

SUSTAINABLE DEVELOPMENT MECHANISM

ARTICLE 6, PARAGRAPH 4

ROUND TABLE DISCUSSIONS
AMONG PARTIES

Presentation by Brazil

ELEMENTS OF 6.4

- Legal language of the Paris Agreement and decision reflect CDM model:
 - Under CMA authority & guidance
 - Supervision by designated body
 - Voluntary
 - Real, measurable & long-term mitigation benefits
 - Additionality
 - Verification & certification by DOEs
 - 6.4(c) - host Party to benefit from emission reductions that can also be used by another Party to fulfill its NDC;
 - Share of proceeds.

ELEMENTS OF 6.4 -

- Specific scopes of activities (reference to PoAs)
- Incentivize and facilitate participation of public & private non-State actors (similar to CERs voluntary cancelation)
 - Results-based financial flows;
 - Other international commitments
 - Corporate socioenvironmental responsibility strategies;
 - Carbon footprint offset (including individuals).
- 6.5: CERs used towards host country's NDC cannot be used again.

TRANSITION FROM CDM TO SDM

- Key to legal certainty & reputation of the regime;
- Foster early-action while SDM not fully operational;
- Full migration - encompasses four dimensions:
 - (i) **CDM CERs** converted to SDM CERs;
 - (ii) continued validity of **CDM methodologies**;
 - (iii) issuance of SDM CERs for **CDM registered project activities**;
 - (iv) transposition of **CDM accreditation system**.
- Rapid decision will immediately give price signal and boost the CDM.

ADDITIONALITY

- To award activities that would not otherwise occur -
Not in relation to NDCs, but in relation to SDM itself;
- Continued application of CDM requirements:
 - first-of-its-kind
 - Investment analysis
 - barriers analysis
 - common practice analysis.
- With progressive implementation of NDCs, activities once approved will no longer more be proven additional.
- Additionality & conservative baselines to deliver overall mitigation.

SDM REGISTRY

- Registry administered by Secretariat under Board supervision
- To gather every SDM CERs issued by the Board
- To allow non-Party stakeholders unprecedented access to UN credits
- CERs purchased from the SDM registry:
 - By a Party: transfer to 6.2 national account;
 - By non-Party actor: transfer to cancellation account.

NO APPLICATION OF CORRESPONDING ADJUSTMENTS

- Legally: under the Paris Agreement & decision, corresponding adjustments restricted to 6.2;
- Technically:
 - Illogical subtraction from host country national account if it has not taken part in transaction;
 - illogical double subtraction (from host country national account and SDM registry).
- Environmentally:
 - Corresponding adjustments: perverse incentives
 - To limit SDM potential for additional mitigation
 - host Parties not to move to absolute economy-wide targets

Accounting x Inventories

- National inventories: calculation in good faith
- SDM mitigation activities will not necessarily affect the calculation of emission levels in national inventories;
- **CDM/SDM Executive Board** baseline and monitoring methodology x **IPCC** Guidelines for National Inventories;
- Counterfactual (hypothetical net emissions) x factual (actual emissions);
- Emission factor: “**combined margin**” x **average**.