



**PROJECT
DEVELOPER
FORUM**

Credible Climate Action.

COP26 – FAQ of Project Developers

The Role of Carbon Credits after Glasgow

A study report brought to you by [The Project Developer Forum](#)

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Introduction

After COP26 in Glasgow closed its doors, a sigh of relief ran through the carbon markets. However, after waking up the next morning, question marks were raised. To shed light on the texts that have been decided in Glasgow, we analysed the most important parts for project developers and present the results in this paper.

Frequently Asked Questions

ARTICLE 6.2:

I. Internationally transferred mitigation outcomes (ITMOs)

1. What does Art 6.2 say about Emission Avoidance?

Answer: REDD+/removals etc. are principally included but have to meet all Art. 6.4 requirements (permanence, additionality, ...). There is no definition in the text, so interpretation is vague, but more guidance is expected from the Subsidiary Body of Scientific and Technological Advice (SBSTA).

2. ITMOs

Para. 1(c) What does "other non-GHG metrics" mean? How else than in t_{CO2e} could the measures be defined?

Answer: for example, Renewable Power installed in megawatt (MW), because Nationally Determined Contributions (NDCs) are expressed differently.

Para. 1(f) and 2.: What does the first ITMO transfer of a project mean?

Answer: This is relevant for Corresponding Adjustment (CA). A CA needs to be done at the first transfer in the inventory of the investor country. This means that a CA must be issued the latest with use / cancellation of the ITMOs, if it's not used for the NDC of the host country. So, there is time to develop a project without CA, until the according infrastructure is in place.

II. Participation

Para 4(e) – Provision of the most recent national inventory report: Is this a firm eligibility requirement which will be enforced by the United Nations Framework Convention on Climate Change (UNFCCC)? What are the consequences if this is not the case?

Answer: Most recent inventory reports are a requirement.



However, if there is no inventory report (non-compliance), are parties excluded from markets?

Answer: The text is still soft in this regard and the enforcement not clear. However, we assume that without fulfilment, no participation in markets is possible as CAs cannot be issued without inventory.

III. Corresponding adjustments

B – Application of Corresponding Adjustments

Para 9 – How can credits in Non-GHG metrics be traded?

Answer: According to this paragraph, ITMOs do not necessarily need to be quantified in tCO₂eq but comprise other metrics as well. This will be a challenge for all kinds of registries, and we expect that non-GHG metrics will not be successful in the market. As per para 22(d), non-GHG metrics need to be converted in GHG metrics before they can be reported - and eventually traded.

Para 10 – Each participating Party with a first or first updated NDC ... shall apply corresponding adjustments.

Is this indeed only for countries with first and first updated NDC? What if a country has submitted their second NDC consisting of policies and measures? Is in this case this para not applicable?

Answer: NDC “up to 2030” are meant here.

Para 13 – why is there a reference to ‘first’ transfers? Is the CA only applicable to first transfers?

Answer: See para 2f.

Para 14 – How can a country make a CA if the Emission Reductions (ERs) are not covered in their NDC – will this be reported in the Biennial Transparency Report (BTR)?

Answer: Transparency associated with international cooperation under Article 6, requires countries to report annually and provide regular information through the Biennial Transparency Reports (BTRs).

15 – Is the understanding correct that an ITMO project resulting in ERs, not covered by the NDC, would not trigger a revision of the NDC?

Answer: This is correct. There is still a requirement to provide revised inventories through the BTR but only ITMOs covered by the NDC will be reflected in the updated NDC.



IV. Reporting

C – Regular information

Para 22 – how is a cooperative approach with a corporation which is applying a different standard such as Gold Standard (GS) or the Verified Carbon Standard (VCS) be reflected in the BTR – or is this not reflected at all?

Would this then not increase the overall emissions because of double claiming?

Who would be willing to approve an Article 6.4 project if VCS for example does not require CAs and is not reflected in the BTR?

Answer: “Other purposes” are considered voluntary markets. Only unauthorized A6.4ERs can be transferred without CA. Authorized credits have to have CA! Unauthorized credits are allowed! Verra is supporting credit without CA, while GS supports and requires CA. However, the Voluntary Carbon Market Initiative (VCMI) is working on guidance for transparent claims; high integrity and ambition guidance of voluntary corporate climate actions. This will probably result in a voluntary market guidance that mirrors decisions made for Article 6.4.

Para 22(d) – “Where a mitigation outcome is measured and first transferred in a non-GHG metric determined by the participating Parties, ensures that the method for converting the non-GHG metric into t_{CO2eq} is appropriate for the specific non-GHG metric and the mitigation scenario in which it is applied.”

Does this mean that ultimately all projects must apply a GHG metrics (tCO_{2e})?

Answer: Yes, otherwise a market mechanism could not be established.

VI. Recording and tracking

Para 29 – can all countries also get holding accounts for project developers? Or is there just one account per country?

Answer: There should be a UNFCCC registry for every country where project developers have a holding account, that is linked to a central registry.



VII. Ambition in mitigation and adaptation actions

Para 39 – this refers to participating parties AND stakeholders (such as corporations) – is this statement directed towards offsetting and Voluntary Carbon Markets (VCMs)?

Answer: It seems so. As a corporation that claims carbon neutrality via an offset does not report these offsets into the national inventory, the cancellation of ITMOs will contribute to overall mitigation as it is not contributing to international mitigation purposes otherwise.

ARTICLE 6.4

I. First transfer from the mechanism registry

Para 59 – are the 2% cancellation fees ONLY deducted from the first transfer? Not from subsequent transfers?

Answer: We have a very clear understanding that this is deducted only one time!

VII. Levy of share of proceeds for adaptation and administrative expenses

Para 67(a-c) – from every issuance, a 5% fee will be deducted for the adaptation fund?

Answer: As above, we think it is deducted only one time. However, in addition to a share of proceeds defined by the Subsidiary body (SB), there are administrative expenses that are still to be defined by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA).



About the PD Forum

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. With over 30 full and affiliate members, we 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, under both compliance and voluntary carbon standards.

Contact point:

Dr. Sven Kolmetz
Chairman
sven.kolmetz@pd-forum.net
+49 171 279 8223

Check us out at:

Website: <https://www.pd-forum.net/>

LinkedIn: <https://www.linkedin.com/company/project-developer-forum-ltd>

Twitter: <https://twitter.com/climatePDForum> - @climatePDForum



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