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Document reference number and title:
A6.4-MEP008-A01. Draft methodological tool: Investment analysis (version 01.0)

Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)
1	Section 3	Paragraph 9 *Where the mechanism methodology referring to this tool contains requirements for conducting the investment analysis that are different from those described in this tool, the requirements contained in the methodology shall take precedence.*	We would like to note that none of the three options for investment analysis presented in this draft tool are particularly suitable for rail and public transport projects. As well as carbon reduction through modal shift, projects for new rail infrastructure and operations generally bring public goods such as congestion and pollution reduction, with associated public health benefits, as well as densification of land use development. For these reasons governments often commit to public subsidies to help underwrite investment cases, and investment decisions can be made with expected rates of return below commercial hurdle rates. However, access to carbon credits through Article 6.4 could still play an important role in helping proposed rail and public transport projects that are unable to achieve financial close secure investment commitments. As the options for investment analysis in this draft tool do not sufficiently account for common circumstances of rail and public transport investment, alternative investment analysis approaches will need to be included in rail specific methodologies to ensure that additional rail and public transport investment can be unlocked by Article 6.4 carbon credits, with the ensuing substantial transport emission reductions.	

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