

Chair's reflection notes on ERCST' Article 6 workshop on May 6, 2020:

*What needs to be done in CMA & CMP —
How does the CDM EB and the Art 6.4
Supervisory Body interact?*

Andrei Marcu

This note is meant as an aide-memoire and reflects issues and a logic that has captured the attention of the Chair of the meeting that took place on May 6, 2020. It is in no way meant as a summary, or an endorsement by the author, or the participants in the meeting, of any of the issues or views captured in this note.

ERCST's Article 6 meeting on *What needs to be done in CMA & CMP — How does the CDM EB and the Art 6.4 Supervisory Body interact?* took place on May 6, 2020. Below, some take-aways from the discussion are outlined.

- There is no CDM transition mentioned in the Paris Agreement or 1/CP.21. There is only a reference to lessons learned from the KP mechanisms in 1/CP.21 para 37(f).
- In the case of putting in place a transition from CDM to Art 6.4 there is a concern regarding the creation of a gap, which can be triggered through the non-availability of methodologies, resources, capacity, infrastructure, etc.
- Can the gap be bridged by the temporary application of existing methodologies? There is no IP on methodologies, the A6.4M can use them freely.
- There also is a need to lead time for a registry to be put in place – why cannot build on existing CDM registry?
- The CMA could instruct the SB to use CDM infrastructure while A6.4 is not fully operational
- Is there a need for a CMP decision for a transition of financial resources from the CDM EB to the SB – some say no, but under what authority then?
- Some will see a gap in the transition as something that will need to be avoided – others accept that a gap will likely exist. They see the opportunity for an early start if the role of the CDM EB is mainly that of a handover.
- The issue is whether the gap will have very negative consequences, or it is simply not a relevant issue as A6.4Us may not be needed in the timeframe that would be affected by the existence of a gap.
- The precedent exists for CDM projects to be deregistered and then registered under different protocols such as VCS – under the Paris Agreement putting them under Art 6.2 is also an option that may be available and should not be discarded without exploration.
- The UNFCCC as a regulator had a monopoly in the KP period. Under the Paris Agreement that monopoly does not exist anymore as the A6.4M is an option for Parties to use. But many other options are available and can be used under Art 6.2. It is therefore possible that the role of the UN as a regulatory body through the SB may be much more limited.

- Whether the gap is inevitable or unavoidable is driven by two visions: that A6.4M is a carbon copy, or an improved version of CDM OR a new and very different mechanism. if it is a carbon copy of the CDM then many elements can be transitioned “en masse” and a gap is unlikely to occur. The difference is seen in the fact that there are provisions for raising ambition that the A6.4M is supposed to drive, and the fact that all Parties have NDCs. This is a totally different situation and makes the A6.4M different from CDM. The role of Parties will also be different as they will have NDCs and obligations under these NDCs.
- One of the important elements for transition from CDM to A6.4M is the availability of methodologies. They can be either transferred wholesale or some prioritization can take place. What is the basis for that prioritization of methodologies - the most likely to be used? the most active?
- The process of transition involves multi-body decisions and could be very complex and may discourage many projects participants from transiting activities between the CDM/JI and Art 6.4. This complexity needs to be avoided and there are ways that it can be avoided.
- For illustration purposes a number of scenarios can be envisaged that could lead to totally different outcomes:
 - Activities are identified as qualifying for transition by the CMA/Supervisory Body of Art 6.4 (SB). The approval of the Host Party is sought and then the Project Participant is informed that a transition is possible, and his/her approval is sought.
 - The Project Participant will ask the SB to check if an activity is eligible for transition. If the activity is eligible then the approval of the Host Country is sought.

What should be avoided to the extent possible is projects participants having to get involved in a very complex interaction with multi-UNFCCC bodies. This will likely lead to frustration and the loss of many activities.
- A number of elements should be recognized if a transition is to occur
 - The CMA, CMP, CDM EB and the SB will be involved
 - The UNFCCC Secretariat will play an important role
 - Importance of the Host Country. Given the architecture and obligation under the Paris Agreement no transition can occur without the approval of the host Party.
- In order to be successful in organizing a transition at the next COP as part of the Art 6 rule, it is necessary that both the CMP and the CMA give a mandate for collaboration

to the CDM EB and SB, and allow these two bodies to undertake the actions necessary in order for the transition to take place. At COP 25 in Madrid that trust in the CDM EB and the yet to be created SB did not exist, and this needs to be overcome if we are to be successful. Unless instructed the CDM EB and the SB will not “talk” to each other.

- The CMP has also to instruct the UNFCCC Secretariat to provide support for this transition especially when it comes to infrastructure.
- There are a number of precedents in the UNFCCC on how these multi-body processes can proceed. The general principle would be that one body decides and the other body endorses/takes note/acknowledges.
- The actions of the CMA and CMP will be mirrored but not the same. There is a “push” from CMP and a “pull” from the CMA.
- Look for opportunities to create positive consequential: if X happens in 6.4, Y happens in CDM.
- Avoid double governance which creates a heavy burden on stakeholders because of transaction costs.