

DRAFT TEXT

on

SBSTA 48-2 agenda item 12(b)

Matters relating to Article 6 of the Paris Agreement:

Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Version 1 of 9 September 02:00 hrs - corrected version*

Draft CMA decision containing the draft rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

I. Preamble

Option A {list of preambular paragraphs }

Option B {list of preambular paragraphs, including principles }

{see section II, Option A (Principles), in Annex I below for list of potential principles }

Option C {no list of preambular paragraphs }

{no text is required }

{end of Option C }

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

1. [Placeholder for adoption of Annex I to this decision {see Annex I}];
2. *Requests* the Subsidiary Body for Scientific and Technological Advice (SBSTA) to undertake the following work {see Annex II} and develop recommendations for a draft decision for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its second session (2019);
3. [Placeholder for welcoming election of the first members of the body that supervises the mechanism established by Article 6, paragraph 4, of the Paris Agreement (“the Article 6 mechanism”)];
4. [Placeholder for start date of Supervisory Body and any work for the Supervisory Body {see Annex II}];
5. [Placeholder for review of the rules, modalities and procedures at X future date];

* Reflects only corrections read out by the co-chairs at the closing contact group on 9 September 2018. All corrections are highlighted.

Annex I

Draft rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

I. Preamble *{see draft CMA adopting decision}*

II. Principles

Option A *{list of principles}*

1. The following principles [shall][should] guide the implementation of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the mechanism) *{potential list below}*:
 - (a) The mechanism [shall][should] contribute to the objectives of the Paris Agreement as referred to in its Article 2;
 - (b) In accordance with Article 6, paragraph 4(a), the mechanism [shall][should] aim to promote the mitigation of greenhouse gas emissions while fostering sustainable development;
 - (c) In accordance with Article 6, paragraph 4(b), the mechanism [shall][should] aim to incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;
 - (d) Pursuant to the aim set out in Article 6, paragraph 4(b), the mechanism [shall][should] aim to incentivize and facilitate the long-term engagement in the mechanism of Parties and public and private entities authorized by them;
 - (e) In accordance with Article 6, paragraph 4(c), the mechanism [shall][should] aim to contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution (NDC);
 - (f) In accordance with Article 6, paragraph 4(d), the mechanism [shall][should] aim to deliver an overall mitigation in global emissions;
 - (g) Pursuant to the preamble to the Paris Agreement, the mechanism [shall][should] respect, promote and consider Parties' respective obligations on human rights;
 - (h) Pursuant to Article 3, the mechanism should support the progression of each participating Party's efforts over time;
 - (i) Pursuant to Article 4, paragraph 3, the mechanism should support progression in successive NDCs of participating Parties;
 - (j) Pursuant to Article 4, paragraph 15, Parties [shall][should] take into consideration the concerns of Parties with economies most affected by the impacts of response measures, particularly developing country Parties, when participating in the mechanism;
 - (k) The mechanism and its rules, modalities and procedures [shall][should] ensure the environmental integrity of the mechanism;
 - (l) The mechanism allows for higher ambition of participating Parties in their mitigation and adaptation actions;
 - (m) The mechanism [shall][should] ensure that participation by a Party, and any public or private entities authorized by it, in the mechanism is consistent with the mitigation objectives of that Party;
 - (n) The mechanism [shall][should] ensure consistency with Article 3 and Article 4, paragraphs 3 and 4, including by preventing perverse incentives for not progressing towards economy-wide targets and not progressing beyond the Party's then current NDC;

- (o) The mechanism [shall][should] prevent perverse incentives for participating Parties not to authorize mitigation activities that deliver real, measurable and long-term benefits and emission reductions that are additional;
- (p) The mechanism [shall][should] prevent perverse incentives for participating Parties not to engage in a manner that is consistent over the long term and that provides predictability and a stable investment signal for public and private entities participating in the mechanism;
- (q) Participating Parties [shall][should] avoid unilateral measures that constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade;
- (r) The implementation of the mechanism [shall][should] be transparent;
- (s) Any Party may voluntarily participate in the mechanism, notwithstanding the type of its NDC;
- (t) All types of mitigation activity may be considered for registration under the mechanism;
- (u) Host Parties [shall][should] make own benefit contribution;
- (v) The equitable geographic distribution of activities [shall][should] be ensured;
- (w) The special circumstances of least developing countries and small island developing States [shall][should] be reflected;
- (x) In accordance with Article 6, paragraph 5, emissions reductions from the mechanism [shall][should] not be used to demonstrate achievement of the host Party's NDC if used by another Party to demonstrate achievement of its NDC;
- (y) In accordance with Article 6, paragraph 6 a share of proceeds from activities under the mechanism [shall][should] be used to cover administrative expenses as well as to assist developing countries that are particularly vulnerable to the adverse effect of climate change to meet the costs of adaptation.

Option B {no principles}

{no text required}

III. Definitions {at SBSTA 48.1 Parties agreed to return to definition section when the content of the rules, modalities and procedures is more settled}

- 2. {Placeholder for the definitions as per document SBSTA48.Informal.6.v2ed¹, the "May informal note"}

IV. Scope and purpose

A. Scopes of activities

- 3. The following mitigation is included within the scope of the mechanism: {potential list below}:
 - (a) Emission reductions;
 - (b) Emission removals;
 - (c) Emissions avoided;
 - (d) A full spectrum of mitigation activities, including mitigation co-benefits of adaptation actions and/or economic diversification plans.
- 4. The following types of mitigation activity may be registered as Article 6, paragraph 4, activities {potential list below}:

Option A {projects and programmes}

- (a) Projects;
- (b) Programmes of activities;

¹ <https://unfccc.int/documents/181520>.

Option B {projects, programmes, sectoral, other types approved}

- (c) Projects;
- (d) Programmes of activities;
- (e) Sectoral approaches;
- (f) Other types approved by the Supervisory Body;

Option C {Option B (a) to (d) plus other programmes} {text from Option B (a) to (d)}

- (e) Activities under non-UNFCCC programmes.

{end of Option C}

5. An A6.4ER [shall][should] be:

Option A {equal to one metric tonne}

- (a) Equal to one metric tonne of carbon dioxide equivalent (CO₂e);

Option B {in tonnes of CO₂e and other metrics}

- (b) In tonnes of CO₂e and other metrics.

{end of Option B}

6. An A6.4ER [shall][should] be calculated {potential list below}:

- (a) In accordance with the methodologies and common metrics assessed by the IPCC and adopted by the COP/CMA;
- (b) Using global warming potentials assessed/recommended by the IPCC and adopted by the COP/CMA;

7. An A6.4ER [shall][should] be issued in respect of mitigation:

Option A {achieved on or after 1 January 2020/2021}

- (a) Achieved on or after 1 January 2020/2021.

Option B {no time limitation}

{no text required}

B. Scope of rules, modalities and procedures {see also work plan for 2019}

Option A {special circumstances of LDCs and SIDS}

8. In relation to the least developed countries and small island developing States, the special circumstances of the least developed countries and small island developing States as set out in Article 4, paragraph 6, [shall][should] be recognized where these rules, modalities and procedures relate to NDCs.

Option B {no special circumstances}

{no text is required}

C. Purpose of rules, modalities and procedures

9. The purpose of these rules, modalities and procedures is to set out {potential list below}:

- (a) Key requirements and processes for the operation of the mechanism;
- (b) How each Party may use emission reductions resulting from Article 6, paragraph 4, activities towards achievement of its NDC pursuant to Article 6, paragraphs 4(b) and 5.

D. Purpose/aims of the mechanism {draft text needed}

V. Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

10. The CMA has authority over the mechanism and may provide guidance on the mechanism.
11. The CMA [shall][should] provide guidance to the Supervisory Body by taking decisions on {potential list below}:
(a) The recommendations made by the Supervisory Body on its rules of procedure;
(b) The recommendations made by the Supervisory Body in accordance with these rules, modalities and procedures and relevant decisions of the CMA;
(c) Grievance and redress processes;
(d) Any matters relating to the operation of the mechanism, as appropriate.
12. The CMA [shall][should]:
Option A {CMA is the body of appeal}
(a) Consider appeals against decisions of the Supervisory Body in accordance with decisions of the CMA relating to these rules, modalities and procedures.
Option B {CMA is not the body of appeal}
{no text required}
13. The CMA [shall][should] review these rules, modalities and procedures periodically/ by no later than {X date}, on the basis of recommendations from X.

VI. Supervisory Body

14. The Supervisory Body supervises:
Option A: {the mechanism}
(a) The mechanism established by Article 6, paragraph 4;
Option B {Article 6}
(b) Article 6 voluntary cooperation. Its supervision of the mechanism established by Article 6, paragraph 4 is set out in these rules, modalities and procedures.

A. Membership {see also work plan for 2019}

15. The Supervisory Body [shall][should] comprise X members from Parties to the Paris Agreement, as follows, ensuring/striving to ensure gender-balanced representation, and technical competence {potential list below}:
Option A {CDM EB model} {below text is taken from decision 3/CMP.1, annex, paragraph 7}
(a) One member from each of the five United Nations regional groups;
(b) Two other members from the Parties included in Annex I;
(c) Two other members from the Parties not included in Annex I;
(d) One representative of the small island developing States.
Option B {JISC model} {below text is taken from decision 9/CMP.1, annex, paragraph 4}
(e) Three members from Parties included in Annex I that are undergoing the process of transition to a market economy;
(f) Three members from Parties included in Annex I not referred to in subparagraph (a) above;
(g) Three members from Parties not included in Annex I;

(h) One member from the small island developing States.

Option C {new/compilation model} {potential list below}

(i) Ensuring balanced representation of Parties {potential list below}:

- (i) X members from each of the five United Nations regional groups;
- (ii) X members from developed country Parties;
- (iii) X members from developing country Parties;
- (iv) Equal representation of developing country Parties and developed country Parties;
- (v) X members from the least developed country Parties;
- (vi) X members from small island developing States.

Option D {Paris-based model²}

(j) Ensuring broad and equitable geographic representation

- (i) 2 members from each UN regional group;
- (ii) 1 member from least developed countries;
- (iii) 1 member from small island developing States.

{end of Option D}

16. X members from private sector organizations or non-governmental organizations.

{end of Option D}

Option A {election by CMA}

17. The CMA [shall][should] elect, on the basis of nominations by the relevant UN regional groups and other constituency groups:

Option A1 {members only in the Supervisory Body}

(a) members of the Supervisory Body;

Option A2 {members and alternate members}

18. members and an alternate for each member of the Supervisory Body.

Option B {Option A plus SBSTA Chair where failure to nominate}

{Option A above plus following}:

19. In the event that a regional group is unable to nominate within a specified deadline, the SBSTA Chair [shall][should] invite recognized regional experts to serve as member or alternate member, as appropriate, until the regional group nominates a member or alternate, for election by the CMA.

{end of Option B}

20. The term of the first members and alternates members[shall][should] be as follows: half the members and alternate members shall be elected for a term of {X divided by 2} years and the other half for a term of {X} years. All subsequent members and alternates shall serve for a term of {X} years.

B. Rules of procedure {see also work plan for 2019}

Option A {Rules of procedure of the Executive Board of the CDM}

{See decision 3/CMP.1 paragraphs XXX and decision 2/CMP.1 XXX}

² Note that this model for membership is called "Paris-based model" as it is the model used by the Article 15 committee as per decision 1/CP.21 paragraph 102, and by the Paris Committee on Capacity Building as per its Terms of Reference in decision 2/CP.22, Annex I paragraph 2.

Option B {Rules of procedure of the Joint Implementation Supervisory Committee}

{See decision 6/CMP.1 paragraphs XXX and decision XXXX}

Option C {Rules of procedure developed specifically for the Supervisory Body} {Note: Whether there are alternate members or not has not been decided but they are included here in order to avoid numerous options at this stage}.

21. Members and alternate members [shall] serve in their individual personal capacity.
22. Members and alternate members [shall][should] possess the following skills and capacities {potential list below}:
 - (a) Relevant technical expertise;
 - (b) Recognized competence in relevant scientific, technical, socioeconomic or legal fields.
23. Members and alternate members [shall] serve for a term of:

Option C1 {two years}

 - (a) Two years.

Option C2 {three years}

 - (b) Three years.

{end of option C2}
24. The maximum number of terms for any individual [shall] be:

Option C1 {two in total including terms served as an alternate member}

 - (a) Two terms, whether consecutive or not, and including any period as an alternate member.

Option C2 {two consecutive terms, including terms served as an alternate member}

 - (b) Two consecutive terms, including any terms served as an alternate member.

{end of option C2}
25. If a member or alternate member resigns or is otherwise unable to continue as a member or alternate:

Option C1 {constituency nominates replacement for remainder of term}

 - (a) The relevant constituency may nominate a replacement member/alternate to serve the remainder of the term;

Option C2 {Supervisory Body}

 - (b) The Supervisory Body may, bearing in mind the proximity to the next meeting of the CMA, appoint a replacement member or alternate member for the remainder of the term from a nomination communicated directly from the Party representing the relevant constituency.

{end of option C2}
26. A member or alternate may be suspended and/or the membership terminated by the CMA where {potential list below}:
 - (a) They fail to disclose a conflict of interest.
27. Costs for members and alternates including {further text needed} [shall][should] be borne by the share of proceeds for administrative expenses, and prior to sufficiency of the proceeds for administrative expenses, by {further text needed}.
28. Members and alternate members [shall] avoid actual, potential and perceived conflicts of interest and [shall][should] {potential list below}:
 - (a) Declare any actual, potential or perceived conflict of interest at the start of a meeting;
 - (b) Recuse themselves from any discussion where they have an actual, potential or perceived conflict of interest;
 - (c) Refrain from behaviours that may be incompatible with the requirements of independence and impartiality;

29. Members and alternate members [shall][should] ensure confidentiality, in line with best practice for confidentiality, including in respect of *{potential list below}* *{further text needed}*.
30. Meetings of the Supervisory Body [shall][should] be *{potential list below}*:
 - (a) *{held as needed but no less/more than X times per year}*
 - (b) *{open to observers unless closed for specific items}*;
31. X members, including alternates only when they are acting as members, shall constitute a quorum.
32. A quorum of members is required for *{potential list below}*:
 - (a) Meetings.
 - (b) Decisions.
33. Members and alternate members [shall] attend meetings and alternate members [shall] act as members when the member is not present, and *{placeholder for options on role of alternate members}*
34. The Supervisory Body [shall][should] elect a Chair and a Vice Chair from among its members *{further details needed}*.
35. Dates of meetings of the Supervisory Body [shall][should] be notified to members and alternate members no later than X weeks in advance of the start of the meeting.
36. Dates of meetings of the Supervisory Body [shall][should] be made public no later than X weeks in advance of the start of the meeting.
37. Meetings shall, unless closed for reasons of confidentiality, be open to be observed by the public.
38. Documents for meetings of the Supervisory Body [shall][should] be made public no later than X weeks in advance of the start of the meeting, unless confidential.
39. The Supervisory Body shall ensure transparency of decision making and [shall][should] make public its decision-making framework, and maintain a publicly accessible list of its decisions, procedures, standards and related documents.
40. Decisions of the Supervisory Body [shall][should] be taken by consensus whenever possible. If all efforts at reaching consensus have been exhausted, decisions [shall][should] be put to the vote and adopted by:

Option C1 *{three fourths plus one}*

 - (a) A majority of three fourths plus one of the members present and voting.

Option C2 *{simple majority}*

 - (b) A simple majority of the members present and voting.

{end of option C2}
41. The Supervisory Body shall adopt reports of its meetings and make the reports publicly available within X days of the end of its meeting.

Option C1 *{Grievance and redress processes are part of the Rules of Procedure}*
42. The Supervisory Body [shall][should] have processes to address grievances and ensure redress, that *{potential list below}*:
 - (a) Involve independent review;
 - (b) Are rights based, independent, accessible, equitable, transparent, legitimate, efficient.

Option C2 *{Grievance and redress processes are not part of the Rules of Procedure}*

{no text needed}

{end of option C2}

Option C1 *{A process for referring to the Article 15 committee is part of the Rules of Procedure}*
43. The Supervisory Body [shall][should] have processes to make referrals to the Article 15 committee.

Option C2 {*A process for referring to the Article 15 committee is not part of the Rules of Procedure*}

{*no text needed*}

{*end of option C2*}

C. Governance and functions {*see also work plan for 2019*}

Option A {*centralized system*}

44. In accordance with Article 6, paragraph 4, the Supervisory Body [shall][should] supervise the mechanism, under the authority and guidance of the CMA, and be accountable to the CMA. In this context, the Supervisory Body [shall][should], in accordance with decisions of the CMA {*potential list below*}:

- (a) Develop the requirements and processes necessary to operationalize the mechanism;
- (b) Operate the mechanism;
- (c) Support the implementation of the mechanism and its transparency.

Option B {*host Party led system*} and

Option C {*dual system (both centralized and host Party led)*} {*See the work plan for 2019*}

D. Role of the secretariat {*see also work plan for 2019*}

45. Pursuant to Article 17 and in accordance with decisions of the CMA, the secretariat [shall][should] serve the Supervisory Body.

VII. The mechanism registry

46. The Supervisory Body [shall][should] establish and maintain a registry for the mechanism (hereinafter referred to as the mechanism registry), in accordance with decisions of the CMA, containing {*potential list below*}:

- (a) A pending account, a holding account, forwarding account, retirement account, cancellation account and share of proceeds account;
- (b) A cancellation account for overall mitigation in global emissions.

47. The secretariat [shall][should] serve as the registry administrator to maintain the mechanism registry under the authority of the Supervisory Body, in accordance with decisions of the CMA.

VIII. Participation, benefits and responsibilities of host Parties

A. Participation requirements for host Parties

Option A {*participation requirements*}

48. A Party may participate on a voluntary basis in the mechanism by hosting Article 6, paragraph 4 activities if it meets the following requirements {*potential list below*}:

- (a) It is a Party to the Paris Agreement;
- (b) It has prepared, communicated and maintained successive NDCs and is currently maintaining an NDC in accordance with Article 4, paragraph 2, and relevant decisions of the CMA;
- (c) It complies with the requirements in Article 6, paragraphs 4 and 5;
- (d) It has designated a national authority for the mechanism and has communicated that designation to the secretariat;
- (e) It has a registry or has an account in the mechanism registry for holding A6.4ERs;
- (f) It submits national inventory reports in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13;

- (g) It ensures that its hosting of Article 6, paragraph 4 activities and generation of A6.4ERs therefrom is guided by its domestic mitigation objectives;
- (h) It ensures that its hosting of Article 6, paragraph 4 activities and generation of A6.4ERs therefrom delivers overall mitigation in global emissions through cancellation of X per cent of issued A6.4ERs;
- (i) Where applicable, it has in place national processes and institutional arrangements for hosting Article 6, paragraph 4 activities that have been certified by the Supervisory Body.

Option B {application of Article 6.2 guidance participation requirements}

49. A Party may participate in Article 6, paragraph 4 activities if it meets the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6 paragraph 2.

Option C {application of Article 6.2 guidance participation requirements if A6.4ERs are internationally transferred and used towards NDC}

50. A Party hosting an Article 6, paragraph 4 activity [shall][should] meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2 if A6.4ERs generated by the activity are internationally transferred and used towards NDCs.

B. Responsibilities/Roles of host Parties

Option A {responsibilities of hosting Parties}

51. A Party hosting an Article 6, paragraph 4 activity [shall][should] {potential list below}:
- (a) Provide confirmation to the Supervisory Body that participation by the Party and any participants in the proposed Article 6, paragraph 4 activity is voluntary;
 - (b) Provide authorization to the Supervisory Body of the proposed Article 6, paragraph 4 activity;
 - (c) Provide confirmation to the Supervisory Body that the proposed Article 6, paragraph 4 activity fosters sustainable development in the host Party;
 - (d) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity relates to the NDC of the host Party;
 - (e) Demonstrate that the proposed Article 6, paragraph 4 activity will contribute to overall mitigation in global emissions;
 - (f) When authorizing the participation of public or private entities in the Article 6, paragraph 4 activity, provide authorization of that participation to the Supervisory Body;
 - (g) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity conforms to the implementation of the United Nations Sustainable Development Goals in the host Party;
 - (h) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity conforms to the host Party's obligations on human rights;
 - (i) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity avoids negative social and economic impacts on other Parties, particularly developing country Parties;
 - (j) Provide an explanation to the Supervisory Body of the conditions under which it may withdraw its authorization of the proposed Article 6, paragraph 4 activity and/or withdraw its authorization of the participation of any public or private entities in the activity;
 - (k) Provide confirmation to the Supervisory Body that local stakeholder consultation has been conducted for the proposed Article 6, paragraph 4 activity;
 - (l) Provide confirmation to the Supervisory Body that the proposed Article 6, paragraph 4 activity respects the safeguards adopted by the Supervisory Body in relation to such activities;
 - (m) Have provided, in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13, information on all Article 6, paragraph 4 activities hosted by the Party and all A6.4ERs that the Party has internationally transferred or used towards achievement of its NDC;
 - (n) Make relevant decisions about additionality and baselines in accordance with the relevant principles, to ensure consistency with their long term and short term mitigation objectives;

- (o) Make publicly available, through the secretariat, information on all baselines that it intends to use, and give due opportunity for stakeholder comments.

Option B {application of Article 6.2 guidance participation requirements}

- 52. A Party hosting Article 6, paragraph 4 activities [shall][should] meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option C {application of Article 6.2 guidance participation requirements if A6.4ERs are internationally transferred and used towards NDC}

- 53. A Party hosting an Article 6, paragraph 4 activity [shall][should] meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2 if A6.4ERs generated by the activity are internationally transferred and used towards NDCs.

C. Benefits for host Parties

{See the work plan for 2019}

D. Addressing host-Party benefits

{See the work plan for 2019}

IX. Participation and responsibilities for transferring, acquiring and using Parties

A. Participation requirements for transferring, acquiring and using Parties

Option A {participation requirements}

- 54. A Party may transfer and/or acquire A6.4ERs, and/or use A6.4ERs towards achievement of its NDC, if it meets the following requirements {potential list below}:

- (a) It is a Party to the Paris Agreement;
- (b) It has prepared, communicated and maintained successive NDCs and is currently maintaining an NDC in accordance with Article 4, paragraph 2, and relevant decisions of the CMA;
- (c) If it has designated a national authority for the mechanism, it has communicated that designation to the secretariat;
- (d) It has a registry or has a Party account in the mechanism registry for holding A6.4ERs;
- (e) It submits national inventory reports and information relating to Article 6, paragraph 4 mechanism activities in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13.

Option B {application of Article 6.2 guidance participation requirements}

- 55. A Party may transfer or acquire A6.4ERs, and/or use A6.4ERs towards achievement of its NDC, if it meets the requirements for participating in cooperative approaches as set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option C {application of Article 6.2 guidance participation requirements only if A6.4ERs are internationally transferred, acquired and used towards NDC}

- 56. A Party acquiring internationally transferred A6.4ERs to use towards its NDC [shall][should] meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

B. Responsibilities/Roles of transferring/acquiring Parties

Option A *{responsibilities of transferring/acquiring Parties}* *{potential list below}*

57. A Party transferring or acquiring A6.4ERs [shall][should] have provided, in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13, information on all Article 6, paragraph 4, activities in which the Party is participating and all A6.4ERs that the Party has transferred or acquired.

Option B *{application of Article 6.2 guidance participation requirements}*

58. A Party transferring or acquiring A6.4ERs [shall][should] meet the requirements for participating in cooperative approaches as set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option C *{application of Article 6.2 guidance participation requirements if A6.4ERs are internationally transferred, acquired and used towards NDC}*

59. A Party acquiring internationally transferred A6.4ERs [shall][should] use towards its NDC to meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option D *{no responsibilities of transferring/acquiring Parties}*

{no text required}

C. Responsibilities/Roles of using Parties

Option A *{responsibilities of using Parties}*

60. A Party using A6.4ERs towards achievement of its NDC [shall][should] *{potential list below}*:
- (a) Provide confirmation to the Supervisory Body that participation by the Party and the participants in the proposed Article 6, paragraph 4 activity is voluntary;
 - (b) When authorizing the participation of public or private entities in the Article 6, paragraph 4 activity, provide authorization of that participation to the Supervisory Body;
 - (c) Provide confirmation to the Supervisory Body that the proposed Article 6, paragraph 4 activity fosters sustainable development in the participating Parties;
 - (d) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity conforms to the implementation of the United Nations Sustainable Development Goals in the participating Parties;
 - (e) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity and the use of A6.4ERs from the activity conforms to the Party's obligations on human rights;
 - (f) Provide an explanation to the Supervisory Body as to how the proposed Article 6, paragraph 4 activity and the use of A6.4ERs from the activity avoids negative social and economic impacts on other Parties, particularly developing country Parties.
 - (g) Provide an explanation to the Supervisory Body of the conditions under which it may withdraw its authorization of the participation of any public or private entities in the activity, if such conditions exist;
 - (h) Have provided, in accordance with the modalities, procedures and guidelines adopted by the CMA pursuant to Article 13, paragraph 13, information on all Article 6, paragraph 4 activities in which the Party is participating and all A6.4ERs that the Party has used towards achievement of its NDC.

Option B *{application of Article 6.2 guidance participation requirements}*

61. A Party using A6.4ERs towards achievement of its NDC [shall][should] meet the requirements for participating in cooperative approaches as set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option C {*application of Article 6.2 guidance participation requirements if A6.4ERs are internationally transferred, acquired and used towards its NDC*}

62. A Party using internationally transferred A6.4ERs towards its NDC [shall][should] meet the requirements for participating in cooperative approaches set out in the guidance for cooperative approaches referred to in Article 6, paragraph 2.

X. Participation by other actors

A. Incentivizing and facilitating participation of public and private entities authorized by a Party {potential list below}

63. Participating Parties [shall][should] incentivize public and private entities to participate in Article 6, paragraph 4, activities in accordance with the provisions relating to the authorization of such participation.
64. Participation in Article 6, paragraph 4, activities by public and private entities and other non-State actors may include acquiring and transferring A6.4ERs and using A6.4ERs:

Option A {*for purposes other than towards NDC*}

- (a) For purposes other than towards achievement of the NDC of a Party;

Option B {*for purposes towards NDC*}

- (b) For purposes towards achievement of the NDC of a Party;

Option C {*no limitation to purposes*}

- (c) For any purposes.

B. Authorizing participation of public and private entities

65. Participating Parties [shall][should] authorize public and private entities to participate in Article 6, paragraph 4 activities {*potential list below*}:
- (a) Drawing on the experience gained through the implementation of joint implementation and the clean development mechanism under the Kyoto Protocol;
- (b) In accordance with the national rules developed by each authorizing Party.

XI. Designated operational entities {*see also work plan for 2019*}

A. Validation of mitigation activities

66. A designated operational entity [shall][should] independently evaluate a mitigation activity against the requirements set out in these rules, modalities and procedures, relevant decisions of the CMA and relevant requirements developed by the Supervisory Body (hereinafter referred to as validation) for:
- (a) Registration of the mitigation activity as an Article 6, paragraph 4 activity;
- (b) Other purposes as may be defined by the Supervisory Body.

B. Verification and certification of emission reductions

67. A designated operational entity [shall][should] independently review and determine emission reductions/emission removals/emissions avoided/full spectrum that have occurred as a result of the implementation of an Article 6, paragraph 4 activity during the monitoring period (hereinafter referred to as verification) and provide written assurance of the emission reductions/emission removals/emissions avoided/full spectrum verified, for the issuance of A6.4ERs for the Article 6, paragraph 4 activity (hereinafter referred to as certification).

C. Regional availability

68. A designated operational entity [shall][should] strive to ensure regional availability with local sources and presence.

XII. Eligible mitigation activities

A. Mitigation activities in the context of the host Party's nationally determined contribution *{see also work plan for 2019}*

Option A *{mitigation activities may be inside or outside the host Party's NDC}*

69. Mitigation activities taking place in or outside the sectors/greenhouse gases/period covered by the NDC of the host Party may be registered as Article 6, paragraph 4 activities if they meet the requirements of these rules, modalities and procedures and relevant decisions of the CMA and the Supervisory Body.

Option B *{mitigation activities may only be inside the host Party's NDC}*

Option B1 *{applies to all Parties}*

70. Only mitigation activities that are in the sectors/greenhouse gases/period covered by the NDC of the host Party and meet the requirements of these rules, modalities and procedures and other decisions of the CMA and the Supervisory Body may be registered as Article 6, paragraph 4 activities.

Option B2 *{does not apply to all Parties – special circumstances of the LDCs and SIDS recognized}*

71. Only mitigation activities that are in the sectors/greenhouse gases/period covered by the NDC of the host Party and meet the requirements of these rules, modalities and procedures and relevant decisions of the CMA and the Supervisory Body may be registered as Article 6, paragraph 4 activities.

72. For Parties that are least developed countries or small island developing States, any mitigation activities may be registered as Article 6, paragraph 4 activities if they meet the requirements of these rules, modalities and procedures and relevant decisions of the CMA and the Supervisory Body.

Option C *{mitigation activities may only be outside the host Party's NDC}*

73. Only mitigation activities that are outside the greenhouse gases/sectors/period covered by the NDC of the host Party and meet the requirements of these rules, modalities and procedures and relevant decisions of the CMA and the Supervisory Body may be registered as Article 6, paragraph 4 activities.

Option D *{no specification on whether they may be within or outside the host Party's NDC}*

{no text is required}

Option E *{may be outside current NDC so long as within the subsequent NDC}*

74. Mitigation activities that are outside the greenhouse gases/ sectors/period covered by the NDC of the host Party and meet the requirements of these rules, modalities and procedures and relevant decisions of the CMA and the Supervisory Body may be registered as Article 6, paragraph 4 activities, on the condition that the greenhouse gases/sectors/period in which the activity operates is included in the subsequent NDC of the host Party.

75. Mitigation activities that are in the sectors/greenhouse gases/period covered by the NDC of the host Party and meet the requirements of these rules, modalities and procedures and other decisions of the CMA and the Supervisory Body may be registered as Article 6, paragraph 4 activities.

B. General requirements for mitigation activities *{see also work plan for 2019}*

76. In addition to specific requirements in these rules, modalities and procedures, an Article 6, paragraph 4, activity [shall][should] *{potential list below}*:

- (a) Deliver real, measurable and long-term benefits related to the mitigation of climate change;
- (b) Apply a crediting period approved by the Supervisory Body that is *{potential list below}*;

- (c) appropriate to the activity in the relevant host Party and consistent with that Party's long term and short term mitigation objectives;
- (d) Deliver permanent emission reductions/ensure permanence and avoid and/or require correction of reversals;
- (e) Avoid incentivizing the use of technologies in a manner that disincentivizes the uptake of newer, more environmentally friendly and/or less greenhouse gas intensive technologies;
- (f) Foster sustainable development in accordance with Article 6, paragraph 4(a);
- (g) Include local stakeholder consultation;
- (h) Not include activity types that have negative environmental impacts;
- (i) Foster transition towards a low-carbon economy, in accordance with the long-term low-emission development strategies of the participating Parties communicated in accordance with Article 4, paragraph 19;

77. An Article 6 activity [shall][should] be:

Option A {approval pursuant to decision 1/CP.21}

- (a) Authorized/approved by the host Party pursuant to decision 1/CP.21, paragraph 37(a);

Option B {approval without reference to decision 1/CP.21}

- (b) Approved by the host Party;

{end of Option B}

78. An Article 6 activity [shall][should] {potential list below}:

- (a) Not lead to an increase in global emissions;
- (b) Not impede the progression of the NDC of the host Party;
- (c) Be consistent with the United Nations Sustainable Development Goals and the sustainable development objectives of the host Party;
- (d) Be consistent with and not pose a threat to human rights;
- (e) Not include actions referred to in Article 5;
- (f) Be subject to the share of proceeds referred to in Article 6, paragraph 6;
- (g) Be subject to cancellation/discounting of A6.4ERs to deliver overall mitigation in global emissions.

C. Baseline approach {see also work plan for 2019}

Option A {list of principles for baselines} {potential list below}

79. Baselines [shall][should] be set in accordance with the following principles {possible list below}:

- (a) Application of a historic emissions approach;
- (b) Application of a dynamic baseline that is updated upon changes to the assumptions for setting the baseline or is automatically updated at the date of policy adoption;
- (c) Application of a conservative baseline that is below 'business as usual' and/or applies best available technologies and ensures transparency;
- (d) Application of a baseline that reflects all relevant national and sectoral policies of the host Party and is updated at the point of changes to those national and sectoral policies;
- (e) Application of a baseline and monitoring methodology that takes into account any net leakage due to the implementation of the activity;
- (f) Application of conservative default factors and/or higher default factors for the calculation of emission reductions;
- (g) Application of a relevant standardized baseline that is {potential list below};

- (i) Contextualised to related concepts;
- (ii) Subject to national discretion;
- (h) Application of a business as usual baseline;
- (i) Baselines [shall] be lower than the relevant current emission intensity levels;
- (j) Baselines [shall] be established at the greatest level of aggregation possible and avoiding project specific baselines;
- (k) A baseline [shall] comprise a level of GHG emissions representing a defined benchmark, where appropriate benchmarks are based on best available technology (BAT), including regional;
- (l) Any requirements regarding the establishment of baselines [shall] be conservative and ensure transparency with regard to the choice of approaches, assumptions, methodologies, parameters, data sources and key factors.
- (m) Baseline and monitoring protocols [shall] take into account any net leakage due to the implementation of the activity.
- (n) Ensure that A6.4ERs [shall] not be issued to activities that “lock in” an emission level inconsistent with the long-term goal of the Paris Agreement
- (o) Ensure that A6.4ERs [shall] not be issued for decreases in activity levels outside of the A6.4 mechanism activity or due to force majeure;
- (p) Baselines [shall] undergo a technical assessment process;
- (q) Development of methodologies [shall] be based on experience gained with and lessons learned from existing mechanisms adopted under the Convention and its related legal instruments;
- (r) Avoiding baselines that allow issuance of A6.4ERs for decreases in activity outside the activity;
- (s) Provisions requiring that when setting baselines, data sources and assumptions are clearly set out;
- (t) Take into account uncertainties.

Option B {no baseline approaches}

{No text needed}

- 80. An Article 6, paragraph 4 activity [shall][should] apply the above principles when setting the baseline and calculating emission reductions achieved by the activity, in accordance with the methodology approved by the Supervisory Body.
- 81. The Supervisory Body shall take into account the special circumstances of least developed countries and small island developing States in relation to baseline setting.

D. Additionality {see also work plan for 2019}

- 82. An Article 6, paragraph 4, activity [shall][should] be additional where it demonstrates:

Option A {reference to what would otherwise have occurred}

- (a) Reductions in emissions that are additional to any that would otherwise occur:

Option A1 {in absence of activity} {potential list below}

- (i) in the absence of the activity;

Option A2 {in absence of mechanism}

- (ii) in the absence of the mechanism;

Option A3 {in absence of the Paris Agreement}

- (iii) in the absence of the Paris Agreement.

Option A4 {reference to activity and mechanism }

(iv) in the absence of the mechanism. Additionality criteria [shall][should] be established for all activities that may be under the 6.4 mechanism. Criteria shall ensure that emissions are reduced below those that would have occurred in the absence of the mechanism.

Option B {reference to the NDC}

(b) Reductions in emissions that go beyond what would be achieved through the delivery of the NDCs of the host Party.

Option C {definition linked to scope of NDC}

(i) {further detail needed}.

Option D {takes into account national policies}

(c) That it takes into account all relevant national policies, including legislation;

Option E {positive lists}

(d) That the activity is included on a positive list adopted by the Supervisory Body.

Option F {no additionality requirement}

{no text required}

{end of Option F}

83. The requirement in paragraph 82 above [shall][should] not apply to Article 6, paragraph 4 activities hosted in least developed countries or small island developing States.

XIII. Mitigation activity cycle

A. Design

84. To develop a mitigation activity as an Article 6, paragraph 4 activity, the activity [shall][should] be designed to meet the requirements in these rules, modalities and procedures and any other relevant requirements defined by the CMA and the Supervisory Body, and a design document demonstrating the compliance with the requirements [shall][should] be developed for approval by the host Party.

B. Authorization by Party

85. Participants of the proposed mitigation activity [shall][should] be authorized by a Party involved.

C. Validation

86. The proposed mitigation activity [shall][should] be validated by a designated operational entity in accordance with the relevant validation requirements developed by the Supervisory Body.

D. Registration

87. After a positive validation, the design of the activity and the validation outcome [shall][should] be submitted to the Supervisory Body, in accordance with the relevant requirements developed by the Supervisory Body.

88. The mitigation activity [shall][should] be registered as an Article 6, paragraph 4, activity if the Supervisory Body decides that the design of the mitigation activity and the validation meet the relevant requirements developed by the Supervisory Body.

E. Monitoring

89. Monitoring of emission reductions achieved by a registered Article 6, paragraph 4, activity [shall][should] be in accordance with the relevant requirements developed by the Supervisory Body.

F. Verification and certification

90. The monitoring of the emission reductions [shall][should] be verified and certified by a designated operational entity in accordance with the relevant requirements developed by the Supervisory Body.

G. Issuance *{potential list below}*

91. For the issuance of A6.4ERs, the verification and certification [shall][should] be submitted to the Supervisory Body and be in accordance with the relevant requirements developed by the Supervisory Body.
92. The Supervisory Body [shall][should] approve the issuance of A6.4ERs if it decides that the verification and certification meet the relevant requirements developed by the Supervisory Body.
93. The registry administrator [shall][should], in accordance with section VII (The mechanism registry) and the relevant requirements developed by the Supervisory Body, issue the A6.4ERs into:

Option A *{issuance into the mechanism registry}*

- (a) the mechanism registry;

Option B *{issuance into a registry}*

- (b) the relevant registry.

H. Forwarding/transfer from the mechanism/a registry *{see also work plan for 2019}*

94. The registry administrator [shall][should] in respect of share of proceeds:

Option A *{unspecified destination of share of proceeds}*

- (a) Forward/transfer *X* per cent of the issued A6.4ERs to an account for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;

Option B *{specified destination of share of proceeds to Adaptation Fund}*

- (b) Forward/transfer *X* per cent of the issued A6.4ERs to an account held by the Adaptation Fund for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;

{end of Option B}

95. The registry administrator, in respect of overall mitigation in global emissions, [shall][should] cancel *X* per cent of the issued A6.4ERs to a cancellation account for implementing overall mitigation in global emissions.
96. The registry administrator [shall][should] for the remaining issued A6.4ERs, forward/transfer the specified amount of A6.4ERs in accordance with the instructions of the participants in the Article 6, paragraph 4, activity, in accordance with the relevant requirements developed by the Supervisory Body.

I. Voluntary cancellation *{see also work plan for 2019}*

97. The registry administrator [shall][should] cancel the specified amount of A6.4ERs in accordance with decisions of the CMA.

J. Other processes associated with mitigation activities

1. Grievance process/appeal rights

98. Stakeholders, participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body. *{see also work plan for 2019}*

2. Protection of human rights

99. Stakeholders, participants and participating Parties may inform the Supervisory Body of alleged violations of human rights resulting from an Article 6, paragraph 4 activity. *{see also work plan for 2019}*

3. Referral of matters to the committee referred to in Article 15

{see work plan for 2019}

4. Reporting

{see work plan for 2019}

XIV. Levy of share of proceeds towards administration and adaptation *{see also work plan for 2019}*

A. Share of proceeds for adaptation (level and timing)

Option A *{unspecified destination of share of proceeds}*

100. The share of proceeds from an Article 6, paragraph 4 activity that is levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation [shall][should] be delivered to the relevant mechanism registry account.

Option B *{specified destination of share of proceeds to Adaptation Fund}*

101. The share of proceeds from an Article 6, paragraph 4 activity that is levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation [shall][should] be delivered to the Adaptation Fund.

{end of Option B}

102. The share of proceeds [shall][should] be set and levied at:

Option A *{percentage at issuance}*

(a) X per cent/5 per cent at issuance.

Option B *{percentage at forwarding/first transfer}*

(b) X per cent/5 per cent at forwarding/first transfer.

Option C *{increasing rate over time at transfer}*

(c) X per cent/5 per cent at forwarding/first transfer, increasing by Y per cent at each subsequent transfer.

Option D *{linked with an overall mitigation in global emissions}*

{draft element needed}

B. Share of proceeds for administrative expenses (level and timing)

103. Until the share of proceeds is sufficient to cover administrative expenses, administrative expenses [shall][should] be covered by *{draft element needed}*.

104. The share of proceeds from an Article 6, paragraph 4, activity that is levied to cover administrative expenses [shall][should] be:

(a) USD X, payable at the time of the request for registration;

- (b) USD X per A6.4ER issued for the activity, payable at the time of the request for issuance of A6.4ERs.

XV. Delivering overall mitigation in global emissions {see also work plan for 2019}

105. The mechanism [shall][should] deliver an overall mitigation in global emissions in accordance with this section.

Option A {automatic cancellation}

106. Overall mitigation in global emissions [shall][should] be implemented as follows:

- (a) After emission reductions are verified and certified, the host Party [shall][should] make a corresponding adjustment under the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the full amount of issued A6.4ERs to be first transferred;
- (b) At issuance/first transfer of A6.4ERs, the registry [shall][should] transfer X per cent of total amount of A6.4ERs to the cancellation account for overall mitigation in accordance with section XIII above;
- (c) The cancelled A6.4ERs [shall][should] not be used for any transfer or purpose, including by any Party towards achievement of its NDC or for voluntary cancellation;
- (d) The host Party [shall][should] use the remaining A6.4ERs in its account either towards its own NDC or transfer them to another Party's registry or to another Party's account in the mechanism registry.

Option B {discounting}

107. Overall mitigation in global emissions [shall][should] be implemented as follows:

- (a) After emission reductions have been verified and certified, the host Party [shall][should] make a corresponding adjustment under the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the full amount of issued A6.4ERs to be first transferred;
- (b) The acquiring/using Party [shall][should] discount by X per cent the acquired A6.4ERs at acquisition/use towards achievement of its NDC;
- (c) The discounted volume of A6.4ERs [shall][should] be transferred to the cancellation account for the overall mitigation of global emissions by the acquiring/using Party;
- (d) The volume of discounted A6.4ERs [shall][should] not be used by any Party towards achievement of its NDC or for voluntary cancellation;
- (e) The host Party [shall][should] use the remaining A6.4ERs in its account either towards its own NDC or transfer them to another Party's registry or another Party's account in the mechanism registry.

Option C {mechanism itself ensures overall mitigation in global emissions}

108. Use of the mechanism itself ensures overall mitigation in global emissions.

{end of Option C}

Option D {approaches from the list below}

109. Overall mitigation in global emissions [shall][should] implemented through {potential list below}:

- (a) Determining that emission reductions achieved by Article 6, paragraph 4, activities are additional to any that would otherwise occur;
- (b) Applying conservative baselines/baselines that are below business-as-usual to the calculation of emission reductions for Article 6, paragraph 4 activities;
- (c) Applying conservative/higher default emission factors to the calculation of project emissions from Article 6, paragraph 4 activities;
- (d) Limiting the crediting period for an Article 6, paragraph 4 activity to a period shorter than the operational lifetime of the relevant technology or activity, in accordance with the relevant requirements developed by the Supervisory Body;
- (e) Voluntary cancellation of A6.4ERs by Parties and stakeholders, including non-State actors
- (f) Any other measures selected by participating Parties voluntarily;

- (g) The using Party [shall][should] discount *X* per cent of the total quantity of A6.4ERs acquired prior to use towards achievement of its NDC.

Option E {conservative baselines} {extracted from Option D}

110. Overall mitigation in global emissions [shall][should] be implemented through *{potential list below}*:
- (a) Applying conservative baselines/baselines that are below business-as-usual to the calculation of emission reductions for Article 6, paragraph 4 activities;
- (b) Applying conservative/higher default emission factors to the calculation of project emissions from Article 6, paragraph 4 activities;

Option F {voluntary approaches} {extracted from Option D}

111. Overall mitigation in global emissions [shall][should] be implemented through *{potential list below}*:
- (a) Any other measures selected by participating Parties voluntarily.

XVI. Avoiding the use of emission reductions by more than one Party

112. Avoiding the use of emission reductions from the mechanism towards achievement of its NDC by more than one Party, in accordance with Article 6, paragraph 5, [shall][should] be ensured in accordance with this section.

Option A {guidance applicable to all emission reductions transferred internationally}

113. The guidance relating to corresponding adjustments in the guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement [shall][should] apply to all emission reductions under the mechanism, when transferred internationally.

Option B {guidance applicable to emission reductions from sectors/greenhouse gases covered by the NDC}

114. The guidance relating to corresponding adjustments in the guidance for cooperative approaches referred to in Article 6, paragraph 2, [shall][should] apply to emission reductions under the mechanism, that result from a mitigation activity that is included in the sectors/greenhouse gases covered by the host Party's NDC, when those emission reductions are transferred internationally.
115. The guidance for cooperative approaches referred to in Article 6, paragraph 2 [shall][should] not apply to emission reductions under the mechanism, if the mitigation activity is not included in the sectors/greenhouse gases covered by the host Party's NDC.

Option C {guidance applicable to emission reductions covered by the NDC}

116. The guidance relating to corresponding adjustments in the guidance for cooperative approaches referred to in Article 6, paragraph 2, [shall][should] apply to emission reductions under the mechanism, that result from a mitigation activity that is covered by the host Party's NDC, when those emission reductions are transferred internationally.
117. The guidance for cooperative approaches referred to in Article 6, paragraph 2 [shall][should] not apply to emission reductions under the mechanism, if the mitigation activity is not covered by the host Party's NDC.

Option D {forwarding based}

118. The guidance relating to corresponding adjustments in the guidance for cooperative approaches referred to in Article 6, paragraph 2 is not applicable to the initial forwarding of certified emission reductions from the mechanism registry.
119. The guidance relating to corresponding adjustments in the guidance for cooperative approaches set out in Article 6, paragraph 2 [shall][should] apply to any subsequent international transfer of certified emission reductions between registries/national accounts in the multilateral registry through the international transaction log.

Option E {national allowances based}

120. The guidance relating to corresponding adjustments in the guidance for cooperative approaches referred to in Article 6, paragraph 2, [shall][should] apply to emission reductions issued under the mechanism. A Party with an absolute emission limitation or reduction target in its NDC may then transfer an equivalent quantity of national allowances.

Option F {accounting for cancellations for overall mitigation in global emissions}

121. Cancellations for overall mitigation in global emissions [shall][should] be accounted for in accordance with section XV (Overall mitigation in global emissions) above.

XVII. Safeguards/Other

A. Uses for purposes other than towards achievement of nationally determined contributions {potential list below}

Option A {use for purposes other than towards NDCs}

122. An A6.4ER may be used as a means of demonstrating climate finance provided pursuant to Article 9.
123. An A6.4ER [shall][should] not be used towards achievement of an NDC where it has been or is intended to be used {potential list below}:
- (a) Towards international mitigation action outside the UNFCCC;
 - (b) Towards voluntary climate actions that are not mandatory in the relevant jurisdiction;
 - (c) As a means of demonstrating climate finance provided pursuant to Article 9.
124. A6.4ERs used for purposes other than towards achievement of NDCs [shall][should] be subject to a corresponding adjustment in accordance with:

Option A1 {all accounted for}

- (a) the guidance for cooperative approaches referred to in Article 6, paragraph 2.

Option A2 {only where from within NDC}

- (b) the guidance for cooperative approaches referred to in Article 6, paragraph 2, if the A6.4ERs were issued from sectors/greenhouse gases/periods covered by an NDC.

{end of Option A2}

Option B {no use for purposes other than towards an NDC}

{no text required}

B. Limits {potential list below}

Option A {limits} {potential list below}

125. The Supervisory Body [shall][should] issue A6.4ERs in a manner that avoids fluctuations in the prices and quantities available on the international market for A6.4ERs.
126. A Party [shall][should] not transfer/acquire/use A6.4ERs issued for emission reductions achieved in sectors where there is a high degree of uncertainty in emission estimates.
127. After the initial transfer from the host Party to the acquiring Party, the acquiring Party [shall][should] not further transfer A6.4ERs to the host Party or to another Party.
128. A Party [shall][should] ensure that speculative transfers of A6.4ERs are avoided.
129. A Party [shall][should] not transfer any quantity of A6.4ERs greater than X.
130. A Party [shall][should] not transfer A6.4ERs in the following ways: {draft element needed}.
131. A Party's use of A6.4ERs towards achievement of its NDC [shall][should] be supplemental to domestic action, and domestic action [shall][should] constitute a significant element of the effort made by each Party towards achievement of its NDC.
132. A Party [shall][should] not use towards achievement of its NDC any A6.4ERs issued for emission reductions that were achieved in the period X.
133. A Party [shall][should] not use pre-2020 units towards achievement of its NDC.

134. A Party [shall][should] not carry over A6.4ERs exceeding X.

Option B {no limits}

{no text is required}

XVIII. Transition from the Kyoto Protocol to Article 6, paragraph 4 {see also work plan for 2019}

A. Mitigation activities under the Kyoto Protocol

Option A {existing CDM/JI activities may become Article 6.4 activities without further conditions}

135. The following may be registered as Article 6, paragraph 4 activities {potential list below}:

Option A1 {only JI activities}

(a) Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol;

Option A2 {only CDM activities}

(b) Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol.

Option A3 {both CDM and JI as in Option A1 and Option A2}

{text from (a) and (b) above}

Option B {existing CDM/JI activities may become Article 6.4 activities if they meet certain conditions}

136. The following may be registered as Article 6, paragraph 4 activities subject to paragraph 137 below {potential list below}:

Option B1 {only JI activities}

(a) Projects and programmes of activities registered under joint implementation under Article 6 of the Kyoto Protocol;

Option B2 {only CDM activities}

(b) Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol;

Option B3 {both CDM and JI activities, as in Option B1 and Option B2}

137. To be registered as an Article 6, paragraph 4 activity, the above projects/project activities/programmes of activities [shall][should] meet the all conditions adopted by the Supervisory Body and/or the CMA and/or the following conditions {potential list below} and any further conditions as set out in decisions of the CMA:

(a) The relevant host Party authorizes such registration;

~~(b) — They meet the same requirements as those for a similar activity under Article 6, paragraph 4.~~

{end of Option B}

Option C {no additional special transitional provisions}

138. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered, if they meet the requirements under the rules, modalities and procedures to be an activity under Article 6, paragraph 4.

Option D {no existing CDM and JI activities may become Article 6.4 activities}

139. No activities registered under joint implementation under Article 6 of the Kyoto Protocol or under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.

Option E {deal with transition in the work plan}

{no text required}

B. Transition of joint implementation emission reduction units {potential list below}

140. In relation to ERUs,

Option A {use of ERUs towards achievement of NDCs}

(a) ERUs may be used by a Party towards achievement of its NDC.

Option B {use of ERUs for emission reductions achieved prior to 2020/2021}

(b) ERUs issued in relation to emission reductions achieved prior to 1 January 2020/2021 may be used by a Party towards achievement of its NDC.

Option C {use of ERUs for emission reductions achieved after 2020/2021}

(c) ERUs issued in relation to emission reductions achieved after 1 January 2020/2021 may be used by a Party towards achievement of its NDC.

Option D {no use of ERUs towards achievement of NDCs}

(d) ERUs may not be used by a Party towards achievement of its NDC.

141. A6.4ERs may be issued for activities registered under joint implementation under Article 6 of the Kyoto Protocol.

Option E {deal with transition in the work plan}

{no text required}

Option F {deal with this under guidance for cooperative approaches}

{no text required}

C. Transition of clean development mechanism certified emission reductions {potential list below}

142. In relation to CERs,

Option A {use of CERs towards achievement of NDCs}

(a) CERs may be used by a Party towards achievement of its NDC.

Option B {use of CERs for emission reductions achieved prior to 2020/2021}

(b) CERs issued in relation to emission reductions achieved prior to 1 January 2020/2021 may be used by a Party towards achievement of its NDC.

Option C {use of CERs for emission reductions achieved after 2020/2021}

(c) CERs issued in relation to emission reductions achieved after 1 January 2020/2021 may be used by any Party towards achievement of its NDC and for purposes other than its NDCs.

Option D {no use of CERs towards achievement of NDCs}

(d) CERs may not be used by a Party towards achievement of its NDC.

{end of Option D}

143. A6.4ERs may be issued for activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol.

Option E {deal with transition in the work plan}

{no text required}

Option F {deal with this under guidance for cooperative approaches}

{no text required}

D. Transition of methodologies

144. In relation to methodologies under joint implementation under Article 6 of the Kyoto Protocol,

Option A {use of JI methodologies by Article 6, paragraph 4, activities}

- (a) Baseline and monitoring methodologies etc. under Article 6 of the Kyoto Protocol [shall][should] be valid for Article 6, paragraph 4, activities.

Option B {no use of methodologies by Article 6, paragraph 4, activities}

{no text required}

145. Requests the SBSTA to develop recommendations, in relation to methodologies under the clean development mechanism, on the basis of the elements below for consideration and adoption by the CMA at its second session.

Option A {use of CDM methodologies by Article 6, paragraph 4, activities}

- (a) Baseline and monitoring methodologies etc. under the clean development mechanism under Article 12 of the Kyoto Protocol [shall][should] be valid for Article 6, paragraph 4, activities.

Option B {no use of methodologies by Article 6, paragraph 4, activities}

{no text required}

Option C {deal with transition in the work plan}

{no text required}

E. Transition of accreditation standards

Option A {transition of the accreditation system}

146. In relation to accreditation, the standards and procedures etc. for accreditation from the following Kyoto Protocol mechanisms [shall][should] serve as the basis for the standards and procedures for the mechanism through the adoption of those standard and procedures etc. by the Supervisory Body on the basis of the elements below for consideration and adoption by the CMA at its second session {potential list below}:

- (a) Joint implementation under Article 6 of the Kyoto Protocol;
(b) The clean development mechanism under Article 12 of the Kyoto Protocol.

Option B {no transition of the accreditation system}

{no text required}

Option C {deal with transition in the work plan}

{no text required}

XIX. Adaptation ambition {see also work plan for 2019}

147. Mitigation co-benefits of adaptation action, including economic diversification {further text needed}.

148. To allow for higher ambition in adaptation, participants are allowed to issue, transfer, acquire and use A6.4ERs resulting from the mitigation co-benefits resulting from Parties' adaptation actions and/or economic diversification plans.

XX. Addressing negative social and economic impacts under Article 4, paragraph 15 {see also work plan for 2019}

149. The Supervisory Body shall collaborate with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of Decision 1/CP.21) to address the negative social and economic impacts, especially those impacting developing countries, resulting from Article 6, paragraph 4 activities by, inter alia:

- (a) Assessing and identifying the negative social and economic impacts resulting from Article 6, paragraph 4 activities, including the cumulative impact of these activities;
- (b) Developing, implementing and regularly updating measures to address the negative social and economic impacts resulting from Article 6, paragraph 4 activities, including the cumulative impact of these activities;
- (c) Regular sharing of information with the forum on the impact of the implementation of response measures (referred to in paragraph 33 of Decision 1/CP.21) to support the above activities.

Annex II

Draft work plan of follow-up work to be carried in 2019

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

1. *Requests* the Subsidiary Body for Scientific and Technological Advice (SBSTA) to undertake the following and develop recommendations for a draft decision for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its second session (2019);

I. Preamble

{no element for work plan for 2019}

II. Principles

{no element for work plan for 2019}

III. Definitions

{no element for work plan for 2019}

IV. Scope and purpose

A. Scope of rules, modalities and procedures

Option A *{special circumstances of LDCs and SIDS}*

1. *Requests* the SBSTA to develop recommendations on the implementation of the special circumstances of LDCs and SIDs in relation to NDCs in the context of the mechanism established by Article 6, paragraph 4 for consideration and adoption by the CMA at its second session;

V. Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

{no element for work plan for 2019}

VI. Supervisory Body

A. Membership

2. *Requests* the SBSTA to develop recommendations on the implementation of the membership provisions set out in section VI *{see Annex I above}*, and any further membership provisions that may be required, for consideration and adoption by the CMA at its second session.

B. Rules of procedure

3. *Requests* the SBSTA to develop recommendations on further requirements for the rules of procedure as set out in section VI *{see Annex I above}*, for consideration and adoption by the CMA at its second session.

C. Governance and functions

Option A {*centralized system*}

4. *Requests* the SBSTA to develop recommendations on responsibilities of the Supervisory Body, based on the elements listed below, for consideration and adoption by the CMA at its second session {*potential list below*}:

- (a) Responsibilities relating to development of requirements and processes relating to {*potential further list below*}:
 - (i) Accrediting operational entities;
 - (ii) The registration of mitigation activities as Article 6, paragraph 4, activities and the issuance of A6.4ERs in accordance with these rules, modalities and procedures and relevant decisions of the CMA;
 - (iii) Development of baseline and monitoring methodologies and standardized baselines for Article 6, paragraph 4, activities, prioritizing the baseline and monitoring methodologies and standardized baselines that promote mitigation at scale;
 - (iv) Developing the mechanism registry;
- (b) Responsibilities relating to operation of the mechanism {*potential further list below*}:
 - (i) Designating operational entities that meet the requirements for accreditation and managing their performance;
 - (ii) Taking appropriate measures to promote the regional availability of designated operational entities/and their location in all regions;
 - (iii) Registering mitigation activities as Article 6, paragraph 4, activities if they meet the requirements for registration;
 - (iv) Approving the issuance of A6.4ERs for registered Article 6, paragraph 4, activities if the requirements for issuance have been met;
 - (v) Forwarding/transferring A6.4ERs from the mechanism registry;
 - (vi) Maintaining the mechanism registry;
 - (vii) Certifying and periodically reviewing non-UNFCCC programmes to support the mechanism, including national accreditation systems.
- (c) Responsibilities relating to supporting implementation of the mechanism and its transparency, {*further potential list below*}:
 - (i) Developing and maintaining a public registry of information related to proposed and registered Article 6, paragraph 4 activities, subject to confidentiality;
 - (ii) Promoting public awareness of the mechanism, including on its role in implementing the Paris Agreement and NDCs;
 - (iii) Promoting public awareness of the mechanism, including by addressing negative perceptions of the mechanism;
 - (iv) Making publicly available all requirements and related documentation for/related to the mechanism;
 - (v) Facilitating the dialogue with host Parties of Article 6, paragraph 4 activities.

5. *Requests* the SBSTA to develop recommendations on how the Supervisory Body should exercise its functions, based on the elements listed below, for consideration and adoption by the CMA at its second session {*potential list*}:

- (a) Operating in an executive and supervisory manner, defining and developing the governance rules of the support structure, including panels and groups of technical experts as needed, delegating work to, and considering recommendations from, them;
- (b) Drawing on experience gained with and lessons learned from joint implementation and the clean development mechanism under Articles 6 and 12, respectively, of the Kyoto Protocol.
- (c) Reporting on its activities to the CMA at each of its sessions;

- (d) Making recommendations to the CMA on any amendments to the rules, modalities and procedures for the mechanism;
- (e) Seeking guidance from the CMA on any matters relating to the operation of the mechanism;
- (f) Reviewing Article 6, paragraph 4 activities and report on the findings to the CMA;
- (g) Reporting on overall mitigation in global emissions delivered by the mechanism.

Option B {host Party led system} and Option C {dual system (both centralized and host Party led)}

6. *Requests* the SBSTA to develop recommendations in relation to other functions of the Supervisory Body, that would allow for the Supervisory Body to provide oversight for host Party-led activities based on the elements listed below, for consideration and adoption by the CMA at its second session *{potential list below}*:

- (a) Appropriate international requirements and conformity assessment processes for Article 6, paragraph 4, activities;
- (b) Processes for review of the implementation of national processes of each host Party for conformity with international requirements and periodically certification of them;
- (c) Processes to ensure that each Party applies the centralized or Party-led system consistently.

D. Role of the secretariat

7. *Requests* the SBSTA to develop recommendations on the role of the secretariat based on the elements listed below, for consideration and adoption by the CMA at its second session *{potential list below}*:

- (a) Support to the operation of the mechanism, the Supervisory Body and its support structure;
- (b) Collection of fees to cover the administrative costs of the Supervisory Body and its support structure;
- (c) Reporting to the CMA, at each of its sessions, on overall mitigation in global emissions delivered through the mechanism;
- (d) Reporting to the CMA, at each of its sessions, on the collection of the share of proceeds levied in accordance with section XIV (Share of proceeds) below;
- (e) Reporting of other information, as appropriate.

VII. The mechanism registry

8. *Requests* the SBSTA to develop recommendations on implementation of the mechanism registry for consideration and adoption by the CMA at its second session.

VIII. Participation, benefits and responsibilities of host Parties

A. Participation requirements for host Parties

{no element for work plan for 2019}

B. Responsibilities/Roles of host Parties

{Applies only where Option B {host Party led system} or Option C {dual system (both centralized and host Party led)} of Section VI C (Supervisory Body) applies}

9. *Requests* the SBSTA to develop recommendations for the responsibilities of host Parties in a host-Party led system, based on the elements listed below, for consideration and adoption by the CMA at its second session.

- (a) To have national processes that conform to the international requirements developed by the Supervisory Body to operationalize the mechanism in its own jurisdiction and, following certification of those national processes by the Supervisory Body, have implemented them in accordance with these rules, modalities and procedures and relevant decisions of the CMA and/or the Supervisory Body;

- (b) Where applicable, have notified the Supervisory Body of national processes for the implementation of the mechanism in its jurisdiction, including authorization of and participation in mitigation activities, registration of mitigation activities as Article 6, paragraph 4 activities and enforcement of requirements;
- (c) Where applicable, provide a notification to the Supervisory Body of the registration of Article 6, paragraph 4 activities and the verification and certification of emission reductions.

C. Benefits for host Parties

10. *Requests* the SBSTA to develop recommendations on the benefits for host Parties based on the elements listed below for consideration and adoption by the CMA at its second session:

- (a) Reduction of emissions in the host Party as a result of the implementation of Article 6, paragraph 4 activities;
- (b) Fostering of sustainable development;
- (c) Achievement of permanent and long-term benefits over periods that exceed the crediting periods of the Article 6, paragraph 4 activities;
- (d) Enhancement of participation of public and private entities authorized by the host Party;
- (e) Improvements over time of the regional distribution of Article 6, paragraph 4 activities;
- (f) Capacity-building in relation to the implementation of Article 6, paragraph 4 activities.

D. Addressing host Party benefits

11. *Requests* the SBSTA to develop recommendations based on the elements listed below for consideration and adoption by the CMA at its second session:

- (a) Ensuring coherence between its NDC and the host-Party benefits resulting from Article 6, paragraph 4 activities;
- (b) Ensuring coherence between its emissions and the host-Party benefits resulting from Article 6, paragraph 4 activities.

IX. Participation and responsibilities of transferring, acquiring and using Parties

{no element for work plan for 2019}

X. Participation by other actors

{no element for work plan for 2019}

XI. Designated operational entities

12. *Requests* the SBSTA to develop recommendations for implementation of section XI *{see Annex I above}* on designated operational entities, for consideration and adoption by the CMA at its second session.

XII. Eligible mitigation activities

A. Mitigation activities in the context of the host Party's nationally determined contribution

13. *Requests* the SBSTA to develop recommendations for implementation of section XII A *{see Annex I above}* for consideration and adoption by the CMA at its second session.

B. General requirements for mitigation activities

14. *Requests* the SBSTA to develop recommendations on the implementation of general requirements, taking into consideration the elements listed below, for consideration and adoption by the CMA at its second session.

- (a) Crediting periods that, unless otherwise provided for by the host Party of five years, and extendable for a further five years if appropriate.

C. Baseline approach

15. *Requests* the SBSTA to develop recommendations for the implementation of baseline approaches set out in section XII {*see Annex I above*} for Article 6, paragraph 4 activities, including taking into account the following elements, for consideration and adoption by the CMA at its second session {*potential list below*}.

- (a) Regional BAT benchmarks should be developed to facilitate uptake of this approach;
- (b) The Supervisory Body may suspend baseline standards, in whole or in part if standards are not being applied or met.

D. Additionality

16. *Requests* the SBSTA to develop recommendations for the implementation of additionality set out in section XII of the rules, modalities and procedures {*see Annex I above*} taking into account the elements below for consideration and adoption by the CMA at its second session {*potential list below*}:

- (a) A prior consideration requirement.
- (b) Activities [shall][should] only be credited as additional as far as they fully account for relevant existing national and/or sectoral policies, in particular those implementing the NDC and low carbon development strategies and shall enable:
 - (i) The use and regular update of positive lists, while ensuring that positive lists are applied only in areas where there is low risk of non-additionality of individual activities;
 - (ii) The use of benchmarks, including performance benchmarks and financial return benchmarks – country specific approvals, subject to approval by host Parties.
- (c) Application of additionality requirements should encourage increase in ambition over time.

XIII. Mitigation activity cycle

A to G

17. *Requests* the SBSTA to develop further recommendations for the requirements for the mitigation activity cycle as set out in Section XIII {*see Annex I above*} that would be implemented by the Supervisory Body, for consideration and adoption by the CMA at its second session.

H. Forwarding/transfer from the mechanism/a registry

18. *Requests* the SBSTA to develop recommendations for implementation of the forwarding/transfer, for consideration and adoption by the CMA at its second session.

I. Voluntary cancellation

19. *Requests* the SBSTA to develop recommendations for the implementation of voluntary cancellation for consideration and adoption by the CMA at its second session.

J. Other processes associated with mitigation activities

1. Grievance process/appeal rights

20. *Requests* the SBSTA to develop recommendations for a grievance process/appeal rights that would be implemented by the Supervisory Body and/or the CMA, for consideration and adoption by the CMA at its second session.

2. Protection of human rights

21. *Requests* the SBSTA to develop recommendations for processes to ensure protection of human rights that would be implemented by the Supervisory Body for consideration and adoption by the CMA at its second session.

3. Referral of matters to the committee referred to in Article 15

22. *Requests* the SBSTA to develop recommendations for referral to the committee referred to in Article 15, paragraph 2, in accordance with its modalities and procedures, for consideration and adoption by the CMA at its second session.

4. Reporting

23. *Requests* the SBSTA to develop recommendations on the information to be provided by each participating Party on its registered Article 6, paragraph 4 activities and on issuance, transfer, acquisition of A6.4ERs and use of A6.4ERs towards achievement of its NDC in accordance with Article 13, paragraph 13, for consideration and adoption at its second session.

XIV. Levy of share of proceeds towards administration and adaptation

24. *Requests* the SBSTA to develop recommendations for the implementation of the share of proceeds for consideration and adoption by the CMA at its second session.

XV. Delivering overall mitigation in global emissions

25. *Requests* the SBSTA to develop recommendations for the implementation of overall mitigation in global emissions for consideration and adoption by the CMA at its second session.

XVI. Avoiding the use of emission reductions by more than one Party

{no element for work plan for 2019}

XVII. Safeguards/Other

{no element for work plan for 2019}

XVIII. Transition from the Kyoto Protocol to Article 6, paragraph 4

26. *Requests* the SBSTA to develop recommendations in relation to transition as set out in section XVIII *{see Annex I}* to Article 6, paragraph 4, including on the elements listed below, for consideration and adoption by the CMA at its second session *{potential list below}*:

- (a) *{all substantive elements from XVIII in Annex I, as per Option E}*
- (b) Authorization from the host Party;
- (c) The same requirements for CDM/JI activities as for Article 6, paragraph 4 activities;
- (d) Necessary steps for implementation of the transition;

XIX. Adaptation ambition

27. *Requests* the SBSTA to develop recommendations for consideration and adoption by the CMA at its second session.

XX. Addressing negative social and economic impacts under Article 4, paragraph 15

28. *Requests* the SBSTA to develop recommendations for consideration and adoption by the CMA at its second session.

{END OF WORK PLAN FOR SBSTA}

{START OF WORK PLAN FOR THE SUPERVISORY BODY}

29. *Requests* the Supervisory Body to develop recommendations on the following matters, in accordance with the rules, modalities and procedures *{see Annex I}*, for a draft decision for consideration and adoption by the CMA at its second session *{list of possible elements}*:

- (a) [...];
-