COP28 **Article 6.4 breakdown**

Carbon Market Institute

What is it?

Article 6, paragraph 4 of the Paris Agreement creates a centralised market mechanism overseen by the UN, to foster the mitigation of greenhouse gas emissions via the participation of both public and private entities. In part, Article 6.4 operates as the transition mechanism for clean development mechanism (CDM) projects renewed and registered in the second period of the Kyoto Protocol. Under the A6.4 mechanism, Parties can either authorise a registered project's emissions reductions towards the achievement of NDCs or other international mitigation purposes (known as an authorised A6.4ER) or use them for domestic mitigation pricing schemes for contributing to the emissions reductions in host countries(known as a mitigation contribution A6.4ER).

How does it work?

There are several requirements for Parties to register and operate a project under A6.4, including:

- Host Parties for a project must submit the proposed activity to the Supervisory Body (SB) for registration under the A6.4 Mechanism in order to have A6.4ERs issued.
- A6.4ERs are housed in the mechanism registry, a UN-based framework which will tag units as either "authorised" or "mitigation contribution". The mechanism registry will contain a pending account, holding account, cancellation account, account for cancellation towards overall mitigation in global emissions (OMGE), and a share of proceeds for adaptation account. Parties, and private or public entities authorised to operate under A6.4, will have a holding account. The mechanism registry will to be linked to the International Registry under A6.2, to enable Parties to transfer A6.4ERs to the International Registry to be used as ITMOs towards another Parties' NDC under A6.2.
- Host Parties must specify in their application to the SB whether the A6.4ERs will contribute towards their NDCs, or if they will become ITMOs. In the case of the latter, a corresponding adjustment must occur in the host Party's emissions inventory. Host Parties can retroactively authorise any issued A6.4ERs to become ITMOs, or be used for other international mitigation purposes.
- Activities to be registered under the Mechanism must deliver OMGE and must be aligned with the sustainable development objectives of the host Party. A minimum 2% cancellation is automatically applied for A6.4ERs to ensure sufficient conservatism.
- Crediting periods for all projects that are not removals-based are 5 years, renewable twice, or 10 years with no renewal. For removals-based projects, the crediting period is a maximum 15 years, renewable twice, and baselines are to be calculated at the beginning of each year in a crediting period.[1]
- 5% of first transferred A6.4ERs will be channelled to the Adaptation Fund, a further 3% of each additional issuance fee paid for A6.4ERs is also directed to the Fund.

Ploughshare Revegetation Project in Northwestern Victoria.

CDM Transfer

- Project proponents who wished to transfer a CDM project– to the A6.4 Mechanism were required to inform the Secretariat and Host Party via the Designated National Authority (DNA) of their intention to transfer by December 31, 2023, with the final approval for the transfer expected prior to December 31, 2025. Over 1,000 projects met this initial submission period.

[1] Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris, Annex, Chapter V, A.f.

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- COP29 made a decision to allow CDM afforestation and reforestation projects to request transfer to the A64 Mechanism, provided that the following conditions are met:
  - a) The Host Party's request for transition is made to the Secretariat and the Designated National Authority by no later than December 31, 2025;
  - b) The Supervisory Body receives approval of the transition request from the DNA by no later than December 31, 2025; and
  - c) The transitioning project complies with the rules, modalities and procedures for the A6.4 Mechanism, as well as the Supervisory Body's Standard for activities involving removals.
- Transferring projects can continue applying their CDM methodology until either the end of the current crediting period, or December 31, 2025, whichever comes first. Following this, the activity may continue under an approved A6.4 methodology.
- Certified Emissions Reductions (CERs) issued in the second period of the Kyoto Protocol CDM – registered from January 1, 2013 – can be used towards the first, or first updated NDC only.

Example of a cookstove project. Several such projects registered under the CDM have requested a transfer to A6.4.

Standards for Methods under Article 6.4

Following the failure to achieve a consensus decision on A6.4 methodology standards at COP28, The Supervisory Body for the Mechanism established by Article 6.4 (SBM) progressed work on methodology standards throughout the first half of 2024. The Standards were adopted in the Opening Plenary of COP29, but can still be recalled for refinement by the Conference of the Parties to the Paris Agreement (CMA). The Standards are split into two pieces: one for general methods under A6.4, and one with specific requirements for activities involving removals under A6.4. The first versions of these Standards came into effect on October 9, 2024.

At a high-level, the Standards place the following requirements on methods under A6.4:

- Utilise science-based calculations based on the most up-to-date information and aligned with the relevant Intergovernmental Panel on Climate Change (IPCC) guidelines;
- Demonstrate regulatory, financial and environmental additionality while not encouraging activities contrary to the goals of the Paris Agreement;
- Baselines increase over time to encourage ambition of activities;
- Transparency around the sources of data used for calculation;
- RResults are real, conservative, and credible;
- Demonstration that outcomes measured are the result of activities;
- Participants must calculate the difference between baseline and business-as usual emissions at project commencement, and again at renewal of the crediting period
  - If the calculated difference is less than expected, a downward adjustment will be applied to ensure sufficient conservatism in calculations;
- allow the use of multiple data sources to address data gaps;
- Account for uncertainty in emissions factors, activity data, and other estimation parameters in line with IPCC guidelines; and
- Address risk of leakage by avoiding it, or applying a credit discount, and must address all sources of leakage upon project registration.

Removals-based methods must meet the following additional criteria:

- Participants will submit a monitoring plan as part of the project design document;
- An initial monitoring report must be submitted between one and five years from commencement of the first crediting period, with subsequent reports submitted between one and five years throughout the crediting period;
- Monitoring will continue after the last crediting period to report and quantify on any reversal events,

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and confirm ongoing storage of greenhouse gas emissions;
    - Post-crediting period monitoring can only be ceased upon request to Supervisory Body and demonstration that there is a negligible risk of reversal, and there is a plan to remediate potential future reversals;
- Upon renewal of a crediting period, there is a forced transition to the latest version of the methodology;
- Risk assessments occur every 5 years to give participants a percentage-based risk rating for avoidable and unavoidable reversals;
- Automatic transfer portion of A6.4ERs to the Reversal Risk Buffer Pool Account based on percentage-based risk rating; and
- In the case of an avoidable reversal, activity participants are fully liable and must replenish the Buffer Pool Account with the equivalent amount and type of A6.4ERs cancelled.

Sustainable Development Tool

An additional safeguard under A6.4 is the Sustainable Development Tool, which was adopted by the Supervisory Body of the Article 6.4 Mechanism just prior to COP29. The Sustainable Development Tool establishes a framework for risk assessment, easy identification of positive and negative impacts of proposed activities, and monitoring and reporting. The Tool ensures that robust social and environment safeguards are built into A6.4 activities, as well as any supporting tools, guidelines or frameworks.

For ease of application, the Sustainable Development Tool distinguishes environmental and social safeguards in several broad categories outlined in the table below:

Safeguards Elements		
Environmental	Element 1	Energy
	Element 2	Air, land and water
	Element 3	Ecology and natural resources
Social	Element 4	Human rights
	Element 5	Labour
	Element 6	Health and safety
	Element 7	Gender equality

Supervisory Body of the Article 6.4 Mechanism, Article 6.4 Sustainable Development Tool, Version 01.0, October 2024.

Version 01.1 of the Sustainable Development Tool references several standardised reporting forms already developed by the Supervisory Body to support Parties' risk assessment, and project management plans. Version 0.1.1 of the Sustainable Development Tool also includes a self-assessment table to establish risk and likely impact, which can be quantified in a scale of ratings. The Tool requests that Parties involved in the activity complete ongoing monitoring of any risks identified on at least an annual basis. Compliance with the objectives of the Sustainable Development Tool is required for any projects registered under A6.4, as well as any projects seeking transition from the CDM.

Version 01.1 of the Sustainable Development Tool came into force on October 9, 2024. There is a built-in process to review the Sustainable Development Tool every 18 months to ensure it is functioning as intended.

Forward Workplan

While COP29 delivered a decision on A6.4 to make it operational, there is still a body of work for the Supervisory Body to complete, including:

- Completion of the A6.4 Mechanism Registry;
- Further work on standards, tools and guidelines for the following:
    - Baselines: general and standardises
    - Downward adjustment
    - Suppressed demand
    - Additionality
    - Leakage
    - Non-permanence and reversals: including post-crediting period monitoring, reversal risk assessments, and remediation measures;
- Revision of baseline and monitoring requirements for CDM projects transferring to A6.4;
- Determine whether there should be a time limit from date of issuance, to a host Party authorising use of credits already issued towards ITMOs or other international mitigation outcomes (including OMGE), for consideration November 2025; and
- Development of further guidance to operationalise retroactive authorisations, as regards corresponding adjustments and the share of proceeds for adaptation.