

## Subsidiary Body for Scientific and Technological Advice

### Chair's summary, informal technical expert dialogue on Article 6 of the Paris Agreement

#### CDM transition

#### Background

In relation to Article 6 of the Paris Agreement<sup>1</sup>, The SBSTA Chair, Mr Tosi Mpanu Mpanu organized an informal technical expert dialogue on CDM transition on 24 September 2021. At the request of the SBSTA Chair, the dialogue was facilitated by Mandy Rambharos of South Africa and Peer Stiansen of Norway. This summary is produced by the SBSTA Chair under his own authority.

This summary aims to capture possible options for further consideration by Parties and Heads of Delegation. It is informal in nature, has no status, and does not provide negotiation text. It does not attempt to provide a record of all views expressed during the dialogue and in submissions, nor indicate the support each of the options appeared to have.

In relation to the topic of the dialogue, as at 7 October 2021, 1 group had made an informal submission<sup>2</sup>. This summary includes content from that group submission and interventions that relate to options. Submissions made in 2021 by Parties during other informal technical expert dialogues/informal consultations covering the same or related issues are also referred to as necessary.

#### The informal technical expert dialogue

Interventions made, and the submission, responded to guiding questions provided by the SBSTA Chair:

#### Guiding questions:

- What conditions are needed for transition?
- What decisions are needed from the CMP?
- How should 6.4SB work be prioritized?
- How should CDM activity transition be funded?
- How do these issues relate to the rest of the package (Article 6/the wider Glasgow outcome) and how could resolving these issues contribute to reaching consensus?

An informal technical information slide pack in relation to these issues was prepared by the secretariat.<sup>3</sup>

#### Points for further consideration

Interventions focused on a number of options for consideration, as set out below. In each case, the option has been introduced by at least one Party/group, but this summary does not seek to indicate how much support there is among Parties for each option, as Parties are familiar with the views expressed in submissions and interventions. Options identified below are **bolded and placed**

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<sup>1</sup> Documents relating to Article 6 negotiations since 2016 can be accessed here:

<https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

<sup>2</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/cooperative-implementation/submissions-informal-technical-expert-dialogues-on-article-6-of-the-paris-agreement#eq-2>

<sup>3</sup> <https://unfccc.int/sites/default/files/resource/Art.%206%20presentation%20TEDs%20CDM%20transition.pdf>

**together.** Non-bolded text represents proposals that did not appear to have alternative proposals or options. Argumentation is not provided in this note given the high level of familiarity of Parties with this topic resulting from earlier work. In particular, reference is made to the SBSTA Chair summary note of the informal technical expert dialogue/informal consultations held on 4 June 2021 and on 8 June 2021.<sup>4</sup>

#### Conditions for CDM activity transition

- Host Party related
  - Have authorized transition
  - Have a system for cancellation of units for OMGE and for share of proceeds
  - Meet the participation requirements per 6.4
- Process related conditions for the activity to transition
  - Deregistration/withdrawal of the activity from CDM
  - Request from project participant made within a certain time (deadline to request)
  - Other Parties involved to be informed (see 4 June 2021 summary)
  - Transition completed by deadline (see 4 June 2021 summary for options)
  - No further conditions for small scale and POA CDM activities
- Which activities may transition from CDM (options are not mutually exclusive)
  - **Only vulnerable CDM activities in respect of which mitigation would cease without the CDM/6.4 mechanism (possibly from a list developed by the CDM Executive Board)**
  - **Small scale and POA activities**
  - **CDM activities registered on or after 1/1/2013**
  - **CDM activities registered on or after 1/1/2016**
  - **Active CDM activities (operational, with a current crediting period)**
  - **Only those from within the NDC of the host Party**
- Conditions for the activity to meet when transitioned to the 6.4 mechanism
  - Rules and requirements of 6.4
    - **All rules and requirements of the 6.4 mechanism, including the relevant new 6.4 methodology**
    - **Rules and requirements of the 6.4 mechanism but using the CDM methodology (baseline) etc. until a certain date or the end of the activity's current crediting period, whichever is the earlier (end 2023 per COP25 3<sup>rd</sup> Presidency text).**
  - Issuance
    - ERs generated post-2020 to be issued as 6.4 units only (per COP25 3<sup>rd</sup> Presidency text)
- Avoiding double use conditions
  - **Host Parties have to apply same accounting rules for transitioned activities as for new 6.4 activities**
  - **Corresponding adjustment is required for 6.4 units issued from transitioned activities**
- Decisions from 6.4SB that need to be taken before transition can be implemented
  - **New baselines/methodologies to which the activities are to transition**
  - **How long any CDM methodology would apply (See COP25 3<sup>rd</sup> Presidency text)**
- Expediting the process of transitioning small scale and POA
  - Putting them at the front of the transition pipeline

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<sup>4</sup> <https://unfccc.int/sites/default/files/resource/IN.SBSTA2021.i15b.pdf>  
[https://unfccc.int/sites/default/files/resource/Inf\\_note04\\_Article%206.pdf](https://unfccc.int/sites/default/files/resource/Inf_note04_Article%206.pdf)

### Decisions needed from the CMP

- In relation to CDM transition
  - **No decisions needed except relating to trust fund**
  - **Following decisions:**
    - Cooperation with Supervisory Body, including information sharing
    - Allocation of the CDM trust fund (in part) for 6.4
- In relation to CDM
  - Operations of CDM (options may not be mutually exclusive)
    - **Guidance on post 2020**
    - **Guidance on winding down including cessation of registrations, issuances and a deadline for requesting issuance of pre end 2020 CERs.**
  - Guidance for activities that are not transitioned to 6.4, with recommendation requested from the CDM EB
  - Guidance on temporary measures taken by CDM EB
  - Methodologies<sup>5</sup>
- In relation to JI
  - Winding down JI

### How should 6.4SB work be prioritized?

- Priorities
  - Election of members at CMA.3
  - Governance matters, including setting up panels at technical level
  - Infrastructure, in particular the 6.4 registry
  - Procedures for approval of new activities
  - Procedures for approval of activities that want to transition
  - Approval of baselines and methodologies, including by reviewing and updating those approved for CDM
    - Prioritizing for small scale and POA
  - Additionality rules
  - Environmental integrity standards, meeting social safety standards, requirements for non-permanence and reversals; the 6.4 SB should submit these to the CMA for approval before transition starts.
- Can be handled later
  - Issuance of 6.4 units
  - Accreditation of DOEs (provisionally use CDM DOEs)

### How should CDM activity transition be funded?

- Voluntary funding is needed from Parties/developed country Parties for the work of the 6.4 mechanism (e.g. contributions that can be returned when mechanism is self-financing).
- Part of the CDM trust fund should be transferred for the 6.4 mechanism or loaned for the 6.4 mechanism.
- Sufficient UNFCCC staff and infrastructure should be allocated to Article 6/Article 6.4 mechanism

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<sup>5</sup> Information note: Methodologies in the CDM as used as a public good; they are not treated as proprietary to the CDM and all information in relation to a methodology and how to apply it is public information. As a result, the CMP/CDM EB does not have to “allow” for the use of methodologies or any part of them and the CDM methodologies are routinely used in other contexts.

## CER use for NDCs

Some interventions addressed the question of CER use for NDCs. Most interventions considered that the issue of CER use for NDCs was a political one and as a result, did not want to include this issue in the discussions and did not make interventions on options. However, some interventions did address options. So, for completeness, options below include options from the informal technical expert dialogue discussions on 8 June 2021.

- **No use of any CERs/KP units for NDCs**
  - Defers ambition and disincentivizes new action
  - Kyoto Protocol has various forms of restrictions for Annex I Parties carry-over for example on land use units (RMUs, tCERs), CERs, ERUs and AAUs (previous period surplus reserve).
- **Limited use**
  - **Based on a date**
    - No date criteria
    - Date criteria (from CDM activities registered on or after 1/1/2013)
    - Date criteria (from CDM activities registered on or after 1/1/2016)
    - Generation date criteria (from emission reductions achieved on or after X date)
  - **Based on a volume**
    - Maximum volume per using Party
    - Maximum volume per active CDM activity
  - **Use by which Parties**
    - Host Party may use own CERs<sup>6</sup> that meet the criteria towards its own first NDC
    - Host Party may use any of own CERs towards first NDC, other Parties may use CERs towards first NDC subject to criteria
    - Any Party may use any CERs that meet the criteria towards first NDC
  - **Identification for use**
    - No requirements
    - Where some CERs may be used (options are not mutually exclusive):
      - Place in a reserve/s (CDM registry/6.4 registry) and retag for own use for NDCs
      - Cancellation process for those CERs that are not to be used for NDCs
  - **Reporting of CERs used towards NDCs**
    - Identification of the CERs required (including through retagging)
    - Reporting in 6.2 reporting and BTR reporting required
  - **Accounting for CERs used towards NDCs**
    - Use of a CER requires corresponding adjustment from both the host Party (addition) and the using Party (subtraction)
    - Only the using Party has to undertake a corresponding adjustment (the CER has not been internationally transferred)
    - If host Party own use of CERs is only type of use of CERs, an addition is required

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<sup>6</sup> I.e. with host Party identifier in the unique serial number.

Relationship to the rest of the package (Article 6/the wider Glasgow outcome)

- CER use for NDCs is part of the political discussions being undertaken at the informal ministerial level
- SOP Adaptation is linked to the transition discussion.
- There is a related discussion on CDM methodology and standards transition, where these can be reviewed for useability for the 6.4 mechanism.
- There is a link to design of the 6.4 mechanism. A package allowing CDM activity transition would require a new approach as to baselines for the 6.4 mechanism and the role of host countries, deployment of existing resources in UNFCCC, addressing what happens to CDM post 2020 and a mandate for capacity-building.

Other points

- Need capacity building for developing countries and the RCCs could play a part in that.
- COP25 3<sup>rd</sup> PT is the starting point for this discussion.

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