

CDM (and KP units) transition

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Result of the Article 6 in COP25

- Almost agreed : Accounting rule (6.2) and Non-market approach (6.8)
- Further discussion : Transition of CERs (6.4), corresponding adjustment (6.4) and Adaptation action (6.2)

Draft Text Version 3 of 15 December

6.2 (Accounting guidance)

- ITMOs metrics (including 6.4ER)
- Method of Corresponding Adjustment (CA) (trajectory / annual average)
- inside / outside of NDC, Application of CA for CORSIA
- Reporting, review, tracking (A6 database)

• Ambition in mitigation and adaptation actions

(cancelation of ITMOs + contribute resources to adaptation + shall report)

Work program

- Non GHG metrics
- Other methods of CA
- A6 reporting format
- A6 review guidance

6.4 (Mechanism established by Article 6)

- Supervisory Body (Rule of procedure, Governance)

• Timing of applying CA will be decided in the CMA.3

- SOP (2% of 6.4ERs at issuance)
- OMGE (mandatory cancellation, more than 2%)

• Detail of CER transition will be decided in the CMA.3

Work program

- Timing of applying CA
- Methodologies
(baseline, additionality)
- Transition of CDM projects
- Transition of CERs

6.8 (Non-market approach)

- Work program until 2025 (Work Shop, Submissions, Technical papers)
- Coordination of NMA forum (convened by the Chairs of the SBSTA)

Corresponding adjustment in A6.2, A6.4

【 A6.2 】

- ◆ Applying CA for both inside / outside of NDC and CORSIA after 2021.

【 A.6.4 】

- ◆ Version 2 : Applying CA for both inside and outside of NDC
- ◆ Version 3 : Not applying CA for outside of NDC
- ◆ In paragraph 41 and 52, host country decide to apply CA for A6.4 ER or not.

【6.2】 【para14, 15】 Apply corresponding adjustment for all emission reductions and removals.

【para16】 Participating Party authorizes mitigation outcomes for other international mitigation purposes, it shall apply a CA.

【para1(e)】 Generated in respect of or representing mitigation from 2021 onwards.

【6.4】 【para70】 Applying a CA for all A6.4ERs first transferred consistent with Guidance on 6.2, subject to a future decision of the CMA that shall provide an opt out period, during which A6.4ERs from outside of NDC is not required to apply a corresponding adjustment.

【para71】 Apply an adjustment for A6.4ERs for other international mitigation purposes consistent with guidance on 6.2.

【para41】 The host Party provide to the Supervisory Body the authorization for A6.4ERs issued for use towards NDCs or other international mitigation purposes, if the Party decides to do so, and a statement as to whether a corresponding adjustment will be applied by the host Party for A6.4ERs.

【para41】 The mechanism registry shall identify issued A6.4ERs that are authorized by the host Party, in accordance with the host Party's approval.

- ◆ In the draft text ver.3, transition of CDM project activities (PA) and program of activities (PoA) are described (exclude Joint Implementation (JI)).
- ◆ Transition period of CER is 31 December 2023
- ◆ 6.4ERs may be issued after 2021

Draft Text Version 3 of 15 December

A. Transition of CDM activities

- The provision of approval of the transition by the host Party, by no later than 31 December 2023
- Applying corresponding adjustment consistent with guidance on 6.2.
- Applying the current approved CDM methodology until earlier of the end of its current crediting period or 31 December 2023
- A6.4ERs from CDM activities transferred may be issued after 31 December 2023.
- After 31 December 2023, applying the methodologies consistent with rules on 6.4
- Small-scale CDM PA and PoA undergo an expedited process.

- ◆ In version 3, no reference to registration date of CDM activities that meet the condition of transition.
- ◆ In version 3, the period that pre-2021 CER can be used toward NDCs without a corresponding adjustment was extended (2023 → 2025).

Draft Text Version 2

B. CER transition

Option A

- A party other than host Party
 - Projects registered on or after [X][2016]
 - Emission reduction or removals achieved prior to or on 31 December 2020.
 - Used toward the NDC by no later than 2023
 - Not required to apply CA by 2023
- Host Party
 - Projects registered on or after [X][2016]
 - Transferred to the registry by no later than 2023
 - Used toward the NDC by no later than 2023
 - Report the use of CERs in

Option B

- Other than CERs above shall not be used toward NDC
- Other than CERs above may be placed in reserve

Option C

- [no reference to Kyoto Protocol unit]

Draft Text Version 3

B. CER transition

- CERs may be used towards the NDC of a host Party and a participating Party
 - Condition of registration date will be determined by the CMA
 - Emission reduction or removals achieved prior to or on 31 December 2020
 - Used toward the NDC by no later than 2025
 - Not required to apply CA by 2025
 - Applying CA consistent with guidance on 6.2
 - CER shall be identified as pre-2021 CERs and reported in accordance with 18/CMA.1.
- CERs do not meet the conditions above are in reserve and may only be used toward NDCs in accordance with future decision of CMA.

Estimation of supply potential of pre2020 CERs

- ◆ To determine the registration date of CDM activities those pre2020 CERs can be transferred to the A6.4, it would be needed to understand the potential supply in each conditions.
- ◆ It is necessary to discuss the transition of CERs based on objective data on the potential credit amounts transferred under each transition condition, since the transition volume would vary depending on these conditions.
- ◆ Also, the estimation amount would vary depending on ways of the calculation on those amounts.

The potential supply of pre2020 CERs

※1 : start of second commitment period (CP2) under the Kyoto Protocol
 ※2 : options in Draft Text Version 2

	(1) projects registered after 2013 ^{※1)} (Mt-CO ₂)	(2) projects registered after 2016 ^{※2)} (Mt-CO ₂)	(3) period from 2013 to 2020 (Mt-CO ₂)
IGES ¹⁾	428	39	5,542
SEI ²⁾	1,280	1,030	4,650
CCXG ³⁾	-	-	2,350

1) IGES. IGES CDM Project Data Analysis & Forecasting CER supply, 2019

2) Lambert Schneider and Stephanie La Hoz Theuer. Using the Clean Development Mechanism for nationally determined contributions and international aviation. August 2017. Stockholm Environment Institute

3) Luca Lo Re and Manasvini Vaidyula, Markets negotiations under the Paris Agreement: technical analysis of two unresolved issue, Climate Change Expert Group, 2019

◆ Following factors would cause differences in estimations of the pre2020 CER supply potential.

1. Database

- ◆ There are two main database about CDM project.
- ◆ Each database were compiled (updated) in different years.

2. Consideration of supply potential from non-registered projects

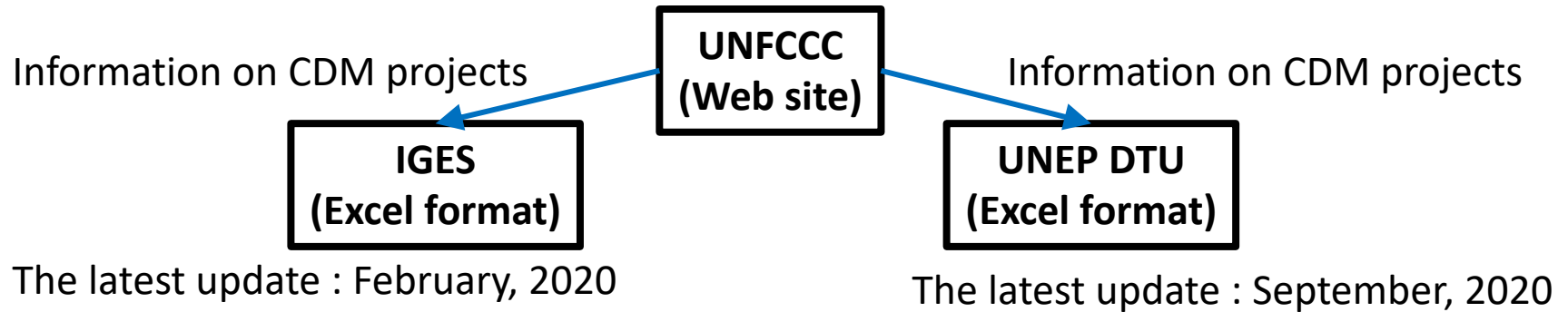
- ◆ Pre2020 CERs may be issued from non-registered projects.
 - The number of registered CDM projects : Approximately 8,000
 - Projects before validation : Approximately 8,000
 - Projects during or after validation: Approximately 3,500 projects
 - Registration in progress (under review by CDM EB): 345

3. Consideration of factors related to operation status

- ◆ The actual amount of CER from the project will be lower than the amount of emission reduction in the CDM project database (PDD) by some factors related to operation status.
- ◆ Those factors affect the estimation of the potential supply .

1. Database

- ◆ UNFCCC provide the information on CDM to IGES and UNEP DTU.
- ◆ Each institutions are compiling data and developing database.
- ◆ Same information source with slightly different format.



UNEP DTU

Title	Region	Status	Type	Date of registration	1st period ktCO ₂ e/yr
Paramonga CDM Bagasse Boiler Project	Latin America	Withdrawn	Biomass energy	2007/1/2	85
KUNAK BIO ENERGY PROJECT	Asia & Pacific	Withdrawn	Biomass energy	2010/2/8	46

IGES

Name of CDM Project Activity	Region	Host Party	Type of Project	Registration Date	Annual ERs (tCO ₂ /y) (Source: UNFCCC Home Page)
Biogas Support Program - Nepal	Asia	Nepal	Biogas	2009/11/14	46,990
Hydroelectric Project	Latin America	Colombia	Hydro power	2005/12/27	21,580

2. Consideration of supply potential from non-registered projects

- ◆ The data proposed by the SEI include the supply potential from non-registered projects.
- ◆ In that data, the supply potential from non-registered projects is estimated to be approximately 1,000 (Mt-CO₂).
- ◆ That amount may need to be updated reflecting latest information.

Non-registered projects are assumed to issue credits uniformly from January 2019. The total amount of CER supply potential from projects below ((a), (b), and (c)) is considered as a supply potential from non-registered projects.

(a): Projects before validation : Approximately 8,000

(b): Projects during or after validation: Approximately 3,500 projects

(c): Registration in progress (under review by CDM EB): 345

	(1) projects registered after 2013 (Mt-CO ₂)	(2) projects registered after 2016 (Mt-CO ₂)	(3) period from 2013 to 2020 (Mt-CO ₂)
IGES ¹⁾	428	39	5,542
SEI ²⁾	1,280	1,030	4,650

3. Consideration of factors related to operation status

◆ **The actual amount of CER from the project will be lower than the amount of emission reduction in the CDM project database (PDD) influenced by factors below.**

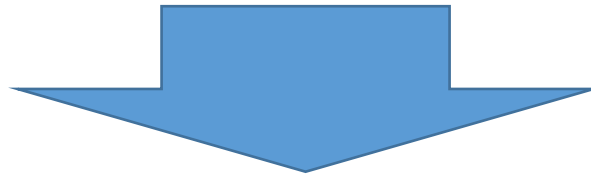
Consideration on factors related to operation status;

	IGES	SEI
Lower actual issuance	Yes	Yes
Non-implementation projects	No	Yes
Non-contribution of GHG abatement	No	Yes
Availability of data to monitor emission reductions	No	Yes
No administrative steps taken in time to renew the crediting period	No	Yes

	(1) projects registered after 2013 (Mt-CO ₂)	(2) projects registered after 2016 (Mt-CO ₂)	(3) period from 2013 to 2020 (Mt-CO ₂)
IGES ¹⁾	428	39	5,542
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Comparison of the data of pre2020 potential supply

	IGES	SEI
Database		
IGES CDM Project Database	2019	2017
UNFCCC PoA database	-	2017
Estimation condition		
Consideration of supply potential from non-registered projects	No	Yes
Consideration of project operation rate	No	Yes
(1) Condition on the project registration date (Mt-CO ₂)		
Registered after 2013	428	1,280
Registered after 2016	39	1,030



	IGES	SEI
(1) Condition on the project registration date (Mt-CO ₂)		
Registered after 2013	342	280
Registered after 2016	39	30
Estimation condition		
Consideration of supply potential from non-registered projects	No	No
Consideration of operation status	Yes	Yes

Way forward for CER transition discussion

- ◆ **Use common language for pre2020 CER numbers**
 - the same database
 - the reasonable assumption for non-registered projects.
 - Learning from experience from CDM operation
- ◆ **It will be useful to develop common figures that provide reasonable range to address the discussion at SB52**