ARTICLE 6.4 MECHANISM

A6.4-SB009-A01

Recommendation

Requirements for the development and assessment of Article 6.4 mechanism methodologies

Version 01.1

United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session, requested the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) to elaborate and further develop recommendations on the application of the requirements referred to in chapter V.B (titled Methodologies) of the rules, modalities and procedures for the Article 6.4 mechanism (RMP)[1] for consideration and adoption by the CMA at its fourth session (November 2022).

2. The CMA, at its fourth session, requested the Supervisory Body to elaborate and further develop recommendations for consideration and adoption by the CMA at its fifth session (November–December 2023). It further requested the Supervisory Body, while developing the recommendations, to consider broader inputs from stakeholders provided in a structured public consultation process.[2]

2. Purpose

3. Based on the request of the CMA in its decision 3/CMA.3 and decision 7/CMA.4 and taking into account inputs received from stakeholders, the Supervisory Body approved the recommendation to the CMA related to "Requirements for the development and assessment of Article 6.4 mechanism methodologies", as contained in this document.

3. Normative reference

4. The "shall" requirements in this document are those that the user of this document (i.e., activity participants, host Parties, stakeholders, or the Supervisory Body) is obliged to meet in order to claim conformance to this document. Other types of provisions in this document include recommendations ("should"), permissions ("may"), possibilities and capabilities ("can") and items for inclusion in the work plan of the Supervisory Body ("will"). Besides prescriptive recommendations, explanatory information is also included in this document (e.g., summarizing the basis for or reasoning behind a requirement).

5. Reductions in emissions, increases in removals, as well as mitigation co-benefits of adaptation actions and/or economic diversification plans, are each and collectively referred to as 'emission reductions or removals' (6.4 ERs) in this document.

6. Mechanism projects, programmes of activities and component projects are collectively referred to as "activity" or "activities" in this document.

7. The terms "technologies", "measures" and "practices" are interchangeably used in this document and refer to technologies, measures, and practices across all sectors.

8. Where scientific information is relied upon for methodologies, IPCC publications should be used, when applicable.

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[1] See decision 3/CMA.3, para. 6(d), for the request, and the annex to 3/CMA.3 for the RMPs, contained in document FCCC/PA/CMA/2021/10/Add.1, available at: https://unfccc.int/documents/460950.

[2] See decision 7/CMA.4, paras. 21 and 22, for the request, contained in document FCCC/PA/CMA/2022/10/Add.2, available at: https://unfccc.int/documents/626570.

4. Methodology principles

9. Mechanism methodologies are intended to provide the basis for assessment of creditable emission reductions or removals, and whether activities satisfy additionality requirements.

10. Paragraph 33 of the RMP applies to methodologies, and it is relevant to baseline-setting, the avoidance of leakage, and the demonstration of additionality of activities.

11. Paragraph 34 of the RMP sets out additional requirements, including with respect to policies, national circumstances and reversals.

12. Paragraph 35 of the RMP frames the basic procedures for the development of methodologies by host Parties, the Supervisory Body and activity participants.

13. Paragraph 36 of the RMP provides a choice of approaches for the baseline-setting and requires the justification of the choice(s) made, including demonstration of consistency with paragraph 33 of the RMP.

14. Paragraph 37 provides for host Parties and the Supervisory Body to develop standardized baselines consistent with paragraph 33 of the RMP.

15. Paragraph 38 of the RMP applies to the demonstration of additionality of activities and identifies specific tests.

16. The Supervisory Body may at a future point in time undertake consideration of eligibility of other types of activities such as policy, jurisdictional or sectoral programme to incentivize increased ambition and mitigation at a large scale, and improve understanding of policy, jurisdictional or sectoral programme crediting approaches, acknowledging that these approaches are inherently different.

4.1. Encouraging ambition over time

17. Paragraph 33 of the RMP states that “Mechanism methodologies shall encourage ambition over time (…)”.

18. Mechanism methodologies shall contain provisions to ensure that total creditable amount of emission reductions are progressively reduced to encourage ambition of activities over time, while taking into account host Party circumstances and creditable amount of emission reductions required to remove barriers to the deployment of technologies as described in paragraph 19 below.

19. Mechanism methodologies shall contain provisions encouraging the deployment of technologies or measures that are not widely used or available in specific locations, to facilitate knowledge transfers and to encourage deployment of technologies or measures that reduce the cost of decarbonization and unlock investment in low-carbon solutions.

20. Mechanism methodologies may contain provisions to enable the inclusion of progressively more efficient and less greenhouse gas (GHG)-intensive technologies, replicable and scalable mitigation activities, an expanded user base, broader geographic coverage, and greater penetration of low-carbon solutions after initial deployment.

4.2. Being real, transparent, conservative, credible

21. Paragraph 33 of the RMP states that “Mechanism methodologies shall (…) be real, transparent, conservative, credible (…)”.

22. Mechanism methodologies shall contain credible methods for estimating emission reductions or removals to ensure that the results of Article 6.4 activities represent actual tonnes of GHG emissions reduced or removed. Such estimation should be based on up-to-date scientific information and reliable data, excluding extraneous cofactors affecting emission reductions or removals.

23. Mechanism methodologies shall contain provisions to require transparent descriptions of the source of the data used, the assumptions made, the references used and the steps followed in the estimation of the results of Article 6.4 activities, including equations where necessary.

24. Mechanism methodologies shall contain provisions aimed at the conservative estimation of emission reductions or removals from the measures applied, options chosen, or assumptions made, and shall not overestimate the emission reductions or removals from Article 6.4 activities.

25. Mechanism methodologies shall contain provisions to require Article 6.4 activities to have a robust monitoring and data capture system as well as a reporting system. Where secondary data is used, the mechanism methodologies shall contain provisions to require activity participants to provide justification that it is an appropriate and conservative source of data.

26. Mechanism methodologies shall contain provisions to ensure that emission reductions or removals are real, transparent, conservative and credible by:

    (a) Including robust, transparent and user-friendly measurement, reporting and verification systems;

    (b) Requiring the use of technical performance standards that are data driven;

    (c) Including requirements to demonstrate changes in GHG emissions that transparently shows each step in the calculations and the results, and ensure that the calculated emissions reductions or removals are uniquely achieved by and attributable to the activity;

    (d) Adopting life cycle approaches and considering embodied emissions of materials and products, where relevant;

    (e) Choosing the most conservative emissions baseline when multiple sources of data and parameters are available to set the baseline;

4.3. Establishing that the selected baseline is below business-as-usual

27. Paragraph 33 of the RMP states that “Mechanism methodologies shall (…) be below ‘business as usual’ (…)”.

28. Mechanism methodologies shall contain provisions to require that the baseline selected for an emission reduction activity in accordance with paragraph 36 of the RMP shall be demonstrated as being below ‘business-as-usual’ (BAU). BAU emissions are plausible

reference benchmarks or scenarios for GHG emissions prior to or in the absence of the implementation of the activity. For that purpose, mechanism methodologies shall require the identification of the BAU scenario or reference benchmark emissions and provide an approach for their estimation.

29. Mechanism methodologies shall contain provisions to require activity participants to calculate the difference between the baseline emissions estimated as per the requirements in section 4.6 below and BAU emissions estimated as per paragraph 28 above as a total amount with respect to the crediting period. This shall be demonstrated in the project design document and at each renewal of the crediting period.

4.4. Contributing to the equitable sharing of mitigation benefits between participating Parties

30. Paragraph 33 of the RMP states that "Mechanism methodologies shall…contribute to the equitable sharing of mitigation benefits between the participating Parties…".

31. Mechanism methodologies shall contain provisions for contributing to the equitable sharing of mitigation benefits between participating Parties. These may include one or more of the provisions below:

    (a) Conditions to ensure that the total length of the crediting period(s) of activities is shorter than the lifetime of the technology implemented where there is very high confidence that emission reductions from the technology continue to be achieved beyond the end of crediting period(s);

    (b) The application of conditions specified by the designated national authorities (DNAs) that ensure host Party benefits are retained.

32. The Supervisory Body will establish a process for host Parties to communicate their approach to the operationalisation of paragraph 31(b) above.

33. The Supervisory Body may prepare recommendations for host Parties, to assist them in the consideration of equitable sharing of mitigation benefits between participating Parties including co-benefits in mechanism methodologies.

34. Mechanism methodologies shall require the estimation of the mitigation benefits to the host Party, taking into account the relevant provisions in paragraph 31 above.

4.5. Aligning with the NDC of each participating Party, if applicable, its LT-LEDS, if it has submitted one, the long-term temperature goal of the Paris Agreement and the long-term goals of the Paris Agreement

35. Paragraph 33 of the RMP states that "Mechanism methodologies shall (…) in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement".

36. Paragraph 33 of the RMP states that "Mechanism methodologies shall (…) align with the long-term temperature goal of the Paris Agreement (…)".

37. Mechanism methodologies shall require demonstration that the activity, does not constrain, but 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 temperature goals and long-term goals of the Paris Agreement.

4.6. Approaches to set the baseline

38. Paragraph 36 of the RMP states that:

"Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 in the RMP and recognizing that a host Party may determine a more ambitious level at its discretion:

A performance-based approach, taking into account:

(i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;

(ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;

(iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 of the RMP."

39. Paragraph 27 of the RMP states that "A host Party may specify to the Supervisory Body, prior to participating in the mechanism: (a) Baseline approaches and other methodological requirements… ".

40. Mechanism methodologies shall contain provisions that require justification of the appropriateness of the choice of approach(es) identified in paragraph 36 of the RMP for setting the baseline, with reference to the requirements of paragraphs 33 and 35 of the RMP.

41. With regard to setting the baseline for emission reduction activities, factors affecting the appropriateness of the choice may include:

(a) Similarity of emission sources with respect to technologies and measures applied, or sectors covered by the methodology which may allow the use of an ambitious benchmark covered under paragraph 36 (ii) of the RMP; and

(b) Availability of data required for a conservative and reliable estimation of the baseline.

42. For the approaches identified in paragraph 36 of the RMP, mechanism methodologies shall contain provisions to apply the method detailed in section 4.7 below to adjust the baseline emissions downwards and to ensure consistency with paragraph 33 of the RMP.

43. A host Party may determine a more ambitious baseline requirement at its discretion and specify it to the Supervisory Body for approval.

44. The Supervisory Body will develop tool(s) for baseline setting (baseline tools). Mechanism methodologies may contain provisions that require the application of the baseline tool(s).

4.7. Addressing elements of paragraph 33 and paragraph 36 of the RMP

45. Mechanism methodologies shall address consistency of implementation of paragraph 36 of the RMP with the requirements of paragraph 33 of the RMP through the appropriate application of:

    (a) Downward adjustment to baseline included in paragraph 36 (iii) of the RMP; and/or

    (b) Downward adjustment to baseline resulting from or applied to the approaches in paragraph 36 (i) and (ii) of the RMP.

46. If the calculated difference in paragraph 29 above, demonstrates a downward adjustment which is greater than the adjustment calculated as per paragraphs 47 and 48 below, no further adjustment is required. Where the calculated difference in paragraph 29 above is less than the adjustment calculated as per paragraphs 47 and 48 below, further adjustment is required to align with the result of paragraphs 47 and 48 below to ensure consistency with the requirements of paragraph 33 of the RMP.

47. Factors or quantitative methods for downward adjustment shall be:

    (a) Included in the project design document and updated at each renewal of the crediting period;

    (b) Based on an estimation of emission reductions and removals necessary to achieve NDCs if applicable, and LT-LEDS where they have been submitted;

    (c) Based on an estimation of emission reductions and removals necessary to achieve the long-term temperature goal of the Paris Agreement differentiated by technology/sector or country/region, considering socio-economic conditions and accommodating different circumstances of the host Parties.

48. The downward adjustment shall be undertaken in a manner that considers economic viability of critical mitigation activities, large-scale transformation and decarbonisation technologies, negative emission approaches, and informed by the need of activities to contribute to achieving the long-term temperature goal of the Paris Agreement.

49. The downward adjustment to the baseline referred to above may be operationalized through:

    (a) Factors or quantitative methods for activities included in methodologies approved by the Supervisory Body. Activity participants, stakeholders or host Parties may propose factors or quantitative methods for the consideration of the Supervisory Body;

    (b) Development of factors or quantitative methods, jointly by the Supervisory Body and the host Party, with the provision for the host Party to make a request to the Supervisory Body to initiate the development of the factors or quantitative methods. The procedures for the standardized baselines may be used for this purpose; or

(c) Development of factors or quantitative methods by the host Party that are specified to the Supervisory Body for approval. The procedures for the standardized baselines may be used for this purpose.

50. The Supervisory Body will develop standards, tools, and guidance to inform the implementation of paragraphs 45-49 above.

4.8. Encouraging broad participation

51. Paragraph 33 of the RMP states that “Mechanism methodologies shall (…) encourage broad participation (…)”.

52. The Supervisory Body shall encourage development of methodologies covering a wide range of emission reduction and removal activities with broad sectoral and geographic coverage.

53. The Supervisory Body shall encourage participation of a broad range of stakeholders during the methodology development process by enabling informed consultation as described in the “Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools”.

54. Mechanism methodologies shall:

(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 the methodology requirements irrespective of the scientific infrastructure, financial resources available to them, and their national circumstances;

(b) Where relevant for the sectoral and/or geographical coverage of the methodology, particularly in least developed countries and small island developing States, contain provisions that take into account the context on the ground in host Parties, including institutional arrangements, and provide options to facilitate meeting of requirements, such as permitting the use of multiple data sources to address data gaps, and the use of conservative default values and/or use of benchmarked data from comparable regions to the extent they can be applicable;

(c) Use language that is easy to understand, inclusive, gender-sensitive and accessible to a wide range of stakeholders, including local communities and Indigenous Peoples.

55. The Supervisory Body and its support structure should ensure that, if it is necessary to invoke a requirement in a methodology that appears elsewhere in another methodology, this should be done by reference and not by repetition. If a test method or a procedure is, or is likely to be, applicable to two or more methodologies, a tool should be prepared on the method/procedure itself, and each methodology shall refer to it to prevent potential deviations.

4.9. Including data sources, accounting for uncertainty and monitoring requirements

56. Paragraph 34 of the RMP states that “Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors (…)”.

57. The Supervisory Body shall ensure that mechanism methodologies are transparent and comprehensible with respect to included assumptions, parameters, data sources and key factors.

58. Mechanism methodologies shall contain provisions to require the accounting of uncertainty associated with emission factors, activity data and other estimation parameters applied in the calculations of emissions reductions or removals.

59. 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.

4.10. Recognizing suppressed demand

60. Paragraph 33 of the RMP states that “Mechanism methodologies shall (…) recognize suppressed demand (…)”.

61. Suppressed demand in the context of an Article 6.4 activity is a situation where services provided to a population are insufficient to meet the basic human needs such as minimum amount of electricity for lighting, heating or cooling due to barriers, including low income or lack of infrastructure, and where the growth of emissions resulting from meeting such needs requires special consideration in the assessment of Article 6.4 baseline scenarios.

62. The Supervisory Body will recognize suppressed demand under a situation where the BAU cannot realistically provide the level of service required of the Article 6.4 activity by considering that the baseline scenario is not set based on the historical and continuation of the current condition, but rather based on an alternative that provides a level of service comparable to that provided by the Article 6.4 activity.

63. The Supervisory Body will recognize suppressed demand by including benchmarks and default factors in specific methodologies that may not be below BAU. The Supervisory Body will assess, on an activity-by-activity basis, whether suppressed demand is a plausible situation in a given context.

64. The Supervisory Body will develop a tool to provide guidance on how to determine supressed demand and the minimum level of service that may be considered as a reference level to determine the baseline.

4.11. Taking into account policies and measures and relevant circumstances

65. Paragraph 34 of the RMP states that "Mechanism methodologies shall (…) take into account (…) policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances (…)".

66. Mechanism methodologies shall contain provisions to take into account relevant circumstances, including national, regional, or local, social, economic, environmental and technological, based on robust data and verifiable information. In this regard, the type of data and information that would be necessary to meet the above provisions shall be specified in the methodologies, particularly with regard to eligibility conditions, setting the baseline, and demonstrating additionality.

67. The Supervisory Body will develop further guidance on how mechanism methodologies shall take into account policies and measures, and relevant circumstances.

4.12. Standardized baselines

68. Paragraph 37 of the RMP states that "Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party and be consistent with paragraph 33 of the RMP."

69. A standardized baseline is a baseline developed at the request of or by a host Party or a group of host Parties on a subnational, national, or group-of-Parties basis rather than on an activity basis to facilitate the determination of the baseline, calculation of the GHG emission reductions or removals and/or the determination of additionality for Article 6.4 activities, while ensuring environmental integrity within the scope of the standardized baseline.

70. The application of standardized baselines is not mandatory unless explicitly stated in an approved standardized baseline or in another standard approved by the Supervisory Body. When the application of a standardized baseline is not mandatory, activity participants may establish additionality or baseline emissions for their activity using other approved approaches as an alternative to applying a standardized baseline.

71. A host Party may specify the application of a standardized baseline as a mandatory requirement for the activities implemented in the host Party. The Supervisory Body may also specify the application of a standardized baseline as a mandatory requirement for certain cases such as when the standardized baseline is being used to address leakage emissions of an activity, as further detailed in section 6 below. The provisions in this paragraph may also apply to standardized baselines developed by or for a group of host Parties.

72. The approaches for setting the baselines referred to in section 4.6 above shall also be applied for the development of standardized baselines.

73. The host Party and the Supervisory Body should determine the level of aggregation taking into account the following:

    (a) A default level of aggregation shall comprise the facilities or equipment producing a similar type of output within the geographical boundaries of one Party or a

specific subregion determined by the Party. The level of aggregation may be expanded to a group of Parties with similar circumstances relating to the output;

(b) A default group of facilities should be disaggregated when significant dissimilarities exist in the performance of facilities or groups of facilities in the country/region. In this case, the disaggregation shall be carried out according to relevant criteria, such as scale of production, installed capacity or age of the facilities. Standardized baseline values should be determined for each group of similar facilities in this case;

(c) Disaggregation should not result in standardized baselines with overlapping applicability.

74. Standardized baselines shall include a default validity period of three years, starting from the date of approval by the Supervisory Body. A host Party may propose a shorter or longer validity period, taking into account the specificity of sectors in which activities are undertaken, and by providing justification for the consideration of the Supervisory Body.

75. After the validity of a standardized baseline has expired, the updated standardized baseline can be submitted by the host Party for the consideration of the Supervisory Body for approval. An updated standardized baseline shall not impact registered activities applying the previous version up to the end of their current crediting period.

76. Standardized baselines may be developed by the host Party and approved by the Supervisory Body following an assessment against the "Procedure: Development, revision, clarification and update of standardized baselines".

77. The Supervisory Body will develop and approve separate guidance on standardized baselines, including guidance on standardized baselines for a group of Parties.

5. Additionality demonstration

78. Paragraph 38 of the RMP states that "Each mechanism methodology shall specify the approach to demonstrating the additionality of the activity. Additionality shall be demonstrated using a robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism, taking into account all relevant national policies, including legislation, and representing mitigation that exceeds any mitigation that is required by law or regulation, and taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP".

79. Paragraph 39 of the RMP states that "The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body".

80. Mechanism methodologies shall contain provisions to require demonstration of additionality through the following elements:

(a) Demonstration that the proposed activity would not have occurred in the absence of the incentives from the mechanism through an investment analysis (default approach);

(b) 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 within the activity sector and geographic area of the host Party, may be undertaken to complement the investment analysis referred above. If activity participants want to use barriers to demonstrate additionality for their activity, they shall:

(i) Describe the barriers, including the reasons why investment analysis is not suitable;

(ii) Provide evidence of the barriers and how the mechanism will help overcome the barriers;

(iii) Include parameters in the monitoring plan to demonstrate how the barriers are overcome.

(c) 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;

(d) The proposed activity takes a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 of the RMP, including through an assessment of the scale, lifetime, and emissions intensity of the activity.

81. When formulating an approach to demonstrate the additionality, the Supervisory Body shall take into account any communication from the host Party regarding paragraphs 82 and 83 below.

82. When formulating an approach to the demonstration of additionality, mechanism methodologies should consider the relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances, in line with paragraphs 65–67 above, including Party-led identification of activities that may be transformative.

83. The Supervisory Body will develop further guidance and tools for the demonstration of additionality, including through a stepwise procedure to address the elements in paragraph 80 above; potential standardized performance-based approaches for determining additionality for application in methodologies that take into account best available technologies or an ambitious benchmark approach. Mechanism methodologies may contain provisions that require the application of these procedures and approaches.

84. Simplified approaches for demonstration of additionality for least developed countries or small island developing States will be developed by the Supervisory Body when a request is made by a least developed country or small island developing State.

6. Leakage

85. Paragraph 33 of the RMP states that “Mechanism methodologies shall (…) avoid leakage, where applicable (…)”.

86. Leakage refers to anthropogenic emissions by sources of GHGs that occur outside the activity boundary which are attributable to the Article 6.4 activity.

87. Mechanism methodologies shall contain provisions to:

    (a) Ensure that the potential sources of leakage in activities covered by the Article 6.4 mechanism methodology are identified, including, but not limited to, any sources referred to in paragraph 88 below;

    (b) Require activities to avoid or minimize all sources of leakage as far as possible by applying the appropriate approach(es) referred to in paragraph 89 below, including to address remaining leakage where necessary by discounting credited volumes as described in paragraph 89(a) below;

    (c) Require that activity participants list all the potential sources of leakage that may reasonably be attributable to the activity and describe how each one is being addressed. If the activity participant excludes any of the sources of leakage from consideration, they shall justify its exclusion;

    (d) Include, where necessary, provisions for robust monitoring, reporting and verification systems that encompass specific sources of potential leakage identified;

    (e) Include, where necessary, life cycle analysis of the products or material in relation to the source indicated in paragraph 88(d) below;

    (f) Require the activity participant to take into account relevant information from the DNA of the host Party on leakage, where available and as per the application of the tool referred to in paragraph 90 below.

88. Leakage may occur due to, inter alia:

    (a) Continued use of baseline equipment being transferred beyond the activity boundary;

    (b) Use of resources that have competing uses from activities outside the activity boundary that lead to a net change in emissions outside the boundary or shifts of pre-project activities that lead to a net change in emissions outside the boundary;

    (c) Diversion of existing production processes or services accounted for in the baseline, inter alia through relocation and continuation of baseline activities outside the activity boundary;

    (d) Impacts on upstream and downstream processes associated with the materials and services used by the activity, and/or products or services provided by the activity, relative to the baseline, unless they are accounted as activity emissions.

89. Leakage may be avoided, minimized, or addressed by, inter alia:

    (a) **Discounting credited volumes:** deducting emission reductions from credited volumes taking into account equipment lifetime, where applicable;

    (b) **Scrapping of baseline equipment:** undertaking and evidencing the destruction/decommissioning/disposal of baseline equipment;

(c) **Application of higher-level elements:** applying a standardized baseline at a higher level of aggregation (or equivalent) that is regularly updated and any associated higher-level monitoring information and/or system;

(d) **Nesting:** Aligning relevant aspects of activity design and implementing activities together with an existing higher-level crediting programme;

(e) **Upscaling implementation:** implementing activities at a higher level (e.g. sectoral, subnational, or national).

90. The Supervisory Body will develop a methodological tool for the implementation of paragraph 87 above.

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.

7. Non-permanence and reversals

92. Paragraph 34 of the RMP states that "Mechanism methodologies shall (…) address reversals, where applicable".

93. Mechanism methodologies shall address reversals of removals and emission reductions using an approach consistent with the guidance on activities involving removals.

94. The Supervisory Body will develop further guidance regarding the application of the guidance referred to in paragraph 93 above.

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Document information

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