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To cdm-info@unfccc.int
From sven.kolmetz@pd-forum.net
Date 20 April 2022
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Subject **Request for voluntary cancellation of provisional CERs**

Director
Rachel Child
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Honourable Members of the CDM Executive Board,

We note, with thanks, the efforts the Executive Board has made in the advancement of the use of Certified emission reductions (CERs) in the voluntary market, starting as early as 2012, through the launch of the online platform for the voluntary cancellation launched in September 2015, and the ongoing efforts. We also note that, to date, around 115 million CERs have been cancelled via this route, of which about 5 million came through the Climate Neutral Now platform.

In addition to the above, CERs are used by various countries, such as Colombia, South Africa and South Korea, in their regulated emissions trading schemes. These schemes range from cap and trade to hybrid systems, that include provision for the use of CERs as offsets in national carbon tax systems. The use of CERs is often critical to the success of the respective national mitigation mechanisms, where CERs represent least cost mitigation options in these societies. Accordingly, the underlying Clean Development Mechanism (CDM) projects are vital for the continued operation and success of the national mechanisms.

Our concern is that the delays in operationalising the Article 6.4 Mechanism poses material risks to the use of CERs in the voluntary market, as well as to functioning of the national systems, and the underlying projects that provide offsets or credits into the domestic markets.

For example, the South African hybrid mechanism blends a carbon tax with an offsetting mechanism. CDM projects account for the vast majority of carbon credits that are available for supply into this market. However, there will be an acute shortage of supply in the 2022 tax cycle due to the inability to issue "provisional" CERs, i.e. those that have a vintage occurring from 1 January 2021. This will:

- a.) Impair the ability of many South African companies to offset their respective carbon tax liabilities and
- b.) Impair the continuation of carbon credit projects due to the delay/termination or revenues from CER sales into this market.

This example is applicable to many other markets and market players.

These realities will have detrimental socio-economic impacts in the respective local economies and will also reduce the ability to mitigate greenhouse gas emissions, at the required rate, to achieve the Paris Agreement's 1.5° C goal.

We recognise the challenges in operationalising the Article 6.4 Mechanism as well as the current efforts to achieve the end-goal, which is the implementation of a new, effective mechanism. We however appeal to you to recognise the challenges that these delays have caused to various national markets and market players and, most importantly, to climate mitigation. Additionally, the longer the period with no truly applicable system, neither the CDM nor the Article 6.4 Mechanism from 1 January 2021 (already 14 months and counting), the higher the risk/damage done to the whole market mechanism under the UNFCCC system.



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We therefore would like to propose that the UN consider the following interim measure, in order to mitigate the negative impacts resulting from delayed operationalisation of the Article 6.4 Mechanism: **Provide for the voluntary cancellation of “provisional” CERs, i.e. those CERs with a vintage of 2021+.**

These measures will assist project developers continue the operations of their carbon credit projects, while the CDM transitions to the new Article 6.4 Mechanism.

We understand the need for the “provisional” classification of CERs in respect to mechanisms related to the Kyoto Protocol. We however note that the use of CERs in the voluntary market, and the national schemes mentioned above are not linked to the Kyoto Protocol. The environmental integrity of the CDM guarantees that the objectives of the voluntary market are maintained. In this regard, we believe that the voluntary cancellation of “provisional” CERs should still be allowed.

Yours sincerely,

Dr. Sven Kolmetz
Chairman, Project Developer Forum
On behalf of the membership

P.S. This letter is not confidential and may be published on the UNFCCC homepage