



Input to the structured public consultation: Further input – Requirements for the development and assessment of mechanism methodologies

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The International and Comparative Law Research Center (ICLRC) thanks the Article 6.4 Supervisory Body for the continued work on the operationalization of the Article 6.4 mechanism and for the consideration of stakeholder inputs. This input document contains views of ICLRC experts on the Draft recommendation presented for input (document A6.4-SB007-AA-A##).

1. **Para 6** of the Draft recommendation specifies that para 33 of the RMP “applies to methodologies, and it is relevant to both baseline setting and additionality”, also **para 9** of the Draft recommendation specifies that para 36 of the RMP presents the three elements of the additionality test, “including avoidance of lock-in and compatibility with paragraph 33 of the RMP particularly”. We note that RMP are clear to indicate that the compatibility with para 33 of the RMP refers directly and only to the lock-in of said levels of emissions, technologies or carbon-intensive practices. There is a conceptual difference between lock-in and the use of specific technologies or practices per se. As per the RMP, overall compatibility with para 33 is not part of the additionality test, but rather a general requirement for the development and assessment of mechanism methodologies.
2. **Para 16.** We believe that methodology developers should be able to choose between qualitative and quantitative approaches to demonstrating how the activity encourages ambition over time with due justification – and a mix of both if applicable. This would allow taking into account the widest array of national and local circumstances and allow for streamlined demonstration of compliance in particular cases, which would encourage broad participation.
3. **Section 4.2.** It is still unclear what the requirement to methodologies to be “below business as usual” (as stated in para 33 of the RMP) shall mean. This section should elaborate on the compliance of methodologies overall to this particular requirement.
4. **Section 4.3.** The RMP currently do not require that the baselines be “below business as usual”. Expanding this requirement to the baselines in the Draft recommendations (including in Section 4.3 and paras 33, 33bis and 33ter of the RMP) does not appear to comply with the original regulation and intention of the RMP. At the same time the RMP could encourage the Parties of the Supervisory Body to develop methodologies to include such a requirement in their methodologies.



5. **Para 36.** It is unclear how a 6.4 activity could encourage ambition in future host party NDCs, as this would imply prejudgement of future national commitments, non-existent at the moment of methodology approval. Inclusive, efficient, robust and mutually beneficial cooperation under the 6.4 mechanism, however, could in itself incentivize and encourage future ambition through reliable provision of additional climate finance in the form of A6.4ER issuances and sales.

6. **Section 4.6.** The recommendation should avoid language that creates additional uncertainty and the need for further elaborate guidance, such as “what is needed to deliver on the long-term temperature goal’ (para 43bis) or levels that would “prejudice achievement of the long-term goal” (para 43bis). We also note the requirement to avoid lock-in incompatible with para 33 is already suggested in this recommendation as part of the additionality test. We suggest elaborating this requirement only once through this document.

7. **Para 44.** As the square brackets indicate, the text presented here is incompatible with the RMP. The RMP list the approach based on existing actual or historical emissions as one of the performance-based approaches. In our view, structuring this section as presented in the draft would require reconsideration of the RMP by the CMA.

8. **Para 47.** The justification of baseline approach choice and requirement to demonstrate alignment with para 33 of the RMP should be applicable for all three baseline approaches, as the choice of the baseline approach in itself does not ensure alignment and the choice of one of the approaches over the other may or may not mean better alignment with para 33. To make this guidance applicable to the widest range of circumstances, downward adjustment should be implemented for all baseline approaches if needed to ensure alignment with para 33. This also means that methodologies that use approach (iii) may not require downward adjustment if it is demonstrated that alignment with para 33 already exists with a non-adjusted baseline.

9. **Section 4.12.** It is understood from the RMP and the spirit of the Agreement that taking into account policies and measures, and relevant circumstances is to be done for all forms of international cooperation and specifically to the implementation of the Article 6.4. mechanism. It is already being operationalized in many sections of the guidance, including additionality, NDC and LT-LEDS alignment, broad participation, sustainable development contribution, etc. We would thus suggest to not create additional uncertainty for the market and further work for the Supervisory body in the form of additional guidance on taking into account relevant circumstances. Instead, this section could recap all the ways in which such circumstances are considered in other elements of the guidance and set it out as a general principle of the mechanism’s operationalization.



10. **Para 86.** A clear indication of the risk assessment (and in particular, as relates to the financial additionality risk) is required. Clarity towards the definitions of medium and high risks (in qualitative or quantitative terms) are also required to avoid any disputes or controversies.
11. **Para 87.** A general elaboration of the additionality test should be presented before any special cases, such as positive lists, are implemented so that the test is applicable to any activity type or technology in any circumstances. This general test should be universally applicable to all projects and could be simplified only under the conditions set further in the guidance. This would allow for early operationalization of the mechanism as we anticipate a risk of protracted discussions on the criteria for simplified additionality tests and eligibility.
12. **Section 7.** Examples of particular instruments which may be used to address the risk of reversals (such as, for example, insurance instruments, etc.) may be considered for inclusion in the guidance.



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