

Subsidiary Body for Scientific and Technological Advice
UNFCCC

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Subject **Project Developer Forum Submission on rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

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The PD Forum is pleased to submit its views on the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4 of the Paris Agreement (Agenda sub-item 11(b)), in response to SBSTA's invitation to Parties and accredited observers to do so by 30th September 2016.

A defining element of the new mechanism for mitigation and sustainable development is that it builds on the experience with the CDM and JI. In our view this means that the new mechanism should replicate the CDM's ability to leverage private sector engagement. The CDM has been unparalleled in harnessing private sector initiatives, efforts and resources, which is underlying its success.

As the voice of private sector project developers that are active investors into CDM and JI projects, we urge Parties to consider the need of the private sector for a conducive investment climate when devising the new mechanism. Ultimately the success of the new mechanism hinges on its adoption by private sector project developers. For this to happen private sector investors must have confidence that their investments will bear fruit.

Modalities and procedures

We believe Parties should maintain the CDM whilst the new mechanism is under development, and that the new mechanism should benefit from as much of the existing CDM and JI modalities and procedures as possible. Furthermore, we request a transition procedure from the current CDM to the new mechanism. Thus CDM projects that are developed or will be developed now under the CDM shall be able to transfer into the new mechanism following a streamlined procedure.

CDM projects are registered for 10 or up to 21 years and carbon revenues over this period are critical to investment decisions made. As such, it seems reasonable to allow such a transition procedure, and not to penalise project investors. Moreover, maintaining the CDM infrastructure provides the most efficient option to rapidly scale up mitigation. As mentioned above, confidence in market mechanisms is crucial to attract the capital required to meet the objectives of the Paris Agreement. A clear procedure for CDM projects to transition to the new mechanism will bolster this confidence.

Price signals

We urge Parties to take a lesson from the collapsing CDM and JI price signal. Parties must look at the creation of the new mechanism not just in terms of its MRV rules and provisions against double counting. While these must of course be solid, it is only half of the equation. Parties must equally focus their attention on creating a functioning market in which the private sector is going to invest. Parties should consider employing stabilizing elements such as price guarantees for emission reductions generated through the new mechanism. Such price guarantees could be supported by climate finance, for instance through the Green Climate Fund.

Unlike other markets, carbon markets are entirely dependent on political action. It is therefore a political responsibility to ensure their smooth functioning. Market stabilization measures must be part of the design of the new mechanism and must be addressed under this agenda item. The collapse of carbon markets as happened in the past is not just a detriment to private investors but moreover undermining the potential of markets to deliver mitigation action quickly, efficiently and at scale.

The Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas (GHG) emission reduction projects worldwide. The accumulation of in-depth technical knowledge and broad experience that our members have with global instruments such as the Clean Development Mechanism (CDM), Joint Implementation (JI), Voluntary Standards and Climate Finance, as well as with country specific initiatives and NAMAs, make PD Forum a unique platform and stakeholder for discussions around the reform of existing, and the creation of new policies and mechanisms to mitigate climate change. The PD Forum has been instrumental in the development of the carbon markets, particularly the UN's project-based Clean Development Mechanism (CDM) and its successor mechanism.

The PD Forum is standing ready to constructively engage with Parties in the operationalization of Article 6.4.

Yours sincerely



Dr. Sven Kolmetz
Chairman, Project Developer Forum