

Position Paper

Creating an enabling environment for mitigation activities – the PD-Forum position re Art. 6.4

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

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 and sustainable development. With this position paper we aim at supporting parties, delegates and NGO in creating an enabling environment for mitigation activities from the perspective of the practitioners who have the knowledge and experience to develop projects and who will be the ones that need to deal with the future rules decided by the parties. A well designed and governed framework allows for increased ambition while securing utmost environmental integrity.

Reference SBSTA 48	PD Forum proposed text / action
I. Principles 1. (t)	(t) All types of mitigation activity that can demonstrate additionality as defined in Art. 6.4 may be considered for registration under the mechanism; <i>Rationale: Additionality needs to be checked before the registration.</i>
I. Principles 1. (u)	Delete (u) <i>Rationale: This actually means co-financing is mandatory. This is critical and creates barriers especially to the most vulnerable and less developed countries which urgently need unconditional support.</i>
IV. Scope and purpose A. Scopes of activities 4 (e)	(e) Activities under non-UNFCCC programmes for accounting purposes only <i>Rationale: Activities under non-UNFCCC programmes should be registered only for accounting purposes, the registration and issuance process should remain still under the framework of the non-UNFCCC programme, e.g. national programmes, voluntary schemes. The accounting may be domestically as well.</i>
IV. Scope and purpose A. Scopes of activities 7 (a)	(a) Achieved on or after 1 January 20xx <i>Rationale: We suggest to replace “achieved” by “registered” or issued to clearly define what is meant here.</i>
VI. Supervisory Body A. Membership 14.	PD Forum explicitly welcomes the participation of civil society in the supervisory body. <i>Rationale: External knowledge and experience will avoid mistakes and</i>

	<i>lessons learnt from past mechanism can flow directly into the process.</i>
VII. The mechanism registry	We emphasize the urgency of a registry and suggest not to prescribe a specific designs at this stage. <i>Rationale: Prescriptions at this stage could create barriers at the stage of implementation without necessity.</i>
VIII. Participation, benefits and responsibilities of host Parties A. Participation requirements for host Parties (h)	Delete (h) <i>Rationale: Overall mitigation will be ensured by the mechanism itself and the ambition of the NDC. Additional cancellations will reduce the financial feasibility of the mechanism and create new burdens and bureaucratic processes. The mechanism should be lean and simple allowing for ambitious targets instead of inventing new fees where governance may be intransparent.</i>
VIII. Participation, benefits and responsibilities of host Parties A. Participation requirements for host Parties (i)	Delete "...that have been certified by the Supervisory Body." <i>Rationale: this would mean that the Supervisory Body will certify the national processes and institutional arrangements of each Party. The requirements would need to be defined, agreed upon, regularly checked. This sounds like a huge administrative burden for little end-value. We suggest to keep the DNA independent from the SB</i>
VIII. Participation, benefits and responsibilities of host Parties A. Participation requirements for host Parties 26. Option A	26. we prefer Option A <i>Rationale: in option B. and C. reference to Art. 6.2 is made including additional requirements which may add unnecessary complexity.</i>
VIII. Participation, benefits and responsibilities of host Parties B. Responsibilities / Roles of host Parties (j)	We are concerned about the possible withdrawal of authorization without clear requirements of the proposed Article 6, paragraph 4 activity and/or of the participation of any public or private entities in the activity in a later stage when the activity has started. <i>Rationale: Project owners and developers need certainty that the withdrawal is not arbitrary or political and creates a risk for investments. It needs to be ensured that the withdrawal is limited to illegal actions and based on a legal process.</i>
VIII. Participation, benefits and responsibilities of host Parties B. Responsibilities / Roles of host Parties (m)	We strongly support this paragraph. <i>Rationale: it is one of the key requirements of the mechanism to make it work and avoid double counting.</i>
IX. Participation and responsibilities for transferring, acquiring and using Parties B. Responsibilities / Roles of transferring /	Delete B. and C. <i>Rationale: The content of B. and C. is already covered by A. Complexity of the guideline can be reduced.</i>

acquiring Parties C. Responsibilities / Roles of using Parties	
X. Participation by other actors A. Incentivizing and facilitating participation of public and private entities authorized by a Party 44.	We strongly advocate for option C. <i>Rationale: Otherwise climate finance may be excluded by accident.</i>
X. Participation by other actors B. Authorizing participation of public and private entities 45.	It is our understanding that participation is possible for public and private entities even after a Party left the agreement. <i>Rationale: for credibility of the mechanism and risk reduction public and private entities need to have assurance that they still can continue their activities that have been already started</i>
XII. Eligible mitigation activities A. Mitigation activities in the context of the host Party's nationally determined contribution	Option D <i>Rationale: The mechanism is a tool that needs to be open to achieve all kind of targets. Ruling out options will limit a powerful tool to achieve mitigation and climate finance.</i>
XII. Eligible mitigation activities D. Additionality	Option A {reference to what would otherwise have occurred} (a) Emissions are reduced below those that would have occurred in the absence of the activity. <i>Rationale: option A is a proven concept. The details can be developed and specified in the additionality tool. New requirements may added in the light of the new concept of NDC and corresponding adjustments.</i>
XIII. Mitigation activity cycle B. Authorization by Party 59.	This is a repetition of 45.
XIII. Mitigation activity cycle H. Forwarding/transfer from the mechanism/a registry	Delete 68. and 69. Delete "remaining" in 70. <i>Rationale: we think that there should be no share of proceeds beyond administrative expenses as it creates additional bureaucratic burdens and increases intransparency of the system reducing incentives to use the mechanism. Moreover, this section prescribes additional share of proceeds that are still options in other sections. This creates inconsistency in the guidelines.</i>
XIV. Levy of share of proceeds towards administration and adaptation	Delete A. <i>Rationale: we advocate for separate funding for adaptation. This may be achieved via an adaptation mechanism similar to the mitigation mechanism. In any way adaption funding needs to be upscaled, so the share of proceeds will deliver not sufficient funding for the task while it may make it more difficult to ensure according separate funds</i>
XIV. Levy of share of proceeds towards administration and	80. The share of proceeds from an Article 6, paragraph 4, activity that is levied to cover administrative expenses [shall][should] be: (a) USD X, payable at the time of the request for registration;

<p>adaptation B. Share of proceeds for administrative expenses (level and timing) 80.</p>	<p>(b) USD X per A6.4ER issued for the activity, payable at the time of the request for issuance of A6.4ERs.</p> <p><i>Rationale: We suggest changing from “request for issuance” to “issuance”, otherwise there will be an upfront payment without corresponding revenues for an unknown period of time. Experience has proven that the checks before issuance may take a very long time and especially for small projects this time period can be critical to survive. Moreover, X should be adjusted to real costs without adding revenue and may be limited to international transfer, while domestic use is exempted.</i></p>
<p>XV. Delivering overall mitigation in global emissions</p>	<p>Option C {mechanism itself ensures overall mitigation in global emissions} 84. Use of the mechanism itself ensures overall mitigation in global emissions.</p> <p><i>Rationale: We agree with and support option C. The national targets define ambition and overall mitigation. The Art. 6.4 mechanism is just a very efficient tool to achieve this targets. And barriers that would limit efficiency of the mechanism need to be eliminated.</i></p>
<p>XVI. Avoiding the use of emission reductions by more than one Party 87.</p>	<p>Option A</p> <p><i>Rationale: This option is simple and clear. All other options are difficult to operate. We raise the question if this is also valid for voluntary action?</i></p>
<p>XVII. Safeguards/Other A. Uses for purposes other than towards achievement of nationally determined contributions</p>	<p>Delete XVII.</p> <p><i>Rationale: In our opinion it is dangerous to have a list as potential use may pop up in the future that is not yet known. There is no need for any restrictions as long as corresponding adjustments are ensured for international transfers.</i></p>
<p>XVII. Safeguards/Other A. Uses for purposes other than towards achievement of nationally determined contributions</p>	<p>Option B {no limits} respectively delete XVII</p> <p><i>Rationale: Option A will be a bureaucratic nightmare. If there are limits they need to be supervised and controlled. We don't see a body who will be able to effectively control these limits as they are beyond the scope of these guidelines. For misuse and illegal activities of the mechanism existing legal national and/or international bodies shall remain responsible and prosecute in the framework of national or international law.</i></p>
<p>Draft Annex III containing draft elements relating to the mechanisms established by Articles 6 and 12 of the Kyoto Protocol A. Mitigation activities under the Kyoto Protocol:</p>	<p>Option B2</p> <p><i>Rationale: We support the transition of CDM into 6.4 mechanism, including CDM methodologies and DOE accreditation.</i></p>
<p>B. Transition of joint implementation emission reduction units</p>	<p>Option D</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>
<p>C. Transition of clean development</p>	<p><i>The PD Forum has no strict vintage position, but we believe that early action should be considered, and not penalized. Each project needs to</i></p>

mechanism certified emission reductions	<i>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>
D. Transition of methodologies	9. option A (use of JI meths) 10. option A (use of CDM meths) <i>Rationale: There is no need to re-invent the wheel. Myriads of man years have been spent for the development and improvement of methodologies and tools that are meanwhile close to perfect. Hence, a continuous improvement process may be implemented but the basis needs to be the existing meths, tools and standards.</i>
E. Transition of accreditation standards 11b.	option A (use of CDM accreditation) <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 proved to work effectively. Hence, to reduce future costs and make use of the existing experience and man power we recommend option A.</i>