

Head and Members of the CDM Executive Board
Mr. Piotr Dobrowicki
Chair
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D 53153 Bonn
Germany

Project Developer Forum Ltd.
100 New Bridge Street
UK London EC4V 6JA

Europe: +49 89 2351 9320-0
office@pd-forum.net
www.pd-forum.net

CHAIRPERSON:
Sven Kolmetz
sven.kolmetz@pd-forum.net

CO VICE CHAIRPERSONS:
Philipp Hauser
Philipp.HAUSER@gdfsuezla.com
Christiaan Vrolijk
christiaanvrolijk@gmail.com

To cdm-info@unfccc.int
From sven.kolmetz@pd-forum.net
Date 30th April 2020
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Subject **Operational Continuation of the CDM beyond 2020**

Honourable Members of the CDM Executive Board,
Dear Mr. Dobrowicki,

the Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas emission reduction projects worldwide. Our members work on a global scale and evaluate opportunities to deploy climate financing and carbon market instruments to accelerate investments for greenhouse gas mitigation and sustainable development.

The PD Forum highly appreciates the availability and support of the CDM Executive Board (CDM EB) during these challenging times of Corona crisis. We already sent this input via the Call for Input to the annotated agenda, but we are aware that the CDM EB may not find the time for a discussion of this issue due to other important agenda items. Hence, we want to seek for a response on this channel as well making sure that either why we can find the necessary clarity.

Due to the poor outcome of last year's COP 25 in Madrid, which failed to adopt the long-awaited rulebook for Paris Art. 6 market mechanisms, and the COVID-19 pandemic that made it necessary to postpone SB52 to October 2020 and this year's COP 26 in Glasgow to 2021, the future of the CDM is more uncertain than ever. This is even more so, as time is running out fast for CDM since it is now May 2020 and the second Commitment Period (CP2) of the Kyoto Protocol already ends on 31 December 2020.

Under these difficult and unprecedented circumstances, the PD Forum and its members are seriously concerned about operational CDM continuation beyond 2020 in compliance with the Kyoto Protocol and the Doha Amendment.

Therefore, we take this additional opportunity – in case there is not sufficient time during EB 106 for discussion - to seek **clarification about operational CDM continuation beyond 2020** and urgently request that the CDM EB unambiguously confirms

1. its firm intention to continue the operation of the CDM beyond 31 December 2020, including for emission reductions created by CDM projects and programmes in 2021 and beyond, anticipating the expected CMP approval of such practice at a future CMP meeting, and
2. its substantiated expectation that all CDM projects and programmes continue to be fully serviced by CDM EB and other relevant CDM bodies until the end of their crediting periods and/or effective CDM transition to Paris market mechanisms.

For our members and their CDM project activities, obtaining regulatory certainty and robust guidance about operational CDM continuation post 2020 is absolutely essential. We further believe that this issue clearly falls under the CDM EB's mandate and we know that, usually, CMP follows CDM EB's recommendations.

That said, we expect that, by default, CDM will continue to be fully operational after 2020 and would like to draw your attention to the Annex of this Letter in which we have summarized our current understanding of the CDM's present regulatory and financial situation and in which we have listed further detailed questions related to critical aspects of operational CDM continuation beyond 2020. Please do also respond to these highly important questions as clearly and unequivocally as possible to provide us with the much-needed guidance for our CDM business.

Please be informed that the PD Forum will send a copy of this letter and your responses to other important CDM stakeholders, such as (but not limited to) the UK COP 26 presidency, selected DNAs (especially those with carbon pricing schemes allowing the use of CERs for compliance), the UNFCCC Executive Secretary, ICAO, IETA, ICROA and the Gold Standard.

The PD Forum and its members look forward to receiving your timely response and remain at the disposal of the CDM EB to provide any required assistance in this and other matters.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dr. Kolmetz', with a long, sweeping horizontal stroke above the name.

Sven Kolmetz
Chairman, Project Developer Forum

Annex

The imminent risk of CDM discontinuation after 31 December 2020, while its envisaged successor SDM is still far from being fully operative, is not only a threat to ambitious climate action in line with Paris targets but also an untenable situation for all CDM stakeholders in developed and developing countries. Assuming the CDM would really stop its operations by the end of this year, this would immediately cut off supply of unissued CERs to mandatory target markets, such as ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSA), South Korea's ETS, or the carbon tax regimes of South Africa, Colombia and Mexico, but also to the voluntary carbon offset market. As a consequence, many CDM project developers would lose their most important source of income without being able to start alternative project activities under SDM (or other Paris market mechanisms).

After having carefully studied the relevant official CP, CMP, SBI and CDM EB documentation listed below under "References", it is our understanding that CP25/Dec17 (endorsed by CMP15/Dec6 as it applies to the Kyoto Protocol) is decisive for operational CDM continuation beyond 2020. By that decision, the CP approved the UNFCCC Executive Secretary's proposed programme budget for the biennium 2020-2021 for the purposes listed in CP25/Dec17 Table 1. This UNFCCC programme budget includes the CDM EB's projected biennium CDM budget for 2020-2021 as had been determined in CDM EB's CDM two-year business and management plan (MAP) 2020–2021 which has been adopted at the 104th CDM EB meeting and has then been reported to CMP15 via the 2019 CDM Report.

For the period 2020–2021, the CDM EB has agreed, in its MAP 2020-2021, on the following two goals, and their supporting objectives and key activities:

Goal 1: enable the efficient and transparent implementation of mitigation activities to ensure the trusted certification of their outcomes

- (a) Operate efficient project and entity assessment processes
- (b) Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism
- (c) Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity

Goal 2: nurture the demand for, and participation in, the clean development mechanism

- (a) Facilitate the acceptance of CERs for compliance purposes
- (b) Enhance the use of the CDM for voluntary purposes
- (c) Further develop the CDM as a tool for monitoring, reporting and verifying the outcomes of mitigation finance

According to the CDM EB's 2019 Report to CMP15, the prudently managed "biennium budget allows for the safeguarding of the financial resources of the CDM and ensures that there is no financial constraint in operating the CDM through to the end of the true-up period of the second commitment (2023)." This projection is confirmed by CMP15/Dec 2, which takes note "that the Executive Board of the clean development mechanism has estimated that the Trust Fund for the Clean Development Mechanism would have a forecasted healthy balance of USD 11–54 million at the end of 2023, in addition to USD 45 million held in reserve."

In our view, the above-mentioned CP and CMP decisions together with the mentioned CDM EB documents have created the necessary regulatory and financial facts that allow the operational continuation of the CDM at least until the end of 2021 because CP and CMP have implicitly extended the political mandate for CDM by signing off the necessary CDM budget and related budget uses until end of 2021.

Nonetheless, certain doubts remain because the Doha Amendment (CMP8/Dec1) on CDM extension for a second Commitment Period (2013-2020) has not yet been fully ratified. In addition, an explicit and

sufficiently detailed CMP guidance on operational CDM continuation beyond 2020 in the absence of third CDM commitment period is still missing. This guidance has been repeatedly requested by CDM EB in its Annual CDM Reports to CMP. Yet, so far, CMP15/Dec 2 has only acknowledged such CDM EB request.

To obtain the indispensable regulatory certainty and guidance for our member's CDM project development activities, we ask CDM EB to also respond to the following **critical questions about operational CDM continuation beyond 2020** as soon and as unmistakably as possible:

General regulatory and financial framework for operational CDM continuation beyond 2020

1. Is our interpretation correct that the CDM has already obtained the required political mandate and budget for operational continuation until the end of 2021 by CP25/Dec17 in conjunction with CMP15/Dec2? If not, why not and how shall it be obtained in time?
2. Are there any reasons why the CDM would not continue its operations at full functionality until the end of the true up period in 2023? If yes, what reasons are there for prior discontinuation (or reduced functionality) and what action does CDM EB take to prevent this?
3. Does the regulatory and financial situation of the CDM allow continued operation to fulfil all essential CDM objectives and functions until the end of the true up period in 2023 or do you perceive any major regulatory or financial risks for CDM continuation until 2023?

Practical aspects and key functions of operational CDM continuation beyond 2020

4. Will it be possible to register new CDM Project Activities (PAs) and Programmes of Activities (PoAs) after 31 Dec 2020, regardless of whether such registration has been requested before or after 31 Dec 2020? And, if so, for how long?
5. Will it be possible to include new CPAs for PoAs after 31 Dec 2020, regardless of whether such CPA inclusion has been requested before or after 31 Dec 2020? And, if so, for how long?
6. Will it be possible to get new issuances of CERs for PAs and PoAs after 31 Dec 2020, regardless of whether their respective GHG emissions reductions have occurred before or after 31 Dec 2020? And, if so, for how long?
7. Will it be possible to obtain renewals of PA and PoA crediting periods after 31 Dec 2020, regardless of whether such renewal request has been made before or after 31 Dec 2020? And, if so, for how long?
8. Will the CDM registry and the CDM "Carbon Neutral Now" voluntary offset platform continue operation after 31 Dec 2020 without any restrictions or limitations? And, if so, for how long?
9. Will the CDM and its bodies be able to provide all other administrative or operational services after 31 Dec 2020 that are indispensable for meeting its objectives and ensuring its full functionality? And, if so, for how long?

Regarding a **potential CDM transition to a prospective SDM (Art. 6.4)** until the end of 2023, the PD Forum would mainly like to know at this stage:

10. How does CDM EB try to avoid a looming gap between the end of the CDM and the SDM being fully operative?

For us, the best approach to ensure a transition without major frictions would be that the CDM EB keeps on providing the above-listed vital operational CDM services and functions after 2020 (and, if necessary, until the end of 2023), while the Art. 6.4 Supervisory Body, once established, starts work on the required rules and procedures for implementing the new SDM, e.g. adaptation of CDM methodologies, adaptation of accreditation, validation and verification standards, conversion of post-2020 CERs into Art. 6.4 ERs etc. Such division of labour between these two entities would increase the likelihood of a successful transition from CDM to SDM.

References

CDM EB (2020a): Upcoming CDM Meeting 106 (11-13 May 2020): [Annotated Agenda](#)

CDM EB (2020b): Upcoming CDM Meeting 106 (11-13 May 2020): [Proposed Agenda](#)

CDM EB (2019a): CDM Meeting 104 (09-12 Sep 2019): [Meeting Report](#)

CDM EB (2019b): [CDM two-year business and management plan 2020-2021](#), CDM-EB104-A01-INFO

CDM EB (2019c): [Annual Report of the EB to the CMP](#), UNFCCC/KP/CMP/2019/3

CMP (2019a): [CMP 15, Decision 2: Guidance relating to the clean development mechanism](#)

CMP (2019b): [CMP 15, Decision 6: Programme budget for the biennium 2020-2021](#)

CMP (2012): [CMP 8, Decision 1: Amendment to the Kyoto Protocol pursuant to its Article 3, paragraph 9 \(the Doha Amendment\)](#)

CP (2019): [CP 25, Decision 17: Programme budget for the biennium 2020-2021](#), UNFCCC/CP/2019/13/Add.2

CP (2012): [Doha Amendment to the Kyoto Protocol](#)

CP (1997): [Kyoto Protocol to the United Nations Framework Convention on Climate Change](#)

UNFCCC Climate Change Secretariat (2008): [Kyoto Protocol Reference Manual on Accounting of Emissions and Assigned Amount](#)

UNFCCC Executive Secretary (2019): [Programme Budget for the Biennium 2020-2021](#), UNFCCC/SBI/2019/4 and Add. 1-2