

Name of submitter: Dr. Rosalie Arendt, Felice Diekel

Affiliated organization of the submitter (if any): University of Twente

Contact email of submitter: r.arendt@utwente.nl, f.diekel@utwente.nl

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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

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Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Overall and 1.3 definitions	Overall	<p>We suggest including an additional paragraph how you ensure that this tool will not incentivise deregulation or low ambition NDCs. Because countries will have a low motivation to increase environmental regulation if that keeps them from generating credits. According to the Paris Agreement every country must reduce emissions as far as it can. Therefore, only things that a country cannot do itself should be eligible for carbon credits. There seems to be contradiction in incentives here- on the one hand to have rigorous regulation to reduce emissions (due to Paris obligations), on the other hand to not have this regulation to be able to generate income through carbon credits.</p> <p>This mixture in incentives is generated again in the definitions: In the definition of additionality- you state that an activity is additional if the activity is not required by law. How do you ensure that this definition does not incentivize that countries will not introduce a more rigorous regulation? Because the way it is defined now, would make it in the interest of all the market actors that want to generate activities to have a lax regulation to be able to generate credits. We suggest rediscussing the interaction of this additionality definition and law and regulation. Moreover, we suggest the development of a tool that ensures that the definition of additionality will not incentivize project developers to lobby against more stringent environmental regulation.</p>	
Overall	Overall	<p>The current development of additionality is not significantly different from the definition in the CDM and the voluntary carbon market. These schemes have produced a lot of credits that were not additional. (See e.g. https://doi.org/10.21203/rs.3.rs-3149652/v1 https://doi.org/10.4155/cmt.12.38 but there are many other articles). To ensure that article 6.4 will not generate a lot of credits that are not additional, significant changes are needed, for example the continuous evaluation of additionality (regulatory & financial) ex-post with help of counterfactuals and withdrawal of the share of credits once it is proven that they have partially not been additional.</p>	

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Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Overall and 3.2	Overall and 11	<p>Generally, it is not possible to prove additionality ex-ante. It can only be proven to show that there was additionality with the help of statistical methods ex-post. We suggest including a tool to verify additionality ex-post and to only issue credits if additionality has been proven ex-post. For some schemes such as carbon credits for e.g. renewable energy production this will not be possible, as the possibility of carbon credits change the entire market (so you cannot derive a counterfactual, as the regulation applies to all renewable energy projects). For those kinds of projects, where additionality cannot be verified ex-post, we suggest removing them from the proposed methodologies, as additionality cannot be proven.</p> <p>If no ex-post evaluation and potential withdrawal of credits that have been shown to be non-additional is carried out, the requirement in section 3.2 11 will most likely not be fulfilled.</p>	
Overall	Overall	<p>Guidance is needed what happens if the regulatory and financial context changes during the project activity, for example in this description everything could change during a specific point in time: <i>'The mechanism methodology proponent may demonstrate that abatement of N2O emissions from nitric acid production through secondary catalysts does not generate any revenues but involves costs. The proponent may further demonstrate that carbon credits can fully cover the costs for installing secondary catalysts and thus be decisive for the implementation of secondary catalysts. The mechanism methodology proponents may conclude that the abatement of N2O emissions through secondary catalysts satisfies the requirements of the financial viability analysis for all projects.'</i> Changing legislation or a financial incentive (other incentives including those introduced through regulation such as a carbon tax) during a monitoring period shall be considered. Such changes can be significant and can be much more frequent than the verification or crediting renewal phase. We would therefore suggest monitoring the financial and legal situation alongside the GHG emissions in the monitoring.</p>	
3.1. Principles	b	State what completeness, consistency, accuracy and conservativeness are and what that would exactly mean, ideally with an example.	
3.1 Principles	d	Bias and uncertainty should not only be reduced but also reported transparently. Include this either here or in 3.1 e explicitly	and be reported transparently

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3.2	13	<p>You state that the conservativeness should be proportional to the uncertainty. We do not find this description intuitive; it needs more elaboration. For example, conservativeness in terms of the financial viability- should the project participant then calculate with the lowest price of carbon credits over a period of five years, 10 years, or is it allowed to calculate with the medium price or use market projections? More guidance and more rules are necessary here, otherwise everyone can make up their own rules.</p> <p>Moreover, if a project <u>keeps running</u> and generates credits and the price of the credits becomes lower than the one the project calculated with in the additionality tool, we know that the project was not additional, and no more credits should be issued. The share of past non-additional credits should be withdrawn. And in case they were already retired they must be balanced out through the buffer pool.</p>	
3.2	14	<p>“consider all national or sub-national policies that are applicable to the relevant mitigation activity and its alternatives“ we consider this an important part of proving regulatory additionality. However, it is not clear how this will be controlled, as local sub-national policies could require specific knowledge. Only a local policy expert could judge if all related policies were truly considered.</p>	
4.1	16 c	<p>We suggest omitting the section on low market uptake, because that does not make the activity automatically additional.</p>	
4.1	17	<p>It has been shown that the barrier analysis is very subjective under the CDM: https://www.tandfonline.com/doi/abs/10.3763/cpol.2008.0533?casa_token=rXUsDfRmxd4AAAAA:YUqLVmtq1I0w3ZpxvcPhtGCoYyF3OHAkZDwhVQGpMz2eEA4pTV243JEUXJwNCi8Sq--sYhQLhGtQIA</p> <p>The text is not altered so significantly that it could ensure that the reductions would be additional.</p>	<p>We suggest to delete the barrier analysis and thus exclude the possibility of a barrier analysis to demonstrate additionality</p>
	17	<p>The financial viability analysis needs to be continuously assessed and more guidance is necessary. Because technologies might become cheaper, and it must be proven that the additional carbon credits continuously provide incentives to keep projects running. Moreover, the carbon credit revenues can fluctuate significantly over time, as the price of carbon credits is extremely volatile.</p>	
4.1	18	<p>As the effect of the article 6.4 is to give financial incentives for projects there can be <u>no</u> justification to <u>not</u> carry out a financial viability analysis. The main point is that the additionality of the project is enabled through the revenue of carbon credits. If that is not shown, no carbon credits should be issued.</p>	<p>18.The financial viability analysis shall be used, and additional analysis might be conducted.</p>

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4.2	20 a Box 1	This example only relates to financial viability, which gives the misleading impression that this is the only additionality that needs to be proven here. In fact, regulatory additionality also needs to be proven first. This should be included in the example.	
5.1.	28.	<p>Related to this section: “Option 2: For [high-income countries] [countries other than LDCs and SIDS], all legal requirements shall be deemed to be enforced. For other countries, legal requirements shall only be deemed to be unenforced if</p> <p>(a) Non-enforcement is widespread (i.e. more than 50%) and documented through credible, authoritative and up-to-date evidence; and</p> <p>(b) Non-enforcement persists no longer than X years after the entry into force of the relevant legal requirements [, except for LDCs]]. {End of Option 2}”</p> <p>Through this regulation you are creating market actors that have an interest in having a laws and regulations not enforced. For real additionality you would also have to show that this will not lead to actions that contribute to the fact that the law <u>stays</u> not enforced. As this is not possible, we suggest removing this section.</p>	
5.3		We recommend that you provide some continuously updated estimation of carbon credit revenue (or some guidance which prices should be used) so that the financial assessment might lead to meaningful results, based on a market analysis.	
5.3.4.	44	Showing that the mitigation activity is not the financially most attractive scenario is not enough. It depends how much capital is available in the market. If there is enough supply, both projects that are compared might be carried out. We suggest an obligation to show that the mitigation activity is not attractive in absolute terms.	Additionality is demonstrated if the analysis shows that: (a) The mitigation activity would not be financially attractive in absence of carbon credits.