

Agenda item 3.4.

Paragraph 24 of the annotated agenda

Standard: Addressing leakage in mechanism methodologies

Article 6.4 Supervisory Body – Sixteenth meeting

Bonn, Germany, 12 to 16 May 2025



Procedural background

- SBM10: Approved the 2024 workplan and requested the MEP to develop recommendations for a leakage tool.
- MEP001: Initiated work and agreed to propose the development of a leakage standard.
- MEP002: Reviewed the draft standard and decided to continue refining it.
- MEP003: Further developed key concepts, general principles, and procedures to address leakage.
- MEP004: Finalized the first draft and agreed to seek public input.
- MEP005: Revised the draft based on feedback and agreed to recommend it to the SBM for consideration.



Purpose

The proposed draft “Standard: Addressing leakage in mechanism methodologies” will provide clarity on the requirements that mechanism methodologies shall fulfil with respect to addressing leakage.



Definition of leakage:

Changes in anthropogenic emissions and/or removals of GHGs that occur outside the activity boundary and that are attributable to the activity, including those resulting from changes in market demand or supply for associated outputs.

- (i) Positive leakage: Leakage where the implementation of an Article 6.4 activity results in a decrease in emissions and/or an increase in removals;
- (ii) Negative leakage: Leakage where the implementation of an Article 6.4 activity results in an increase in emissions and/or a decrease in removals.

Clarification that the activity boundary may also include greenhouse gas sources, sinks or reservoirs that are otherwise affected by the activity, such as emissions from an electricity system.

Rationale: for several activity types, such as renewable electricity generation, the mitigation benefits primarily arise from changes in upstream emissions (e.g. the electricity grid).

Procedure for addressing leakages

- First prevent negative leakages;
- If not, minimize negative leakages;
- And finally calculate and subtract for remaining net leakage.

⇒ This approach is aligned with the approach in the methodology standard.

Multiple type of leakages explicitly considered:

- Baseline equipment transfer
- Competition for resource use
- Diversion of existing production processes or outputs
- Ecological leakage

The footnotes in the standard provide examples for the leakage types as well as examples for addressing them.

The Standard: Addressing leakage in mechanism methodologies will provide further clarity on the requirements that mechanism methodologies shall fulfil with respect to addressing leakages.



Recommendations to the Supervisory Body

The MEP recommends the Supervisory Body to adopt the proposed draft “Standard: Addressing leakage in mechanism methodologies”.



Subsequent work and timelines

The MEP will prepare a proposed draft revision to this standard in the future to operationalize paragraph 83 (f), paragraphs 85 (c) through (e), and paragraph 87 of the Methodologies Standard.

