

24 November 2021

To whom it may concern

- ✓ Will be available on pd-forum.net
- ✓ Will be available to the press

Project Developer Forum's first conclusions regarding the Art. 6 related outcomes of COP26 in Glasgow

Firstly, we commend the COP26 for agreeing on Article 6.4, as well as guidance for Article 6.2, after 6 years negotiations and allowing the development of projects that will fit to the new modalities and procedures. We would like to thank especially all those UN employees, UK government employees and all staff members who organised the event and made it possible to meet in person under the difficult pandemic conditions. Chapeau!

Next, let us summarize what we, as project developers, have understood from the text regarding the Art6.4 mechanism and the transition of the CDM (Clean Development Mechanism):

- Article 6.2 provides the opportunity for countries to implement cooperative approaches, some of which can entail the implementation of emission reduction/removal projects that can generate ITMOs (Internationally Transferred Mitigation Outcomes) for another country to use towards its NDC (Nationally Determined Contributions).
- The Art6.4 mechanism has been approved and now it's up to the UNFCCC secretariat to put in place all the necessary institutions such as the mechanism registry and all related processes. There will be a new supervisory board and countries can suggest candidates that will be elected during the next COP27 in Egypt. It seems reasonable to assume that the process altogether will likely take a few years (we estimate 2-3) before Art. 6.4 is fully operational.
- The transition of CDM projects into the Art 6.4 mechanism is regulated by an approval process where another "Letter of Approval of Transition" ("LoA-T") from the respective host countries is required. This LoA-T needs to be provided to the Supervisory Body by the CDM host party before 31.12.2025 (or the end of the crediting period, whichever comes first). Until then, the project may still use the existing CDM methodology, afterwards it needs to apply an Art.6.4 methodology. SSC (Small Scale) projects and PoA (Programme of Activities) shall have transition accelerated after host country approval. For all Art.6.4 credits issued after 31.12.2020, a corresponding adjustment has to be applied by the host country, yet to be defined.
- The use of CERs issued before 31.12.2020 is still possible. No corresponding adjustments are needed, but use towards NDC is allowed only for projects registered after 2012 (1.1.2013) while all other CER can still be used for voluntary purposes.



Based on this, we offer the following comments:

- 1) We regret to see that there is no smooth and immediate transition from the CDM into the Art. 6.4 mechanism, but it still will probably take some time until the mechanism is up and running.
- 2) Hence, we urge the UNFCCC to work efficiently, notably by taking as much as possible from the existing CDM mechanism – especially those parts that worked well and without controversy – like the CDM registry, methodologies and approval process – and make sure that, right after the implementation of the new Supervisory Board in 2022, projects will be able to register. We recognize that the CDM Executive Board is explicitly requested to support.
- 3) Furthermore, it will be important to make use of the learning curve and continuous improvements of the CDM and give certainty that the newly decided crediting periods hold for the now promised up to 15 years. In this regard we welcome the further requirements for additionality concerning best available technologies and clear below BAU baselines, which will be questioned less in the future compared to the CDM requirements.
- 4) We fear that the host country approval and application of corresponding adjustments will be a newly bureaucratic process. We understand and agree that the corresponding adjustment is absolutely necessary for all compliance purposes such as achieving NDCs, CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), a future IMO (International Maritime Organization) scheme and/or domestic markets connected with national commitments. There were already some discussions if other mitigation purposes include voluntary carbon neutral claims. But we doubt the requirement for corresponding adjustment for projects that passed the additionality test for purposes where only corporates are involved on the buyer side and not two countries exchanging ITMOs. An investor who invests in an additional project in the investor's country, where the resulting emission reduction is automatically counted by the national inventory, should not be treated differently from an investment of the same investor in a host country where the host country automatically will claim the emission reduction. If this purpose is not covered by Art 6.4., carbon neutral claims can be only covered by voluntary credits from additional projects outside the UN scheme and the use of Art6.4 may be limited.
- 5) We appeal to the host countries to immediately build up the according designated national authorities for a smooth, quick and responsible authorization process including the application of corresponding adjustment. In addition, we urge the international community to support capacity building and training efforts for all designated national authorities, learning from the lessons of the CDM and ensuring that all countries are able to access this additional source of finance to reduce emissions. Without this, we are concerned that corporates will have difficulties to get the according carbon credits on the market and the opportunity to access urgently needed carbon finance may be missed by countries that may need it the most. The use of credits with corresponding adjustments for voluntary carbon neutrality claims should be voluntary and corporates may decide what kind of credits they want to use.
- 6) We think it would be helpful if the UNFCCC to set up a helpdesk for expedite clarifications in the transition time as well as a FAQ webpage, both to help countries establish designated national authorities as well as to understand the mechanics of the approval/authorization process and of corresponding adjustments.



Once again, we would like to commend all those involved for this positive outcome. As in the past 12 years since the foundation of the Project Developer Forum, we are willing and ready to support all actors in the UN process to establish this new mechanism and to contribute with our capacity and technical expertise throughout the process.

Yours sincerely



On behalf of the members of the PD Forum

