A6.4-INFO-MISC-001

Information note

Summary of comments received from stakeholders on the draft “Methodological tool: Investment analysis”

Version 01.0

United Nations
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Climate Change

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1. Introduction

1. The Supervisory Body of the Article 6.4 mechanism, at its fifteenth meeting, approved its workplan for 2025 for the Methodological Expert Panel (MEP) and requested the MEP to initiate work on the "Draft methodological tool: Investment analysis" (hereinafter referred to as the investment analysis tool).

2. The MEP, at its eighth meeting, considered the draft methodological tool: investment analysis and agreed to seek inputs from stakeholders.

3. The call for public inputs was open between 9 to 30 September 2025, and a total of four respondents submitted inputs. The full list of submissions can be found in appendix 1.

4. This note is a summary of the views submitted by stakeholders in response to the call for public inputs on the "Draft methodological tool: Investment analysis" launched as an outcome of the Methodology Expert Panel's (MEP) 8th meeting.

5. This information note assigns a number at the end of each comment, which is attributed to a specific submission. The complete list of submitters including the number attributed is provided at the end of this document. All original submissions received in response to this call for public input are available on the UNFCCC website.[1]

2. Compilation of views to the draft "Investment Analysis Tool"

6. The following sections compile the views expressed in the submissions.

2.1. Section 3. Applicability

7. The submitter commented that this version of the tool is only applicable to Article 6.4 activities implemented at the project level and component of activities to be included in a programme of activities. It was thus proposed that the tool may be amended in the future to also cover activities implemented at other scales (e.g., programmes of activities, policies, sectoral approaches, etc). [4]

8. The submitter referred to the disclaimer under Section 3. Applicability of the draft tool: *"This version of the tool (…) in the future to also cover activities implemented at other scales (e.g., programmes of activities, policies, sectoral approaches, etc)."* The investment analysis tool has explicit reference for use in case of projects and not for programmes of activities or large-scale crediting programmes or sectoral approaches. It was therefore suggested that noting that the same methodology(ies) may get applied at project and PoA level, the need for such distinction should be clarified or the clause for interim till the PoA specific tool emerges may be excluded. [3]

9. The submitter stated that minimum requirements for the procedure should be defined to prevent that the procedure enables "gaming" of scenarios towards making a non-

[1] See: https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-64-pacm/stakeholder-engagement/calls-for-input/call-for-input-2025-mep-008-meeting-documents .

additional activity additional by comparing it against an unrealistic scenario, and thereby proposed to add the following sentence: *“This procedure shall ensure that the alternative scenarios retained are conservative, i.e., make it less likely that the activity is deemed additional*" [1]

10. The submitter highlighted that where the mechanism methodology referring to this tool contains requirements for conducting the investment analysis that are different from those described in this tool, the requirements contained in the methodology shall take precedence. The submitter noted that none of the three options for investment analysis presented in this draft tool are particularly suitable for rail and public transport projects. As well as carbon reduction through modal shift, projects for new rail infrastructure and operations generally bring public goods such as congestion and pollution reduction, with associated public health benefits, as well as densification of land use development. For these reasons governments often commit to public subsidies to help underwrite investment cases, and investment decisions can be made with expected rates of return below commercial hurdle rates. However, access to carbon credits through Article 6.4 could still play an important role in helping proposed rail and public transport projects that are unable to achieve financial close secure investment commitments. As the options for investment analysis in this draft tool do not sufficiently account for common circumstances of rail and public transport investment, alternative investment analysis approaches will need to be included in rail specific methodologies to ensure that additional rail and public transport investment can be unlocked by Article 6.4 carbon credits, with the ensuing substantial transport emission reductions. Further it is suggested to amend the alternative investment analysis approaches that will need to be included in rail specific methodologies to ensure that additional rail and public transport investment can be unlocked by Article 6.4 carbon credits, with the ensuing substantial transport emission reductions. [2]

2.2. Section 5. General Principles and Requirements

2.2.1. Section 5.2.1. Validity of input data

11. The submitter referred to the requirement under Section 5.2.1 Validity of input data *“Where the project design document (PDD) is submitted for validation prior to the start date of the Article 6.4 activity, the analysis shall be updated through the submission of a request for approval of post-registration changes in (…)”*, and suggested that instead of such a requirement and also noting that the values considered in the investment analysis still get validated, it would be better to indicate some time period (1 or 2 years) that may be allowed for such early start activities without the need to redo the investment analysis as PRC or at first verification. [3]

2.2.2. Section 5.2.3. Transparency of the analysis

12. The submitter referred to the requirement under Section 5.2.3 Transparency of the analysis: *“For transparency purposes, activity participants may specify in the PDD: (a) The abatement costs of the Article 6.4 activity (e.g., as USD per tCO_2e); and (b) Any monetary and non-monetary benefits (…)”* and commented that “as a market mechanism, stating the abatement cost might limit the market creation for the price that the A6.4 activity is seeking and also noting that the benchmark need not define the lower/upper limit. Further, also noting that the over the years the default cost of equity has lot of variation too. Furthermore, the indication of non-monetary benefits in context of investment analysis tool may be removed too.” [3]

13. The submitter suggested that the abatement cost of the activity could be part of the confidential information and noted that forcing the implementor to show that number could result indirectly in disclosing sensible information. Thereby it is proposed to eliminate paragraph 18 (a). [3]

14. The submitter referred to the note 8: *"This applies, for example, to future electricity prices. In this case, a lower value within the plausible range of electricity prices shall be used if that leads to fewer revenues for the proposed Article 6.4 activity."* and proposed to change it to: "This applies, for example, to future electricity prices. In this case, a lower value within the plausible range of electricity prices shall be used if that leads to higher revenues for the proposed Article 6.4 activity." [4]

2.3. Section 6. Methodological Approaches

2.3.1. Section 6.3. Benchmark analysis

15. The submitter referred to the requirement under Option 2 *"…public funding, expressed in grant equivalents, is larger than the expected revenues from A6.4ERs (e.g., based on common market prices for A6.4ERs for the type of Article 6.4 activity), (…)"*. and suggested that the limited dataset may hinder a thorough assessment, so this clause should be reconsidered. [3]

16. The submitter proposed that it is needed to define what is "reasonable" in quantitative terms. They thus suggested to add an appendix defining "reasonable" percentage variations for different parameters and reference it in para 28g. [1]

17. The submitter proposed that Option 2 should be retained. According to the submitter, there is no objective reason to require that the revenues from A6.4ERs be larger than the funding gap. Activity developers may want to implement the activity and willing to take a loss, e.g., if they want to enter a new market. They thus proposed to delete para 28h. [1]

18. The submitter highlighted that the word *"qualitiative"* is in footnotes 11 and 13 and proposed to correct to "qualitative" [4].

19. The submitter suggested that the interpretation of the clause of footnote 11 should not be interpreted as if the incentives from the mechanism resulting in the activity becoming financially attractive. [3]

20. The submitter highlighted that the issue addressed by para 28(i) is relevant as long as any public funding is involved. There is no reason to limit it to cases where public funding is larger than the expected revenues from sale of A6.4ERs. They therefore proposed to delete *"If the (…) Article 6.4 activity)"*. [1]

2.3.2. Section 6.4 Investment comparison analysis

21. The submitter highlighted that the acronym "FCAP" in paragraph 31(c) is not defined in the definitions and its inclusion creates confusion in the investment analysis procedure. They therefore proposed that "FCAP" should be deleted or, if relevant, added to the list of definitions. [4]

22. The submitter suggested that it is needed to define what is “reasonable” in quantitative terms. They therefore proposed to add appendix defining “reasonable” percentage variations for different parameters and reference it in paragraph 31(g). [1]

23. The submitter suggested that Option 2 should be retained. There is no objective reason to require that the revenues from A6.4ERs are larger than the funding gap. Activity developers may want to implement the activity and willing to take a loss, e.g., if they want to enter a new market. They therefore proposed to delete para 31(h). [1]

24. The submitter suggested that the issue addressed by para 31(i) is relevant as long as any public funding is involved. There is no reason to limit it to cases where public funding is larger than the expected revenues from sale of A6.4ERs. They therefore proposed to delete “If the (…) Article 6.4 activity)”. [1]

25. The submitter highlighted that the sentence contains an opening bracket but no closing one, which makes it unclear as to what part of the text is actually being considered. They therefore proposed that the closing bracket should be included. [4]

2.4. Section 7. Requirements for Determining Relevant Parameters and Implementing the Analysis

26. The submitter referred to Section 7. Requirements for Determining Relevant Parameters and Implementing the Analysis (para 33-67) and suggested that discount rates applied to rail and public transport projects should reflect the long-term nature and public-good characteristics of such infrastructure. Given that rail and public transport projects often deliver sustained climate benefits, reduced emissions, and social co-benefits over several decades, a lower, socially-oriented discount rate is appropriate to fully capture their long-term value. Equally important is the timeframe over which the discount rate is applied—it should align with the full operational life of the rail and public transport project, often 10, 20, 30 to 50 years or more, to ensure that future emission reductions and societal gains are not undervalued. We therefore encourage the MEP to explore how these positive externalities and specific timeframes can be reflected in the investment analysis or in a separate economic appraisal, to ensure a fair and accurate evaluation of rail projects under the Article 6.4 mechanism. For infrastructure projects with long operational lifespans and significant public-good characteristics—such as rail and public transport projects that deliver sustained climate and social benefits over several decades—the discount rate should reflect their long-term value. A lower, socially oriented discount rate may be appropriate to avoid undervaluing future emission reductions and societal co-benefits. The submitter therefore proposed that the assessment period and discount rate should align with the full operational life of the project, which may extend to 30–50 years or more. [2]

2.4.1. Section 7.1. Assessment period (simple cost analysis, benchmark analysis, investment comparison analysis)

27. The submitter highlighted that a universal maximum end point is less appropriate than an end date derived by the share of net discounted revenues accruing after that date becoming smaller than a materiality threshold of the net present value of total cumulated revenues. They therefore proposed to replace the current paragraph 35 text by “The end date shall be set at the point in time from which the net present value of cumulative net revenues in future years becomes less than 5% of the net present value of total cumulative net revenues of the activity.” [1]

28. The submitter suggested that the uncertainty associated with such a long-term perspective might be difficult to validate. [3]

2.4.2. Section 7.2. Type of expenditure, revenues and cost savings to be considered (simple cost analysis, benchmark analysis, investment comparison analysis)

29. The submitter suggested that the inclusion of any barriers that can be monetized and quantified as an additional cost would not be considered conservative. Examples for which barriers can be monetized and quantified as an additional cost should be clarified. [4]

2.4.3. Section 7.6.2. General aspects for determining the financial benchmark

30. The submitter suggested that requiring the DOE to review the project developer’s financial statements from the past three years may not guarantee representativeness of the current context for the moment when the financial benchmark was defined. As such, this requirement may demand significant effort with potentially inconclusive results. The submitter therefore proposed to delete “The validating DOE shall undertake a thorough assessment of the financial statements of the project developer to assess the past financial behaviour of the entity during at least the last 3 years in relation to similar projects. [4]

31. The submitter suggested that the following paragraph needs to be modified because the two options which are mentioned are the same: “*The inflation rate shall be obtained from the inflation forecast of the central bank of the host country for the duration of the crediting period. If this information is not available, the target inflation rate of the central bank shall be used*.“ The submitter proposed to modify the text to include another option if the inflation forecast of the central bank of the host country is not available. [4]

2.4.4. Section 7.6.3. Cost of equity

32. The submitter suggested to choose the lowest, i.e., more conservative value resulting from the two approaches. They therefore proposed to replace “may” by “shall apply the lower of” [1]

33. The submitter highlighted that the stated default values are provided in the Appendix of the tool for cost of equity for the period 2021 – 2024. However, therein lot of variation in the data is observed over the years. The submitter therefore proposed that noting the COVID years and representation issues associated with same, the data set should be revisited. Also, if yearly data is intended to be published then the tool update frequency should also be cited. [3]

2.4.5. Section 7.8. Sensitivity analysis

34. The submitter suggested to provide mandatory minimum sensitivity analysis of 10% to prevent inconsistency across methodologies. They therefore proposed to replace *“It is recommended “type of mitigation activity”* by “Mechanism methodologies shall require a variation of at least +/- 10% to the input values which constitute more than 20% of the total costs or total revenues. If a methodology applies a lesser value, it needs to show unequivocally that the lower value does not lead to a higher probability of non-additional projects passing the investment test.” [1]

35. The submitter referred to the requirement under sensitivity analysis *“(…) where the applied variation results in the financial indicator reaching the level of the financial benchmark and/or the proposed Article 6.4 activity becoming the most financially attractive alternative, the proposed Article 6.4 activity shall not be deemed additional.”*. They proposed that noting the variation in the underlying dataset (default cost of equity) itself being more than 10% in several instances, such a statement regarding activity not being additional may not be an appropriate stance. [3]

2.5. Appendix

36. The submitter referred to Table 1. in Appendix and highlighted that the stated default values are provided in the Appendix of the tool for cost of equity for the period 2021 – 2024. However, therein lot of variation in the data is observed over the years (for e.g., Country 2021 2022 2023 2024 Korea (Democratic People's Republic of) 20.32 20.37 28.41 31.49). They therefore proposed that noting the COVID years and representation issues associated with same, the data set should be revisited. Also, if yearly data is intended to be published then the tool update frequency should also be cited. [3]

Appendix. List of submissions

1. The following table contains the list of submissions used in this information note.

Table 1. List of submissions received

Submission #	Stakeholder	Submission date
1.	Perspectives Climate Research	28 September 2025
2.	UIC, UITP, ALSTOM	30 September 2025
3.	World Bank	30 September 2025
4.	ALLCOT Limited	30 September 2025

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Document information

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01.0	15 October 2025	Compilation of inputs from stakeholders by the secretariat.

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