

MDB Working Group Submission on the Requirements for the development and assessment of mechanism methodologies

The MDB Article 6 Working Group (MDB WG) welcomes the opportunity to make a submission to the A6.4 Supervisory Body in response to the call for public inputs regarding the requirements for the development and assessment of A6.4 mechanism methodologies.

The MDB WG welcomes the innovative approaches proposed in the draft recommendation on how to operationalize the methodological requirements of Decision CMA.3 (rules, modalities and procedures for the A6.4 mechanism). However, mandating these approaches would close the door for other possible approaches and impose substantial technical work and complex administrative procedures on host countries and can substantially delay or prevent participation in the A6.4 mechanism of countries with capacity constraints.

This is the case for including the options that require host countries to: develop sector specific baseline contraction factor curves; submit lists with eligible project types aligned with NDCs and long-term decarbonization goals; and provide sector specific long-term emission trajectories.

In our understanding, the A6.4 mechanism is a UNFCCC centralized mechanism that is expected to offer optional default solutions to methodological requirements while allowing for some host country flexibility in developing and applying country-specific approaches. Imposing participation requirements additional to those defined in Decision CMA.3 is not in line with this understanding.

While CMA requires that methodologies encourage ambition, it is not necessary that this must be done via baselines (baseline discounting). Baseline discounting through usage of a baseline contraction curves should therefore be optional.

Alignment of project activities with NDCs and long-term goals are a CMA requirement, but pre-defined eligibility lists are one option only to ensure such alignment. Furthermore, limiting project activities to sectors following long-term decarbonization trajectories is highly restrictive, and it is not part of the CMA requirements.

Transformative change is certainly needed to achieve the climate goals of the Paris Agreement, but facilitating transformative change through A6.4 project activities is not a CMA requirement and difficult to achieve through an individual project-level activity. Requiring facilitation of transformative change through individual project activities is therefore overly demanding and restrictive. It also needs to be clarified as to how business-as-usual (BAU) outcomes will be established at individual activity level.

Requiring monitoring of any type of leakage for all A6.4 methodology is another area where the recommendation is too restrictive. Conservative assumptions should be allowed.

Baseline and additionality requirements on achieving a minimum carbon revenue share in overall project revenues are overly restrictive (as they also depend on fluctuating market prices). Financial Additionality, if warranted, should be avoided at the individual project level as this can lead to subjective outcomes. Instead approaches should be encouraged to develop positive lists, standardized baselines and benchmarks derived from Long Term Strategies (and related sector low carbon pathways).

The MDB WG suggests that the recommended approaches on encouraging increasing of ambition in baselines, ensuring NDC and long-term goal alignment, and facilitating transformative change should

remain optional, allowing for other approaches suggested in A6.4 methodologies. We also suggest revising the recommendations on monitoring leakage and related to financial viability of project activities. It may be clarified as to which guidance should be followed for addressing leakage in cases where guidance on leakage is not provided by designated national authorities and also is there any materiality threshold for considering leakage (such as above 5%).

Positive lists, standardized (net zero target) baselines, default factors and sector/technology specific benchmarks and relevant guidance should be developed to facilitate access to the A6.4 mechanism.

In summary, the MDB WG suggests not indirectly imposing additional participation requirements on host countries through methodological requirements, but instead allowing for alternative approaches to comply with CMA methodological requirements suggested in the methodology development process and providing user-friendly default approaches.

Other clarification questions/comments

Para no	Comment
Para 20 (Page 8)	It is suggested that for clarity it may be useful to further elaborate and define 'real outcome' from technology/measure employed or implemented in a footnote
Para 27 (Page 9)	It is suggested that safe water supply may also be considered as part of basic human needs along with lighting, cooking, shelter and waste water treatment.
Para 31 (Page 9)	It is suggested that hierarchy of preferred approaches for establishing a minimum service level may be mentioned for clarity.
48 (c) (Page 13)	It is mentioned that the activity represents mitigation that exceeds any mitigation that is required by law or regulation. Please clarify whether this would imply that only activities outside NDC would be additional as NDCs commitments are legal in nature within the respective countries.
General	As in the case of CDM, there are no relaxed requirements mentioned for small scale or micro scale project activities.