

Name of submitter: Axel Michaelowa

Affiliated organization of the submitter (if any): Perspectives Climate Research

Contact email of submitter: michaelowa@perspectives.cc

Date: 24.07.2024

Legend for Columns

- 1 = Section Number in the document  
2= Paragraph number  
3 = Comment – the actual feedback or observation, including justification for what needs changing  
4 = Proposed change – suggest the text if possible

A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Cover note	9	In the examples listed we propose to add the possibility of policy crediting.  This would allow to add policy crediting (in case there is agreement within the SBM) without having to renegotiate the standard as a whole.	"The MEP may consider revising the standard in the future to cover methodologies addressing mitigation actions at other scales (e.g. programmes of activities, <u>policy crediting</u> or large-scale crediting programmes)."
2. Scope	6	In the second sentence we propose to replace "may" by "shall".	"This standard sets out the requirements for mechanism methodologies with regard to demonstrating additionality. It <u>shall</u> be used by activity participants or host countries in developing methodologies and by the UNFCCC Secretariat, the Methodologies Expert Panel (MEP) and the Supervisory Body in assessing and considering methodologies for approval".
2.1 Scope	7	In the first sentence add "revenues from" and clarify it refers to A6.4ERs.  Otherwise, there may be confusion whether the text actually refers to the emissions credits.	"Requirements in relation to the consideration of revenues from Article 6.4 emission reductions and removals ( <u>A6.4 ERs</u> ) at the start date of the mitigation activity are not addressed in this standard but in the "Article 6.4 activity standard for projects."
2.2 Applicability	8	In the examples listed we propose to add "policies" after "programmes of activities".  This would allow to add policy crediting (in case there is agreement within the SBM) without having to renegotiate the standard as a whole.	"This version of the standard is applicable to mechanism methodologies for projects. The standard may be amended in the future to also cover methodologies addressing mitigation actions at other scales (e.g., programmes of activities <u>and policies</u> )".

A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
3.1 Principles	10	In the first sentence we propose to replace "is a true and fair account" by "reflects reality". This language is clearer.	"The following principles shall be applied in demonstrating additionality to ensure that the information provided <u>reflects reality</u> . These principles shall be basis for and guide the application of the requirements under mechanism methodologies"
	10 (a)	In the first sentence we propose to replace "Aspects included in the demonstration of additionality including data, parameters, assumptions and methods" by "Data, parameters, assumptions and methods used for demonstration. The term "aspects" used in the current wording is unclear and thus should not be used. In the second sentence, we propose to make a reference to materiality.	" <b>Relevance:</b> <u>Data, parameters, assumptions and methods used for demonstration of additionality shall not be misleading. Data and parameters need to be verifiable and material regarding the determination of additionality.</u>
3.2 Requirements	11	The wording "that the incentives ... mitigation activity" is not necessary. Nothing in the RMPs says that the incentives from the mechanism need to be sufficient to cover the "financing gap". Other resources like public climate finance could also be mobilized.	"Mechanism methodologies shall specify the approach to demonstrating the additionality of the mitigation activity. The approach shall ensure that eligible mitigation activities would not be implemented without the incentives from the mechanism" <u>(rest of sentence deleted)</u> .
	12	Past experiences have shown that combined approaches are unable to robustly resolve additionality challenges. Thus a separate approach is preferable.	<u>Mechanism methodologies must use separate approaches to demonstrate additionality and determine the baseline scenario</u>
	14	In the second sentence we propose to add: "domestic emissions trading schemes" and replace "goals" by "emissions or removal targets". Emission trading schemes are important in many countries and need to be covered. There needs to be a clear specification that targets relate to GHG emissions and/or removals.	"This shall include legal requirements, subsidies, taxes, <u>domestic emissions trading schemes</u> and fees. This may also include any specific national or sub-national <u>emissions or removal targets</u> for the sector or the type of mitigation activity but not general goals (e.g., a national emissions target) that are not specific to the sector or type of mitigation activity".

Call for public input		A6.4-MEP002-A01: Draft Standard: Demonstration of additionality in mechanism methodologies (v. 01.0)	
A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
	15	Good but difficult to implement if activities are disaggregated into small components.	No changes proposed
4.1 Overview of eligible..	16	In the first sentence we propose to insert "all of" after "include". All approaches need to be mandatory. Insert "Financial viability analysis" as c). Historical experience has shown that financial viability analysis is necessary to achieve a credible additionality test; it thus needs to be mandatory.	"Mechanism methodologies shall include <u>all of</u> the following approaches to demonstrate additionality: ..." <u>c) Financial viability analysis: Mechanism methodologies shall include provisions to demonstrate that mitigation activities are not financially viable in the absence of carbon credit revenues.</u> <u>d) [...]</u>
	17	In the first sentence we propose to replace "shall .. approaches" by "can include one of the following approaches if the financial viability analysis systematically leads to the outcome that activities that would actually not have happened without the revenues from the mechanism are non-additional."  This wording clearly constrains the use of other approaches to cases where the financial viability analysis is inconsistent with the reality on the ground.  If the financial viability analysis is not put into para 16, it needs to be assured that all approaches listed in para 17 are applied in combination. Use of one approach only is likely to lead to non-additional projects being registered.	If financial viability analysis text is moved into para 16, wording should be: "In addition to the approaches referred to in paragraph 16 above, mechanism methodologies can include one of the following approaches <u>if the financial viability analysis systematically leads to the outcome that activities that would actually not have happened without the revenues from the mechanism are non-additional:</u>  If financial viability analysis text is <u>not</u> moved into para 16, wording should be: "In addition to the approaches referred to in paragraph 16 above, mechanism methodologies shall include a combination, of the following approaches: ..."
	17 (a)	After the first comma, we propose deleting "that the ... financially viable". Nothing in the RMPs says that the incentives from the mechanism need to be sufficient to cover the "financing gap". Other resources like public climate finance could also be mobilized to close the gap.	If financial viability analysis text is <u>not</u> moved into para 16, wording should be: " <b>Financial viability analysis:</b> Mechanism methodologies shall include provisions to demonstrate that mitigation activities are not financially viable in the absence of carbon credit revenues".

Call for public input		A6.4-MEP002-A01: Draft Standard: Demonstration of additionality in mechanism methodologies (v. 01.0)	
A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
	17 (c)	We propose deleting the subpara as a benchmark cannot credibly define additionality. It can define a baseline emissions level.	Deletion of sub-para 17c)
	18	Para. 18 contradicts itself to a certain extent with para. 17. So, basically 17a is set and then the other two approaches (b+c) can be combined with it.  We proposed deleting "the increase ... with carbon credits]" Nothing in the RMPs says that the incentives from the mechanism need to be sufficient to cover the "financing gap". Other resources like public climate finance could also be mobilized to close the gap.	Only if text on “financial viability analysis” remains as para 17a.: “The financial viability analysis shall be used as the default approach. Where mechanism methodologies do not apply the financial viability analysis, it shall be appropriately explained and justified why a financial viability analysis is infeasible or inappropriate. In this case, the proponents of the mechanism methodology shall nevertheless include information on the financial viability of eligible mitigation activities or require activity participants to provide such information”.
4.2 Application of the approaches..	20 (a)	In the first sentence of the paragraph, we propose to replace "one or several ... 4.1" by "all approaches required by para 16 in section 4.1".  In the second sentence, the examples are problematic, as they in my view the mandatory additionality criteria would never be satisfied for all activities in a specific region or activities below a certain capacity threshold	“ <b>Mechanism methodology:</b> The proponent of a mechanism methodology may demonstrate that <u>all approaches required</u> by para 16 in section 4.1. are satisfied .... “ Delete: “(e.g. if the mitigation activity is implemented in a particular region, if the capacity of the installed plant does not exceed a certain threshold or if the market penetration is below a certain threshold in the relevant geographical region)”
	20 (c)	We propose to delete the paragraph, as a standardized baseline can never credibly determine additionality. While standardization of a baseline is a valid aim to reduce transaction costs for baseline setting, it has nothing to do with additionality determination.	Deletion of sub-para 20c)

Call for public input		A6.4-MEP002-A01: Draft Standard: Demonstration of additionality in mechanism methodologies (v. 01.0)	
A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
	21	<p>We suggest deleting para 21 as it generates confusion. If it is retained, we propose the following changes in the sub- paras:</p> <p>21 (a): Para 20 nowhere refers to regulatory analysis, so is not consistent. Also, we propose deleting "or ... baseline". The standardized baseline cannot serve as generic proof of additionality, as discussed previously</p> <p>21 (b): replace by "two" if "standardized baseline" is deleted. The standardized baseline cannot serve as generic proof of additionality, as discussed previously</p> <p>21 (c): Revise as follows: "Barrier analysis can only be applied at the level of the mitigation activity". We do not see how a barrier analysis could be credibly be applied at a methodology level.</p>	<p>Delete para 21. If para 21 is retained, revise it as follows:</p> <p>(a) "Regulatory analysis shall be implemented at the level of the mitigation activity".</p> <p>(b) "Analysis of lock-in risk, financial viability analysis, common practice analysis and performance analysis may be implemented at any of the two levels referred to in paragraph 20.."</p> <p>(c) "Barrier analysis can only be applied at the level of the mitigation activity"</p>
	23	We propose deleting "or standardized baselines" as a standardized baseline cannot serve as generic proof of additionality, as discussed previously.	"Mechanism methodologies should preferably include approaches that are applied at the level of mechanism methodologies, where appropriate in the context of the technology or practice".
Section 5.1 Regulatory analysis	24	We propose deleting "[enforced]". In the Paris era, all regulations have to count, otherwise, we will never reach the long-term goal.	"Mechanism methodologies shall include provisions to demonstrate that the emission reductions or removals caused by the mitigation activity would not occur as a result of any legal requirements."
	25.c	We propose to replace example if ETS are covered under the definition of policies as proposed in para 14, as follows "e.g. if activity replaces another activity required to achieve the quantitative target, see example in Box 2". The example in Box 2 is relevant and shows why para 25 c) is needed.	"e.g. if the activity replaces another activity required to achieve the quantitative target, see example in Box 2".

Call for public input		A6.4-MEP002-A01: Draft Standard: Demonstration of additionality in mechanism methodologies (v. 01.0)	
A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
	27	We prefer option 1 and reject option 2. In the Paris era, all regulations have to count, otherwise, we will never reach the long-term goal.	All legal requirements shall be deemed to be enforced.
	28	If option 2 stays, we propose to delete "and SIDS". Many SIDS have high levels of development and should be able to enforce their regulation.	"For countries other than LDCs, all legal requirements shall be deemed to be enforced. For other countries, legal requirements shall only be deemed to be unenforced if.."
	28 (b)	We propose to replace "X" by "5" as maximum. A 5 year period would be consistent with the period between NDC updates.	"[Non-enforcement persists no longer than 5 years after the entry into force of the relevant legal requirements [, except for LDCs]]."
	29 (a)	We prefer option 1. as the renewal period (5 or even 15 years for removals) is much too long. Regulation will change significantly over such periods.	Where the analysis is applied to a specific mitigation activity, as referred to in paragraph 20(b) above, the analysis shall be conducted at each verification of emission reductions or removals
	29 (d)	A standardized baseline cannot show additionality, as commented above. Thus we propose to delete the subparagraph.	Delete para 29 d).
5.2 Avoiding lock in	30 (a)	We have a preference for long term goal wording, therefore we support to remove the second brackets and keep the text.	"Do not lead to the adoption or the prolongation of the lifetime of technologies or practices that are incompatible with achieving the long- term goals of the Paris Agreement;"
	30 (d)	We propose to delete "or achieving other policy objectives" Otherwise, any activity type can be thrown out as no activity is always fully efficient.	"Do not involve a technology or practice that constitutes an inefficient use of a resource that is important for mitigating climate change"
5.3 Financial viability analysis	34	As mentioned above we propose to delete "or as ... baseline".	"Where the analysis is applied at the level of the mechanism methodologies as referred to in paragraph 20(a) ..."

Call for public input		A6.4-MEP002-A01: Draft Standard: Demonstration of additionality in mechanism methodologies (v. 01.0)	
A6.4-MEP002-A01 (v.01.0)			
1	2	3	4
Section no.	Para. no.	Comment	Proposed change (Include proposed text)
5.3.2. Requirements applicable to benchmark..	40	We propose to delete "or a --- ten years". Any cut-off will lead to a non-conservative outcome as usually revenues after the cut off period will significantly exceed costs.	"The period of assessment shall reflect the period of expected operation of the underlying mitigation activity and include the residual value of the assets at the end of the assessment period".
	42 (b) and (c)	We propose to delete b) and c). Nothing in the RMPs says that the incentives from the mechanism need to be sufficient to cover the "financing gap". Other resources like public climate finance could also be mobilized to close the gap.	Delete para 42 b) and c).
	44 (b) and (c)	We propose to delete b) and c). Nothing in the RMPs says that the incentives from the mechanism need to be sufficient to cover the "financing gap". Other resources like public climate finance could also be mobilized to close the gap.	Delete para 44 b) and c).
5.5.1 Applicability	46 (a) and (c)	We propose to replace a) - c) by "are undertaken by actors that do not have access to commercial or public third party finance". Investment or emissions thresholds are inappropriate to determine a barrier test as barriers are not at all related to such thresholds.	"The barrier analysis may be applied for mitigation activities <u>that are undertaken by actors that do not have access to commercial or public third party finance</u> "
	47	We propose to add "are prohibitive". If the term "prohibitive" is not used, we risk to have a weak barrier test that justifies many activities that are not additional.	"Other cases for the application of the barrier analysis may be proposed by mechanism methodology proponents with due justification and demonstration <u>that such barriers are prohibitive</u> ".
5.6 Performance based approaches		Section 5.6 is excellent for baseline determination but has no place in an additionality document. Thus we propose to delete the entire section here (and apply it for baseline determination through benchmark).	Delete section 5.6