

Position Paper

Creating an enabling environment for mitigation activities – the PD-Forum position

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The Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas (GHG) mitigation activities worldwide. Our members work on a global scale and evaluate opportunities to deploy climate financing and carbon market instruments to accelerate investments for GHG mitigation, climate resilience and sustainable development. With this position paper, we aim to provide suggestions to parties, delegates and NGOs to create an enabling environment for mitigation activities. Written from the perspective of practitioners, the PD Forum offers workable, pragmatic and practical solutions developed by member companies and individuals who have the knowledge and experience to develop financially viable, replicable and transformative mitigation projects.

The PD Forum commends the significant progress that was achieved during COP24 in Poland and SB49 in Bonn, giving hope for a successful finalisation of the “rulebook” at COP25. We are glad to see that many of our suggestions and comments have been considered in the draft text available since 26th of June. Nevertheless, we want to re-iterate some of our comments at this point to contribute to discussions aimed at ensuring a well-designed and governed framework, allowing for increased ambition while securing the highest environmental integrity, will finally be agreed.

If market-based mechanisms would stop next year, the damage created would be extraordinary.

In particular, we would like to emphasize the damage which an end to the CDM, before a new mechanism is operational, would create. We understand that the legal position is that CDM may end next year – unless a decision is actively made by COP to continue with it. Hence, we are concerned that if parties are unable to decide on a continuation, a transition or a new mechanism under Article 6, severe consequences would result:

- The compliance market will stop and even break down, at a time when it is needed more than ever with the introduction of the CORSIA scheme and demand for offsets is increasing. This will send a bad signal to the private sector, diminishing trust in the mechanism and future potential mechanisms.
- For existing CDM projects, future operation will be in doubt. End of the CDM will result in a huge write off of the income anticipated which will affect the most vulnerable projects in particular and potentially lead to emissions of GHGs that would not otherwise happen
- While some existing CDM projects can potentially move to voluntary schemes, voluntary demand is limited. Also many governmental and multinational buyers still look into the CDM market due to international acceptance and the high levels of environmental integrity required.

- Further, ITMOs underpinned by VERs are doubtful, so even the Paris agreement Art. 6.2 may be affected
- Many NDCs are based on the continued use of CDM, which therefore may be undermined

The PD Forum acknowledges that changes to the CDM are likely to be made to support the transition to the Paris Agreement. However, we would highlight the tremendous impact the CDM has had in supporting projects that reduce GHGs; in developing a suite of rigorous, peer reviewed methodologies for calculating GHG reductions; and training a workforce of auditors, consultant and developers.

The PD Forum suggests that loss of the CDM would be a disaster at a time when demand for offsets is growing, both from compliance buyers but also as companies, individuals and public bodies seek to become 'carbon neutral'. We instead would welcome the opportunity to work with governments, policy experts and the UNFCCC to reform the CDM to enable it to perform a valuable role in the transition to a 1.5 °C pathway.

In summary we implore negotiators to:

- Confirm the continued operation of the CDM, at least until Art 6.4 has become fully operational
- Allow the use of CDM and JI methodologies in the new Art. 6.4 mechanism
- Allow the use of the existing CDM accreditation standard
- Remove limitations on the use of the Art. 6.4 mechanism
- Not to place any additional financial burden (besides the share of proceeds for administrative expenses) on project developers

| Reference SBSTA 50 | PD Forum proposed text / action |
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| III. Supervisory Body A. rules of procedure | PD Forum regrets to read that the participation of civil society in the supervisory body is not mandatory anymore. <i>Rationale: External knowledge and experience may help avoid mistakes and allows lessons to be learned from past mechanisms.</i> |
| VI. A. Activity design 39 g | We would like to suggest a minimum crediting period of 7 years. <i>Rationale: to refinance project activities, especially in the energy sector, a certain time period is necessary for a pay back of the investment. Otherwise, many projects will be excluded from the mechanism.</i> |
| VI. H. Issuance 58ff | We continue to emphasize the urgency of a registry and suggest not to prescribe a specific design at this stage. <i>Rationale: Prescriptions at this stage could create unnecessary barriers at the stage of implementation.</i> |
| VI. K. Voluntary cancellation 71 | Add "... and the registry administrator issues a cancellation certificate showing on whose behalf the cancellation happened." |
| VIII. delivering overall mitigation in global emissions | Overall mitigation is already achieved as the existing methodologies are extremely conservative as suggested in the sub-paragraphs. If the existing methodologies are used there is no additional levy required besides voluntary cancellation by parties resp. project participants. Case by case an adjustment of the existing baselines may needed to maintain |

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| | <p>conservativeness to consider the changes since the methodology has been approved for the first time. Hence, we urge to delete the sub-paragraph a of this section.</p> |
| VIII. Avoiding the use of emission reductions by more than one Party | <p>It is critical to the credibility of any market mechanism that double counting is avoided and any emission reduction is only ever claimed by a single Party. Avoiding double counting has already been supported by many private sector players, including for example through the Katowice Declaration on Sound Carbon Accounting.¹ However, the issue has become more complex as claims by sub-national entities have been brought into some of these discussions too. We are working on a separate position paper for this issue which we will share in due course.</p> |
| XIII. Transition from the Kyoto Protocol to Article 6, paragraph 4 A. Transition of activities under the Kyoto Protocol | <p>We support Option C: Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol may be registered as Article 6, paragraph 4, activities.</p> <p><i>Rationale: We support the transition of CDM into 6.4 mechanism, including CDM methodologies and DOE accreditation.</i></p> |
| B. Transition of joint implementation emission reduction units | <p>ERUs derived from track 1 projects should not be used at all, but track 2 ERUs are much like CDM.</p> <p><i>Rationale: the use of ERU was contentious in the past and should not create a burden for the new mechanism</i></p> |
| C. Transition of clean development mechanism certified emission reductions | <p><i>The PD Forum has no strict position on vintages, but we believe that early action should be considered, and not penalized. Each project needs to be considered individually. Many project owners have invested into activities strongly believing that their action will be rewarded. The down-turn of the CDM in 2013 has significantly reduced this faith in international mitigation mechanisms and may hamper future investments if there is no incentive that rebuilds faith and trust of private and public investors.</i></p> |
| D. Transition of methodologies | <p>106 & 107. use of JI and CDM methodologies should be allowed</p> <p><i>Rationale: There is no need to re-invent the wheel. Substantial amounts of time have been spent for the development and improvement of methodologies and tools that have been demonstrated to be fit for purpose. Hence, a continuous improvement process may be implemented but the basis needs to be the existing methodologies, tools and standards.</i></p> |
| E. Transition of accreditation standards 11b. | <p>We agree and support the use of CDM accreditation.</p> <p><i>Rationale: finally the CDM and JI accreditation merged and there is no need to create a separate accreditation under the new mechanism. The infrastructure is still existing and proven to work effectively. Hence, to reduce future costs and make use of the existing experience and workforce, we recommend the use of CDM accreditation.</i></p> |

¹ https://www.ieta.org/resources/COP24/Declaration_to_promote_sound_carbon_accounting_final.pdf