

Article 6 of the Paris Agreement: Informal technical expert dialogues

CDM transition

September and October 2021



Guiding questions for this informal technical expert dialogue

- 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?**



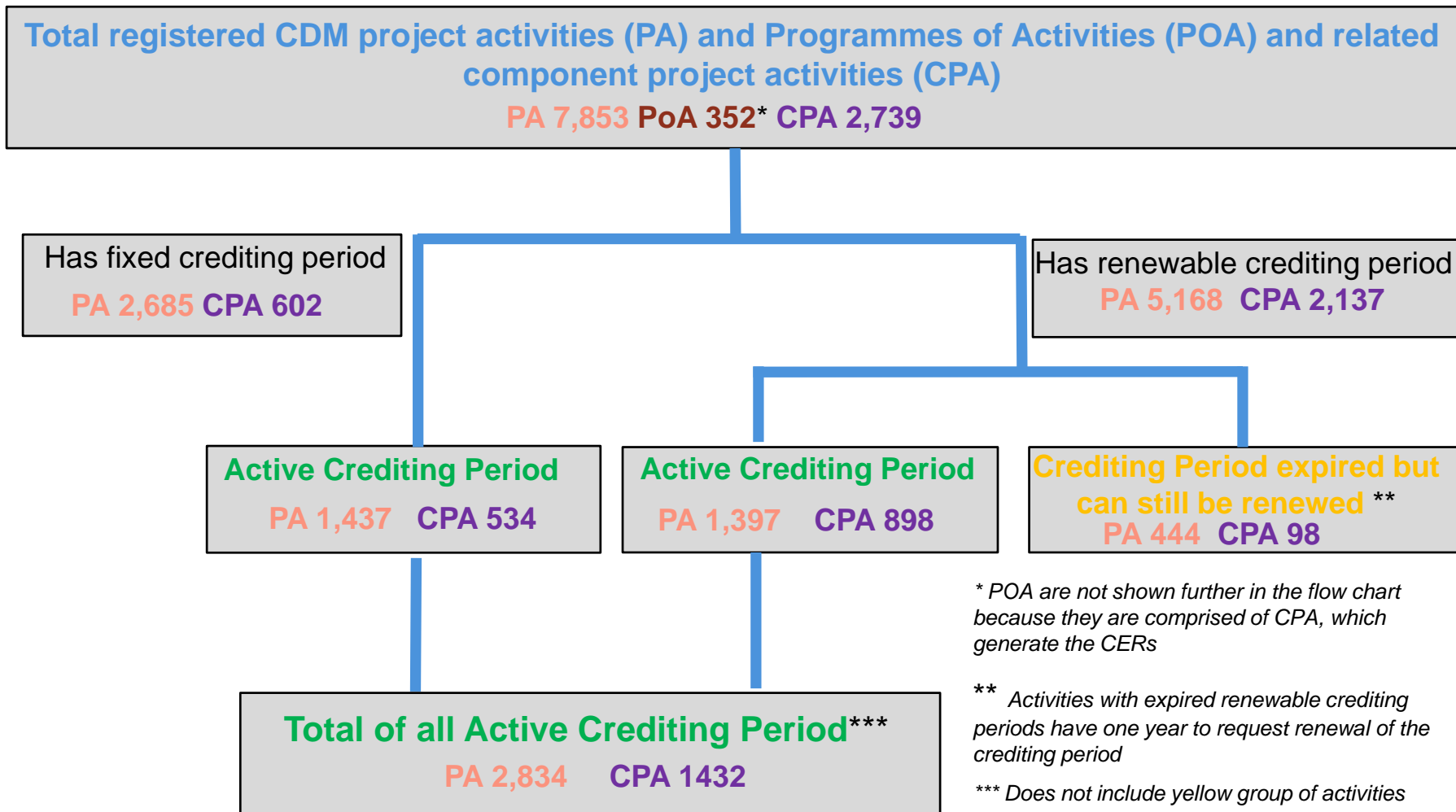
Contents of this informal technical information slide pack

- Presentation of **active CDM activity data**
- Presentation of **potential CERs up to end 2020 with assumptions**
- Presentation of **potential post 2020 CERs** with assumptions
- Share of proceeds for adaptation, share of proceeds for administration compared to CER holdings
- Diagrams on **processes for CDM transition**
- **Summary of CDM EB temporary measures** and data on status of requests (public information)
- Table of CMP/CMA decision coordination

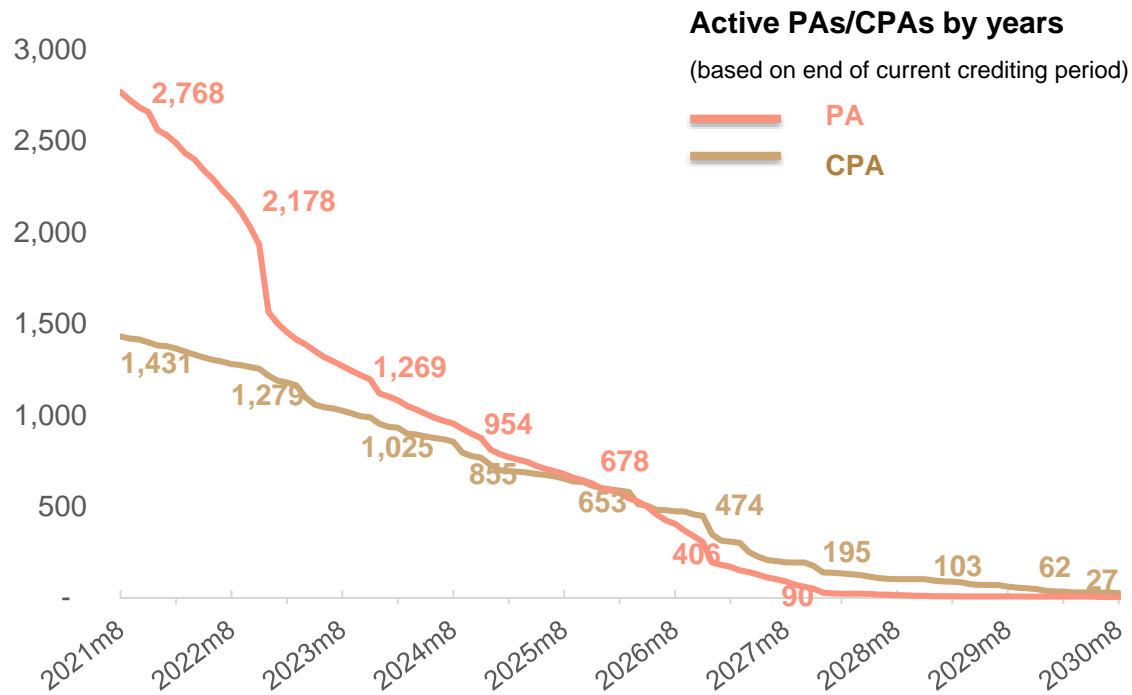
All slides are without prejudice to the outcome of Article 6 negotiations



Active CDM activities (status as at 31 August 2021)



Active CDM activities over time and end of their current crediting period



Explanation

- The slopes of the graphs (for projects and CPAs respectively) indicate the number of projects and CPAs with active crediting periods at annual intervals (August of each year) (m8= August)
- 66 projects and 1 CPA for afforestation and reforestation have been excluded from the activity numbers (example projects: $2,834 - 66 = 2,768$)
- 444 projects and 98 CPAs which can still be renewed (if renewal is requested within the 1-year deadline from expiry of the last crediting period) are not included in the activity numbers
- Data as at 31 August 2021
- Data to 2030m8



Potential volumes of pre-end 2020 CERs (emission reductions achieved up to end 2020)

Registration numbers	PA/PoA/CPAs
Registered (all activities)	7,853/352/2,739
Issuance or communication with UNFCCC since 2017	4259/183/352
Registered since 2013	697/139/688
Issuance or communication with UNFCCC since 2017	302/98/139
Registered since 2016	154/61/252
Issuance or communication with UNFCCC since 2017	136/60/251

Issuance levels	Million CERs
Issued (all issuance)	2.111
Issued for activities registered since 2013	49
Issued for activities registered since 2016	15
Peak issuance (year 2012)	339
Peak generation (year 2013)	317
Average issuance since 2013	117
Average generation since 2013	80

Potential emission reductions up to end 2020 (millions tCO₂eq)

Kyoto Protocol commitment period	Full Potential (FP)	(A) FP x IR 2008-2012	(B) FP x IR 2008-2020	(C) FP x IR 2013-2020
Total	3,405	2,315	739	306
CP1 (2008-2012)	2,738	1,862	594	246
CP2 (2013-2020)	667	453	145	60
From CDM activities registered since 2013	173	118	38	16
From CDM activities registered since 2016	50	34	11	4.5

IR: Issuance rate = CERs issued/CERs expected

Explanation

CDM activities that have not issued any CERs and/or have not communicated with the UNFCCC since 2017 are excluded from the potential estimations

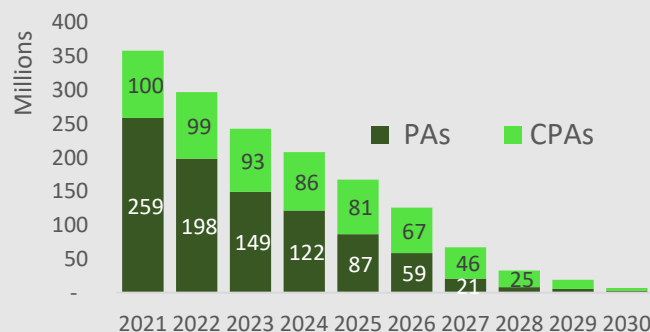
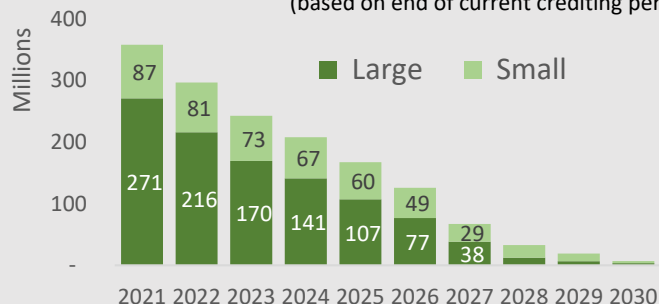
- Analysis follows this approach:
- Full potential is calculated from ex-ante potential (as per activity design documentation)
 - From that full potential, percentage that is credited/issued:
 - (A) Based on the crediting/issuance up to 2012: **68%**
 - (B) Based on the historical crediting/issuance rate 2008-2020: **22%**
 - (C) Based on the crediting/issuance after 2012: **9%**
- Rates reflect technological capacities, namely the proportion of the ex-ante full potential achieved in monitoring periods that are credited/issued.
- The technological capacity rate for CDM is: **81%**
- To be noted: not all CERs issued would be available to be transacted due to existing sale/purchase agreements.

Potential volumes of post 2020 emission reductions from CDM activities

(emission reductions achieved on or after 1 January 2021)

Full annual emission reductions (ERs) potential

(based on end of current crediting period)



Explanation

- 66 projects and 1 CPA from CDM activities related to A/R have been excluded
- 444 projects and 98 CPAs which can still be renewed are not shown
- Low volumes of emission reductions may be achieved after 2030

Potential ERs to be generated from 2021 to the end of current crediting period of CDM activities (PAs and CPAs)

millions tCO₂e_q

Group	Full Potential (FP)	(A) FP x IR 2008-2012	(B) FP x IR 2008-2020	(C) FP x IR 2013-2020
Total	1,527	1,038	336	137
PAs	905	617	201	81
CPAs	622	421	135	56
Large scale	1,045	731	237	94
HFCs	6	7	3	0
Large Hydro	226	139	32	16
N ₂ O	48	48	24	11
Rest large scale	765	537	178	67
Small scale	482	307	94	43

IR: Issuance rate = CERs issued/CERs expected

Explanation

- CDM activities that have not issued any CERs and/or have not communicated with the UNFCCC since 2017 are excluded from the potential estimations
- Analysis follows this approach:
 - Full potential is calculated from ex-ante potential (as per activity design documentation)
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 - (A) Based on the crediting/issuance up to 2012: **68%**
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- Rates reflect technological capacities, namely the proportion of the ex-ante full potential achieved in monitoring periods that are credited/issued.
- The technological capacity rate for CDM is: **81%**
- Potential estimates for large- and small- scale activities are based on within-group specific market rates

Share of proceeds and CER holdings

share of proceeds (SOP) for adaptation (millions)

SOP for Adaptation (30 June 2021)	USD
SOP from CDM	208.38
Voluntary contributions	858.82
Total income Adaptation Fund	1107.40 (incl. Interest 40.21)

Source: Report of AFB 2020-2021

share of proceeds (SOP) for administration (millions)

SOP for administration	USD
Total collected SOP	450
Uncollected SOP (SOP not paid)	51.4
<i>Uncollected SOP for CP1 CERs</i>	<i>15.7</i>

Explanation

- The share of proceeds for administration is the fee charged for the issuance of CERs and administration of the CDM

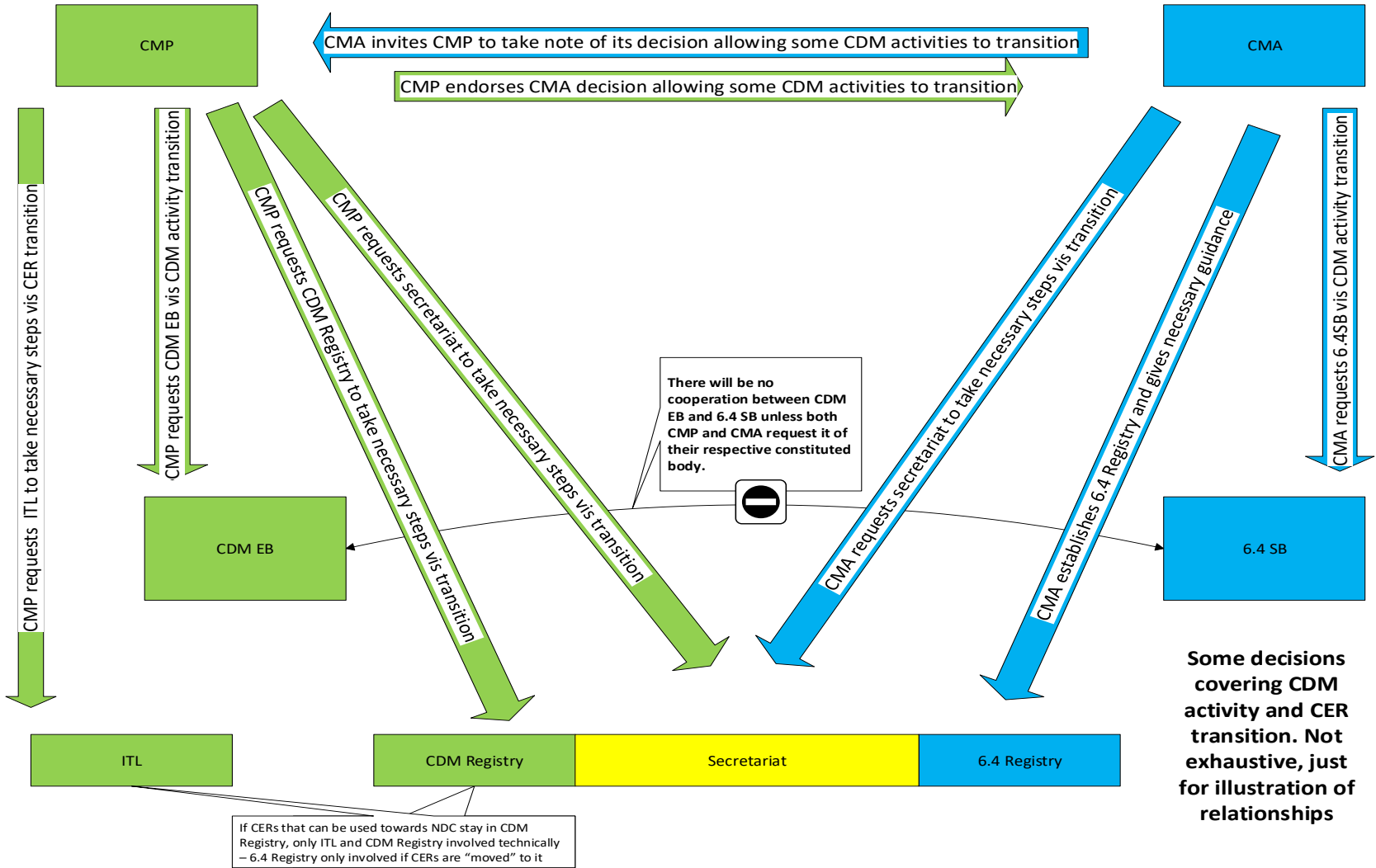
CER holdings (millions)

Registry / SOP status	Total	CP1	CP2
<u>Total</u>	<u>866</u>	<u>210</u>	<u>655</u>
National registries (SOP collected)	465	60	405
CDM registry	401	150	250
CDM registry (SOP collected)	137	56	80
CDM registry (SOP uncollected)	264	94	170

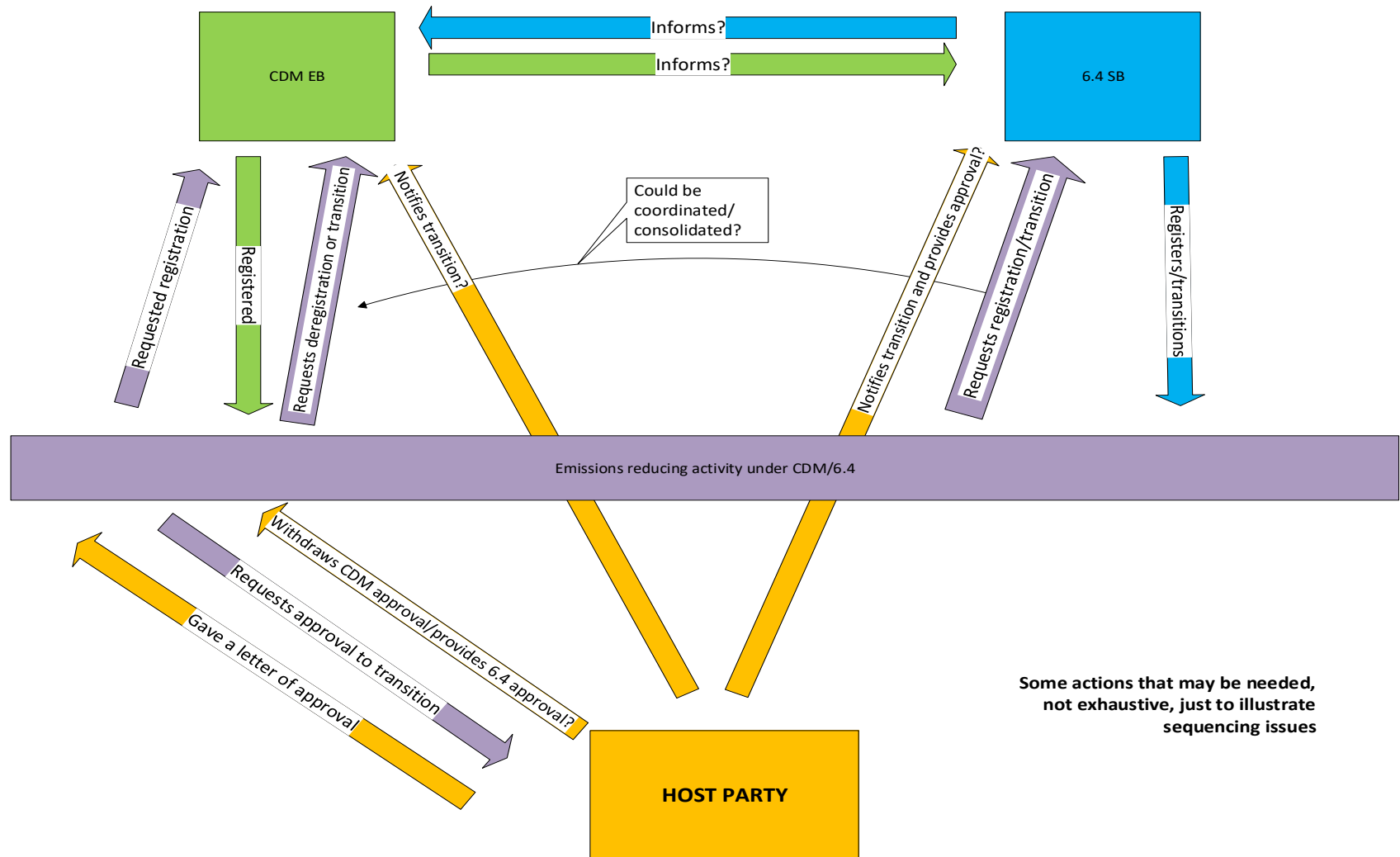
Explanation

- CERs with uncollected share of proceeds cannot be forwarded or transferred until payment of SOP has been made. In the past, issuance of CERs occurred prior to SOP payment, which is why there is "uncollected" SOP in respect of certain issued CERs. SOP is now required to be paid upon issuance.
- Data as at 31 August 2021

CMA/CMP decisions on CDM activity transition and CERs

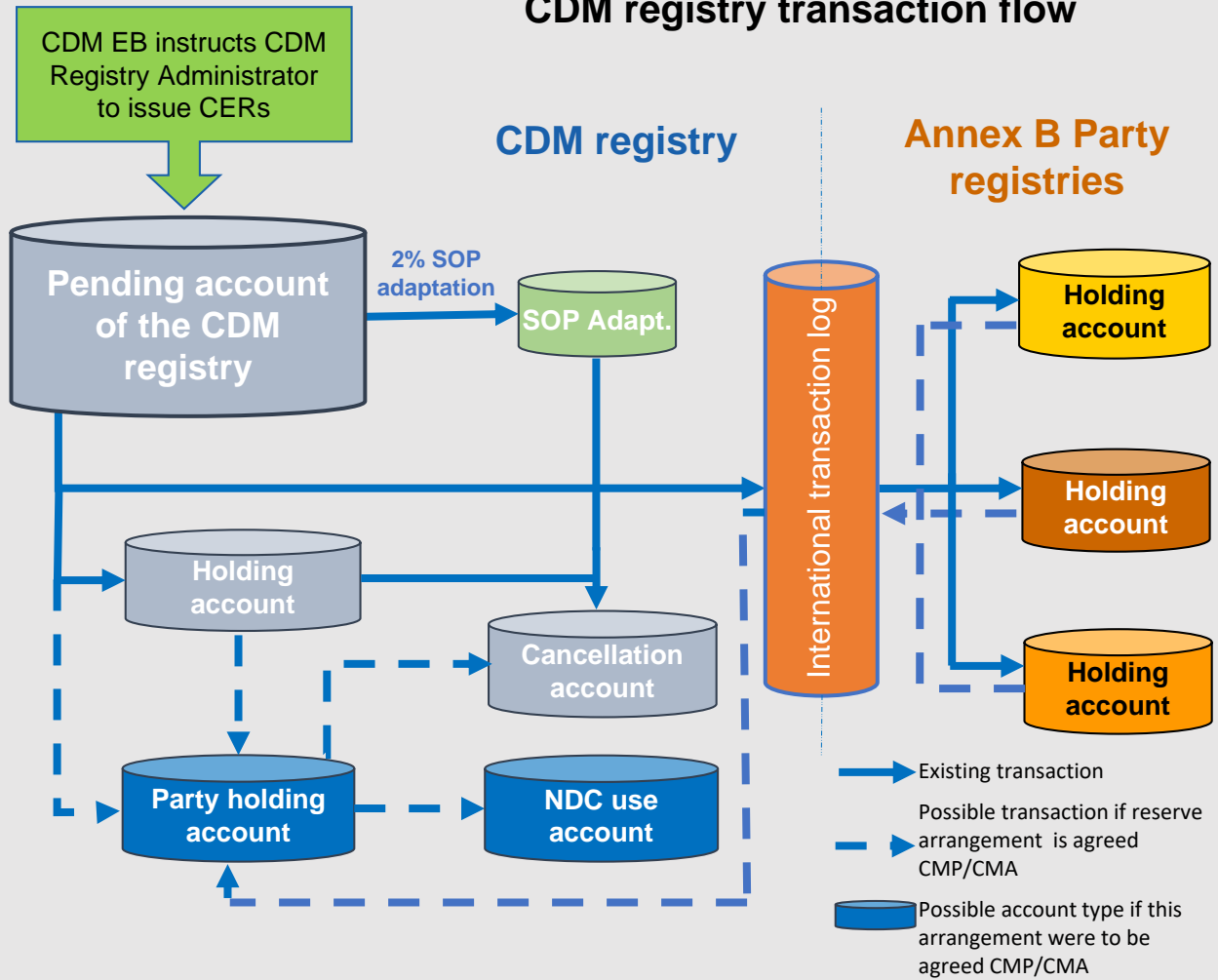


Process considerations for CDM activity transition



Possible account structure in CDM registry for CER use for NDCs

CDM registry transaction flow



Explanation

Informal technical dialogues indicated options for arrangements to identify CERs for use for NDC including:

- The CERs are moved to the 6.4 registry and retagged for use for NDCs and
- The CERs are placed in a reserve for use towards NDCs
- No further requirements

The 6.4 registry is not yet designed. The reserve option could be implemented in the CDM registry (with later move to 6.4 registry).

As such diagram depicts one possible technical solution for identifying CERs for use for NDCs, if this were to be agreed by CMA and enabled through CMP allowing use of the CDM registry for that purpose.

- In such a case the CDM registry could be instructed to host two additional account types (per CDM host Party)
 - Party holding account
 - NDC use account
- There would also likely be implications for the Data Exchange Standards and the International Transaction Log

Temporary measures adopted by the CDM Executive Board

- Postponement of CMP.16 from 2020 to 2021 meant the CDM Executive Board needed to determine how to deal with requests relating to post 2020 operations (operations in respect of emission reductions achieved after the end of the second commitment period of the Kyoto Protocol)
- Board agreed to apply following temporary measures pending guidance from CMP:
 - Application of **GWPs specified by the Board for the period from 1 Jan 2021** (= lowest value from IPCC AR2, 4 & 5)
 - **Risk acknowledgement and acceptance** by the project participants that issuance of CERs for post-2020 emission reductions may not be possible
 - Inclusion of Forward Action Request by the DOE in validation/verification reports to update GWPs and any other requirements specified by the CMP
 - **Suspension of fee payment** for submissions
 - **Submissions for which analysis is completed are recorded as “provisional”, to be finalized by the Board after guidance from the CMP**
- Board also issued clarification on certain processes and specifying, in respect of A/R:
 - Registration of new A/R activities and inclusion of new A/R CPAs after 31 December 2020 is not possible without further guidance from the CMP



Status of temporary measures as at September 2021

Requests in respect of period starting on or after 1/1/2021, recorded as provisional per temporary measures:

- Renewal of a project activity crediting period = 32
- Registration of a project activity = 12
- Renewal of a programme of activity period = 1
- Registration of a programme of activity = 5
- Inclusion of a component project activity = 37
- Renewal of a component project activity crediting period = 10
- Issuance of CERs from a project activity = 8
- Issuance of CERs from a POA = 0



CMP and CMA decisions on transition related issues

<i>Issue (without prejudice to A6 outcome)</i>	CMP decision text	CMA decision text
Transition issues		
Transitioning CDM activities	Endorses plus invite/request relevant actors to take specified steps	Conditions plus invite/request to relevant actors to take specified steps
Issuance of post-2020 emission reductions from transitioning CDM activities	Issuance coordinated with CMA (emission reductions issued under 6.4 not CDM)	Issuance coordinated with CMP (third Madrid text, issue emission reductions under 6.4 not CDM)
Non-transitioning CDM activities	Guidance (some point in future)	N/A
CER use for NDCs (if any)	Process and infrastructure if implementation is in CDM registry (operated by secretariat under authority of CDM EB). To extent AIP registries involved, guidance to AIPs.	Conditions (which CERs), Method of use (e.g. place in reserve (CDM Registry?)/cancellation/reporting/accounting)
CERs not to be used for NDCs (if any) (do not meet conditions)	Guidance on holding and uses of such CERs?	N/A
CDM trust fund	Guidance on reallocation of CDM trust fund, if any (including interest returned from CDM Loan Scheme)	If any allocation from CMP, acknowledging and expressing gratitude.
Post-2020 issues		
CDM EB temporary measures (registration, renewal, issuance, A/R)	Decision paragraphs on temporary measures	N/A
CP2 tCERs/ICERs replacement/expiry	Decision paragraphs	N/A
Adaptation Fund		
Serves 6.4 after becomes operational / SOP from CDM per Article 12	Guidance (at some point in future)	See AF decisions on transition aspects. CMA decisions on sources, rate, method etc.



The cooperative implementation webpage:

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

