

A6.4-SB007-AA-A03

Concept note

Consideration of the special circumstances of least developing countries and small island developing States

Version 02.0



United Nations
Framework Convention on
Climate Change

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) requested the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism) to ensure the implementation of the requirements referred to in paragraph 29 of the annex to decision 3/CMA.3 in relation to the least developed countries (LDCs) and small island developing States (SIDS).
2. Decision 3/CMA.3, annex, paragraph 29, states that in relation to the LDCs and SIDS, pursuant to Article 4, paragraph 6 of the Paris Agreement, their special circumstances shall be recognized where the rules, modalities and procedures for the Article 6.4 mechanism (RMPs) relate to nationally determined contributions (NDCs), and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to the RMPs.
3. At its fourth meeting, the Supervisory Body considered the concept note entitled “Consideration of the special circumstances of least developing countries (LDCs) and small island developing States (SIDS)”(version 01.0)¹, and requested the secretariat to prepare a revised concept note, taking into account the discussions at that meeting and to include information on existing provisions currently available to LDCs and SIDS in other carbon market standards (including the clean development mechanism). Additionally, it should also take into account provisions of the Paris Agreement, such as their level of usage (number of activities, volume of emission reductions, etc.) to be considered at a future meeting.²

2. Purpose

4. The purpose of this concept note is to summarize primary provisions and decisions found within the Paris Agreement, CMA decisions and decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), as well as under CDM rules and regulations that specifically address the unique situations of LDCs and SIDS with a view to inform the ongoing endeavours of implementing the requirements set out in paragraph 29 of the annex to decision 3/CMA.3 by the Supervisory Body. In addition, to also identify specific provisions where the flexibility could be implemented for LDC/SIDS.

3. Key Issues and proposed solutions

5. In this revised concept note, the key decisions and provisions from the Paris Agreement, CMA decisions, CMP decisions and CDM rules and regulations, as detailed in appendix I

¹ As contained in document A6.4-SB004-AA-A02 available at: <https://unfccc.int/sites/default/files/resource/a64-sb004-aa-a02.pdf>

² See paragraph 11 of the SB 004 meeting report as contained in document A6.4-SB004, available at: <https://unfccc.int/sites/default/files/resource/a64-sb004.pdf>

through III, are reviewed and summarized. The aim is to formulate analogous provisions for the Article 6.4 mechanism in accordance with CMA guidance.

6. Specifically, appendix I captures the provisions and decisions from Paris Agreement and CMA decisions that address the special circumstances of LDCs and SIDS relevant to the Article 6.4 mechanism, including aspects relating to NDCs.
7. Appendix II provides the main provisions and decisions from the CMP and CDM rules and regulations concerning the special circumstances of LDCs and/or SIDS.
8. Likewise, appendix III presents the key provisions and decisions from the Paris Agreement that refer to the special circumstances of LDCs and/or SIDS with respect to transparency.
9. Under the CDM, the consideration of the special circumstances of LDCs and SIDS concerning baselines, demonstration of additionality and the development of methodological tools has been conducted on a case-by-case basis. Article 6.4 mechanism has also provided flexibilities for LDCs or SIDS on these matters.
10. The decision in CMA has also granted a waiver of all fees for the administrative share of proceeds for Article 6.4 activities in the LDCs and SIDS, similar to that of the CDM.
11. On the other hand, project activities in LDCs Parties are exempt from the share of proceeds to assist with the costs of adaptation under the CDM, which differs from the situation under the Article 6.4 mechanism. The exemption was not provided to SIDS.

4. Subsequent work and timelines

12. The secretariat will include a component that recognizes the special circumstances of LDCs and SIDS in RMPs related to NDCs when designing and implementing the capacity-building programme for the Article 6.4 mechanism.
13. The secretariat will implement the flexibilities for the demonstration of additionality and the waiver of all fees for the administrative share of proceeds for activities in the LDCs and SIDS.

5. Recommendations to the Supervisory Body

14. The secretariat recommends that the Supervisory Body:
 - (a) Consider the special circumstances of LDCs and SIDS as part of the broader efforts to develop methodologies and methodological tools. This consideration will be carried out on a case-by-case basis at the time of the approval of Article 6.4 methodologies and methodological tools, as it has been the practise under CDM.
 - (b) Request the secretariat, when designing and implementing the capacity-building programme for the Article 6.4 mechanism, to include a component that recognizes the special circumstances of LDCs and SIDS.
 - (c) should decide on whether to grant an exemption for Article 6.4 activities from the share of proceeds towards adaptation.

The secretariat further recommends that the Supervisory Body include in its next annual report to the CMA an update on how it has addressed this mandate from the CMA.

Appendix 1. Provisions and decisions from the Paris Agreement and CMA pertaining to the special circumstances of LDCs and SIDS relevant to the Article 6.4 mechanism

Provisions/decisions	Text
Paris Agreement(preamble)	<p>Recognize the specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change, as provided for in the Convention</p> <p>Taking full account of the specific needs and special situations of the LDCs with regard to funding and transfer of technology</p>
Article 6, Paragraph 6 of the Paris Agreement	The LDCs and SIDS may prepare and communicate strategies, plans and actions for low greenhouse gas emissions development reflecting their special circumstances
Decision 3/CMA 3, paragraph 5(f) and (g)	Requested the Supervisory Body to ensure the implementation of the requirements in paragraph 29 of the annex, in relation to least developed countries and small island developing States and consider ways to encourage participation by small and micro businesses in the mechanism, in particular in the least developed countries and small island developing States
Decision 3/CMA 3, annex, paragraph 29	In relation to the least developed countries and small island developing States, pursuant to Article 4, paragraph 6, their special circumstances shall be recognized where these rules, modalities and procedures relate to NDCs, and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to these rules, modalities and procedures.
Decision 3/CMA 3, annex, paragraph 39	The Supervisory Body may apply simplified approaches for demonstration of additionality for any least developed country or small island developing State at the request of that Party, in accordance with requirements developed by the Supervisory Body
Decision 7/CMA.4, annex I, paragraph 58	All the fees for the administrative share of proceeds are waived for activities in the LDCs and SIDS

Appendix 2. Provisions and decisions contained in the CMP and CDM rules and regulations referring to the special circumstances of LDCs and/or SIDS

Provisions/decisions	Text
Decision 17/CP.7, paragraph 14	Requested Parties included in Annex I to start implementing measures to assist Parties not included in Annex I, in particular the LDCs and SIDS among them, with building capacity in order to facilitate their participation in the CDM, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention
Decision 17/CP.7, paragraph 5(b)	Decided that CDM project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation
Decision 7/CMP.1, paragraph 34	Emphasized the need to support LDCs and SIDS with building capacity to facilitate their participation in the CDM ¹
Decision 2/CMP.3, paragraph 31	Decided to abolish the payment of the registration fee and share of proceeds at issuance for clean development mechanism project activities hosted in LDCs
Decision 2/CMP.4, paragraph 53	requests the Executive Board to develop, in consultation with designated national authorities, ways to streamline the process relating to CDM project activities in countries hosting fewer than 10 registered CDM project activities, especially in the LDCs, SIDS and Africa, without compromising environmental integrity;

¹ Reiterates the request to Parties included in Annex I to the Convention to continue with measures to assist Parties not included in Annex I to the Convention, in particular the least developed countries and small island developing States among them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention.

Provisions/decisions	Text
Decision 2/CMP.4, paragraph 55 & 56	Encourages Parties and UN organizations, in particular partner agencies of the Nairobi Framework, to focus their capacity-building activities on the development of CDM project activities, in close consultation with the recipient countries and in a coordinated fashion across bilateral and multilateral activities, especially in the least developed countries, small island developing States and Africa;
Decision 2/CMP.4, paragraph 56	encourages Parties and entities in the private sector, in a position to do so, to support the identification and development of project design documents in countries hosting fewer than 10 registered CDM project activities, especially in the LDCs, SIDS and Africa, and to meet the cost of validating these projects, while acknowledging that some Parties provide such support through their national purchase programmes and/or their bilateral and multilateral capacity-building activities
Decision 3/CMP.6, paragraph 46	Requested the Executive Board to develop standardized baselines, as appropriate, in consultation with relevant designated national authorities, prioritizing methodologies that are applicable to LDCs, SIDS, Parties with 10 or fewer registered clean development mechanism project activities as of 31 December 2010 and underrepresented project activity types or regions, inter alia, for energy generation in isolate systems, transport and agriculture
Decision 3/CMP.6, annex III, paragraph 2 f (i&ii)	A project activity to be funded by the loan scheme shall have estimated emission reductions or removal enhancements of at least 15,000 t CO ₂ eq annual average over the first crediting period, but only 7,500 t CO ₂ eq annual average over the first crediting period, in countries classified as LDCs or SIDS
Decision 8/CMP.7, paragraph 23	Requested the Executive Board to accelerate the implementation of guidelines on suppressed demand in baselines and monitoring methodologies, prioritizing those that are more applicable to the LDCs, SIDS, African countries and countries underrepresented in the CDM

Provisions/decisions	Text
Decision 8/CMP.7, paragraph 31	Also requests the secretariat, in consultation with the Executive Board, including through working with the Designated National Authorities Forum and the partner agencies of the Nairobi Framework, to enhance its support for countries underrepresented in the CDM, in particular the LDCs, SIDS and African countries, by providing support, subject to workload and the availability of financial resources through institutional strengthening and skills enhancement and training, among others.
CDM project standard for project activities (ver 03.0), paragraph 234-346	Provided flexibility related to post registrations change (PRC) for LDC, specifically on changes to the start date of the crediting period. It states that project participants of a registered CDM project activity hosted by an LDC are not required to request approval from the Board for changes to the start date of the crediting period of the project activity provided for postponing the start date by up to two years for a project activity hosted by LDCs
CDM project standard for programmes of activities (ver03.0), paragraph 231 and 232	Recognized flexibility for LDCs in relation to the proposed change to the start date of the crediting period of a registered CPA. If the proposed change to the start date of the crediting period of an included CPA is between one and two years, or between two and four years for an included CPA hosted by a LDC, the coordinating/managing entity shall (a) demonstrate that no changes have occurred to the CPA that would result in a less conservative baseline, or update the baseline using conservative data; (b) demonstrate that substantive progress has been made by the coordinating/managing entity to start the CPA. The same flexibility is applicable for LDCs if the proposed change to the start date of the crediting period of an included CPA is more than four years for an included CPA
CDM project cycle procedure for project activities (Ver 03.0), paragraph 128 and 130	Provides flexibility for LDCs on post-registration activities, particularly for the permanent changes associated with changes to the start date of the crediting period. It states that if the change is up to one year (up to two years for a registered CDM project activity hosted by a LDC), the project participants are not required to prepare a revised PDD and request approval by the Board of the change, but shall notify the secretariat. If the change is more than one year (more than two years for a registered CDM project activity hosted by LDC), the DOE shall submit a request for approval by the Board of the change

Provisions/decisions	Text
<p>CDM project cycle procedure for project activities, Appendix 1 (Fee schedule), paragraph 3 (c) and paragraph 7</p>	<p>No share of proceeds shall be due for project activities hosted in LDCs. No registration fee shall be payable for proposed CDM project activities hosted exclusively in LDCs.</p>
<p>CDM project cycle procedure for programmes of activities (ver 03.0) paragraph 172</p>	<p>Provided flexibility to the submission of notification of changes to component project activities. If there are permanent changes that have occurred or are expected to occur to an included CPA in relation to changes to the start-date of the crediting period, the coordinating/managing entity shall prepare a revised CPA-DD and submit it to a DOE for validation. However, if the change is up to one year (up to two years for a CPA hosted by a LDC), the coordinating/managing entity is not required to prepare a revised CPA-DD, but shall notify the secretariat. If the change is more than one year (more than two years for a CPA hosted by a LDC), the coordinating/managing entity shall prepare a revised CPA-DD.</p>
<p>CDM project cycle procedure for programmes of activities (ver 03.0) Appendix 1 (Fee schedule), paragraph 3(c)</p>	<p>No share of proceeds shall be due for CDM PoAs hosted in LDCs. In the case of CDM PoAs hosted not exclusively in LDCs, the exemption from the share of proceeds applies to the issuance of CERs for the greenhouse gas emission reductions occurring in component project activities (CPAs) hosted in LDCs.</p>
<p>CDM project cycle procedure for programmes of activities (ver 03.0) Appendix 1 (Fee schedule), paragraph 6 and 7</p>	<p>No registration fee shall be payable for proposed CDM PoAs hosted exclusively in least developed countries.</p> <p>No registration fee shall be payable until after the date of the first issuance of CERs in countries with fewer than 10 registered CDM project activities and PoAs in total.</p>
<p>Methodologies and Methodological tools</p>	
<p>Standard: Determining Coverage of Data and Validity of Standardized Baselines (ver 03.0) paragraph 15</p>	<p>While a minimum of three years of historical activity data shall be used to develop a proposed new constant standardized baseline or a revision to an approved constant standardized baseline, historical activity data covering less than three years, but of a minimum one year, may be used for developing a proposed new constant standardized baseline or its revision, provided that the constant standardized baseline is developed for LDCs or SIDS.</p>

Provisions/decisions	Text
<p>Standard: Sampling and Surveys for CDM Project Activities and Programmes of Activities (ver 09), paragraph 39</p>	<p>A DOE may select a different sample size than the one indicated in paragraph 32, either by choosing a different value for the consumer risk and producer risk (e.g. 20 per cent for the consumer risk) when applying acceptance sampling or by using another approach, if the project activity or the PoA is located in a LDC or a host Party with 10 or fewer registered CDM project activities at the end of the monitoring period being verified.</p>
<p>Standard: Establishment of Sector Specific Standardized Baselines (ver01.00 paragraph 2</p>	<p>Reiterates CMP 6's request to the Board to develop standardized baselines, as appropriate, in consultation with relevant DNAs, prioritizing methodologies that are applicable LDCs SIDS, Parties with 10 or fewer registered CDM project activities as of 31 December 2010 and under-represented project activity types or regions, inter alia, for energy generation in isolated systems, transport and agriculture.</p>
<p>Guidelines for objective demonstration and assessment of barriers (ver01.0) EB50 report, annex 13, paragraph 10</p>	<p>Guideline 7: For projects in LDCs it is sufficient to transparently describe the relevant barriers, as less stringency is needed with regards to data availability in the actual demonstration of barrier, as compared to the projects in other countries. Projects in LDCs are not bound by the provisions in this guideline and may use other approaches that are more adapted to the local circumstances.</p>
<p>Guidelines on the consideration of suppressed demand in CDM methodologies (ver02.0) EB60 report, annex 2, paragraph 4</p>	<p>Reiterated decision 8/CMP.7, where Parties requested the Board to accelerate the implementation of guidelines on suppressed demand in baselines and monitoring methodologies, prioritizing those that are more applicable to the least developed countries, small island developing States, African countries and countries underrepresented in the clean development mechanism.</p>
<p>TOOL07: Tool to calculate the emission factor for an electricity system (ver 01.0), paragraph 10(f) on the definition of isolated grid system²</p>	<p>Any grid located in a LDCs or SIDS, where at least 65% of the power installed capacity is based on fossil fuels sources- solid, liquid or gaseous- can be considered as an Isolated grid system</p>

² Is an electricity system supplying electricity to household users, and if applicable, industries and commercial areas that is not connected to any other electrical network (e.g. national/regional or interconnected power system).

Provisions/decisions	Text
<p>TOOL07: Tool to calculate the emission factor for an electricity system (ver 01.0), paragraph 34</p>	<p>Provided an alternative to calculate the operating margin and build margin emission factor for LDCs and SIDS. It states that as an alternative approach, the default CO₂ emission factor and the default value of the electricity generated by the off-grid power plants can be applied for the first crediting period provided that the project activity is located in a LDC or SIDS or in a country with less than 10 registered CDM projects at the starting date of validation; and the project activities consist of grid-connected renewable power generation, as well as it can be demonstrated that there is a load shedding program in place to compensate the deficit of the generation capacities.</p>
<p>TOOL07: Tool to calculate the emission factor for an electricity system (ver 01.0), paragraph 90 on simplified combined margin)</p>	<p>On the calculating the combined margin emissions factor, this provision states that the Simplified Combined Margin can be calculated using equation (16)³ if the project activity is located in an LDC, a country with less than 10 registered CDM projects, or a SIDS. There are two conditions for the CM calculation: (a) wBM must equal 0, and (b) wOM must equal 1.</p>
<p>TOOL19: Demonstrating Additionality of Microscale Projects (ver09.0), paragraph 11 (on methodology procedure sub-section)</p>	<p>Project activities that employ renewable energy technology up to 5 MW installed capacity are additional if the geographic location of the project activity is in one of the LDCs/SIDS or in a special underdeveloped zones (SUZs) of the host country, among other conditions.</p>
<p>Under TOOL32: Positive Lists of Technologies (ver04.0), paragraph 20</p>	<p>States that rural electrification project activities by grid extension are automatically additional when four criteria are met, including rural electrification rate in the country is below 50 per cent and geography: LDCs, SIDS, Special Under Developed Zone (SUZ);</p>

³ $EF_{grid,CM,y} = EF_{grid,OM,y} \times wOM + EF_{grid,BM,y} \times wBM$, Where: $EF_{grid,BM,y}$ =Build margin CO₂ emission factor in year y (t CO₂/MWh); $EF_{grid,OM,y}$ =Operating margin CO₂ emission factor in year y (t CO₂/MWh); wOM =Weighting of operating margin emissions factor (per cent); wBM =Weighting of build margin emissions factor (per cent).

Appendix 3. Provisions and decisions contained in the Paris Agreement referring to the special circumstances of LDCs and SIDS on transparency framework

Provision/decisions	Text
Article 13, para 2 of the Paris Agreement	The transparency framework shall provide flexibility in the implementation of the provisions of this Article to those developing country Parties that need it in the light of their capacities. The modalities, procedures and guidelines referred to in paragraph 13 of this Article shall reflect such flexibility.
Article 13, para 3 and Decision 18/CMA.1, Annex para 3	The transparency framework shall build on and enhance the transparency arrangements under the Convention, recognizing the special circumstances of the LDCs and SIDS, and be implemented in a facilitative, non-intrusive, non-punitive manner, respectful of national sovereignty, and avoid placing undue burden on Parties
Article 13, Paragraph 7	Each Party shall regularly provide the following information: a) A national inventory report of anthropogenic emissions by sources and removals by sinks of greenhouse gases, prepared using good practice methodologies accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties serving as the meeting of the Parties to this Agreement; and b) Information necessary to track progress made in implementing and achieving its nationally determined contribution under Article 4
Decision 18/CMA.1, paragraph 4	The enhance transparency framework shall provide flexibility in the implementation of the provisions of Article 13 to those developing country Parties that need it in the light of their capacities, and these MPGs shall reflect such flexibility.
Decision 18/CMA.1, Annex para 11	The LDCs and SIDS may submit the information referred to in paragraph 10 ¹ at their discretion.
Decision 18/CMA.1, Annex para 157	The LDCs and SIDS may choose to participate in the centralized or desk review as a group. During a centralized group review, a single expert review team will review several biennial transparency reports from the LDCs and SIDS
Decision 18/CMA.1, Annex para 194	During the working group session phase of a facilitative, multilateral consideration of progress, the LDCs and SIDS may choose to participate as a group

¹ Paragraph 10 states that in the biennial Transparency report (a) each Party shall provide a national inventory report of anthropogenic emissions by sources and removals by sinks of greenhouse gases (GHGs), (b) each Party shall provide the information necessary to track progress in implementing and achieving its NDC under Article 4 of the Paris Agreement, in accordance with the MPGs contained in chapter III below, *inter alia*.

Appendix 4. CDM projects, PoA and CER units issued in LDCs and SIDS (as at 1 August 2023)

	CDM Projects	PoAs ^(a)	CPAs	CER units generated
Only LDCs	118	92	582	46,686,523+ 30,303,910
Only SIDS	0	6	7	0+ 1,018,919
LDCs and SIDS	49	7	4	4,382,823+ 81,289
Total	167	105	593	51,069,346+ 31,404,118

(a) All PoAs that consist at least one CPA in LDCs or SIDS.

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