

## **Agenda item 3.3.**

Paragraph 21 of the annotated agenda, Annex 7

# Revision of regulatory documents for the transition of CDM activities to the Article 6.4 mechanism, Procedure & Standard: Transition of CDM activities to the Article 6.4 mechanism

**Article 6.4 Supervisory Body – Fifteenth meeting**

Thimphu, Bhutan, 11 to 14 February 2024



- CMA.4 requested SBM to operationalize the process for transition of the CDM PA and PoAs to the A6.4 mechanism;
- SBM 006 adopted the Standard and the Procedure for the transition of CDM activities to the Article 6.4 mechanism;
- SBM 008 further revised the transition standard and procedure;
- SBM 013 amended the requirements for the transition of multi-country PoAs and provided provisions for revising and withdrawing a transition request.



## Procedural background

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- CMA 6 decided that A/R project activities and PoAs registered under the CDM may transition to the Article 6.4 mechanism and be registered as Article 6.4 activities, subject to conditions.
- CMA 6 further elaborated on the timing of submission of the statement of authorization and its content.
- CMA.6 decided to exempt Article 6.4 activities in LDCs and SIDS from the share of proceeds for adaptation, while acknowledging that the LDCs and SIDS may choose not to make use of this exemption.
- SBM11th adopted the “Procedure: Appeal and grievance processes under the Article 6.4 mechanism”



## Purpose

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The purpose of the revision to the transition procedure and the transition standard is

- To incorporate the decisions made by CMA.6 related to the transition of CDM A/R projects and PoAs, exemption from the share of proceeds for adaptation for LDCs and SIDS and the new provisions with regard to authorization.
- To incorporate the provisions for appeals and grievances as per the Procedure: Appeal and grievance processes under the Article 6.4 mechanism



## Key issues and proposed solutions – Transition of A/R

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- CMA 6 decided that CDM A/R projects and PoAs may transition and be registered as Article 6.4 activities, subject to :
  - The request to transition to be made no later than 31 December 2025;
  - The approval of a request to transition provided by the DNA no later than 31 December 2025;
  - The CDM A/R project activity or PoA to comply with the RMPs, the respective applicable requirements for activities involving removals under the mechanism contained in the standard “Requirements for activities involving removals under the Article 6.4 mechanism”, and any future relevant decisions of the CMA.
- In line with previous decisions of the SBM, it is proposed CDM A/R activities requesting transition be allowed to continue applying the approved CDM A/R methodology until the earlier of the end of the current crediting period or PoA period or 31 December 2025. After that date, or in the case of voluntary replacement with an Article 6.4 methodology, CDM A/R activities requesting transition shall apply an Article 6.4 mechanism methodology.



## Key issues and proposed solutions – Transition of A/R

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- CMA.6 decision, requires transitioning A/R projects to comply with the respective applicable requirements for activities involving removals under the mechanism contained in the standard “Requirements for activities involving removals under the Article 6.4 mechanism”.
- It is therefore proposed to include those additional requirements in a revised addendum to be submitted by the activity participants with the required additional documentation.
- These additional requirements consist of: Identification of risk of reversals, Reversal risk assessment, Reversal risk mitigation plan, Remediation of reversals and Post-crediting period monitoring plan.
- To check compliance of the project or PoA with these additional requirements, two options are proposed:



## Key issues and proposed solutions – Transition of A/R

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- **Option 1:** Provide project participants with two scenarios:
  - **Scenario 1:** the PPs is to submit the required additional information **validated** by a DOE, which would assess the compliance of the information in the addendum with the requirements for activities involving removals in the standard “Requirements for activities involving removals under the Article 6.4 mechanism”.
  - **Scenario 2:** the PPs to submit **non-validated** additional documentation at the request-for-transition stage and then undergo verification by a DOE of the project’s implementation and monitoring, together with an **ex-post assessment and validation** of compliance with the applicable requirements of the standard “Requirements for activities involving removals under the Article 6.4 mechanism”.
- **Option 2:** Require that the PPs have the additional information **validated** by a DOE, which would assess and validate the compliance of the information in the addendum with the requirements for activities involving removals in the standard “Requirements for activities involving removals under the Article 6.4 mechanism” prior to submission to the secretariat.



## Key issues and proposed solutions – Authorization

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- To address the mandate from CMA.6 relating to the content and timing of submission of the statement of authorization by host Parties, it is proposed that transitioning CDM projects and PoAs **follow the same process** proposed for new Article 6.4 projects in accordance with the relevant activity cycle procedure.
- Given that the new provisions for authorization in the project and PoA activity cycle procedures require the submission of the statement of authorization at the approval stage or as early as possible thereafter, but prior to the first issuance, at the latest, it is proposed that host Parties that have already submitted approval for the transition of a CDM project or PoA, are requested, through a communication from the secretariat, to submit the statement of authorization at their earliest convenience but at the latest prior to first issuance.





## Key issues and proposed solutions – Exemption of the LDCs and SIDS

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- To address CMA 6 decision with regard to the exemption of LDCs and SIDS from the share of proceeds for adaptation, it is proposed that transitioning CDM projects and PoAs follow the same process proposed for new Article 6.4 activities in accordance with the activity cycle procedures. A provision is therefore added to the addendum and provide the option to the LDCs and SIDS to either make use of the exemption or choose to contribute voluntarily to the share of proceeds for adaptation.
- It is also proposed to request those LDC and SIDS host Parties that have already submitted approval for the transition of a CDM project or PoA to update the approval form, by 31 December 2025 or by first issuance, whichever is earlier, indicating whether they wish not to make use of the exemption of Article 6.4 activities from the share of proceeds for adaptation hosted in the LDCs and SIDS. Otherwise, the exemption of the share of proceeds for adaptation that was granted by CMA.6, paragraph 20, will be effected.



## Key issues & proposed solutions – Appeals and grievances & minor changes

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- Relevant provisions in the Procedure have been updated to reflect the provisions of the “Procedure: Appeal and grievance processes under the Article 6.4 mechanism” adopted at SBM 11.
- Including provisions for sharing with PPs the request for review and providing to them the opportunity to respond to the review questions.
- Extending a few timelines to allow adequate time for PPs to respond to outcome of the checks.



The revised procedure and standard:

- Form the regulatory basis for the operationalization of the transition of CDM A/R projects and PoAs and sets out the process and requirements for their consideration and potential finalization by the Supervisory Body of the Article 6.4 mechanism for PoAs;
- Provide for provisions for authorization of the use of A6.4 ERs and effect the exemption of the LDCs and SIDS from share of proceeds.
- Operationalises the provisions of the “Procedure: Appeal and grievance processes under the Article 6.4 mechanism”

## Recommendations to the Supervisory Body

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- The Supervisory Body may wish to consider and decide on which option to choose for the transition of A/R projects and PoAs whether ex-ante or ex-post validation of the applicable requirements contained in the standard: “Requirements for activities involving removals under the Article 6.4 mechanism”.
  
- The Supervisory Body may wish to consider and adopt:
  - Procedure “Transition of CDM activities to the Article 6.4 mechanism”;
  - Standard “Transition of CDM activities to the Article 6.4 mechanism ”.



## Subsequent work and timelines

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- The secretariat will take the necessary steps to operationalize and implement the provisions adopted in the revised documents.

