has also encouraged the secretariat to ensure that this information on roles and responsibilities of host Parties is made accessible to host Parties through various channels.

Most recently, the SBM requested the secretariat to prepare a comprehensive and user-friendly guide or manual that will take into account the views of host Party DNAs, for consideration of the SBM at its 13th meeting. This information note will be shared with host Party DNAs for their feedback and a consultation webinar will be organised as part of the regular interactions with the DNAs to solicit their feedback on the note.

<p>| 1.5. <strong>Engagement with stakeholders</strong> | Paragraph 24 (c) (iii) and (iv) of the annex to Decision 3/CMA.3 states that the SBM shall support the implementation of the mechanism by, inter alia, promoting public awareness of the mechanism and facilitating dialogue with host Parties and other stakeholders in the mechanism. | The SBM’s rules of procedure make specific provisions for engagement with stakeholders. In particular, SBM meetings are open to attendance by observers, including Parties or UNFCCC-admitted observer organisation. Observers may, upon invitation by the Supervisory Body, make presentations relating to matters under consideration by the SBM. | The SBM has been very intentional about its engagement with stakeholders and has ensured opportunities for stakeholders to provide both written and verbal input on documents under consideration by the SBM. SIDS and LDCs may wish to take note of this, and engage with the SBM through the various avenues, i.e., attendance at the SBM meetings as an |
| 1.6. <strong>Capacity building</strong> | Decision 3/CMA.3 requests the secretariat to design and implement a capacity-building programme to assist Parties that wish to voluntarily participate in the mechanism to: From the inception of the SBM, the Secretariat has been progressing a capacity-building programme. At SBM001, the SBM requested the secretariat to develop a concept note on this capacity building programme, observer, providing written input in response to calls for input or just generally in response to the opportunity to publicly comment on documents under consideration, or requesting to make interventions at the dedicated time for stakeholder interaction at the various SBM meetings, on issues of importance or particular concern. Calls for input are published on the SBM’s website, under the tab “stakeholder engagement”. More information on accessibility to meetings can be found <a href="#">here</a>, including instructions on how an observer can register to attend a meeting. |
|---|---|---|
| | under consideration by the Supervisory Body at its meetings. Further, the SBM may invite specific stakeholders to a meeting to seek their views on specific items on the meeting agenda. The SBM also receives public comments, including from stakeholders, on meeting documentation up until one week prior to each meeting and may invite comments on specific documents through “calls for inputs” on documents under consideration by the SBM. Observers are invited to interact with SBM members and alternate members during meetings, and there is an informal interaction at each meeting whereby stakeholders are given opportunity to share their views in open session. | Thus far, 26 capacity building activities have been conducted (e.g., conferences, workshops, Webinars, forums, panels). |</p>
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<th>1.7. <strong>Consideration of gender action plan</strong></th>
<th>Decision 3/CMA.3 requests the SBM to consider the gender action plan and the incorporation of relevant actions into the work of the Supervisory Body.</th>
<th>The concept note for the gender action plan can be found <a href="#">here</a>.</th>
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<td>At its 8th meeting, the SBM considered the gender action plan as drafted by the secretariat and requested the secretariat to:</td>
<td>Requests for capacity-building can be made to the Regional Collaboration Centres (RCC) accordingly.</td>
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<td>The Secretariat has been requested to widely disseminate capacity-building materials.</td>
<td>Information on the Regional Collaboration Centres and their activities can be found <a href="#">here</a>.</td>
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<td>Since then, the secretariat has worked to implement the capacity building programme through various activities, including capacity-building in connection with the transition of eligible CDM project activities and programmes of activities to the Paris Agreement Crediting Mechanism.</td>
<td>The capacity building resources on Article 6 produced by various recognised entities in conjunction with the RCCs can be found through <a href="#">this link</a>, by typing “article 6” in the search bar.</td>
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<td>At its 7th meeting, the SBM recommended designing capacity-building activities that address the capacity of designated operational entities in LDCs and SIDS as well as support for development of Paris Agreement Crediting Mechanism methodologies.</td>
<td>The LDCs and SIDS could plan for such capacity building activities at country level together with reporting requirements under the Paris Agreement – preparation of Biennial Transparency reports (BTR).</td>
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<td>• Establish the necessary institutional arrangements to implement the Article 6.4 requirements and • Develop the technical capacity to design and set baselines for application in host Parties, including through its regional collaboration centres and in consultation with the Supervisory Body.</td>
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<td>1.8. <strong>Engagement with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group</strong></td>
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<td><strong>Decision 3/CMA.3, paragraph 5, requests the SBM to consider opportunities to engage with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group.</strong></td>
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| **The SBM views interaction with stakeholders, including local communities and indigenous peoples, as crucially important to the operationalisation of the mechanism.**  
   In particular, at its 6th meeting, the SBM recognised that direct stakeholder engagement, including with Indigenous Peoples and local communities, is vital to the work of the Supervisory Body and the PACM. The SBM also recognised that decisions taken by the Body and its work related to the Article 6.4 mechanism may affect Indigenous Peoples and local communities. |
| **Indigenous persons and local communities from SIDS and LDCs should be aware that there are dedicated avenues for their interaction with the SBM and that their input is valued.** |
As an outcome of its sixth meeting, the Supervisory Body requested the secretariat to launch a call for public inputs on how the Article 6.4 mechanism could better consider matters related to Indigenous Peoples and local communities.

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<tr>
<th>2. Activity cycle</th>
<th>2.1. Activity cycle procedure (projects)</th>
<th>Paragraph 24 of the annex to Decision 3/CMA.3 states that the Supervisory Body shall:</th>
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<td>Activity standard (projects)</td>
<td>Establish the requirements and processes necessary to operate the mechanism, relating to, inter alia:</td>
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<tr>
<td>Validation and verification standard (projects)</td>
<td>• The accreditation of operational entities as designated operational entities;</td>
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<td>Accreditation standard and procedure</td>
<td>• The registration of activities as Article 6.4 activities, the renewal of crediting periods of registered Article 6.4 activities and the issuance of A6.4ERs;</td>
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<td>• Ensuring that activities follow reasonable maximum time intervals between the steps in the activity cycle;</td>
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At its 8th meeting, the SBM adopted the "Article 6.4 activity standard for projects", the "Article 6.4 validation and verification standard for projects" and the "Article 6.4 activity cycle procedure for projects". These documents provide information on requirements for the design and implementation of A6.4 project activities.

The activity standard provides minimum requirements for requesting registration under the Paris Agreement Crediting Mechanism, requesting approval of post-registration change, requesting issuance of Article 6.4, emission reductions (A6.4ERs), renewal of the crediting period and deregistration from the Paris Agreement Crediting Mechanism.

All the basic information needed to design and implement an Article 6.4 project activity can be accessed here:

- Article 6.4 activity cycle procedure for projects
- Article 6.4 activity standard for projects
- Article 6.4 validation and verification standard for projects
- Accreditation regulations
**Article 6.4 progress update: work of the Supervisory Body on the Paris Agreement Crediting Mechanism**

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<tr>
<td><strong>• Accredit operational entities as designated operational entities</strong></td>
<td><strong>The activity cycle procedure</strong> sets out all procedural steps and requirements relating to the activity cycle processes for Article 6.4 projects. It describes the administrative steps to follow for activity participants, designated national authorities (DNAs), designated operational entities (DOEs), other stakeholders, the SBM and the UNFCCC secretariat for registration, post-registration change, renewal of crediting period and deregistration of an A6.4 project, as well as issuance of Article 6.4ERs for emission reductions or removals of greenhouse gases (GHGs) achieved by an A6.4 project and other actions related to the activity cycle of the Paris Agreement Crediting Mechanism.</td>
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<td><strong>The validation and verification standard</strong> provides designated operational entities (DOEs) with minimum requirements for validation of a proposed or registered A6.4 project of its compliance with the relevant activity design requirements, as well as for verification of greenhouse gas (GHG) emission reductions or net GHG removals achieved by a registered A6.4 project.</td>
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### Article 6.4 progress update: work of the Supervisory Body on the Paris Agreement Crediting Mechanism

The **accreditation standard** sets out the requirements applicable to applicant entities to become accredited under the PACM and DOEs to remain accredited. The accreditation procedure contains the series of rules and actions that shall be followed and/or undertaken by applicant entities and DOEs to obtain or maintain accreditation, as well as by the Supervisory Body and its support structure to conduct accreditation assessments of whether applicant entities/DOEs comply with the Article 6.4 accreditation requirements.

### 2.2. Methodologies

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<th>Decision 3/CMA.3 paragraph 5 requests the SBM to develop provisions for the development and approval of methodologies for the Article 6.4 mechanism, and, in this context, to:</th>
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<td>(i) Review the baseline and monitoring methodologies in use for the CDM with a view to applying them with revisions, as appropriate;</td>
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<td>(ii) Consider the baseline and monitoring methodologies used in other market-based</td>
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The SBM has made recommendations to the CMA on methodologies twice to-date, and both times have received a mandate to carry out further work. The contents of the recommendations on methodologies have been controversial and difficult for all Parties to accept.

As such, the SBM has continued to work on revising the recommendations on methodologies.

Further, given that host Parties have flexibility to specific certain methodological requirements in accordance with paragraph 27 of the Mechanism methodologies will provide the basis for assessing the number of A6.4 ERs (representing tonnes of CO2-equivalent emissions or removals) that will be creditable, and the basis for assessing whether activities satisfy additionality requirements. Therefore, methodologies will have a material impacts on the design of A6.4 activities, their associated costs and revenues, and their overall environmental impact.

SIDS and LDCs may wish to follow the SBM’s development of recommendations on methodologies.
mechanisms as a complementary input to the development of baselines and monitoring methodologies.

Paragraph 24 of the annex to Decision 3/CMA.3 states that the Supervisory Body shall establish the requirements and processes necessary to operate the mechanism, relating to, inter alia:

- The development and/or approval of methodologies (hereinafter referred to as mechanism methodologies) and standardised baselines for Article 6.4 activities;
- The approval and supervision of host Party national arrangements for accreditation of operational entities; development of mechanism methodologies, including applying baselines and other methodological requirements.

Paragraph 27 states of the annex to Decision 3/CMA.3 states that a host Party may specify to the Supervisory Body task the secretariat with the development of a comprehensive and user-friendly guide or manual on host party responsibilities (see section 1.4 of this table). It is expected that the manual will provide information on how the host country can ensure that its decisions regarding baselines and other methodological requirements are in line with the Article 6.4 rules.

The latest information on the workplan for work on methodological products by the SBM can be found [here](#).

The latest recommendations which were not accepted at CMA.4 can be found [here](#).
| 2.3. **Sustainable development tool** | Paragraph 24 of the annex to Decision 3/CMA.3 states that the Supervisory Body shall establish the requirements and processes necessary to operate the mechanism, relating to, inter alia:  
• the application of robust, social and environmental safeguards  
• the development of tools and approaches for assessing and reporting information about how | The SBM started considering the development of a Sustainable Development Tool at its 4th meeting.  
The draft tool has been under revision with a view to improving the tool for applicability and functionality, while at the same time ensuring that A6.4 activities contribute to sustainable development and apply robust social and environmental safeguards.  
Further work on the draft tool will be done by the SBM through an informal | SIDS and LDCs may wish to follow the developments on the draft Sustainable Development Tool and provide inputs on sustainable development criteria at various stages.  
For example, the secretariat, after its last meeting, launched a [call for public inputs on the Sustainable Development Tool](#) for two weeks from May 3 – 17, to receive inputs on the draft tool. SIDS and LDCs could participate in such calls and provide |
### Article 6.4 progress update: work of the Supervisory Body on the Paris Agreement Crediting Mechanism

Each activity is fostering sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative.

A working group in coordination with the Secretariat between the 11th meeting and the 13th meeting, with the aim of adopting the draft tool at its 13th meeting. The safeguards criteria and guiding questions for specific type of activities, such as those covered in appendix 1 of the draft A6.4 SD tool, will be considered at a later stage.

Inputs that would assist in ensuring that the tool considers SIDS/LDCs specific circumstances.

#### 2.4. Share of proceeds

Paragraph 24 of the annex to Decision 3/CMA.3 states that the Supervisory Body shall establish the requirements and processes necessary to operate the mechanism, relating to, inter alia:

- The share of proceeds levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

There are two types of “proceeds” enshrined in the Article 6.4 Mechanism. One is for administrative purposes, which covers the operationalisation of the mechanism, e.g., SBM meetings, capacity building exercises, setting up of and running the A6.4 mechanism registry and other administrative operations associated with the functioning of the A6.4 mechanism.

At its 2nd meeting, the SBM agreed on the structure and levels of share of proceeds for administrative expenses and on the level and process for monetary contributions from individual activities to the Adaptation Fund.

The following recommendations were made to the CMA by the SBM and subsequently adopted by the CMA in Sharm-el Sheikh at CMA.4:

- The share of proceeds to cover administrative expenses shall comprise:
  - A fee charged for a request for registration of an Article 6.4 activity (the registration fee uses a tiered scale – (i) Max US 2000 for an activity achieving average emissions reductions or removals over the first crediting period less than 15,000tCO2eq, (ii) Max USD 6,000 for an activity achieving annual average emission reductions or removals over 15,000tCO2eq).

Project activities in SIDS and LDCs are exempt from paying the administrative expenses associated with Article 6.4 activities. This, in effect, also excludes LDCs and SIDS from contributing to the share of proceeds for adaptation that comes from the 3% set aside of issuance fees collected at the time of requests for issuance.

The SBM has further proposed that project activities in LDCs be exempted in addition from the 5% share of proceeds for adaptation that is deducted in the form of units if the host Party so elects. This proposal has not been agreed by Parties as there was no decision on Article 6.4 at COP28.
The other type of share of proceeds is to support developing countries that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

While it was agreed that there would be these two types of share of proceeds, the levels and the processes related to ensuring that these proceeds are collected were not defined at the time of adoption of the Article 6 rulebook in 2021.

In Decision 3/CMA.3, the CMA requests the SBM to develop recommendations on the appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund.

In Decision 3/CMA.3, the CMA also requests the SBM to make recommendations on the share of proceeds levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

| the first crediting period of between 15,001 and 50,000 t CO2 eq and (iii) Max USD 12,000 for an activity achieving annual average emission reductions or removals over the first crediting period of over 50,000 t CO2 eq or for a PoA); |
| (b) A fee charged for inclusion of CPAs in a registered PoA (the inclusion fee is set at USD$1000 per inclusion); |
| (c) A fee charged for a request for issuance of A6.4ERs for a registered Article 6.4 activity (the issuance fee is set at a maximum of USD 0.20 per A6.4ER requested for issuance); |
| (d) A fee charged for a request for renewal of crediting period or PoA period for a registered project activity under Article 6, paragraph 4, of the Paris Agreement and PoA, respectively, and for renewal of CPAs included in a registered PoA (the renewal fee – same as the tiered registration fee); |
| (e) A fee charged for a request for approval of a post-registration change for a registered Article 6.4 activity (the post-registration change fee - a |
The CMA also requested the SBM to evaluate the implementation of the share of proceeds no later than in 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimise the resources available to the Adaptation Fund.

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<tr>
<th>Activities involving removals refer to those activities that remove carbon dioxide from the atmosphere. There are different types of removal activities, e.g., land-based removals like projects that protect and conserve forests and engineering-based removals like carbon capture and storage. The requirements for monitoring, reporting and accounting as well as for addressing risks associated with removals activities, such as reversals and leakage, can vary depending on the type of activity.</th>
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<td>Decision 3/CMA.3, paragraph 6 requests the Supervisory Body to elaborate and further develop activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, in addition to the activities referred to in the activity cycle.</td>
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<td>The SBM has made recommendations to the CMA on removals twice to-date, and both times has received a mandate to carry out further work. The contents of the recommendations on removals, as with methodologies, have been controversial and difficult for all Parties to accept. As such, the SBM has continued to work on revising the recommendations on removals.</td>
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<td>All of the above fees are waived for activities in LDCs and SIDS. See Decision 7/CMA.4, Annex, Section V for rules as adopted. With regard to the share of proceeds for adaptation, the CMA noted that the SBM agreed to deduct 3 per cent of the issuance fee paid for each request for issuance of Article 6.4 emission reductions and collectively transfer it annually to the Adaptation Fund. See Decision 7/CMA.4, para. 15.</td>
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### 4. Support Structure

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<th>4.1. Establishment of panels</th>
<th>Given the significance of the technical work tasked to the SBM, the SBM considered a support structure that allows for the utilisation of external technical experts in the development of recommendations for some of the aforementioned issues, including methodologies, removals and accreditation.</th>
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<td></td>
<td>At its 3rd meeting, the SBM agreed to establish a Paris Agreement Crediting Mechanism roster of experts, with experts in three specialisations: (i) Accreditation, (ii) Methodologies and (iii) Climate Policy. Experts shall follow set rules, be on the roster for two years with possibility for renewal, and be remunerated for their services. The terms of reference for experts can be found here. In general, familiarisation with Article 6.4, and the various areas of expertise is required as well as a higher university degree in the fields mentioned above.</td>
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<td></td>
<td>Persons from SIDS and LDCs that meet the requirements in the TORs for the roster of experts should apply to be on the roster. In particular, the SBM recognises the need to ensure balanced geographical representation among experts and therefore would welcome qualified experts from both SIDS and LDCs. The process for establishment of the roster involves a call for experts, which is issued by secretariat and placed on the A6.4 mechanism website, followed by an evaluation of responses, and a shortlist of candidates that meet the TOR. Further information on the selection process for the various panels and rosters can be found using the links below:</td>
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SIDS and LDCs may wish to follow the SBM’s development of recommendations on removals to ensure that the recommendations are sound and promote environmentally robust A6.4 activities.

The latest information on the workplan for work on removals by the SBM can be found here.

The latest recommendations which were not accepted at CMA.4 can be found here.
### Article 6.4 progress update: work of the Supervisory Body on the Paris Agreement Crediting Mechanism

Between the 3rd and 4th SBM meetings, the SBM selected experts to be in the Paris Agreement Crediting Mechanism roster of experts. The Supervisory Body requested that, for the next call, the secretariat make an additional effort to reach out to a wider audience, such as academia, underrepresented regions, and women.

At SBM004, the SBM agreed to establish a methodological expert panel, comprised of 10 members drawing on the roster of methodological experts. The methodological expert panel will be chaired by Ms. Molly Peters-Stanley and Mr. El Hadji Mbaye Diagne, as agreed at SBM009.

An Accreditation Panel was also established.

| 5. Overall mitigation in global emissions (OMGE) | Paragraph 24 of the annex to Decision 3/CMA.3 also requests the Supervisory Body to evaluate the implementation and delivery of overall mitigation in global emissions, including the percentage applied, no later than in 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimise the delivery of overall mitigation in global emissions for consideration and adoption by the CMA. | Because this process does not begin until 2026 at the latest, no specific work has been carried out to date. However, there are linkages with the design and development of the mechanism registry and OMGE given that there is a specific account in the registry for deductions for OMGE. | SIDS and LDCs should follow the registry discussion to ensure that they the process for ensuring OMGE is accurate and truly delivers OMGE. |

- Terms of reference of the Article 6.4 mechanism expert panels
- Procedure: Selection and performance evaluation of members of the expert panels under the Supervisory Body
- Procedure: Selection and performance evaluation of experts on the Article 6.4 mechanism accreditation roster of experts
### 6. Appeals and grievance procedure

According to paragraph 62 of the annex to Decision 3/CMA.3, Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by an independent grievance process.

Thus, the SBM set out to develop an appeal and grievance procedure in order to facilitate implementation of paragraph 62.

After much deliberation, at its 11th meeting, the SBM adopted the draft procedure - “Appeal and grievance processes under the Article 6.4 mechanism”.

This procedure describes the administrative steps to follow for stakeholders, activity participants and Parties to file an appeal against decisions of the Supervisory Body or submit a grievance to be addressed for cases within the Article 6.4 mechanism activity cycle, and for the UNFCCC secretariat, or the appeal or grievance panel to process such appeal or grievance, and resulting consequences.

The full appeal and grievance procedure can be found [here](#). Additionally, the SBM requested the secretariat to elaborate a user-friendly explanatory note on the application of the adopted procedure and make it publicly available on the UNFCCC website.

SIDS and LDCs should familiarise themselves with the procedure so that they are prepared in the event that an appeal or grievance needs to be submitted.

For reference, appeals can be filed against Supervisory Body decisions made in accordance with the activity cycle procedure and the methodology procedure, e.g., approval or rejection request for registration of a proposed A6.4 activity

And a grievance may be submitted only in respect of adverse effects of a social, economic or environmental nature that are suffered or may be suffered by local individuals, communities or businesses as a direct
### 7. CDM transition

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<th><strong>At CMA-4,</strong> the CMA requested the SBM to facilitate the tasks related to the transition of CDM activities to the Paris Agreement Crediting Mechanism by:</th>
<th><strong>At its 6th meeting,</strong> the Supervisory Body adopted the &quot;Standard for the transition of CDM activities to the Paris Agreement Crediting Mechanism&quot; and the &quot;Procedure for the transition of CDM activities to the Paris Agreement Crediting Mechanism&quot;. Both the standard and procedure became effective from January 1 2024. However, at the time of adoption, the SBM agreed that there were a few outstanding items that needed to be addressed in more detail.</th>
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<td>(a) Developing and operationalizing a procedure for requesting transition, which includes relevant forms, by no later than June 2023 and</td>
<td>As such, at its 8th meeting (SBM008), the SBM adopted a revised version of the CDM transition Standard and Procedure, which now include elaborated requirements for addressing non-permanence risk and assessing and monitoring environmental and social impacts in the standard, as well as a form for an addendum to be used for submitting additional documentation as part of a transition request in the procedure, and some editorial improvements.</td>
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<td>(b) Developing and operationalizing the transition process and reporting back at CMA-5.</td>
<td><strong>SIDS and LDCs</strong> that wish to transition CDM project activities to the Paris Agreement Crediting Mechanism can do so if such project activities meet the requirements set out in the <a href="#">CDM transition Standard</a>.</td>
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<tr>
<td><strong>SIDS and LDCs</strong> that wish to transition CDM project activities to the Paris Agreement Crediting Mechanism can do so if such project activities meet the requirements set out in the <a href="#">CDM transition Standard</a>.</td>
<td>In terms of the process to be followed to transition a CDM project activity, all information can be found here in the <a href="#">CDM transition Procedure</a>.</td>
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**consequence of the implementation or treatment of a registered A6.4 activity within the activity cycle under the Article 6.4 mechanism.**

See also press release [here](#).
Also, at SBM008, the SBM agreed that clean development mechanism (CDM) DOEs are allowed to verify and certify the requests for issuance from transitioned activities until 30 September 2025 and that starting from 1 April 2024, all CDM DOEs may wish to apply for Article 6.4 initial accreditation assessments that are to be conducted in accordance with the relevant section of the Article 6.4 accreditation procedure.
Conclusion

The SBM will continue to meet regularly to complete outstanding items in its workplan. Many of these items will be consequential from the perspective of environmental integrity. Two key elements that have already been contentious include the SBM’s draft recommendations on methodologies, and its draft recommendations on activities involving removals.

SIDS and LDC governments, and persons from SIDS and LDCs interested in the Paris Agreement Crediting Mechanism, may wish follow the SBM’s work closely, to ensure that its decisions and recommendations truly support the development of a robust mechanism with environmental integrity that contributes to achievement of the Paris Agreement goals. SBM recommendations will be forwarded to the CMA for further consideration and adoption. SIDS and LDCs will also want to ensure that sufficient capacity building opportunities exist to enable those countries that do wish to participate in Article 6 activities, to do so.

To achieve the best possible outcomes:

- SIDS and LDCs should advocate for enhanced, targeted capacity building by the UNFCCC Secretariat that is tailored to their own national circumstances.
- SIDS and LDCs should take advantage of the opportunity to provide comments on the SBM meeting documents on issues of importance for them, recognising that SBM meeting documentation is made available for public input up to two weeks prior to a scheduled SBM meeting.
- Additionally, SIDS and LDCs should respond to the specific calls for stakeholder input that are posted on the SBM website. In this way, SIDS and LDCs can ensure that their views of building a robust system with environmental integrity will be heard and taken into account.
- SIDS and LDCs have an opportunity to engage directly in decision making on Article 6.4 rules and on the implementation of these rules during meetings of the CMA.
- Finally, SIDS and LDCs may wish to identify persons that meet the terms of reference (TORs) for participation in the SBM’s expert panels (see links in Table 1) and encourage them to apply. In this way, SIDS and LDC representatives can contribute directly to the SBM’s support structure. SIDS and LDC governments may wish to share the calls for experts with their networks, as SIDS and LDC representatives are particularly welcome.
Annex 1 – excerpts from Decision 3/CMA.3 related to the Article 6.4 Supervisory Body

Decision 3/CMA.3 paragraph 5:

5. Requests the Supervisory Body to:

a) Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, first transfer from the mechanism registry, voluntary cancellation and other processes pursuant to chapters V.B–L and VIII of the Decision 3/CMA.3 (Delivering overall mitigation in global emissions);

b) In the context of developing and approving new methodologies for the mechanism:
   (i) Review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions, as appropriate, pursuant to chapter V.B of Decision 3/CMA.3 (Methodologies) for the activities under the mechanism (hereinafter referred to as Article 6, paragraph 4, activities);
   (ii) Consider the baseline and monitoring methodologies used in other market-based mechanisms as a complementary input to the development of baselines and monitoring methodologies pursuant to chapter V.B of Decision 3/CMA.3 (Methodologies);

c) Review the sustainable development tool in use for the clean development mechanism and other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism by the end of 2023;

d) Review the accreditation standards and procedures of the clean development mechanism with a view to applying them with revisions, as appropriate, for the mechanism by the end of 2023;

e) Expeditiously accredit operational entities as designated operational entities;

f) Ensure the implementation of the requirements referred to in paragraph 29 of Decision 3/CMA.3 (i.e., recognition of special circumstances of SIDS and LDCs) in relation to the least developed countries and small island developing States;
g) Consider ways to encourage participation by small and micro businesses in the mechanism, in particular in the least developed countries and small island developing States;

h) Consider opportunities to engage with the Local Communities and Indigenous Peoples Platform and its Facilitative Working Group;

i) Consider the gender action plan and the incorporation of relevant actions into the work of the Supervisory Body.

Decision 3/CMA.3 paragraph 6:

6. Also requests the Supervisory Body to elaborate and further develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022), on:

   a) Its rules of procedure (including in relation to transparency of meetings), and to operate and hold meetings on the basis of the Decision 3/CMA.3 pending any further decisions by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on the rules of procedure;

   b) Appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund;

   c) Activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, in addition to the activities referred to in chapter V of the Decision 3/CMA.3 (Article 6, paragraph 4, activity cycle);

   d) The application of the requirements referred to in chapter V.B of the Decision 3/CMA.3 (Methodologies).

Decision 3/CMA.3 paragraph 8:

8. Requests the Supervisory Body to evaluate the implementation of the share of proceeds set out in chapter VII of the annex (Levy of share of proceeds for adaptation and administrative expenses) no later than in 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimize the resources available to the Adaptation Fund for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;
Decision 3/CMA.3 paragraph 9:

9. Also requests the Supervisory Body to evaluate the implementation and delivery of overall mitigation in global emissions set out in chapter VIII of the annex (Delivering overall mitigation in global emissions), including the percentage applied, no later than in 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimize the delivery of overall mitigation in global emissions for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;