



Carbon Market Watch inputs to the Article 6.4 Supervisory Body ahead of its 8th meeting: methodological requirements

Brussels, 24 October 2023

Dear Members and Alternate Members of the Article 6.4 Supervisory Body,

Carbon Market Watch welcomes the opportunity to provide inputs to the Supervisory Body on "[A6.4-SB008-AA-A14](#) - Draft recommendation: Requirements for the development and assessment of mechanism methodologies". We have proposed specific text edits to version 8.0 of the document, which you can find below.¹

Specific text edits on methodological requirements (v8.0)

Section 3. Normative reference

| <u>Para</u> | <u>Current text (version 8.0)</u> | <u>Proposed changes</u> |
|-------------|--|--------------------------------|
| 8 | [The Supervisory Body may develop further guidance on modalities for determining eligibility of policy crediting to incentivize increased ambition and mitigation at a large scale, acknowledging that the approaches for crediting the introduction of policies is inherently different from crediting activities.] | Paragraph 8 should be deleted. |

¹ We would like to flag that in the morning (CEST) of 20 October 20, [the call for inputs webpage](#), indicated that the deadline for inputs on "Annex 14" (methodological requirements) had been extended to Thursday 26 October, which was later corrected to read "Annex 15" (removals). This must have been a typo, but it led us to believe there was an extension for inputs on this document, which is why our submission is a day late.

Section 4.1. Encouraging ambition over time (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 20 | [Mechanism methodologies shall ensure consistency with the element “encourage ambition over time” of paragraph 33 of the RMP through the application of an approach detailed in section 4.8 below.] | Paragraph 20 should be unbracketed. |

Section 4.2. Being real, transparent, conservative, credible (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 22 | Such estimation should be based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions or removals. | - Change “should” to “shall”. The text should read: “Such estimation should shall be based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions or removals.” |

Section 4.4. Contributing to the equitable sharing of mitigation benefits between participating Parties (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 31(d) & 32 | [(d) The application of an approach detailed in section 4.8.] 32. [Mechanism methodologies shall ensure consistency with the element “equitable sharing of mitigation benefits between participating Parties” of paragraph 33 of the RMP through the application of an approach detailed in section 4.8] {Note: This paragraph is an alternative to paragraph 31(d) above} | Delete 31(d) and remove brackets from paragraph 32. Deleting paragraph 31d and unbracketing paragraph 32 instead will ensure that it is a requirement to include a provision for an approach from 4.8, rather than just an option to do so. In the current text, there are four provisions listed in paragraph 31 but it is only required to apply at least one of the four provisions (“These shall include one or more of the provisions below ...”). Therefore, it is better to have a standalone requirement to apply an approach from section 4.8, as in para 32,. |
| 33 | [The Supervisory Body will develop tools or guidance regarding the consideration of | Paragraph 33 should be unbracketed. |

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| | co-benefits in mechanism methodologies in relation to the equitable sharing of mitigation benefits between participating Parties.] | |
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Section 4.5. Aligning with the NDC of each participating Party, if applicable, its LT-LEDs, if it has submitted one, and the long-term goals of the Paris Agreement (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and striketrough |
|------|---|---|
| 35 | Mechanism methodologies shall require demonstration that the activity aligns with the policies, options and implementation plans of the host Party with regard to the latest nationally determined contribution (NDC) of the host Party, if applicable, its long-term low greenhouse gas emission development strategies (LT-LEDs), if it has submitted one, and the long-term goals of the Paris Agreement. | <p>After the second sentence, two sentences (in red below) from para 33 of version 7.0 of the draft recommendation (A6.4-SB007-A06), should be added back in.</p> <p>The text should read: “{...} and the long-term goals of the Paris Agreement. This shall include the demonstration that the expected crediting levels of the activity do not exceed the expected contribution of the sector or do not prejudice host Parties’ ability to meet these goals in any way. Mechanism methodologies should encourage the activity to facilitate increasing ambition in the NDCs.”</p> |
| 36 | [Mechanism methodologies shall contain provisions that require that the type of proposed activity applying the methodology has been approved by the host Party for implementation under Article 6.4, for example by showing that the activity is included in a published host Party approval list or in another formal communication of the relevant national authority or specified in its NDC implementation plan.] {Note: This paragraph has a linkage with paragraph 12(d) of A6.4-SB007-A02 - Draft Standard: Article 6.4 mechanism activity standard for projects (v.03.0) ³ } | Paragraph 36 should be unbracketed. |

Section 4.6. Aligning with the long-term temperature goal of the Paris Agreement (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 38 | <p>[Mechanism methodologies shall contain provisions for activities to align with the long-term temperature goal of the Paris Agreement by counting only emission reductions and removals of activities that avoid creating perverse incentives or avoid locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP. These provisions may include requirements for:</p> <ul style="list-style-type: none"> (a) Taking into account relevant Intergovernmental Panel on Climate Change (IPCC) publications; or (b) Demonstration that the emission levels from the activity are aligned with: <ul style="list-style-type: none"> (i) [Emission pathways that the host Party has identified to meet the long-term temperature goal of the Paris Agreement]; or (ii) [A pathway to deliver the long-term temperature goal of the Paris Agreement, as reflected in IPCC publications]; or (iii) [A pathway to deliver the long-term temperature goal of the Paris Agreement, as reflected in the host Party's LT-LEDS, where the latter takes into account different circumstances, capabilities and emission pathways that apply at the host Party level]. | <p>Prior to paragraph 38 in version 8.0, reintroduce para 37 from version 7.0 of the recommendation: <i>"37. Mechanism methodologies shall ensure that crediting levels set do not exceed levels that would prejudice achievement of the long-term goal of the Paris agreement."</i></p> <p>Paragraph 38 should also be unbracketed, with the edits highlighted below.</p> <p>The text should read:</p> <p><i>"37. Mechanism methodologies shall ensure that crediting levels set do not exceed levels that would prejudice achievement of the long-term goal of the Paris agreement.</i></p> <p>38. [Mechanism methodologies shall contain provisions for activities to align with the long-term temperature goal of the Paris Agreement by counting only emission reductions and removals of activities that avoid creating perverse incentives or avoid locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP. These provisions may include requirements for:</p> <ul style="list-style-type: none"> (a) Taking into account relevant Intergovernmental Panel on Climate Change (IPCC) publications; or (b) Demonstration that the emission levels from the activity does not create perverse incentives or lock in levels of emissions, technologies or carbon-intensive practices incompatible with the long-term temperature goal of the Paris Agreement, including by demonstrating are alignmented with: <ul style="list-style-type: none"> (i) [Emission pathways that the host Party has identified to meet the long-term temperature goal of the Paris Agreement]; or (ii) [A pathway to deliver the long-term temperature goal of the Paris Agreement, as reflected in the most recent IPCC publications]; or |

(iii) ~~[A pathway to deliver the long-term temperature goal of the Paris Agreement, as reflected in the host Party's LT-LEDS, where the latter takes into account different circumstances, capabilities and emission pathways that apply at the host Party level].~~"

Section 4.7. Approaches to set the baseline (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 39 | [Mechanism methodologies shall ensure consistency with the element "align with the long-term temperature goal of the Paris Agreement" of paragraph 33 of the RMP through the application of an approach detailed in section 4.8.] | Paragraph 39 should be unbracketed. |
| 42 | Mechanism methodologies shall contain provisions that require justification of the appropriateness of the choice of approach(es) made in the methodology for setting the baseline, with reference to the requirements of paragraphs 33 and 35 of the RMP. With regard to emission reductions, factors affecting the appropriateness of the choice shall include the (i) homogeneity or variability of emission sources with respect to technologies and measures applied, or sectors covered by the methodology; and (ii) availability of data required for the parameters for a conservative and reliable estimation of the baseline. When considering these elements, where applicable, experience from mitigation activities that have been already implemented may be considered. | <p>Replace "with regard to emissions reductions" with "with regard to emissions reductions and removals".</p> <p>The text should read: "Mechanism methodologies shall contain provisions that require justification of the appropriateness of the choice of approach(es) made in the methodology for setting the baseline, with reference to the requirements of paragraphs 33 and 35 of the RMP. With regard to emission reductions and removals, factors affecting the appropriateness of the choice shall include {...}"</p> |
| 43 | For the approach[es] identified in paragraph 36 of the RMP, the mechanism methodology shall contain provisions to apply the [approaches][methods] detailed in section 4.8 to adjust [the baseline emissions] [baseline emissions based on existing actual or historical | <p>Unbracket "[the baseline emissions]", delete "[baseline emissions based on existing actual or historical emissions]", and unbracket "[and to ensure consistency with paragraph 33 of the RMP]".</p> <p>The text should read:</p> |

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| | emissions] downwards [and to ensure consistency with paragraph 33 of the RMP]. | “{...} the mechanism methodology shall contain provisions to apply the [approaches][methods] detailed in section 4.8 to adjust [the baseline emissions] [baseline emissions based on existing actual or historical emissions] downwards [and to ensure consistency with paragraph 33 of the RMP]” |
| 45 | The Supervisory Body will develop further guidance [by developing a methodological tool] for the baseline-setting. | Change “guidance” to “requirements” and unbracket “[by developing a methodological tool]”. The text should read: “The Supervisory Body will develop further guidance requirements [by developing a methodological tool] for the baseline-setting.” |

Section 4.8. [Approaches][Methods] to address elements of paragraph 33 of the RMP and downward adjustment element of paragraph 36 of the RMP (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 48(a) | [Approach][Method] A: Under this method, forward-looking trajectories for the baseline parameter(s) in the methodologies, consistent with emissions pathways to achieve the long-term temperature goal of the Paris Agreement as described in an IPCC publication or the host Party LT-LEDs where they have been submitted, shall be used as quantitative adjustment factors to account for anticipated decarbonization of the sector. The adjustment factors are revised at each renewal of the crediting period. For example, this may include higher weightage for low-emitting prospective power plants as compared to the current stock of power plants in the estimation of country-specific or region-specific electricity grid emission factors]; | While there are some elements here that may be valuable, overall para 48a is too general and thus should be deleted (approach/method B is the best option – please see below cells). |

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| 48(b)(i) | Activity-level [recommendation][guidance] provided by the Supervisory Body regarding the development and application of factors; or | <p>Paragraph 48(b) should include an option for the Supervisory Body to develop these factors, rather than merely giving recommendations or guidance on its development.</p> <p>The text should read: “Development of default downward adjustment factors by the Supervisory Body Activity-level [recommendation][guidance] provided by the Supervisory Body regarding the development and application of factors”</p> |
| 48(b)(i) | Activity-level [recommendation][guidance] provided by the Supervisory Body regarding the development and application of factors; or | <p>In case our proposal in the cell above is not taken up, then “[recommendation]” should be kept and “[guidance]” should be deleted.</p> <p>The text should read: “Activity-level [recommendation][guidance] provided by the Supervisory Body regarding the development and application of factors;”</p> |
| 48(c) | <p>[Approach][Method] C: Identifying and approving activities eligible under the methodologies that are transformative and enable deep decarbonization consistent with emissions pathways as described in IPCC publications or the host Party LT-LEDs, if they have been submitted, to realize the long-term temperature goal of the Paris Agreement, taking into account national circumstances. Activities shall have the potential to transform an entire sector to low-carbon performance by leap-frogging (e.g. based on scalability, innovation potential, catalytic impact), as opposed to producing incremental improvements, taking into account the specificities of a sector, geographical location and level of uncertainty of GHG estimation, and national circumstances. [Quantitative information and credible projections regarding the performance of technologies, including adoption rates and regional circumstances, shall be considered.]</p> | <p>Delete paragraph 48c.</p> <p>Paragraph 48c seemingly does not have much to do with baseline-setting or with downward adjustments. It appears to contain general guidance rather than any concrete approach or method or requirement. Therefore, it is not a relevant approach/method to be considered in the context of this section and it should be deleted. Approach/Method B is the best option.</p> |

Section 4.9. Encouraging broad participation (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 53(a) | Where relevant for the sectoral and/or geographical coverage of the methodology, contain provisions that balance stringency and maximum participation by being accurate, simple, clear, and avoiding complexity such that a wide range of activity participants and host Parties can apply methodology requirements irrespective of the scientific infrastructure, financial resources available to them, and their national circumstances; | Change “balance stringency and maximum participation” to “uphold stringency and encourage broad participation”. Delete “and avoiding complexity”. The text should read: “{...} contain provisions that uphold balance stringency and encourage broad maximum participation by being accurate, simple, and clear, and avoiding complexity such that a wide range of activity participants {...}” |

Section 4.10. Including data sources, accounting for uncertainty and monitoring requirements (methodology principles)

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 58 | Mechanism methodologies shall contain provisions requiring a listing of data parameters that need to be monitored throughout the crediting period. This may include the data that is directly measured where necessary on a sample basis, and the data that are collected from other sources such as official statistics, expert judgment, IPCC guidelines, and scientific literature. In this regard, methodologies shall contain provisions on monitoring plans related to the collection and storing of all relevant data needed to estimate baseline, project and leakage emissions, including provisions related to quality assurance and quality control. | Change “throughout the crediting period” to “throughout the crediting period and monitoring period”. The text should read: “Mechanism methodologies shall contain provisions requiring a listing of data parameters that need to be monitored throughout the crediting period and monitoring period . {...}” |

Section 5. Additionality Demonstration

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 79(b) | An assessment of barriers to the implementation of the activity, such as the | - Change “including legislation and current practices within the activity sector and |

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| | <p>financial, technological, institutional barriers, taking into account all relevant national policies, including legislation and current practices within the activity sector and geographic area of the host Party, may be undertaken to complement the investment analysis referred above. Standalone barrier analysis as an alternative to the default investment analysis may be undertaken, only in cases where existence of barriers and corresponding incentives from the mechanism that help overcome those barriers can be evidenced, including through the monitoring of related parameters;</p> | <p>geographic area of the host Party” to “including legislation and current practices, in effect or set to take effect, within the activity sector and geographic area of the host Party”</p> <ul style="list-style-type: none"> - Change “may” to “shall” - Delete the second sentence <p>The text should read: “An assessment of barriers to the implementation of the activity, such as the financial, technological, institutional barriers, taking into account all relevant national policies, including legislation and current practices, in effect or set to take effect, within the activity sector and geographic area of the host Party, mayshall be undertaken to complement the investment analysis referred above. Standalone barrier analysis as an alternative to the default investment analysis may be undertaken, only in cases where existence of barriers and corresponding incentives from the mechanism that help overcome those barriers can be evidenced, including through the monitoring of related parameters;”</p> |
| 79(c) | <p>The proposed activity represents mitigation that exceeds any mitigation that is required by law or regulation, through a regulatory analysis conducted to assess whether the activity is mandated or triggered by applicable law or regulation. For this purpose, law or regulation applicable to the proposed activity that may require a certain technological, performance or management action shall be considered;</p> | <ul style="list-style-type: none"> - Change two instances of “by law or regulation” to “by law or regulation in effect or set to take effect”. - After the last sentence in para 79c, reintroduce the last two sentences of para 86b from version 6.0 (A6.4-SB007-AA-A12). <p>The text should read: “The proposed activity represents mitigation that exceeds any mitigation that is required by law or regulation, in effect or set to take effect, through a regulatory analysis conducted to assess whether the activity is mandated or triggered by applicable law or regulation, in effect or set to take effect. For this purpose, law or regulation applicable to the proposed</p> |

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| | | <p>activity that may require a certain technological, performance or management action shall be considered. The regulatory analysis shall establish that there are no legal requirements, either in effect or set to take effect, that would require or motivate implementation of the activity during the activity's forthcoming crediting period. If such legal requirements are identified, then crediting for the activity shall only be allowed until the date the legal requirements would take effect;"</p> |
| 84 | <p>Host Parties may also propose national positive lists for the consideration and approval by the Supervisory Body, where necessary using the process for the development of standardized baselines. Positive lists of technologies are activities deemed automatically additional. The following conditions apply to positive lists:</p> | <ul style="list-style-type: none"> - Include a provision for negative lists. - Change "Positive lists of technologies are activities deemed automatically additional" to "Positive lists of technologies are activities that may face lower additionality requirements" - Insert other additions specified below <p>The text should read: "Host Parties may also propose national positives lists for the consideration and approval by the Supervisory Body, where necessary using the process for the development of standardized baselines. The Supervisory Body may approve a list of technologies that are not considered additional, termed a negative list of technologies. Host Parties may also propose national negative lists, for approval by the Supervisory Body. Activities covered by a national negative list are not considered additional and cannot be registered under the 6.4 mechanism in the host Party. If they have already been registered and have an active crediting period, the crediting period shall not be renewed. Positive lists of technologies are activities deemed automatically additional that may face lower additionality requirements, for which the Supervisory Body shall further</p> |

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| | | define conditions in the event any positive lists are proposed.” |
| 84(a) | Activity types that can show, in the national context, that their costs exceed revenues and savings and that they have very low penetration rates; | Define “very low” penetration rates or introduce language indicating that the Supervisory Body shall further define the conditions detailed in para 84 in the event any positive lists are proposed. |
| 84(c) | They should be periodically reviewed and updated; | Change “should” to “shall” and add “at least once every 3 years”. The text should read: “They shall should be periodically reviewed and updated, at least once every 3 years; ” |
| 84(d) | They should be developed based on inputs from experts and the public and should include independent assessment and validation. | Change two instances of “should” to “shall”. The text should read: “They shall should be developed based on inputs from experts and the public and shall should include independent assessment and validation.” |
| 85 | The Supervisory Body will consider whether to develop a globally applicable positive list at a future meeting of the Supervisory Body. | Paragraph 85 should be deleted. |
| 85 | The Supervisory Body will consider whether to develop a globally applicable positive list at a future meeting of the Supervisory Body. | In case paragraph 85 is retained (it should be deleted, see cell above), at the minimum, change “will” to “may”, in which case it would read: “The Supervisory Body may will consider whether to develop a globally applicable positive list at a future meeting of the Supervisory Body.” |

Section 6. Leakage

| <u>Para</u> | <u>Current text (version 8.0)</u> | <u>Proposed changes</u> |
|-------------|---|--|
| 90 | Leakage may be avoided, minimized, or addressed by, inter alia: | “May” seems to conflict with the “requirement” detailed in para 88b, which must not be weakened. Please see the below proposed edit. |

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| | | The text should read: “Leakage shall may be avoided, minimized, or addressed. This may be done by, inter alia” |
| 91 | For some types of activities, monitoring at jurisdictional level and use of a standardized baseline (or equivalent) is necessary to quantify and account for leakage. [In addition, further work will be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.] | Unbracket “[In addition, further work will be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.]”. The text should read: “For some types of activities, monitoring at jurisdictional level and use of a standardized baseline (or equivalent) is necessary to quantify and account for leakage. [In addition, further work will be undertaken by the Supervisory Body to assess the implications of activities implemented outside national borders and transboundary activities.]” |

Section 7. Non-permanence and reversals

| Para | Current text (version 8.0) | Proposed changes in red and strikethrough |
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| 94 | Mechanism methodologies shall address reversals of [removals][and emission reductions] using an approach consistent with the recommendations on removals. | Unbracket “[removals] [and emission reductions]”. The text should read: “Mechanism methodologies shall address reversals of [removals] and emission reductions] using an approach consistent with the recommendations on removals.” |

Contact

Jonathan Crook
jonathan.crook@carbonmarketwatch.org

Isa Mulder
isa.mulder@carbonmarketwatch.org



CARBON MARKET WATCH

