



23 September 2022

Technical Paper on processes for implementation of the transition of activities from the clean development mechanism to the Article 6, paragraph 4, mechanism, in accordance with chapter XI.A of the annex to decision 3/CMA.3

I. Introduction

A. Background and mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its third session (November 2021), adopted the rules, modalities and procedures (RMP) for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the Article 6.4 Mechanism)¹ and requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop, on the basis of the RMP, recommendations, for consideration and adoption by the CMA at its fourth session, on eight specific elements for the operationalization of the Article 6.4 Mechanism.²

2. The SBSTA, at its fifty-sixth session (June 2022), considered the mandate referred to in paragraph 1 above and requested the secretariat to prepare, with a view to facilitating the understanding of the relevant issues but without prejudging possible outcomes, and considering the views expressed by Parties at that session³ and taking into account paragraph 29 of the RMP for the Article 6.4 Mechanism, where applicable, technical papers without formal status on six elements, including on the processes for implementation of the transition of activities from the clean development mechanism (CDM) to the Article 6.4 Mechanism, in accordance with chapter XI.A of the RMP (“Transition of clean development mechanism activities”).

3. The SBSTA also requested the secretariat, before SBSTA 57 (November 2022), to organize a series of virtual technical workshops followed by an in-person technical workshop with the possibility of virtual participation, to consider the elements referred to in paragraph 4 of the conclusions⁴ by the SBSTA at SBSTA 56, including the element on the “transition of clean development mechanism activities” referred to in paragraph 2 above, taking into account the submissions by Parties and this technical paper, ensuring broad participation of Parties.

B. Purpose and scope

4. This technical paper identifies issues and proposes possible processes required to implement the transition of activities from the CDM to the Article 6.4 Mechanism, including the requests accorded with the provisional status under the temporary measures adopted by the CDM Executive Board at its 108th meeting relating to emission reductions occurring after 31 December 2020, in accordance with chapter XI.A of the RMP for the Article 6.4 Mechanism.

5. In identifying issues and proposing possible processes, this paper draws on experience gained in the processes and practices under the CDM and decisions of the CDM Executive Board.

II. Issues and proposed solutions

A. Activity requirements

1. General

6. Paragraph 73 of the RMP lists four conditions for the transition of CDM activities and provisional requests under the temporary measures to the Article 6.4 Mechanism as follows:⁵

¹ Decision 3/CMA.3, annex.

² Decision 3/CMA.3, paragraph 7.

³ Including through the informal note prepared by the co-facilitators at the informal consultations under SBSTA 56 agenda item 13.

⁴ FCCC/SBSTA/2022/L.10

⁵ The text is modified to use the abbreviations and acronyms defined in this paper.

(a) The request to transition the CDM project activity or programme of activity (PoA) being made to the secretariat and the CDM host Party as defined by decision 3/CMP.1 by or on behalf of the project participants that were approved by that CDM host Party by no later than 31 December 2023;

(b) The approval for such transition of the CDM project activity or PoA being provided to the Supervisory Body by the CDM host Party by no later than 31 December 2025;

(c) Subject to subparagraph (d) below, the compliance with the RMP, including on the application of a corresponding adjustment consistent with decision 2/CMA.3, relevant requirements adopted by the Supervisory Body and any further relevant decisions of the CMA;

(d) The activity may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2025, following which it shall apply an approved methodology pursuant to chapter V.B of the RMP (Methodologies).

7. Of these conditions, those contained in paragraphs 6(a) and 6(b) relate to the process, while those contained in paragraphs 6(c) and 6(d) relate to the activity design. This section identifies issues and proposes possible solutions in the latter area.

2. Eligibility relating to crediting period

8. The RMP is silent on the eligibility relating to the crediting period of CDM activities, and the remaining length and the possibility of renewal of crediting period under the Article 6.4 Mechanism after the transition. Since the eligibility relating to the crediting period determines the overall number of CDM activities that may transition to the Article 6.4 Mechanism and the potential amount of Article 6, paragraph 4, emission reductions (A6.4ERs) that may be issued for these activities, this paper discusses this aspect first.

9. As at 1 January 2021, there were a total of 8,246 activities registered under the CDM, including 7,885 project activities and 361 PoAs, in which 2,822 component project activities (CPAs) are included. The crediting periods of a substantial portion of these registered activities (4,569 or 58%) or included CPAs (1,230 or 44%) had already expired as these activities failed to renew the crediting period in accordance with the relevant CDM rules, or the crediting period was fixed (i.e. maximum of 10 years, non-renewable) and has expired, or a small number of activities had been deregistered from the CDM.

10. A self-explanatory implication of the expiry of the crediting period of a registered activity is that credits for the activity may not be issued for the period after the expiry date, until the crediting period is successfully renewed. Under the CDM, there is a deadline for submitting a request for renewal of crediting period, that is one year after the expiry at the latest. Missing the deadline means that it is no longer possible for (i) the activity to renew its crediting period; and hence (ii) the issuance of certified emission reductions (CERs) for the period after the expiry of the crediting period.⁶

11. In accordance with the RMP, paragraph 31(f), the crediting period for Article 6.4 Mechanism activities shall not start before 2021, implying that the earliest possible start date of the crediting period under the Article 6.4 Mechanism is 1 January 2021. Allowing registered CDM activities that would not have had an active crediting period as at 1 January 2021 as per the CDM rules⁷ to transition to the Article 6.4 Mechanism may not be reasonable, as it would be like retroactively overwriting the CDM rules on the crediting period. Although the CDM and the Article 6.4 Mechanism are two different instruments established under two

⁶ Such activities may still request for issuance of CERs for the period before the expiry of crediting period.

⁷ In accordance of decision 2/CMP.16, paragraph 7, issuance of CERs under the CDM for the monitoring period after 31 December 2020 is not possible. Therefore, the crediting periods approved by the CDM Executive Board for registered CDM activities with any ending dates do not have a material meaning under the CDM for the period after 31 December 2020. Nevertheless, the phrase “an active crediting period as at 1 January 2021 as per the CDM rules” was used to indicate a hypothetical status that the activity would have had an active crediting period if there were a continuation of crediting under the CDM after 31 December 2020, for the ease of reading.

different international treaties governed by different groups of Parties, allowing such transition would harm the credibility of both instruments, and should therefore be avoided.

12. Table 1 summarizes the status of crediting period of registered CDM activities with 1 January 2021 as the reference point in time based on the above consideration.

Table 1. Crediting period status of CDM activities (as at 1 January 2022)*

Activity type	Registered total	Crediting period expired before 1 January 2021, renewal no longer possible**	Crediting period active as at 1 January 2021
Project activities	7,885	4,569	3,316
Programmes of activities	361	N/A	N/A
Component project activities	2,822	1,230	1,592

* The cut-off date was chosen to determine the numbers taking into account the one-year deadline for renewal of crediting period under the CDM.

** This category includes activities with a fixed crediting period (i.e. maximum 10 years) that have expired, the activities with a renewable crediting period (i.e. maximum seven years, renewable maximum twice) but have failed to renew in time, and the activities deregistered.

13. It should be noted that the crediting period of some of the CDM activities that would have had an active crediting period as at 1 January 2021 has expired or will have expired since then. As the Article 6.4 Mechanism activity cycle, including the renewal process, has not been operationalized yet, it is not yet known whether the Article 6.4 Mechanism introduces a deadline for requesting for renewal in relation to the expiry of the crediting period. Nevertheless, some project participants of such CDM activities may opt to submit a request for renewal under the temporary measures referred to in paragraph 4 above before the deadline for submission of renewal requests as per the CDM rules (since the temporary measures are based on CDM rules) and obtain the provisional status to reduce the risk of losing the eligibility to renew the crediting period under the Article 6.4 Mechanism once it becomes operational, while others may take a risk by not submitting renewal requests under the temporary measures and awaiting the Article 6.4 Mechanism activity cycle to become operational.

14. For renewal of crediting periods of registered CDM activities and renewal requests listed as provisional under the temporary measures that are requesting for transition to the Article 6.4 Mechanism (hereinafter, registered CDM activities and requests listed as provisional under the temporary measures that request for transition to the Article 6.4 Mechanism are collectively referred to as the transitioning CDM activities, where appropriate), it is logical to assume that the underlying CDM activities should firstly successfully transition to the Article 6.4 Mechanism, as the latter is the basis to anchor (register) the activities under the Article 6.4 Mechanism.

15. Table 2 shows the status of renewal requests for such activities under the temporary measures as at 31 August 2022.

Table 2. Renewal requests under the temporary measures (as at 31 August 2022)

Activity type	Renewal request total	Provisional	Under processing	Rejected
Project activities	103	68	24	11
PoAs	6	4	2	0
CPAs	33	33	0	0

16. The second issue relating to the crediting period for transitioning CDM activities is how to apply the crediting period rules under the Article 6.4 Mechanism to these activities. All transitioning CDM activities have already “consumed” some crediting period under the CDM. Considering the intent of the “transition”, it would be reasonable to resume, rather than reset, the crediting period under the CDM for the transitioning activities, including the number of renewals. Once renewed under the Article 6.4 Mechanism, the assumption is that these activities would have to follow the crediting period rules under the Article 6.4 Mechanism in accordance with decision 3/CMA.3, paragraph 73(c), including the length of

the renewed crediting period. For the current crediting period, however, since the maximum crediting periods under the two schemes are different (i.e. the maximum length of renewable crediting period under the CDM is seven years while that under the Article 6.4 Mechanism is five years), a clarification is needed as to how to determine the length of the remaining current crediting period. As some of the transitioning activities have already consumed five years of the current crediting period under the CDM as at 1 January 2021, it is proposed to allow the remaining length of the current crediting period to be retained as if under the CDM rules until its renewal under the Article 6.4 Mechanism to facilitate a smooth transition, but with a cap of 5 years to be fair with new Article 6.4 activities, and then require to follow the crediting period rules under the Article 6.4 Mechanism; otherwise it would be inconsistent with the processing of renewal requests under the temporary measures as they are operated based on the CDM rules in terms of the crediting period.

17. For PoAs, under the CDM, the crediting period is defined at the CPA level, and each CPA has an individual start and end dates of a crediting period, while the PoA, as a framework, has a fixed “PoA period” to be renewed every seven years with a maximum of three renewals (i.e. maximum 28 years in length). Since no PoA has consumed 28 years under the CDM, all PoAs may be eligible to transition to the Article 6.4 Mechanism if they are compliant with the RMP for the Article 6.4 Mechanism. It is proposed to apply the same principles to determine the remaining number of renewals and the length of the current PoA period and to define the new PoA periods once it is renewed under the Article 6.4 Mechanism as proposed in paragraph 16 above. In this context, it should be noted that renewal rules for PoAs under the Article 6.4 Mechanism have not yet been developed.

18. Based on the above considerations, it is proposed that the CMA specify the following conditions relating to the crediting period of registered CDM activities as part of the eligibility conditions to transition to the Article 6.4 Mechanism:

(a) The crediting period would have been active as at 1 January 2021 if the crediting under the CDM had continued after the end of the second commitment period of the Kyoto Protocol;

(b) The type (i.e. renewable or fixed) and the number of possible renewals of the crediting period, and the length of the current crediting period, carry over and resume from those under the CDM, to be capped at 5 years for the current crediting period under the Article 6.4 Mechanism if it is renewable;

(c) Once renewed under the Article 6.4 Mechanism, the length of the new crediting period follows the rules under the Article 6.4 Mechanism for the remaining number of crediting period cycles, taking into account already consumed crediting period cycles under the CDM;

(d) The same principles referred to in subparagraphs (a)–(c) above apply to PoAs in terms of the PoA period.

3. Compliance with the rules, modalities and procedures

19. Paragraph 73(c) of the RMP, as referred to in paragraph 6(c) above, requires compliance with the RMP for transitioning CDM activities as one of the conditions for transition to the Article 6.4 Mechanism. In this context, the same paragraph attaches the following two further conditions:

(a) “Subject to paragraph 73(d) (of the RMP)”, which allows the transitioning CDM activities to continue applying their current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2025, following which it shall apply an approved methodology pursuant to chapter V.B (Methodologies) of the RMP;

(b) “(Compliance with the RMP) including on the application of a corresponding adjustment consistent with decision 2/CMA.3, relevant requirements adopted by the Supervisory Body and any further relevant decisions of the CMA”.

20. The condition “compliance with the RMP” is a broad expression of requirement, as the RMP contains various provisions. Some of them directly affect the design and procedural aspects of the transitioning CDM activities, while others are irrelevant to individual activities.

Therefore, it is important to clarify the scope of this requirement. The relevance of the chapters or sections in the RMP to determining the eligibility of individual transitioning CDM activities has been analysed and presented in table 3. It would be reasonable to assume that, after transitioning to the Article 6.4 Mechanism, all provisions in the RMP relevant to new activities registered directly under the Article 6.4 Mechanism are also relevant to the transitioned activities, with the exception of the application of a methodology as referred to in paragraph 19(a) above and any other possible exceptions that may be decided by the CMA or the Supervisory Body. Therefore, such post-transition relevance to the RMP provisions is not presented in the table.

Table 3. Relevancy of provisions in the RMP to transitioning CDM activities

Rules, modalities and procedures (RMP) provision	Relevancy at transition	Requirement type
Chapter I (Definitions)	Not relevant	
Chapter II (Role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement)	Not relevant	
Chapter III (Supervisory Body):	Not relevant	
Chapter IV (Participation responsibilities)	Relevant	Procedural requirements
Chapter V (Article 6, paragraph 4, activity cycle)		
Sections A (Activity design)	Relevant	Design requirements
Section B (Methodologies)	May be relevant	Design requirements
Section C (Approval and authorization)	Relevant	Procedural requirements
Section D (Validation)	May be relevant	Procedural requirements
Section E (Registration)	May be relevant	Procedural requirements
Section F (Monitoring)	Not relevant	
Section G (Verification and certification)	Not relevant	
Section H (Issuance),	Not relevant	
Section I (Renewal of crediting period),	Not relevant	
Section J (First transfer from the mechanism registry),	Not relevant	
Section K (Voluntary cancellation),	Not relevant	
Section L (Other processes associated with Article 6, paragraph 4, activities)	Not relevant	
Chapter VI (Mechanism registry)	Not relevant	
Chapter VII (Levy of share of proceeds for adaptation and administrative expenses)	May be relevant	Procedural requirements
Chapter VIII (Delivering overall mitigation in global emissions)	Relevant for the issuance requests listed as provisional under the temporary measures	Procedural requirements
Chapter IX (Avoiding the use of emission reductions by more than one Party)	Relevant for the issuance requests listed as provisional under the temporary measures	Procedural requirements
Chapter X (Use of emission reductions for other international mitigation purposes)	Relevant for the issuance requests listed as provisional under the temporary measures	Procedural requirements
Chapter XI (Transition of clean development mechanism activities and use of certified	Relevant	Procedural and design requirements

emission reductions towards first nationally determined contribution)		
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Note: All chapters and sections indicated as “may be relevant” are subject to clarification of the relevancy by the CMA or the Supervisory Body.

21. Based on the analysis above, only chapter V, sections A (Activity design) and B (Methodologies), and chapter XI of the RMP appear to be relevant as design requirements for transitioning CDM activities at the time of transition to the Article 6.4 Mechanism. Further analyses of these limited chapters and sections with a possible application to transitioning CDM activities are summarized in Table 4. Possible applications of the chapters indicated as procedural requirements for transitioning CDM activities will be proposed in the next section of this paper.

Table 4. Possible application of design requirements of the RMP to transitioning CDM activities

Rules, modalities and procedures (RMP) provision	Possible application to transitioning clean development mechanism (CDM) activities
<p>Chapter V (Article 6, paragraph 4, activity cycle)</p> <p>Section A (Activity design)</p> <p>31. The activity:</p> <p>(a) Shall be designed to achieve mitigation of greenhouse gas (GHG) emissions that is additional, including reducing emissions, increasing removals and mitigation co-benefits of adaptation actions and/or economic diversification plans (hereinafter collectively referred to as emission reductions), and not lead to an increase in global emissions;</p> <p>(b) May be a project, programme of activities or other type of activity approved by the Supervisory Body;</p> <p>(c) Shall be designed to achieve emission reductions in the host Party;</p> <p>(d) Shall also:</p> <p>(i) Deliver real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b);</p> <p>(ii) Minimize the risk of non-permanence of emission reductions over multiple nationally determined contribution (NDC) implementation periods and, where reversals occur, ensure that these are addressed in full;</p> <p>(iii) Minimize the risk of leakage and adjust for any remaining leakage in the calculation of emission reductions or removals;</p> <p>(iv) Minimize and, where possible, avoid negative environmental and social impacts;</p> <p>(e) Shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation and local communities and indigenous peoples, as applicable;</p>	<p>All CDM activities are deemed to meet this requirement.</p> <p>All CDM activities are deemed to meet this requirement.</p> <p>All CDM activities are deemed to meet this requirement.</p> <p><u>Some CDM activities may not meet this requirement, depending on the interpretation of “long-term benefits”.</u></p> <p>Non-forestation or reforestation (A/R) CDM activities are deemed to meet this requirement. Some A/R CDM activities may need modifications to the activity design, or procedural rules may need to be developed under the Article 6.4 Mechanism to address the risk of non-permanence and reversals.</p> <p>All CDM activities are deemed to meet this requirement (through the applied methodology).</p> <p>All CDM activities are deemed to meet this requirement partially (environmental impact assessment). <u>Social impacts are to be assessed only for A/R activities under the CDM, hence they may need to be assessed for non-A/R transitioning CDM activities.</u></p> <p>All CDM activities are deemed to meet this requirement (local stakeholder consultation is conducted in accordance with applicable host Party rules).</p>

<p>(f) Shall apply a crediting period for the issuance of A6.4ERs, that is a maximum of 5 years renewable a maximum of twice, or a maximum of 10 years with no option of renewal, that is appropriate to the activity, or, in respect of activities involving removals, a crediting period of a maximum of 15 years renewable a maximum of twice that is appropriate to the activity, and that is subject to approval by the Supervisory Body, or any shorter crediting period specified by the host Party pursuant to paragraph 27(b) above. The crediting period shall not start before 2021.</p> <p>32. The activity shall apply a mechanism methodology that has been developed in accordance with chapter V.B below (Methodologies) and approved by the Supervisory Body following its technical assessment, in order to:</p> <p>(a) Set a baseline for the calculation of emission reductions to be achieved by the activity;</p> <p>(b) Demonstrate the additionality of the activity;</p> <p>(c) Ensure accurate monitoring of emission reductions;</p> <p>(d) Calculate the emission reductions achieved by the activity.</p>	<p>CDM activities have different lengths of renewable crediting periods (maximum 7 years for non-A/R activities and maximum 20 years for A/R activities), hence adjustments to the length and determination of the remaining length and remaining number of renewals may be needed. See paragraph 18 above of this document for concrete proposals.</p> <p>In accordance with the RMP, paragraph 73(d), no change to the currently applied CDM methodology is needed to transition CDM activities at transition, except where the project participants voluntarily switch to an approved Article 6.4 Mechanism methodology. See also the next row of this table. <u>Global warming potential values to calculate emission reductions or removals applicable for post-2020 period for various GHGs would need to be specified.</u></p>
<p>Section B (Methodologies)</p> <p>33. Mechanism methodologies shall encourage ambition over time; encourage broad participation; be real, transparent, conservative, credible and below 'business as usual'; avoid leakage, where applicable; recognize suppressed demand; align with the long-term temperature goal of the Paris Agreement; contribute to the equitable sharing of mitigation benefits between the participating Parties; and, in respect of each participating Party, contribute to reducing emission levels in the host Party, and align with its NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement.</p> <p>34. Mechanism methodologies shall include relevant assumptions, parameters, data sources and key factors and take into account uncertainty, leakage, policies and measures, and relevant circumstances, including national, regional or local, social, economic, environmental and technological circumstances, and address reversals, where applicable.</p> <p>35. Mechanism methodologies may be developed by activity participants, host Parties, stakeholders or the Supervisory Body. Mechanism methodologies shall be approved by the Supervisory Body where they meet the requirements of these rules, modalities and procedures and the requirements established by the Supervisory Body.</p> <p>36. Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline.</p>	<p>The RMP, paragraph 73(d), clarified that the transitioning CDM activities may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2025. In case the project participants of the transitioning CDM activities wish to voluntarily switch to an Article 6.4 Mechanism methodology at the time of transition, such methodology needs to meet all requirements in this section. To do that, the process for approval of an Article 6.4 Mechanism methodology needs to be in place.</p>

<p>while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 above and recognizing that a host Party may determine a more ambitious level at its discretion:</p> <p>A performance-based approach, taking into account:</p> <p>(i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate;</p> <p>(ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and technological circumstances;</p> <p>(iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above.</p>	
<p>Chapter XI (Transition of clean development mechanism activities and use of certified emission reductions towards first nationally determined contribution)</p> <p>73. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol (CDM) or listed as provisional as per the temporary measures adopted by the Executive Board of the CDM may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to all of the following conditions:</p> <p>(a) The request to transition the CDM project activity or programme of activity being made to the secretariat and the CDM host Party as defined by decision 3/CMP.1 by or on behalf of the project participants that were approved by that CDM host Party by no later than 31 December 2023;</p> <p>(b) The approval for such transition of the CDM project activity or programme of activity being provided to the Supervisory Body by the CDM host Party by no later than 31 December 2025;</p> <p>(c) Subject to paragraph 73(d) below, the compliance with these rules, modalities and procedures, including on the application of a corresponding adjustment consistent with decision 2/CMA.3, relevant requirements adopted by the Supervisory Body and any further relevant decisions of the CMA;</p> <p>(d) The activity may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2025, following which it shall apply an approved methodology pursuant to chapter V.B above (Methodologies).</p> <p>74. The Supervisory Body shall ensure that small-scale CDM project activities and CDM programmes of activities undergo an</p>	<p>A procedural requirement. See section II.B.3 below for a concrete proposal.</p> <p>A procedural requirement. See section II.B.3 below for a concrete proposal.</p> <p>The entire section II.A.3 of this document addresses the first part of this requirement (compliance with the RMP). For procedural requirements including the application of corresponding adjustments, see section II.B below for concrete proposals.</p> <p>This is the basis for no change to the applied CDM methodology at transition. See the row above.</p> <p>A procedural requirement for the Supervisory Body. See section II.B.7 below.</p>

expedited transition process in accordance with decisions of the Supervisory Body by prioritizing the requests to transition from such activities following the approval referred to in paragraph 73(b) above.	
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22. The analysis above shows that transitioning CDM activities already meet most of the relevant requirements in the RMP, with possible exceptions of the following:

(a) “Deliver ... long-term benefits related to climate change” (RMP, paragraph 31(d)(i)), depending on the interpretation and application of this requirement under the Article 6.4 Mechanism;

(b) “Minimize and, where possible, avoid negative ... social impacts” (the RMP, paragraph 31(d)(iv)), which has not been assessed under the CDM, except for afforestation and reforestation (A/R) activities;

(c) Crediting period length, which is discussed in detail and proposals on its application to transitioning CDM activities are presented in section II.A.2 above;

(d) Global warming potential values for GHGs for the calculation of emission reductions or removals for the period after 2020, which are not yet specified for activities under the Article 6.4 Mechanism.

23. Based on this, it is proposed that the CMA clarify how to apply the following requirements in the RMP to transitioning CDM activities:

(a) Delivering long-term benefits related to climate change;

(b) Minimize and, where possible, avoid negative social impacts;

(c) Applicable global warming potential values.

24. With regard to activities involving removals such as afforestation and reforestation (A/R) activities, key requirements including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts are not explicitly contained in the RMP. The CMA, through decision 3/CMA.3, paragraph 6(c), requested the Supervisory Body to elaborate and further develop, on the basis of the RMP, recommendations on these, for consideration and adoption by the CMA at CMA 4. Therefore, it is not possible at this stage to analyse the eligibility of A/R CDM activities for transition to the Article 6.4 Mechanism. It is particularly important for the CMA to decide how to settle the non-permanent credits issued for A/R activities under the CDM (temporary CERs and long-term CERs), as they would somehow have to be replaced by other credits. Due to this unique situation, this paper does not discuss in detail and propose how A/R CDM activities may transition to the Article 6.4 Mechanism.

B. Transition process

1. General

25. With regard to the process for requesting the transition of (eligible) registered CDM activities and the requests listed as provisional under the temporary measures adopted by the CDM Executive Board, the RMP, paragraph 73, set the conditions as referred to in paragraphs 6(a) and 6(b) above and quoted again below:

(a) The request to transition the CDM project activity or programme of activity being made to the secretariat and the CDM host Party as defined by decision 3/CMP.1 by or on behalf of the project participants that were approved by that CDM host Party by no later than 31 December 2023;

(b) The approval for such transition of the CDM project activity or programme of activity being provided to the Supervisory Body by the CDM host Party by no later than 31 December 2025.

26. The RMP does not elaborate the sequence and details of the processes for the submission of requests for transition, their consideration, and the finalization of transition requests.

27. Procedural requirements and their possible applications to transitioning CDM activities are analysed and possible processes are proposed in the sections below.

2. Compliance with participation responsibilities

28. The RMP, chapter IV (Participation responsibilities), lists responsibilities of the host Party of Article 6.4 Mechanism activities prior to participating in the mechanism. These include ratification of the Paris Agreement; submission of NDC, designation of a national authority, and indication to the Supervisory Body of: i) how its participation in the mechanism contributes to sustainable development; ii) types of activities that it would consider approving; iii) how such types of activity and any associated emission reductions would contribute to the achievement of its NDC, if applicable, its long-term low GHG emission development strategy. As these are prerequisite for any host Party to participate in the Article 6.4 Mechanism, it is deemed to apply to any host Party of transitioning CDM activities. Consequently, some CDM activities requesting transition may not meet these requirements, depending on the status in these requirements at the time of the request for transition.

29. There is no specific process needed for meeting these requirements as part of the transition process. However, the information should be publicly available and could be checked at the assessment stage of the request for transition.

3. Submission of transition requests

30. The RMP, paragraphs 73(a) and 73(b), referred to in paragraph 25 above, clearly provide a two-step process for requesting the transition until the request is deemed ready for processing, including the timelines.

31. For this stage of the transition process, the following needs to be clarified or elaborated:

(a) To which authority of the “CDM host Party” – the designated national authority (DNA) for the CDM, or the DNA for the Article 6.4 Mechanism – is the request for transition, referred to in paragraph 73(a) of the RMP, to be sent by the project participants;

(b) What information is to be included in the request for transition referred to in subparagraph (a) above;

(c) What process differentiation is needed for the activities that continue to apply its current approved CDM methodology from the activities that are required, or voluntarily switch, to apply an Article 6.4 Mechanism methodology;

(d) What key information is to be included in the approval of the CDM host Party in view of host Party authorization requirements under the Article 6.4 Mechanism as contained in the RMP, section V.C (Approval and authorization), and what modalities are to be followed for providing the approval to the Supervisory Body.

32. With regard to the issue referred to in paragraph 31(a) above, the request for transition is to be made to the secretariat and the CDM host Party as defined by decision 3/CMP.1. However, this requirement is silent on whether the request is to be sent to the DNA for the CDM, or the DNA for the Article 6.4 Mechanism, or both. Since it was the CDM DNA that approved the activity when it was registered under the CDM, an action that eventually leading to deregistration from the CDM should involve the CDM DNA. At the same time, it is reasonable to assume that it will be the DNA for the Article 6.4 Mechanism that approves the transition as the activity will become an Article 6.4 Mechanism activity. Therefore, the information of the request for transition needs to be shared with the latter, otherwise an approval of transition may not be provided due to, for example, the lack of internal communication within the Party. Therefore, it is proposed that the CMA clarify that the request for transition is to be sent to the CDM DNA, copying the Article 6.4 Mechanism DNA. In the absence of the latter due to the delay in establishing it, copying the UNFCCC

national focal point may be a practical option. In this context, if a transitioning CDM activity is a PoA with multiple host Parties, the process for submission of a transition request and the provision of approval of the transition may need to be separated for each host Party, since the transition of any CDM activity to the Article 6.4 Mechanism would affect the NDC implementation policy of each host Party. The activities under a PoA should also be compliant with the activity types and the methodological conditions that each Party may attach to any Article 6.4 Mechanism activity it hosts in accordance with the RMP, paragraphs 26(e) and 27(a). Therefore, such separation of the transition process for PoAs with multiple host Parties may effectively divide a PoA into multiple PoAs when transitioning. It is proposed that the Supervisory Body further consider and elaborate the process for the transition of PoAs with multiple host Parties to the Article 6.4 Mechanism.

33. With regard to the issue referred to in paragraph (b) above, the information required at this stage is to provide sufficient information of the activity to the authority of the CDM host Party for their decision whether to approve the transition as well as to the secretariat to identify the activity. As part of the implementation of the transition process, the Supervisory Body may be requested to develop a standardized form that would cover required information for this purpose.

34. With regard to the issue referred to in paragraph 31(c) above, the main reason for possible differentiation of the processes would be the need for scrutinization of the applicability and application of the Article 6.4 Mechanism methodology to the transitioning CDM activity, as meeting methodological requirements is fundamental to ensuring the emission reductions or removals claimed are additional, real, conservative and other principles contained in the RMP, hence requires careful and time-consuming technical assessment. At least for such cases, involving a designated operational entity (DOE) for validation may be appropriate, as proposed in paragraph 47 below.

35. The issue referred to in paragraph 31(d) above is discussed in detail in the next section.

36. In terms of the sequence, for a request for issuance listed as provisional under the temporary measures to be finalized under the Article 6.4 Mechanism, it is logical to assume that the underlying activity needs to successfully complete the transition process first (i.e. if the underlying CDM activity fails to transition, the provisional request for issuance will be rejected). The same should apply to requests for renewal of crediting period listed as provisional under the temporary members as already discussed in paragraph 14 above. It is therefore proposed that the CMA clarify on this aspect.

4. Approval and authorization by the host Party

37. The RMP, paragraphs 40 and 41, require that the host Party provide to the Supervisory Body an approval of the activity, prior to a request for registration of the activity, and authorization of public or private entities to participate in the activity as activity participants under the mechanism, respectively. In addition, the RMP, paragraph 42, requires that the host Party provides to the Supervisory Body a statement specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes.

38. In the context of transition of CDM activities, the approval of transition referred to in paragraph 73(b) of the RMP, to be provided by the Article 6.4 Mechanism DNA (see paragraph 32 above), could be equivalent to the approval referred to in paragraph 40 of the RMP. Therefore, it is proposed that the CMA clarify that the approval of transition of a CDM activity, which is to be provided to the Supervisory Body by the CDM host Party, shall cover the elements contained in paragraphs 40–42 of the RMP referred above.

39. With regard to the authorization from other Parties participating in an Article 6.4 Mechanism activity, as referred to in paragraph 45 of the RMP, it is to be submitted by such other Parties. For transitioning CDM activities, it may be optional to submit authorization from such other participating Parties at the time of transition, but should be required prior to the first transfer of A6.4ERs to the activity participants authorized by the participating Parties. It is also proposed that the CMA clarify on this aspect.

5. Applicable fees and share of proceeds

40. The RMP is silent on the applicable fees for transitioning CDM activities. However, it is reasonable to assume that, in principle, the same structure and levels of fees and share of proceeds (SOP) that apply to any Article 6.4 Mechanism activity also apply to transitioning CDM activities, not to mention that at least after the transition.

41. Table 6 highlights the difference in fees and SOP between the CDM process and the Article 6.4 Mechanism process, noting that the CMA has requested the Supervisory Body to recommend to the CMA “appropriate levels for the share of proceeds for administrative expenses and its operation, including in order to enable a periodic contribution to the share of proceeds for adaptation for the Adaptation Fund”. Based on this request, the Supervisory Body is expected to present recommendations on these to the CMA at its fourth session.

Table 6. Comparison of fees and share of proceeds under the CDM and the Article 6.4 Mechanism

<i>Applicable fees and share of proceeds (SOP)</i>	<i>CDM activities</i>	<i>Article 6.4 activities</i>
Registration fee (project activities)	Yes (advance payment of SOP; applied to expected average annual CERs; maximum of USD 350,000) No (for activities in least developed countries (LDCs), countries with fewer than 10 registered project activities and PoAs, and project activities with expected annual CERs below 15,000)	Yes (level to be determined by the CMA)
Registration fee (PoAs)	Yes (advance payment of SOP: USD 10,000 for PoAs applying small-scale methodologies and USD 20,000 for all other PoAs) No (for LDCs and countries with fewer than 10 registered project activities and PoAs)	Yes (level to be determined by the CMA)
Fee for inclusion of component project activities	No	To be decided by the CMA
Fee for renewal	No	To be decided by the CMA
Fee for post-registration changes	No	To be decided by the CMA
SOP (administrative expenses) – issuance fee	Yes (USD 0.10 per CER for the first 15,000 CERs and USD 0.20 per CER in excess of 15,000 CERs) No (for LDCs)	Yes (level to be determined by the CMA)
SOP (adaptation)	Yes (2% of CERs at issuance) No (for LDCs)	Yes (5% of A6.4ERs at issuance)
Share of proceeds (monetary contribution)	No	Yes (stage and rate to be set by the Supervisory Body)

42. For eligible CDM activities requesting for transition, the registration fee has already been paid when registered under the CDM. Therefore, it is proposed that the CMA clarify whether to apply the registration fee under the Article 6.4 Mechanism to them at transition, and if yes, what level, including a possibility of paying the difference of the registration fee applicable under the Article 6.4 Mechanism from that is applicable under the CDM, if it is positive.

43. For the requests listed as provisional under the temporary measures, no fees have been paid in accordance with a specific rule under the temporary measures. As the finalization of these requests will be made under the Article 6.4 Mechanism, it would be reasonable to propose that the CMA clarify that respective fees under the Article 6.4 Mechanism, which are yet to be decided by the CMA, shall apply to the requests listed as provisional under the temporary measures to finalize the requests.

44. With regard to the SOP to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation (SOP for adaptation), there are differences in the structure and rates between the Article 6.4 Mechanism and the CDM, as presented in table 6. Of these, the following components may be relevant to transitioning CDM activities, hence, it is proposed that the CMA clarify their applicability and application:

(a) In-kind contribution of A6.4ERs at their issuance: may be relevant to the requests for issuance listed as provisional under the temporary measures;

(b) A monetary contribution related to the scale of the activity or to the number of A6.4ERs issued: the former may be relevant to the transitioning registered CDM activities and registration requests listed as provisional under the temporary measures; and the latter may be relevant to the requests for issuance listed as provisional under the temporary measures.

45. In addition, while it may be obvious, it is proposed that the CMA clarify that the following requirements in the RMP shall apply to the requests for issuance listed as provisional under the temporary measures when the requests are finalized and as a consequence, A6.4ERs are issued:

(a) Cancellation of A6.4ERs for delivering overall mitigation in global emissions (the RMP, paragraph 59 and section VIII);

(b) Corresponding adjustment for the first transfer of all authorized A6.4ER for use towards the achievement of NDCs (the RMP, section IX);

(c) Corresponding adjustment for the first transfer of all authorized A6.4ER for use for other international mitigation purposes (the RMP, section X).

6. Processing of submissions

46. The RMP does not describe the subsequent processes after the first two steps: 1) transition request submission; and 2) host Party approval, referred to in the RMP, paragraph 73(a) and 73(b), as quoted in paragraph 25 above, but can be reasonably assumed to comprise:

(a) Compliance check of the transitioning CDM activity (including provisional cases) with the RMP and relevant requirements adopted by the Supervisory Body and any further relevant decisions of the CMA;

(b) Decision on the transition request by the Supervisory Body;

(c) Finalizing the transition, including:

(i) Registering the activity under the Article 6.4 Mechanism or rejecting the request (for registered CDM activities and the requests for registration listed as provisional under the temporary measures);

(ii) Renewing the crediting period or the PoA period under the Article 6.4 Mechanism or rejecting the request (for the requests for renewal listed as provisional under the temporary measures); or

(iii) Issuing A6.4ERs or rejecting the issuance requests (for the requests for issuance listed as provisional under the temporary measures).

47. With regard to **the compliance check**, it could be done by a DOE and/or the secretariat before the request is forwarded to the Supervisory Body for its final decision. The necessity of involving a DOE may depend on the number and degree of checks required, merit of which needs to be considered against the time and cost required for project participants. If the compliance check is expected to be a light one considering that

transitioning CDM activities automatically meet a majority of activity requirements for Article 6.4 Mechanism activities as analysed in section II.A.3 above, and also the application of the current CDM methodology is allowed until the earlier of the end of its current crediting period or 31 December 2025, the involvement of a DOE may not be needed, while the compliance check on limited areas by the secretariat may be sufficient. On the other hand, if it is required to apply an Article 6.4 Mechanism methodology or if the project participants voluntarily switch to Article 6.4 Mechanism methodology, an intensive check may be needed. Based on this, it is proposed that the Supervisory Body clarify whether the compliance check should comprise the following steps and under what circumstances:

- (a) Validation by a DOE, followed by the assessment by the secretariat; or
- (b) Assessment by the secretariat.

48. There are currently no DOEs operational under Article 6.4 Mechanism. Therefore, it is proposed that the Supervisory Body to facilitate the operationalization of the accreditation process, or to agree on a temporary arrangement for entities that may work as a DOE under the Article 6.4 Mechanism in the meantime.

49. Whichever the option is chosen, the project design document (PDD) may need to be revised by the project participants, or an additional document may need to be attached, to ensure that all information on the activity required under the Article 6.4 Mechanism are provided, thus making it comparable with any other Article 6.4 Mechanism activity, including the updated crediting period and possible adjustments to the global warming potential values of relevant GHGs. Also, if the crediting period of transitioning CDM activities expires before the submission of the revised PDD or the submission is made after 31 December 2025, the applied CDM methodology would need to be replaced by an Article 6.4 Mechanism methodology in accordance with the RMP, paragraph 73(d). The timing of submission of such revised PDD to the secretariat (either through a DOE after its validation, or directly by the project participant) may be after the approval of transition by the host Party being provided to the Supervisory Body, as it would give more certainty to the project participants on the transition, hence the revision of the PDD and possible validation by a DOE may not entirely end up in vain. Based on this consideration, it is proposed that the Supervisory Body clarify the required documentation for the compliance check and the timing of submission of such documentation.

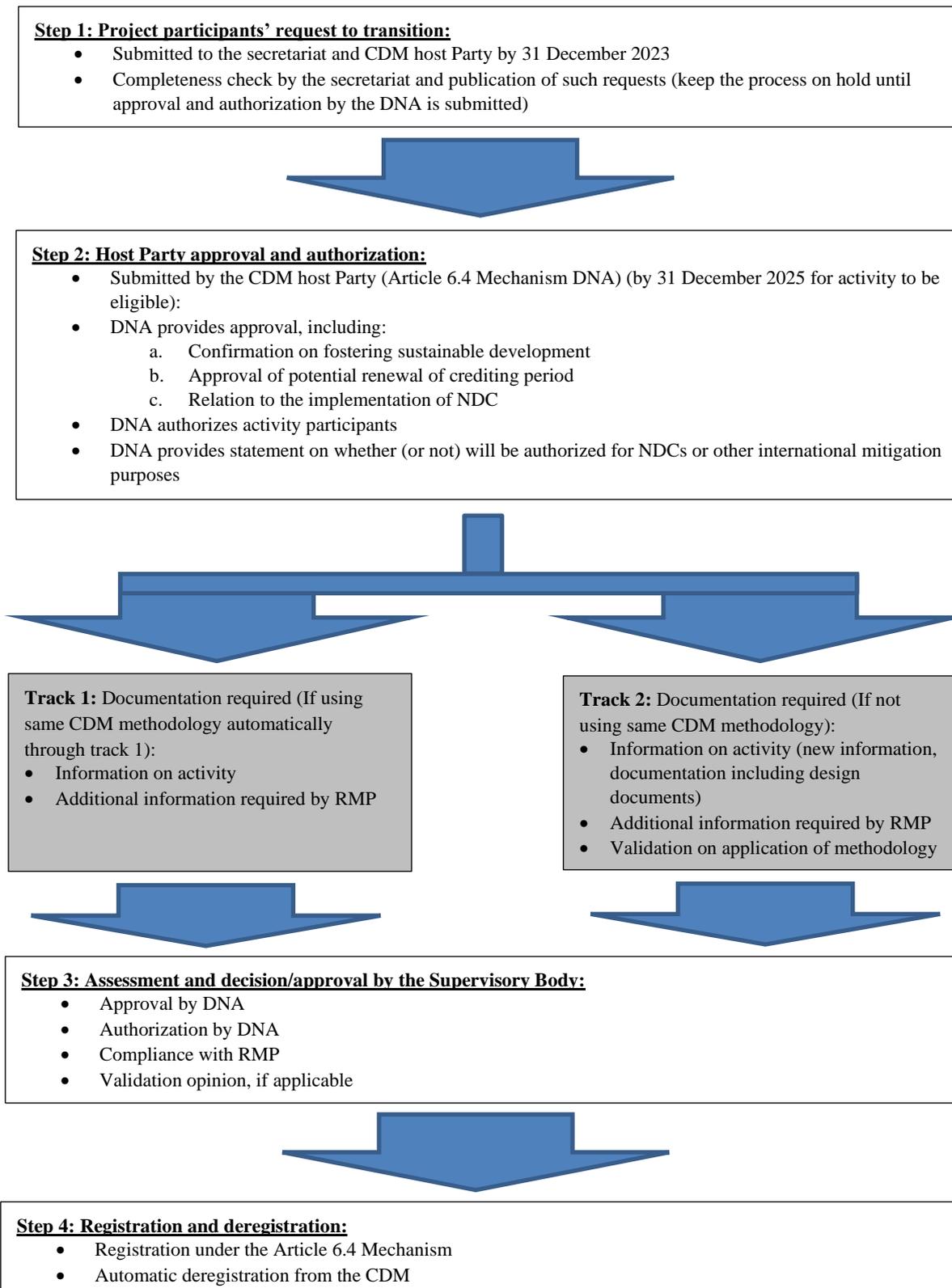
50. With regard to **decision by the Supervisory Body**, it could be done based on the assessment of the secretariat. Detailed modalities such as triggering a review for further investigation with possible interaction with the project participants and/or the DOE may not necessarily need to be formalized due to the nature of dealing with transition requests, while leaving the flexibility in modalities to the Supervisory Body in reaching a decision.

51. With regard to **finalization** of the transition request, one thing to be clarified would be on the effective date of transition and the start date of the crediting period under the Article 6.4 Mechanism for the transitioned activities and finalized requests listed as provisional under the temporary measures. Assuming that the transitioned activities have been continuing their operation, and since the provisional requests deal with emission reductions for the period any time after 31 December 2020, it would be reasonable that the CMA clarify that the crediting period of transitioned activities and finalized requests listed as provisional under the temporary measures may start as early as 1 January 2021 irrespective of the date of finalization of the request.

52. In accordance with decision 2/CMP.16, paragraph 12, any CDM activities transitioned to the Article 6.4 Mechanism shall be deregistered from the CDM effective from the date of transition. This decision implies that the deregistration is at the same time as the transition and automatic, ensuring that the same activity is not registered under the two mechanisms at any point in time. However, to allow crediting under the Article 6.4 Mechanism to start as early as 1 January 2021 as proposed above, this decision may require retroactively shifting the effective date of transition to the start date of the crediting period of these activities and cases in provisional requests under the Article 6.4 Mechanism. It is therefore proposed that the CMA clarify on the effective date of transition in relation to the start date of the crediting period for transitioned activities.

53. Based on the consideration above, a possible process flow is presented in the diagram below.

54. **Possible flow of transition of CDM activities to the Article 6.4 Mechanism**



7. **Expedited transition process for small-scale activities and programmes of activities**

55. The RMP, paragraph 74, requires that “the Supervisory Body shall ensure that small-scale CDM project activities and CDM PoAs undergo an expedited transition process in accordance with decisions of the Supervisory Body by prioritizing the requests to transition

from such activities following the approval” (of the transition by the host Party). Since this is mandated to the Supervisory Body, this paper does not propose such process.

III. Summary of options and possible solutions

56. The table below provides a summary of proposals related to the processes necessary for the transition of CDM activities, together with the relevant paragraph(s) of this technical paper where the issue is discussed.

57. It should be noted that which body – the CMA or the Supervisory Body – to decide in each proposal is indicative and chosen conservatively. The CMA may wish to focus on key issues to decide while delegating any other proposed actions to the Supervisory Body as appropriate.

<i>Option and/or possible solution(s)</i>	<i>Paragraph(s)</i>
The CMA to specify the following conditions relating to the crediting period of registered CDM activities as part of the eligibility conditions to transition to the Article 6.4 Mechanism:	18
(a) The crediting period would have been active as at 1 January 2021 if the crediting under the CDM had continued after the end of the second commitment period of the Kyoto Protocol;	
(b) The type (i.e. renewable or fixed) and the number of possible renewals of the crediting period, and the length of the current crediting period, carry over and resume from those under the CDM, to be capped at 5 years for the current crediting period under the Article 6.4 Mechanism if it is renewable;	
(c) Once renewed under the Article 6.4 Mechanism, the length of the new crediting period follows the rules under the Article 6.4 Mechanism for the remaining number of crediting period cycles, taking into account already consumed crediting period cycles under the CDM;	
(d) The same principles referred to in subparagraphs (a)–(c) above apply to PoAs in terms of the PoA period.	
The CMA clarify how to apply the following requirements in the RMP to transitioning CDM activities:	23
(a) Delivering long-term benefits related to climate change;	
(b) Minimize and, where possible, avoid negative social impacts;	
(c) Applicable global warming potential values.	
The CMA to clarify that the request for transition is to be sent to the CDM DNA, copying the Article 6.4 Mechanism DNA.	32
The Supervisory Body to further consider and elaborate the process for the transition of PoAs with multiple host Parties to the Article 6.4 Mechanism.	32
The Supervisory Body to develop a standardized form for the transition request that would cover information required for the host Party to decide on the approval of the transition.	33
The CMA to clarify that that for finalizing a request for issuance or renewal that was listed as provisional under the temporary measures, the underlying activity shall successfully complete the transition process first.	14, 36
The CMA to clarify that the approval of transition of a CDM activity, which is to be provided to the Supervisory Body by the CDM host Party, shall cover the elements contained in paragraphs 40–42 of the RMP.	38
The CMA to clarify that the submission of authorization from other Parties participating in the transitioning CDM activities may be optional at the time of transition, but shall be required prior to the first transfer of A6.4ERs to the activity participants authorized by the participating Parties.	39
The CMA to clarify whether to apply the registration fee under the Article 6.4 Mechanism to CDM activities at transition, and if yes, what level, including a	42

possibility of paying the difference of the registration fee applicable under the Article 6.4 Mechanism from that is applicable under the CDM, if it is positive.	
The CMA to clarify that respective fees under the Article 6.4 Mechanism shall apply to the requests listed as provisional under the temporary measures to finalize the requests.	43
The CMA to clarify the applicability and application of the share of proceeds for adaptation under the Article 6.4 Mechanism to the transitioning CDM activities and the requests that are listed as provisional under the temporary measures:	44
(a) In-kind contribution of A6.4ERs at their issuance, which may be relevant to the requests for issuance listed as provisional under the temporary measures;	
(b) A monetary contribution related to the scale of the activity or to the number of A6.4ERs issued, the former of which may be relevant to the transitioning registered CDM activities and registration requests listed as provisional under the temporary measures; and the latter of which may be relevant to the requests for issuance listed as provisional under the temporary measures.	
The CMA clarify that the following requirements in the RMP shall apply to the requests for issuance listed as provisional under the temporary measures when the requests are finalized and as a consequence, A6.4ERs are issued:	45
(a) Cancellation of A6.4ERs for delivering overall mitigation in global emissions (the RMP, paragraph 59 and section VIII);	
(b) Corresponding adjustment for the first transfer of all authorized A6.4ER for use towards the achievement of NDCs (the RMP, section IX);	
(c) Corresponding adjustment for the first transfer of all authorized A6.4ER for use for other international mitigation purposes (the RMP, section X).	
The Supervisory Body to clarify whether the compliance check of the transition request should comprise the following steps and under what circumstances:	47
(a) Validation by a DOE, followed by the assessment by the secretariat; or	
(b) Assessment by the secretariat.	
The Supervisory Body to clarify the required documentation for the compliance check and the timing of submission of such documentation.	49
The CMA to clarify that the crediting period of transitioned activities and finalized requests listed as provisional under the temporary measures may start as early as 1 January 2021 irrespective of the date of finalization of the request.	51
The CMA to clarify on the effective date of transition in relation to the start date of the crediting period for transitioned activities.	52
