KICC

Korea Impact Carbon Corporation

Call for input 2024 - Issues included in the annotated agenda and related annexes of the thirteenth meeting of the Article 6.4 Supervisory Body "

5 July 2024

Dear Article 6.4 Mechanism team,

Korea Impact Carbon Corporation (KICC) would like to offer our inputs as below for the Supervisory Body's kind consideration, after our review of the annotated agenda and related annexes for the thirteen meeting.

1) Referring to: a64-sbm013-aa-a05 - Draft Procedure: Transition of CDM activities to the Article 6.4 mechanism (version 03.0)

A. 5.1 Submission of transition request and 5.3 host Party approval

> 8. In requesting the transition of a CDM PoA that had included CPAs under the CDM, the project participant shall specify which of the included CPAs that are eligible for transition to the Article 6.4 mechanism in accordance with the relevant provisions in the transition standard it wishes to transition to the Article 6.4 mechanism. CPAs included in a PoA under the CDM may transition to the Article 6.4 mechanism ~~only~~ in conjunction with, or subsequent to, the transition of the PoA to the Article 6.4 mechanism.

> 13ter. The project participant or DOE (hereinafter collectively referred to as the proponent) may proceed with the submission of the additional documentation referred to in section 5.4 below after at least one host Party has submitted an approval of transition. If the proponent wishes to transition any of the CPAs specified in the transition request subsequent to the transition of the CDM PoA, the proponent shall prepare the additional documentation referred to in section 5.4 below for each such transition request of CPAs.

> [1] This form is to be filled in, signed and submitted by the person authorized for scope (c) by the project participants of the clean development mechanism (CDM) project activity or programme of activities, as indicated in the modalities of communication submitted in accordance with the "CDM project cycle procedure for project activities" or "CDM project cycle procedure for programmes of activities" to the secretariat within six months of the publication of the host Party approval of the transition in accordance with the "Procedure: Transition of CDM activities to the Article 6.4 mechanism". The secretariat may convert this form into an electronic interface for the submission of this document, in which case the signature will be replaced with electronically secure means.
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- KICC would like to applaud SBM for incorporating our previous feedback and adjusting the multi-country PoA transition requirements. KICC believe that it is practical and reasonable to allow for transition of the CPAs subsequent to the transition of the PoA and also to allow for the transition of the PoA when at least one host Party provide approval for transition of the PoA. We fully support finalizing and adopting the revision highlighted in yellow.
- KICC is seeking clarification on the timing criteria for approval from each Host Party in the context of multi-country PoAs. Our understanding is that additional documentation must be submitted within 6 months of the publication of the Host Party's approval for the transition (as specified in the first annotation on

page 21). We would like to clarify whether this 6-month period applies separately at the CPA level. For example, if Host Party A of CPA1 publishes transition approval in January 2025, the additional documentation submission deadline would be June 2025. Conversely, if Host Party B under the same PoA submits approval in March 2025, the deadline for B's CPA submission would be September 2025, independent of CPA1's submission deadline.

B. 5.3. Submission of host Party approval

> 15. [*Placeholder for possible provisions on the submission of the statement of authorization on the use of A6.4ERs that will be issued for the proposed A6.4 project*][11]

- KICC understands that Supervisory Body has placed a placeholder for possible provisions on the submission of the statement of authorization on the use of A6.4ERs. In this section, we propose including a detailed guideline that clarifies the timeline for authorization, the possibility of changing the authorization of use, and the implications or practical steps to follow upon such a change including providing a form to approve/effect changing the authorization of use.

C. 5.4 Submission of additional documentation

> **5.4. Submission of additional documentation**
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> 17. If the project participant continues to apply the currently applied CDM methodology to the transitioning CDM project activity, or PoA and CPAs therein, in accordance with the relevant provisions in the transition standard, it shall, within 180 days of the publication of the host Party approval of transition in accordance with paragraph 16 above, submit to the secretariat, through a dedicated interface on the UNFCCC website, an addendum to the respective project design document (PDD), or PoA design document (PoA-DD) and CPA design documents (CPA-DDs), using the form contained in appendix 3[12] to attest that the CDM project activity, or PoA and CPAs therein, have been implemented in accordance with the registered PDD, or PoA-DD and CPA-DDs, as well as to demonstrate the

> [1] This form is to be filled in, signed and submitted by the person authorized for scope (c) by the project participants of the clean development mechanism (CDM) project activity or programme of activities, as indicated in the modalities of communication submitted in accordance with the "CDM project cycle procedure for project activities" or "CDM project cycle procedure for programmes of activities" to the secretariat within six months of the publication of the host Party approval of the transition in accordance

- KICC recommends aligning the submission deadline of "180 days" and "six months" to 180 days.

D. 5.7. Finalizing transition request

> 34. Irrespective of the effective date of transition, the crediting period of the transitioned project activity and CPAs as well as the PoA period of the transitioned PoA under the Article 6.4 mechanism shall start from 1 January 2021.

- KICC is seeking clarification regarding the crediting period for the transitioned project. While the crediting period officially begins on 1 January 2021, KICC would like to understand that the issuance of the A6.4ER could take place later (for instance, starting from vintage 2023).
- If the provision mentioned above is not established, KICC strongly recommends that the SBM allow the first monitoring period for the transited CDM activities under A6.4 mechanism to occur any time from 1st January 2021 onwards.

2) Referring to: A6.4-SBM013-AA-A08 - Draft Standard: Article 6.4 activity standard for programmes of activities (version 03.0)

A. 6.10 Authorization of activity participants

> **6.10. Authorization of activity participants**
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> 30. Each activity participant shall be authorized by the host Party of the proposed A6.4 PoA or other participating Party through a dedicated interface on the UNFCCC website for participating in the A6.4 PoA. If the PoA is hosted by multiple Parties, the authorization by the host Party may be provided by any of the host Parties. Each of the host Parties shall authorize at least one activity participant to participate in the PoA.

- For existing CDM PoAs, KICC understand that authorization has already been granted for activity participants under CDM. Therefore, for the CDM PoA transitioned to A6.4M, KICC believes that they do not need to seek new authorization from host Parties under A6.4M. If the provision mentioned above is not established, KICC strongly recommends that the SBM allow authorized activity participants under CDM to be automatically authorized under the A6.4 mechanism as well once the PoAs are transitioned.

3) Referring to: A6.4-SBM013-AA-A07 - Draft Standard: Article 6.4 activity standard for programmes of activities (version 03.0)

A. 11.1 Withdrwal of approval of a programme of activities or authorization of activity participant

11.1. Submission of withdrawal notification

274. A host Party of a proposed or registered A6.4 PoA may, through its DNA, submit a notification to the secretariat to withdraw the approval of the PoA or the authorization of any of the activity participants made in accordance with paragraphs 21–22 above at any time through a dedicated interface on the UNFCCC website, providing the following information:

(a) The PoA title and its unique UNFCCC reference number;

(b) The type of withdrawal (withdrawal of the approval of the PoA or withdrawal of the authorization of activity participants);

(c) The names of the activity participants to whom the withdrawal of authorization applies (applicable if the withdrawal only relates to the authorization of activity participants);

(d) The effective date of the withdrawal, which shall be at least 60 days after the date of notification of the withdrawal unless the host Party specifies an earlier date with justification;

(e) The reason(s) for the withdrawal.

275. Other participating Parties may, through their DNAs, withdraw the authorization of the activity participants made in accordance with paragraph 26 above any time through the dedicated interface on the UNFCCC website, providing the information listed in paragraph 274(a)-(e) above.

276. Upon receipt of the withdrawal notification, the secretariat shall promptly inform the affected activity participants of the notification and check whether the information provided is complete. If found incomplete, the secretariat shall request the DNAs of the Parties submitting the withdrawal to provide the missing information.

277. The secretariat shall publish the withdrawal of the approval of the PoA and/or the authorization of activity participants on the UNFCCC website on the effective date of withdrawal.

- KICC believes that the secretariat should carefully review the appropriateness of withdrawal notifications by host parties based on stringent rules and conditions. To prevent unreasonable revocation of authorization and approval, KICC strongly support that the secretariat has the authority to deny the withdrawal of authorization/approval by the host parties.

4) Referring to: A6.4-SBM013-AA-A10 – Draft tool: Article 6.4 sustainable development tool

A. Cover Note 6. Recommendations to the supervisory body and 2. Scope, applicability, and entry into force

6. Recommendations to the Supervisory Body

13. Based on the feedback provided by the Supervisory Body, at its eleventh meeting, and the review of inputs referred in the section 3 above, the secretariat has further revised the A6.4 SD tool and recommends that the Supervisory Body:

(a) Adopts the draft A6.4 SD tool; and

(b) Requests the secretariat to prepare the respective forms referred to in the A6.4 SD tool:

(i) A6.4 Environmental and Social Safeguards Risk Assessment Form;

(ii) A6.4 Sustainable Development Tool Form; and

(iii) A6.4 Environmental and Social Management Plan Form;

(c) Agrees that the application of A6.4 SD tool to become mandatory for transition of CDM activities to Article 6.4 mechanism only when the above three forms become available.

10. These three A6.4 SDtool forms (referred in paragraphs 8 and 9 above) shall be shared during the local stakeholder consultation, in accordance with host Party rules and/or Article 6.4 mechanism activity cycle procedures and section 6.9 and appendix 2 of Article 6.4 mechanism activity standards. ~~Based~~ When ~~on inputs received~~issues are raised from local stakeholder consultation, activity participants are required to revise/update the A6.4 Environmental and Social Safeguards Risk Assessment Form, the A6.4 Environmental and Social Management Plan Form and the A6.4 Sustainable Development Tool Form and shall submit them to a DOE for validation.

11. The validated A6.4 Environmental and Social Safeguards Risk Assessment Form, the A6.4 Environmental and Social Management Plan and A6.4 the Sustainable Development Tool Form shall be part of the registered activity documentation and will be used for ex-post monitoring during the crediting period and shall be verified by a DOE during each request for issuance of Article 6~~.4,~~ paragraph 4, emission reductions (~~[~~A6.4 ERs~~]~~).

12. Stakeholders| may submit any issue and comments related to compliance of this tool through the local stakeholder consultation and global stakeholder consultation prior to the registration of an activity as per Article 6.4 activity standard. After the registration of the activity under the Article 6.4 mechanism, the activity participants shall create and maintain until the end of the valid crediting period of the project a window for stakeholders to comment on compliance of this tool as per the continuous engagement of stakeholders, as defined in Article 6.4 activity standard, and appeal and grievance processes under the Article 6.4 mechanism. ~~All activities~~ Activity participants, DOEs and the secretariat will

[1] Environmental and social safeguards which are commonly observed in other international financial institutions, other UN agencies and voluntary carbon market systems.

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- We understand from recommendation 13(c) that the application of the A6.4 SB tool will become mandatory for transitioning CDM activities to the Article 6.4 mechanism once the three A6.4 SD tool forms are available. Additionally, the three A6.4 SD tool forms need to be shared during local stakeholder consultation before project validation and registration. Given that the transition of CDM activities do not require the local stakeholder consultation prior to registration, we would like to seek clarification on when and how the A6.4 SB tool will come into effect for transited activities.

5) Referring to: A6.4-SBM013-AA-A13 – Draft procedure: A6.4 mechanism registry

A. 7. Subsequent work and timelines clause 25 b)

> **7. Subsequent work and timelines**
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> 25. This procedure will need to be revised as further guidance from the CMA and the Supervisory Body become available, in particular on:
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> (a) The implementation of the rules for corresponding adjustments referred to in paragraph 12 of the annex to decision 2/CMA.3;
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> (b) The authorization on the use of A6.4ERs, including any subsequent change or revocation thereof. The current draft procedure assumes that the authorization status of A6.4ERs is determined prior to or, at the latest, at issuance, and does not change throughout the life of the A6.4ERs;
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> (c) The handling of CERs transferred from the CDM registry;
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> (d) Ownership and financial security interests in A6.4ERs held in the mechanism registry.

- The current draft procedure assumes that the authorization status of A6.4ERs is determined prior to issuance or, at the latest, at issuance, and remains unchanged throughout the life of the A6.4ERs. However, flexibility is needed to allow for the fungibility of ITMOs. We suggest that the SBM allow for changes in authorization, especially concerning the use of A6.4ERs if the proposed changes (by the activity participants or acquiring Parties) are accepted by the Host Party.
- While enabling flexibility regarding authorization details, it is essential to manage the risk of revocation of authorization. The secretariat should have a process in place to evaluate revocation requests made by the Party and assess them against the guidance and/or rules to be established by A6.4SB. They can then potentially accept or decline the Party's request for revocation when necessary.

B. 4. Registry functions and components 4.3. Account types

> 15. Opening a holding account in the mechanism registry for a public or private entity shall be authorized by the Party specified in the request for opening the holding account for accounting purposes. The mechanism registry administrator shall inform the Party of receipt of such request and request the Party to authorize or reject the opening of a holding account through a dedicated interface on the UNFCCC website. Upon authorization by the Party [and receipt of the account opening fee from the requesting entity], the mechanism registry administrator shall open the requested holding account as associated with the authorizing Party in the mechanism registry. The same public or private entity may open a holding account associated with a different Party subject to the authorization by that different Party.

- Guidance for Account Opening: It is essential to provide clear guidance to ensure that public and private entities are not unreasonably denied of the authorization by the Party.

16. Any Party may open its own accounts for retirement and/or for cancellation for other international mitigation purposes and for other purposes referred to in paragraph 11(f)–(h) above in the mechanism registry by submitting a request for opening such accounts through a dedicated interface on the UNFCCC website.

- The current draft lacks guidance on retirement accounts for NDC and accounts for cancellation related to OIMP. It is crucial to clarify how NDC/OIMP accounts will be opened and managed by the Party, especially regarding the detailed procedure for cancelling and tracking A6.4ERs that are retired or surrendered for NDC/OIMP.

20. A Party may request the mechanism registry administrator to suspend, re-activate or terminate any of the holding accounts of public or private entities that it had authorized to open in the mechanism registry at any time subject to the conditions for suspension, re-activation or termination of the holding accounts in accordance with [*rules to be developed*].

21. If a holding account is requested for termination, and if it still contains A6.4ERs and/or CERs, the registry administrator shall arrange for the transfer of the remaining units in accordance with [*rules to be developed*].

22. The mechanism registry administrator may suspend an account in the mechanism registry if it finds irregularity in the operation or use of the mechanism registry.

- Suspension and Termination Conditions: Specify the conditions for suspending, reactivating, and terminating holding accounts. Base suspension or termination on illegal or fraudulent activities by the account holder. Moreover, the registry administrator should promptly notify public and private entities when their accounts are suspended or terminated. In the case of termination, it is advisable to first suspend the account and allow a period for resolution before proceeding with termination.

25. For the A6.4ERs issued in the pending account, the mechanism registry administrator shall:

    (a) Distinguish whether they are AERs or MCUs in accordance with the statement by the host Party on the authorization on the use of issued A6.4ERs referred to in paragraph 42 of the RMPs;

- The current draft lacks a provision for cases where no authorization is given at the point of issuance. Clarification is needed regarding how authorization that comes in at a later stage will be handled.

34. A Party, or public or private entity, having a holding account in the mechanism registry may transfer AERs in its holding account to the account for cancellation of AERs for other international mitigation purposes referred to in paragraph 11(g) above if the Party has opened the latter account in the mechanism registry.

- How would an account holder under a Party that has not opened the OIMP cancellation account in the mechanism registry, proceed with cancellation of AERs for OIMP?
- There may be a need to create a cancellation account for OIMP directly under the A6.4M secretariat, rather than under a specific Party.

C. 7. Reporting and Transparency

> **7.1. Publicly available information**
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> 43. The mechanism registry shall stream information on the activities of the mechanism registry to be publicly available on the dedicated UNFCCC website in real time. This information shall include the information on, at minimum:
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> (a) The total amount of AERs and MCUs issued, AERs, MCUs and CERs cancelled mandatorily and voluntarily by cancellation type and purpose, and AERs and CERs retired in the reporting period and the accumulated amount since the beginning of the first report;
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> (b) The amount of AERs, MCUs and CERs in the holding accounts by vintage year.

- Clarification is needed regarding whether the transfer (or trade) data between accounts will be classified as publicly available information under section 7.1, and if so, whether this data will be published. KICC strongly recommends that the transfer data should not be disclosed to the public, as doing so could constitute a breach of confidentiality under certain commercial arrangements.