



Carbon Market Watch inputs to the Article 6.4 Supervisory Body ahead of its 16th meeting: Baseline standard

Brussels, 6 May 2025

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

Carbon Market Watch welcomes the Call for Input for the annotated agenda and related annexes of the next meeting of the Article 6.4 Supervisory Body. We would hereby like to submit input on [A6.4-MEP005-A01 Draft Standard: Setting the baseline in mechanism methodologies \(v.03.0\)](#)

While we appreciate the detailed work of the Methodological Expert Panel on the important process of baseline setting, our main concern is that we do not see all elements of the Rules, Modalities and Procedures (RMPs) reflected in the proposed Standard. Specifically, on paragraph 33 of the RMPs regarding encouraging ambition over time and alignment with nationally determined contributions, long-term low-emission development strategies and particularly the long-term temperature goal of the Paris Agreement, we see the need for the Standard to be improved in order to ensure, as per paragraph 36 of the RMPs, that “the proposed baseline approach is consistent with paragraphs 33”.

Our recommendations can be found below.

General comments

Mechanism methodologies have to ensure alignment with the long-term temperature goals of the Paris Agreement. A clear-cut way to do this is through the setting of the baseline, which is already called for: as we mention earlier, the RMPs require that baseline setting ensures alignment with the long-term temperature goal of the Paris Agreement. The current draft of the Baseline standard does not address this requirement in a meaningful way. Calling for mechanism methodologies to demonstrate that their activity “does not constrain but aligns with the long-term temperature goal and long-term goals of the Paris Agreement” without requiring this to be demonstrated quantitatively through baseline setting is a major shortcoming and a missed opportunity.

In the current draft, Appendix 1 contains further elaboration of section 4.6 of the Methodologies Standard. We note that these additional requirements frame the RMPs as a matter of proving the methodologies “do not constrain” the long-term temperature goal of the Paris Agreement, rather than providing guidance on how to concretely demonstrate that an activity aligns with this. Therefore, the requirements for alignment with the long-term temperature goal are not adequately addressed.

Moreover, the requirements for alignment of activities to the long-term temperature goal and long-term goals of the Paris Agreement are not adequately addressed, neither in the adopted Additionality Standard (including its section on analysis of lock in risk), nor in the current draft of the Baseline Standard, as explained above. We therefore urge the Supervisory Body to provide the MEP with further guidance to develop a method for assessing and demonstrating alignment with the long-term temperature goal of the Paris Agreement in a quantitative and enforceable manner.

The proposed downward adjustment also appears too low to ensure its stated objective of aligning with paragraph 33 of the RMPs, which includes raising ambition over time and aligning with the long-term temperature goal of the Paris Agreement. A 1% annual increase in downward adjustment may only represent a modest adjustment for many project types, allowing a level of crediting which risks being incompatible with the long-term temperature goals: e.g. if a sector in a country is 95% decarbonised in 2040, then there will be only limited remaining interventions to credit, which in turn may require higher adjustments than a 1% annual increase. The Supervisory Body should request the MEP to review its proposal for a 1% annual increase in the downward adjustment and to include clearer justifications for the choice as it is unclear upon which criteria it is based.

In this regard, we draw attention to the concept of a “Paris Goal Coefficient”, proposed by Perspectives in their [report *Tool for Robust Baseline Setting*](#). This approach involves applying a coefficient that reduces baseline emissions over the crediting period in a linear manner, reaching zero by the year of the host country’s stated net-zero target (maximum net-zero target year dates should be applied, especially for developed countries, and can be informed by [Climate Action Tracker](#) and scientific literature). Such a method provides stronger guarantees of alignment with the long-term temperature goal of the Paris Agreement by establishing a direct and quantifiable link between baseline emissions and both national and global climate targets.

As a minor note, paragraphs 42 and 44 of the Standard are duplicates.

Please find our specific text comments below.

Specific comments: Standard

PARA	DRAFT STANDARD TEXT	COMMENTS
13	Mechanism methodologies shall require activity participants and developers of standardized baselines to transparently list and describe the sources of data considered and justify the vintage, relevance, accuracy, and conservativeness of the choices made. The data used shall be referenced. In cases where values, approaches or data sources are only applicable to specific scopes (e.g., geographic or sectoral scopes), the mechanism methodologies or standardized baselines shall clearly describe the scope of applicability of the respective values, approaches or data sources.	It should be made clear that this information must be publicly available.
24	Mechanism methodologies may either use separate approaches to demonstrate additionality and determine the baseline scenario or use a combined approach that both demonstrates additionality and determines the baseline scenario, depending on the approach selected. Specifically, it may be possible to use BAT or an ambitious benchmark to simultaneously determine the baseline scenario and apply “performance-based approaches” in demonstrating additionality (refer to the “Standard: Demonstration of additionality in mechanism methodologies”). Where a combined approach is used, both this standard and the standard “Demonstration of additionality in mechanism methodologies” shall apply.	This paragraph should be more specific in indicating which scenarios ‘may’ use a combined approach for additionality and baseline determination. If this is only foreseen to be applicable in the case of BAT or an ambitious benchmark, then it should be made clear that the choice to use a combined approach only applies in these cases and not in the case of a baseline based on actual or historical emissions.

49	<p>The BAT may need to be regularly revised to update the underlying analysis. The proponent of the mechanism methodology shall therefore specify the duration of the validity of the proposed methodology.</p>	<p>There should be a maximum time period over which BAT can be used without revision as a 'shall' requirement. BAT is dependent on highly dynamic developments and therefore 5 years should be an absolute maximum for a period without revision.</p>
72	<p>The annual increase in the downward adjustment shall correspond to at least 1% of the baseline emissions in the calendar year of the start date of the first crediting period. A pro rata approach may be used to apply this minimum value to periods other than a full calendar year.</p>	<p>The current proposal of at least a 1% annual increase in the downward adjustment does not ensure that the adjustment will achieve its stated objective of raising ambition over time and aligning with the long-term temperature goal of the Paris Agreement. No rationale is provided for selecting the 1% rate, and it appears too low to guarantee that the objective will be met in all cases. The Supervisory Body should request the MEP to provide a clear justification for this choice and to explore whether a more ambitious annual increase is needed to meet these objectives.</p>

77	<p>In determining the BAU scenario and quantifying the BAU emissions and/or removals pursuant to paragraphs 73 to 76 above, mechanism methodologies shall identify and incorporate in the BAU:</p> <p>(a) Any legal requirements, subsidies, taxes, fees and other relevant incentives related to the activity type or sector that are active or scheduled to take effect within the crediting period. All legal requirements shall be deemed to be enforced; and</p> <p>(b) Any specific national or sub-national targets for the sector or the type of activity, as long as these are supported by policy frameworks for implementation¹³, but not general goals that are not specific to the sector or type of activity.</p> <p>¹³The extent to which the policy frameworks in place are sufficient to enable the achievement of the targets may be considered in determining their relevance for the BAU scenario and quantification.</p>	<p>Incorporation of national or sub-national targets into the BAU should not hinge on the presence or absence of a “sufficient” policy implementation framework. This is too general and open to interpretation in its current wording. Just as other legal requirements should be considered enforced, legally binding targets should be considered equally enforced.</p> <p>If need be, a caveat can be applied here to state that specific national or sub-national targets for the sector or the type of activity shall be incorporated “unless such a target refers to or formally integrates the mechanism as an instrument for implementation”.</p>
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Specific comments: Appendix

PARA	DRAFT STANDARD TEXT	COMMENTS
13	With respect to alignment with the long-term temperature goal and long-term goals of the Paris Agreement, mechanism methodologies shall require activity participants to demonstrate that the proposed Article 6.4 activity as described in the PDD does not constrain but aligns with the long-term temperature goal and long-term goals of the Paris Agreement. This does not entail quantifying any linkage between the Article 6.4 activity and the long-term temperature goal.	A clear way to align mechanism methodologies with the long-term temperature goal and long-term goals of the Paris Agreement is to do so quantitatively. It is a shortcoming and missed opportunity for there to be no quantification linking the Article 6.4 activity and the long-term temperature goal. The SBM should request the MEP to conduct further work on quantifying linkages between the Article 6.4 activity and the long-term temperature goal of the Paris Agreement.

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