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Operationalising the Article 6.4 mechanism: options and implications of CDM activity transition and new activity registration

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Foreword

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Abstract

This paper identifies and analyses options for the design of the Article 6.4 mechanism in two key areas. These are the possible transition of eligible activities registered under the Kyoto Protocol's Clean Development Mechanism (CDM) to the Article 6.4 mechanism; and the registration of new activities under the Article 6.4 mechanism. The paper outlines possible transition options and potential implications for four issues relating to host Party approval of activities and to the use, review and revision of baseline methodologies and accreditation standards. The paper also highlights the steps needed to register new or transitioned activities under the Article 6.4 mechanism, and how co-ordination between different actors can facilitate a transition. The paper concludes that there are options available to ensure that the Article 6.4 mechanism can be implemented within a few years of a formal agreement on the rules, modalities and procedures for Article 6, and can build on the significant experience gained with the CDM. The paper highlights different ways that this CDM experience can be built on, and outlines the varying administrative and environmental implications of doing so.

JEL Classifications: F53, Q29, Q49, Q54, Q56, Q58

Keywords: UNFCCC, carbon markets, Paris Agreement, Article 6, Kyoto Protocol, CDM

Résumé

L'objet du présent document est de définir et d'analyser les solutions envisageables pour concevoir le mécanisme prévu à l'article 6.4 de l'Accord de Paris à propos de deux grandes questions : comment faire transiter vers le nouveau mécanisme les activités jusqu'alors enregistrées dans le Mécanisme de développement propre (MDP) établi dans le cadre du Protocole de Kyoto ; et comment y enregistrer des activités nouvelles. Les solutions envisageables pour la transition et leurs implications potentielles qui sont examinées dans le rapport concernent l'approbation des activités par la Partie hôte ainsi que l'utilisation, l'examen et la révision des méthodes de détermination des niveaux de référence et des normes d'accréditation. Les auteurs du rapport mettent également en relief les mesures à prendre pour recenser les activités nouvelles ou transitées dans le mécanisme prévu à l'article 6.4 et montrent comment la coordination des acteurs peut faciliter cette transition. Ils concluent à la possibilité de mettre en œuvre le mécanisme prévu à l'article 6.4 en l'espace de quelques années après un accord officiel sur les règles, modalités et procédures d'application de l'article 6, et à la mise en œuvre du nouveau mécanisme basé sur la riche expérience accumulée à travers le MDP. Ils attirent l'attention sur les différentes façons d'en tirer parti, en précisant ce que cela impliquerait sur les plans administratif et environnemental.

Classification JEL : F53, Q29, Q49, Q54, Q56, Q58

Mots-clés : CCNUCC, marchés du carbone, Accord de Paris, Article 6, Protocole de Kyoto, MDP

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List of Acronyms

6.4SB	Article 6.4 Supervisory Body
A6.4ER	Article 6.4 Emission Reduction
AP	Activity Participant
A/R activity	Afforestation and Reforestation Activity
CCXG	Climate Change Expert Group
CER	Certified Emission Reduction
CDM	Clean Development Mechanism
CDM EB	Clean Development Mechanism Executive Board
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
DNA for CDM	Designated National Authority for the Clean Development Mechanism
DNA for A6.4	Designated National Authority for Article 6.4
DOE for CDM	Designated Operational Entity for the Clean Development Mechanism
DOE for A6.4	Designated Operational Entity for Article 6.4
ETF	Enhanced Transparency Framework
GHG	Greenhouse gas
KP	Kyoto Protocol
ICER	Long-term Certified Emission Reduction
MPG	Modalities, procedures and guidelines
NDC	Nationally Determined Contribution
OMGE	Overall Mitigation in Global Emissions
PoA	Programme of Activities

- PP** Project participant
- RMP** Rules, Modalities and Procedures
- SBI** Subsidiary Body for Implementation
- SBSTA** Subsidiary Body for Scientific and Technological Advice
- SDG** Sustainable Development Goals
- SOP** Share of Proceeds
- tCER** Temporary Certified Emission Reduction
- UNFCCC** United Nations Framework Convention on Climate Change

Glossary

NB: The terms **bolded in blue** throughout the paper contain a definition in this glossary. To ease the reading, the terms are only **bolded in blue** when they appear for the first time in the Executive Summary, the main body and the Conclusions of the paper.

Term	Definition
Accreditation	Formal recognition by the relevant body (e.g. CDM EB for CDM, 6.4SB for the Article 6.4 mechanism) of an entity's institutional capacity and competence to carry out the functions of validation of activities and/or verification/certification of emission reductions achieved by activities in accordance with the rules and requirements decided by the relevant supreme bodies at COP.
Activity cycle	The term activity cycle refers to the steps that an activity has to undergo until the issuance of the credits from a specific mechanism. Under the CDM, the cycle of a project activity includes seven steps: 1) project design; 2) national approval by the Designated National Authority; 3) validation by the designated operational entity; 4) registration by the CDM EB; 5) monitoring of emission reductions; 6) verification by the designated operational entity; 7) CER issuance (UNFCCC, 2021 ^[1]). Under the Article 6.4 mechanism, the steps for activity cycle are still under negotiations; the draft Presidency texts from COP25 (UNFCCC, 2019 ^[2] ; UNFCCC, 2019 ^[3] ; UNFCCC, 2019 ^[4]) outline the following steps: 1) activity design; 2) approval and authorisation; 3) validation; 4) registration; 5) monitoring; 6) verification and certification; 7) issuance or A6.4ERs.
Activity participants in the Article 6.4 mechanism (APs)	The draft Presidency texts from COP25 in Madrid (UNFCCC, 2019 ^[2] ; UNFCCC, 2019 ^[3] ; UNFCCC, 2019 ^[4]) refer to "activity participants" as those public or private entities participating in an Article 6.4 mechanism activity; in case of a transitioning activity from the CDM to the Article 6.4 mechanism, the project participants (PPs) of the CDM activities are the same as the APs under Article 6.4.
Article 6.4 Supervisory Body (6.4SB)	The 6.4SB is a (not yet constituted) body that will supervise the Article 6.4 mechanism with its membership and rules of procedure under the authority and guidance of the CMA, and will be fully accountable to the CMA. The draft Presidency texts from COP25 specify that the 6.4SB will be responsible for many functions relating to the operationalisation of the mechanism (UNFCCC, 2019 ^[2] ; UNFCCC, 2019 ^[3] ; UNFCCC, 2019 ^[4]). These include, i.a., the accreditation of operational entities as designated operational entities, the development and/or approval of methodologies and standardised baselines, the registration of activities, the renewal of crediting periods and the issuance of A6.4ERs.
Baseline (methodology)	An emissions baseline sets the reference level against which the number of emissions reductions is calculated. Different approaches, methodologies and assumptions can be used to determine an emissions baseline. In this paper, the term "methodologies" typically refers to "baseline and monitoring methodologies". The methodologies used to establish emissions baselines will determine the maximum number of credits that can be generated by Article 6.4 activities (Lo Re et al., 2019 ^[5]).
Clean Development Mechanism Executive Board (CDM EB)	The CDM EB is a constituted body that supervises the CDM under the authority and guidance of the CMP.
Clean Development Mechanism Registry (CDM Registry)	An electronic database system that records issuance and distribution of CERs to project participants. The CDM registry is maintained by the UNFCCC secretariat and is connected to the national registries of Annex I Parties through the International Transaction Log.
Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)	The CMA is the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement. It is the supreme body that oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation (UNFCCC, 2020 ^[6]); the Article 6.4 mechanism will operate under the authority and guidance of the CMA.
Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)	The CMP is the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. It is the supreme body that oversees the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation (UNFCCC, 2021 ^[7]); the CDM is under the authority and guidance of the CMP.

Term	Definition
Corresponding adjustment	Decision 1/CP.21, paragraph 36 requests the SBSTA to develop and recommend guidance under Article 6.2 including “to ensure that double counting is avoided on the basis of a corresponding adjustment by Parties”. How exactly this is to be achieved has not yet been decided. Furthermore, paragraph 77.d of the MPGs for the ETF further notes that Parties participating in co-operative approaches shall also provide “an emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for internationally transferred mitigation outcomes first-transferred/transferred and a subtraction for internationally transferred mitigation outcomes used/acquired, consistent with decisions adopted by the CMA on Article 6” (Annex to decision 18/CMA.1 III.C, paragraph 77.d).
Designated National Authorities for the Article 6.4 mechanism (DNAs for Article 6.4)	The draft Presidency texts from COP25 (UNFCCC, 2019 ^[2] ; UNFCCC, 2019 ^[3] ; UNFCCC, 2019 ^[4]) introduce the designation of a national authority (DNA for Article 6.4) as one of the responsibilities for host Parties wishing to participate in the Article 6.4 mechanism. The exact functions of DNAs for Article 6.4 are not yet clear.
Designated National Authorities for the CDM (DNAs for the CDM)	A DNA for the CDM is the body granted responsibility by a Party, among other things and where applicable, to issue a letter of approval with respect to CDM project activities or PoAs on behalf of that Party, in accordance with the CDM rules and requirements.
Designated Operational Entities for the Article 6.4 mechanism (DOEs for Article 6.4)	The draft Presidency texts from COP25 (UNFCCC, 2019 ^[2] ; UNFCCC, 2019 ^[3] ; UNFCCC, 2019 ^[4]) introduce designated operational entities for Article 6.4 (DOEs for Article 6.4). The draft Presidency texts indicate that DOEs for Article 6.4 are to play various functions in the activity cycle of Article 6.4 activities, including validating activities, submitting requests for registration of activities, verifying and certifying emission reductions achieved, and submitting a request for issuance of A6.4ERs to 6.4SB.
Designated Operational Entities for the CDM (DOEs for the CDM)	A DOE for the CDM is an entity designated by the CMP, based on a recommendation by the CDM EB, as qualified to validate proposed CDM project activities and PoAs, as well as verify and certify reported GHG emission reductions and net anthropogenic GHG removals by sinks.
Host Party (in the Article 6.4 mechanism)	A host Party in the Article 6.4 mechanism is a Party on whose territory an Article 6.4 mechanism activity will be physically located; in case of an activity transitioning from the CDM to the Article 6.4 mechanism, the host Party in the CDM is the same as the host Party in the Article 6.4 mechanism.
Host Party (in the CDM)	A host Party in the CDM is a non-Annex I Kyoto Protocol Party on whose territory a CDM project activity or PoA is physically located.
Project participants in the CDM (PPs)	A Party involved in, and/or a private and/or public entity authorised by the DNA of a Party involved, that participates in a CDM project activity or PoA.
Small Scale CDM project activity	A CDM project activity which benefits from expedited processes (i.a. simplified project design document, simplified methodologies for baseline determination and monitoring plans, simplified provisions for environmental impact analysis) and that belongs to one of the following categories: (i) a renewable energy project activity with an output capacity up to 15 megawatts (or an appropriate equivalent), (ii) an energy-efficiency improvement project activity which reduces energy consumption to a maximum output of 60 gigawatt hours per year (or an appropriate equivalent) or (iii) a project activity that results in GHG emission reductions of ≤ 60 kt CO ₂ equivalent annually.
Subsidiary Body for Implementation (SBI)	The SBI is a permanent subsidiary body to the Convention that supports the work of the COP, the CMP and the CMA through the assessment and review of the implementation of the Convention, the Kyoto Protocol and the Paris Agreement respectively.
Subsidiary Body for Scientific and Technological Advice (SBSTA)	The SBSTA is a permanent subsidiary body to the Convention established by the COP and it serves the COP on COP matters, the Kyoto Protocol on Kyoto Protocol matters (per paragraph 1 Article 15 of the Kyoto Protocol (UNFCCC, 1998 ^[8]) and the Paris Agreement on Paris Agreement matters (per paragraph 1 Article 18 of the Paris Agreement (UNFCCC, 2015 ^[9])).
UNFCCC secretariat	The UNFCCC secretariat serves the Parties to the Convention, the Kyoto Protocol and the Paris Agreement (UNFCCC, 2021 ^[10]), including providing technical expertise and organisational and administrative support; per decision 3/CMP.1 the UNFCCC secretariat also i.a. serves the CDM Executive Board acts as CDM Registry administrator; according to the draft Presidency texts from COP25, the UNFCCC secretariat will also serve as secretariat to the 6.4SB and serve as administrator of the registry of the Article 6.4 mechanism.

Sources: Authors, based on (UNFCCC, 1998^[8]; UNFCCC, 2006^[11]; UNFCCC, 2015^[9]; UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]; Lo Re et al., 2019^[5]; UNFCCC, 2020^[6]; UNFCCC, 2021^[7]; UNFCCC, 2021^[10]).

Executive summary

Article 6.4 of the Paris Agreement establishes a mechanism to contribute to the mitigation of greenhouse gas (GHG) emissions and support sustainable development. Parties aim to agree on the rules, modalities and procedures (RMP) needed to operationalise Article 6 at COP26.

This paper identifies and analyses options for the design of the Article 6.4 mechanism in two key areas. These are: (i) the possible transition of eligible activities registered under the Kyoto Protocol's (KP) Clean Development Mechanism (CDM) to the Article 6.4 mechanism (hereinafter referred to as "the possible transition"); and (ii) the registration of new activities under the Article 6.4 mechanism. On the possible transition, the paper outlines the potential role and interactions between the actors involved, sets out criteria to assess different options for the transition, and examines implications of different options, including for resources and time needed. The paper also explores what work and tasks are needed in order to register new or transitioned activities under Article 6.4, how these tasks could be prioritised, and which tasks could be started in advance of an agreement on the RMP for Article 6.

The Paris Agreement is silent on the issue of any transition of KP mechanisms into the Article 6.4 mechanism. Parties to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) have yet to decide whether or not to allow this, and under which conditions. This paper examines options to allow the transition of activities from the CDM to the Article 6.4 mechanism, if such a transition is explicitly allowed, noting that even in this case any transition will be neither automatic, nor mandatory. First, because participation in either mechanism is voluntary, and second because **host Parties** would need to approve individual activities for their participation in the new mechanism. Discussions in this paper assume that RMP for Article 6 will be adopted and that a future CMA agreement on Article 6 will enable the possible transition of CDM activities, subject to certain conditions, recognising that such an agreement is needed before any possible transition of eligible activities from the CDM to the Article 6.4 mechanism could happen.

In focusing on options for a smooth and timely transition, institutional co-ordination across actors established under two different UN climate regimes (the Kyoto Protocol and the Paris Agreement) emerges as an essential component. This paper highlights that co-ordination can occur in different ways and at different levels, engaging different actors. Some actors relevant to the possible transition (e.g. host Parties, **project participants (PPs)**) will be the same for a given activity for both the CDM and the Article 6.4 mechanism. Other actors will be different (e.g. the supreme bodies¹ of the Kyoto Protocol and the Paris Agreement, as well as the bodies supervising these two mechanisms²). Some actors (e.g. host Parties) can have multiple roles in the transition, e.g. take official decisions, make choices and implement the possible transition.

¹ These are the **Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)** and the **CMA**, respectively.

² These are the **Executive Board of the CDM (CDM EB)** and the **supervisory body for the Article 6.4 mechanism (6.4SB)**, respectively.

Well-designed co-ordination among actors across the Kyoto Protocol and the Paris Agreement will be key to enable an efficient process in the possible transition. One option is to create “positive feedback” in decisions of relevant bodies under both regimes. For example, as part of the decision adopting the RMP for Article 6, the CMA could invite eligible CDM activities to transition to the Article 6.4 mechanism within a certain period of time, subject to certain conditions. The CMP could support this process by acknowledging the invitation from CMA and by enabling eligible CDM activities to transition. Moreover, the CMA could mandate the 6.4SB to co-operate with the CDM EB, and the CMP could request the CDM EB to co-operate with the 6.4SB.

At a national level, host Parties wanting to participate in the Article 6.4 mechanism will need to decide whether to establish any domestic criteria for Article 6.4 activities in addition to the RMP for Article 6. Such domestic criteria could potentially strengthen any rules established at an international level (e.g. on assumptions or parameters used for **baseline methodologies**) and/or focus on other issues, such as minimum credit prices, linkages with the Sustainable Development Goals (SDGs), convergence with national priorities laid out in Parties’ Nationally Determined Contributions (NDCs).

This paper identifies the following six high-level criteria that could be used to assess options and guide decisions on the possible transition of CDM activities to the Article 6.4 mechanism:

1. co-ordination and process efficiency across different UN climate regimes;
2. regulatory efficiency;
3. the level of administrative and monetary burden on project participants of transitioning activities;
4. the level of administrative burden on the host Parties in which these transitioning activities are located;
5. the compatibility with Decision 1/CP.21, paragraphs 37.b and 37.d, which recommend that the CMA adopt RMP for the Article 6.4 mechanism on the basis of “real, measurable and long-term benefits related to the mitigation of climate change” and “reductions in emissions that are additional to any that would otherwise occur” (UNFCCC, 2016^[12]);
6. take into account Decision 1/CP.21, paragraph 37.f, which recommends that the CMA adopt RMP for the Article 6.4 mechanism on the basis of “experience gained with and lessons learned from existing mechanisms and approaches adopted under the Convention and its related legal instruments” (UNFCCC, 2016^[12]).

This paper applies these criteria to assess options for decisions around host Party approval (assessment of activities and approval process itself) and the possible use, review and revision in the Article 6.4 mechanism of both existing CDM baseline methodologies and CDM **accreditation** standards. The paper acknowledges that there is no consensus on any of these options, which are presented without prejudice to the outcomes of negotiations at COP26.

An assessment of these options against high-level criteria shows varying results and potential trade-offs. For example, a blanket host Party assessment of whether or not to approve CDM activities to transition to the Article 6.4 mechanism could be based on criteria applicable to all eligible domestic CDM activities wishing to transition - regardless of their sector, project type or other characteristics. While this option could be quick and easy to implement, it could lead to significant uncertainties in assessing the potential aggregate impact of transitioning activities on the host Party’s NDC emission balance. In contrast, host Party assessment on a case-by-case basis could take longer and require substantially more resources – in particular for those few host Parties with large numbers of eligible CDM projects that could potentially transition to the Article 6.4 mechanism. However, this option could allow host Parties to more accurately assess the potential impact of transitioning activities on their NDC emission balance.

Similarly, allowing eligible CDM activities to transition by using their existing CDM approved methodology without any revision would be quick and easy to implement. However, in certain cases it might lead to the use of non-conservative baselines, and therefore may not be compatible with paragraphs 37.b, 37.d and

37.f of Decision 1/CP.21 or the broader aims of the Paris Agreement. Reviewing (and where needed, revising) CDM methodologies before their application to Article 6.4 activities (including to potentially transitioning CDM activities) would be more resource and time intensive, particularly for project participants and for those few host Parties with large numbers of potentially eligible CDM projects that could transition. Reviewing all of the more than 250 approved CDM baseline methodologies could require potentially several years. To avoid a significant delay in implementing the Article 6.4 mechanism, Parties may decide to allow selected CDM baseline methodologies to be used in the new mechanism by CDM activities eligible to transition, with an accompanying safeguard that limits the length of time such non-reviewed CDM baseline methodologies can be applied. This would be important in order to increase assurance that baseline methodologies used in the new mechanism are compatible with paragraphs 37.b, 37.d and 37.f of Decision 1/CP.21, and that they lead to conservative baselines. Table 1 summarises these findings.³

Table 1. Assessing options for the possible transition of CDM activities to Article 6.4

Category	Option	Optimise regulatory efficiency	Minimise administrative and monetary burden on PPs of transitioning activities	Minimise administrative burden on host Parties	Compatibility with paragraphs 37.b and 37.d of Decision 1/CP.21	Take into account paragraph 37.f of Decision 1/CP.21
Host Party approval - Options for the approval assessment of eligible CDM activities at host Party level	A. Blanket assessment	Y	Y	Y	N	N
	.B Grouped assessment	S	S	S	S	S
	C. Assessment on a case-by-case basis	N	N	N	Y	Y
Host Party approval - Options for the design of the process related to the host Party approval	A. DNA provides letter only to approved activities	Y	Y	Y	N/A	N/A
	B. PPs to send request for approval to host Party	N	N	N	N/A	N/A
Options for the possible use, review and revision of existing baseline methodologies for transitioning activities	A - Use of existing CDM approved methodologies without any revision for an interim period	Y	Y	S	N/Y	N
	B - Review (and potential revision) of selected CDM methodologies	S	S	S	N/Y	N/Y
	C. Review (and potential revision) of all existing CDM methodologies	N	N	N	Y	Y
Options for the possible use, review	A - Use existing CDM accreditation procedures as an interim process	S/Y	Y	Y	N/A	N

³ These options are elaborated and assessed under the assumption that Parties will co-operate to ensure co-ordination across different UN climate regimes. Moreover, this paper recognises that further work, e.g. an assessment of possible combinations of options among those presented here, could be beneficial to further inform discussions around these topics.

and revision of existing accreditation system	B. 6.4SB to review and potentially revise the existing CDM accreditation system	S	S	S	N/A	Y
	C. Establish a completely new accreditation system for the Article 6.4 mechanism	N	N	N	N/A	N/Y

Note: PPs = project participants; Notation used in the table: Y = Yes; S = Somewhat; N = No; N/A = not applicable. NB: the criterion “Ensure co-ordination across different UN climate regimes” is not evaluated for these options because this paper assumes co-ordination among bodies in the Kyoto Protocol and the Paris Agreement.

Source: Authors.

The timing and sequencing of work (at the national and international level) related to the registration of new activities in the Article 6.4 mechanism and to a possible transition of eligible CDM activities will also influence the time needed to implement the new mechanism and the possible transition. For procedures and other actions that would be needed to register new activities under the Article 6.4 mechanism, this paper highlights options for the roles of relevant actors, including **activity participants (APs)**, host Parties, **DNAs for A6.4, DOEs for A6.4**, the United Nations Framework Convention on Climate Change (**UNFCCC secretariat**), and the 6.4SB. Some actors could start work prior to any international RMP for Article 6 being agreed. For example, host Parties could already start work on establishing relevant domestic procedures and bodies needed to approve new Article 6.4 activities and eligible CDM activities, which could help to reduce any delays in implementing the new mechanism, once the RMP have been agreed. This would not be an onerous task if the equivalent procedures and bodies established to participate in the CDM functioned smoothly. In contrast, some actors will not be able to start the work needed to implement the Article 6.4 mechanism and thus to enable a possible CDM transition for eligible activities until there has been agreement on the RMP for Article 6. For example, the 6.4SB needs to be constituted before it can do any work, such as establishing processes and institutions to register Article 6.4 activities, including CDM activities eligible to transition. Other bodies that could also undertake work needed to implement the Article 6.4 mechanism might need the RMP for Article 6 to be agreed beforehand, e.g. for formal requests for the **Subsidiary Body for Scientific and Technological Advice (SBSTA)** to undertake a particular role. Alternatively, work could be done in a bottom-up manner and informally by a variety of different actors (e.g. think tanks, potential project participants), and before any agreement on RMP for Article 6, with the aim of providing useful input once the RMP have been agreed.

This paper concludes that options exist to ensure that the Article 6.4 mechanism can be implemented within a few (e.g. 2-3) years of a formal agreement on the RMP for Article 6. Indeed, implementing the Article 6.4 mechanism may not be as daunting as at first sight because the international community can build on the significant experience gained with the CDM. For example, the procedure for accrediting **DOEs for the CDM** has demonstrated that it does contain checks and balances, and that these checks and balances are needed. As such, there seems little risk in carrying forward this CDM standard (with minor edits, as appropriate) to the Article 6.4 mechanism. However, other standards developed under the CDM, e.g. baseline methodologies, or national assessments of whether and how to approve eligible activities, could usefully be revised to take into account the new context for the Article 6.4 mechanism. While this would increase the time and resources needed to ensure a possible transition from the CDM to the Article 6.4 mechanism, it would also increase the likelihood that such a transition is compatible with paragraphs 37.b, 37.d and 37.f of Decision 1/CP.21. In particular, with an increasing number of countries having both short-term and long-term GHG mitigation targets, ensuring the alignment of the Article 6.4 mechanism with this new context will require careful consideration. As some of the work needed for this consideration can be started before any agreement on RMP for Article 6, this will not necessarily lead to a significant delay in the implementation of the Article 6.4 mechanism.

1 Introduction

Article 6.4 of the Paris Agreement establishes a mechanism to contribute to the mitigation of greenhouse gas (GHG) emissions and support sustainable development. The Article 6.4 mechanism will operate “under the authority and guidance of the **Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)**” (UNFCCC, 2015^[9]). The rules, modalities and procedures (RMP) for Article 6 are yet to be agreed, as Parties did not manage to conclude their discussions on this topic at either the 24th or the 25th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). Decision 9/CMA.2 requested the **Subsidiary Body for Scientific and Technological Advice (SBSTA)** to recommend draft decision texts for consideration and adoption by the third session of the CMA at COP26 in November 2021, postponed by one year due to COVID-19.

The Paris Agreement is silent on the issue of a possible transition of Kyoto Protocol (KP) mechanisms into the Article 6.4 mechanism. However, discussions under SBSTA to date have encompassed four elements of a possible transition: (i) transition of activities; (ii) transition of units; (iii) transition of methodologies; (iv) transition of infrastructure and institutional arrangements.⁴

This paper identifies and analyses options for the design of the Article 6.4 mechanism in two key areas. These are: (i) the possible transition to the Article 6.4 mechanism of eligible activities registered under the KP’s **Clean Development Mechanism (CDM)**; and (ii) the registration of new activities under the Article 6.4 mechanism.⁵ The paper outlines possible transition options for four issues. These are:

- Options for the host Party assessment for approval of eligible activities;
- Options for the design of the process for requesting and communicating the host Party approval;
- Options for the use, review and potential revision of existing CDM **baseline methodologies**;
- Options for the use, review and potential revision of the CDM **accreditation** procedures as they relate to transitioning activities.

The paper assesses each of these options against a set of high-level criteria that could guide decisions on a possible transition, including resources and time needed to implement the possible transition. The paper also highlights what work and steps are needed to register new or transitioned activities under the Article 6.4 mechanism, how these tasks could be prioritised, and which tasks could be started even in advance of an agreement of RMP for Article 6.

Discussions in this paper assume that RMP for Article 6 will be adopted and that a future CMA agreement on Article 6 will enable the possible transition of CDM activities, subject to certain conditions. This reflects

⁴ While focusing primarily on the issue of the potential transition of activities, this paper recognises that discussions around some of these elements cannot be treated in isolation (e.g. transition of activities, methodologies and infrastructure). Discussions on the potential transition of units are outside the scope of this paper.

⁵ The paper acknowledges that there is no consensus on any of these options, and options are presented without prejudice of the outcomes of negotiations at COP26.

the fact that the options for the possible transition of CDM activities largely remained unchanged across the three draft Presidency texts from COP25 (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]).⁶

The paper also recognises the advantages of moving towards a rapid implementation of the Article 6.4 mechanism as soon as possible after the adoption of RMP for Article 6, while ensuring that such a transition is compatible with the relevant provisions of the Paris Agreement. However, decisions of the **Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)** on the CDM (including those that would be needed to facilitate the possible transition) are not in the scope of this paper.

This paper is structured as follows. Section 2 provides an overview of the functions and relationships of actors involved in the possible transition of CDM activities to the Article 6.4 mechanism. Section 3 provides an overview of the issues related to the possible transition, and describes a set of high-level criteria to guide the possible transition. Section 4 outlines the options to operationalise the Article 6.4 mechanism, including options related to the possible transition. Section 4 also outlines options for participation and registration of new activities and for the sequencing of work needed by different actors that will be involved in the possible transition and in the implementation of the Article 6.4 mechanism. Section 5 presents conclusions.

⁶ The Presidency texts from COP25 included unbracketed text, e.g. on allowing the transition of eligible CDM activities wishing to transition that have received host Party approval and meet any Article 6.4 criteria of the RMP.

2 Overview of functions and relationships of actors involved in the possible transition

This section highlights the different actors that could be involved in the possible transition of eligible CDM activities to the Article 6.4 mechanism (hereinafter referred to as “the possible transition”), and the possible roles and interactions of these actors. A sound understanding of the governance of the CDM and of the Article 6.4 mechanism will be fundamental for Parties to adopt decisions that would explicitly allow for potentially eligible CDM project activities as well as Programme of Activities (PoAs) to transition to the Article 6.4 mechanism. The content of such possible decisions may determine the role of different actors in the possible transition, and may also influence whether a possible transition can be implemented efficiently and in a manner compatible with the relevant provisions of the Paris Agreement and accompanying decisions.

Several actors could be involved in the possible transition. These are listed below, and described in the Glossary. Details about the functions, characteristics and role in the possible transition of these actors are summarised in Table 2. The current functional relationships among these actors – spread across different UN climate regimes - are quite complex; a simplified overview of these is illustrated in Figure 9 in Annex A.

- Actors currently involved in the CDM:
 - the **Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)**
 - the **Clean Development Mechanism Executive Board (CDM EB)**
 - **host Parties (in the CDM)**
 - the **Designated National Authorities for the CDM (DNAs for the CDM)**⁷
 - the **Designated Operational Entities for the CDM (DOEs for the CDM)**
 - **project participants in the CDM (PPs)** and co-ordinating / managing entities for PoAs;
- Actors of the Article 6.4 mechanism:
 - the **Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)**
 - the **Article 6.4 Supervisory Body (6.4SB)**
 - **host Parties (in the Article 6.4 mechanism)**
 - the **Designated National Authorities for the Article 6.4 mechanism (DNAs for A6.4)**
 - the **Designated Operational Entities for the Article 6.4 mechanism (DOEs for A6.4)**

⁷ In the context of the possible transition, discussions in this paper focus on DNAs of the host Party, recognising that there are also non-host Party DNAs.

- **activity participants in the Article 6.4 mechanism (APs)**
- Other actors:
 - the **Subsidiary Body for Scientific and Technological Advice (SBSTA)**
 - the **Subsidiary Body for Implementation (SBI)**
 - the **UNFCCC secretariat**.

Not all these actors are able to take official decisions regarding the way the possible transition would be structured and unfold; some actors will be able to elaborate recommendations on the decisions (if asked to do so); others to make choices (within the governance framework of the RMP for Article 6) and others to implement the decisions and choices. Some actors (e.g. host Parties) can have multiple roles, e.g. take official decisions, make choices and implement the possible transition. In this light, it is important to differentiate these different levels of decision-making and choices among actors that could be involved in the possible transition:

- Host Parties and supreme bodies (CMA, CMP) are actors that can take official decisions related to the possible transition; the CDM EB and the 6.4SB implement CMP and CMA mandates respectively, and can also take official decisions within the mandates that have been set by the CMP and CMA respectively;
- If tasked to do so, the SBSTA and SBI can elaborate recommendations to inform some of the decisions of the CMA and CMP;
- Project participants and host Parties can make choices related to the possible transition (e.g. PPs can decide whether they wish their eligible activity to transition, subject to host Party approval; PPs can also choose which approved baseline methodology to apply to their activity; host Parties might be enabled to choose/designate DOEs for A6.4);
- The DOEs, host Parties (through their DNA) and UNFCCC secretariat can implement the decisions and choices related to the transition, e.g. they will implement the RMP for Article 6 decided at CMA level.

Table 2. Main characteristics and functions of the actors that could be involved in the possible transition of CDM activities to Article 6.4

	Actor	Functions <i>(relevant to the possible transition)</i>	Governance <i>(Members / Procedure for accreditation or designation)</i>	Frequency of meetings	Role in the possible transition
CDM actors	CMP	Oversee the implementation of the KP and take decisions to promote its effective implementation. CDM is under the authority and guidance of the CMP. Provide guidance to the CDM EB, i.a. on its rules and procedures, the designation of operational entities and accreditation standards.	All Parties to the KP.	Annually, during the same period as the COP	In co-ordination with the CMA, can take decisions to enable the transition, e.g. CMP can request CDM EB to support the possible transition (see section 4)
	CDM EB	Supervise the CDM under the authority and guidance of the CMP. I.a.: Make recommendation to CMP on further modalities and procedures for the CDM, approve standards (methodologies), establish procedures, be responsible for the provisional accreditation of operational entities and make recommendations to the CMP for the designation of operational entities, review accreditation standards.	Ten elected members and ten alternates from Parties to the KP: - 1 member/alternate from each UN Regional Group and from SIDS - 2 members/2 alternates from each of Annex I Parties and Non-Annex I Parties	Up to eight times per year in some years, but no less than three times a year	If requested by CMP, CDM EB can take decisions to enable and implement the possible transition.
	CDM Host Party	Participate in the CDM; and host on its territory a CDM project; designate the DNA for CDM.	N/A	N/A	Take decision on whether and which CDM activities on its territory can transition.
	DNA for CDM	Ensure the participation by PPs is consistent with the Modalities and Procedures of the CDM. Issue a letter of approval to PPs on behalf of the host Party with respect to proposed CDM activities to confirm the voluntary participation and contribution to sustainable development. Potential withdraw letters of approval (if national legislation allows it). Other functions for DNAs are included by the CMP over time relating to certain operational aspects of the CDM, including e.g. key roles and responsibilities for standardised baselines (developer, facilitator, focal point, decision maker on development or submission of standardised baselines to the CDM EB, decision maker on application of standardised baselines).	To be determined by individual Parties, who have to establish a DNA as one of the requirements for participation in the CDM	N/A	Support the CDM host Party in taking its decision.
	DOE for CDM	Provide an independent validation of proposed CDM activities. Verify and certify reported GHG emission reductions and net anthropogenic GHG removals by sinks of approved CDM activities.	CDM EB accredits the independent applicant entity and recommends it to CMP for designation. Once designated, PPs can select a DOE through a contractual arrangement.	N/A	Implement decisions and choices related to the possible transition.

	Actor	Functions <i>(relevant to the possible transition)</i>	Governance <i>(Members / Procedure for accreditation or designation)</i>	Frequency of meetings	Role in the possible transition
	PPs	Development of the CDM activity.	A Party involved in the CDM activity, and/or a private and/or public entity authorised by the DNA of a Party involved in the CDM activity.	N/A	If their CDM activity is eligible to transition, PPs can choose whether to request the possibility to transition their CDM activity to the Article 6.4 mechanism, or to be subject to the rules for the remaining CDM activities under CMP
Article 6.4 actors	CMA	Oversee the implementation of the Paris Agreement and takes decisions to promote its effective implementation. The Article 6.4 mechanism will be established under the authority and guidance of the CMA. Ensure that a SOP from Article 6.4 activities is used to cover administrative expenses and to assist developing Parties vulnerable to climate change to meet the costs of adaptation. Provide guidance to 6.4SB by taking decisions on, i.a. (i) the rules of procedures of 6.4SB; (ii) recommendations made by 6.4SB relating to RMP; (iii) the operationalisation of Article 6.4. (*)	All Parties to the Paris Agreement.	Annually, during the same period as the COP	Take decisions to enable the transition, e.g. invite CDM activities to transition, subject to conditions, request the 6.4SB to take provisions to implement the possible transition.
	6.4SB (established, but not yet constituted)	Supervise the Article 6.4 mechanism under the authority and guidance of the CMA. Establish the requirements and processes necessary to operationalise the Article 6.4 mechanism; incl. accreditation of DOEs for A6.4; development of methodologies; registration of activities; renewal of crediting periods; establish the registry for the mechanism; approve and supervise national arrangements of host Parties for DOEs accreditation. (*)	12 members and 12 alternates from Parties to the Paris Agreement, elected by the CMA: - 2 members from each of the five UN Regional Groups - 1 member each from LDCs and SIDS (*)	To be defined (**)	If requested by CMA, 6.4SB can take decisions to enable and implement the possible transition. Approve and register eligible CDM activities for transition into the Article 6.4 mechanism (following transition approval and PPs indication of wish to transition)
	Article 6.4 host Party	Participate in the Article 6.4 mechanism; and host on its territory an Article 6.4 activity; designate the DNA for A6.4 (*)	N/A	N/A	In case of a transition of activity from the CDM to the Article 6.4 mechanism, the Article 6.4 host Party is the same as the CDM host Party and has similar functions and role, plus a role relating to authorisation of A6.4ERs for use towards another Party's NDC or other international mitigation purposes, as reflected in the COP25 draft Presidency texts.
	DNA for A6.4	Not defined yet (*) – potentially similar to the function of the DNA for the	Parties are to establish a DNA for	N/A	Support the Article 6.4 Host Party in

	Actor	Functions <i>(relevant to the possible transition)</i>	Governance <i>(Members / Procedure for accreditation or designation)</i>	Frequency of meetings	Role in the possible transition
		CDM, with additional functions for the DNA/host Party under discussion in latest negotiations, including e.g. authorisation of public and private entities to participate in Article 6.4 activities as activity participants under the mechanism.	A6.4 as one of the responsibilities for participation in Article 6.4 (*)		implementing the decisions related to the possible transition.
	DOE for A6.4	In accordance with relevant requirements adopted by the 6.4SB: Provide an independent validation of proposed Article 6.4 activities Submit activity registration requests Verify and certify emission reductions achieved Submit requests for issuance of A6.4ERs to 6.4SB (*)	6.4SB accredits DOEs for A6.4 National arrangements of host Parties for accreditation of operational entities could also be possible under the approval and supervision of 6.4SB (*)	N/A	Implement decisions and choices related to the possible transition, including validating transitioning activities; verify and certify their emission reductions achieved, etc.
	APs	Development of the CDM activity	Public or private entities participating in an Article 6.4 mechanism activity	N/A	In case of a transition of activity from the CDM to the Article 6.4 mechanism, the APs and PPs would have the same functions and role.
Other actors	SBSTA	Support the work of the COP, the CMP and the CMA through the provision of timely information and advice on scientific and technological matters (including methodological work) as they relate to the Convention, the Kyoto Protocol, and the Paris Agreement	Parties to the relevant UN climate regime	Twice per year; intersessional negotiations and COP (***)	If requested, provide technical support to the CMP and/or the CMA on matters related to the possible transition.
	SBI	Support the work of the COP, the CMP and the CMA in the assessment and review of the implementation of the Convention, the Kyoto Protocol and the Paris Agreement respectively,	Parties to the relevant UN climate regime	Twice per year; intersessional negotiations and COP (***)	If requested to do so, provide technical support to the CMP and/or the CMA on matters related to the possible transition.
	UNFCCC secretariat	CDM Registry administrator; serve as secretariat to the 6.4SB; serve as administrator of the registry of the Article 6.4 mechanism (*)	N/A	N/A	Implement decisions by CMA, CMP, CDM EB and 6.4SB related to the possible transition.

Note: N/A = not applicable. (*) = not agreed yet, reported here as in latest negotiations texts. (**) = Frequency of meeting of the 6.4SB: (***) = Additional meetings can potentially be organised as appropriate. The draft Presidency texts from COP25 indicate that the 6.4SB would have had to meet at least two times in 2020; the paper acknowledges this decision was based on the expectation that Article 6 rules were agreed in 2019 and that in 2020 6.4SB could make recommendation to CMA. Considering the delayed induced by Covid-19 to the whole process, the paper recognises that this decision might be revised at the next negotiating session. SOP = Share of Proceeds. A6.4ERs = Article 6.4 Emission Reductions. Other acronyms are available in the list of acronyms at the beginning of the paper.

Source: Authors, based on (UNFCCC, 1998^[8]; UNFCCC, 2005^[13]; UNFCCC, 2006^[11]; UNFCCC, 2014^[14]; UNFCCC, 2020^[15])

If decisions at the supreme body level (i.e. CMP and CMA) are co-ordinated, this can help to ensure co-ordination among actors across the Paris Agreement and the Kyoto Protocol (see also section 4). Conversely, implementing the rules for a possible transition at supreme body levels would not be efficient because i.a. these bodies meet infrequently. If mandated by the CMP and CMA respectively, the CDM EB and (when constituted) the 6.4SB could implement the rules for a possible transition in a more agile way, as they meet frequently, and can engage in more technical discussions.⁸ However, the CDM EB and 6.4SB operate under two different UN climate regimes and their scope for co-operation is limited unless they are specifically invited or instructed to do so by their respective supreme bodies. These concepts are summarised in Table 3 and further discussed in section 4

Table 3. Characteristics of selected actors involved in the possible transition

	CMP	CDM EB	CMA	6.4SB	SBSTA/SBI
Possibility to ensure co-ordination across UN climate regimes (Kyoto Protocol and Paris Agreement) to enable the possible transition	Yes (*)	No	Yes	No	Yes
Ability to take quick decisions (e.g. more agile mode of work and decision-making process)	No	Yes	No	Yes	No
Meet often enough to implement the possible transition	No	Yes	No	Yes	No
Possibility to work through the technical details (including e.g. assessing the compatibility of options for the possible transition with Decision 1/CP.21, paragraphs 37.b and 37.d, and allowing Decision 1/CP.21, paragraphs 37.f to be taken into account)	No	Yes	No	Yes	Depending on mandate and number of meetings in a year
Possibility to work in small groups or panels between meetings	No	Yes	No	Potentially	No

Note: (*) as explained further in section 4, the CMP alone can only support the transition process by enabling it and make it administratively easy once the CMA has invited eligible CDM activities to transition to the Article 6.4 mechanism.

Source: UNFCCC secretariat (adapted by Authors).

⁸ This paper recognises that CDM EB and (when constituted) 6.4SB do not necessarily represent each Party's view as their composition allows for regional representation. However, it is assumed that regional representatives in these bodies would consult with their constituency groups for any decisions related to the possible transition.

Domestic governance of Article 6.4 mechanism-related issues by the host Party will also be extremely important in the transition process, particularly from the perspective of the Nationally Determined Contribution (NDC) emission balance accounting. This is because of the requirement to apply a **corresponding adjustment** for all first transferred Article 6.4 Emission Reductions (A6.4ERs)⁹, consistent with decision X/CMA.2 (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]). Thus, co-ordination is needed within individual host Parties between their institutions and procedures for CDM and for the Article 6.4 mechanism, if indeed they are not the same.¹⁰ It will also be important to encourage good domestic institutional co-ordination between the CDM and Article 6.4 DNA(s) and the agency that co-ordinates the NDC. Such domestic co-ordination would help Parties to track the progress that they are making towards their NDC alongside the level of any corresponding adjustments needed from Article 6.4 activities.¹¹

⁹ The text in this paragraph and in other relevant parts of this paper refers to international transfers of A6.4ERs generated inside or outside the scope of an NDC. However, this paper recognises that the accounting rules and procedures for international transfers of A6.4ERs from outside the scope of an NDC have not yet been agreed among Parties.

¹⁰ These include the DNA for the CDM, the DNA for A6.4 and the NDC co-ordinating entity. Host Parties have the prerogative to decide which regulatory authorities in their country are to perform the role of DNA for the CDM. This prerogative is set to remain under the Article 6.4 mechanism. Thus, those Parties that have already established a DNA for the CDM might decide to designate the same or a different authority as the DNA for A6.4.

¹¹ The DNA for the CDM has (and the DNA for A6.4 will have) better overview on the CDM activities (and Article 6.4 activities respectively) physically located within the host Party. At the same time, the agency (or agencies) co-ordinating the NDC usually oversees mitigation activities that contribute to the Party's NDC emission balance and tracks the mitigation efforts of those sectors and activities that are inside and outside the scope of NDC of the country (although national circumstances can vary and dictate how and by whom the NDC co-ordination is carried out). If the host Party agrees on the transition of an eligible CDM activity, this activity will be eligible to issue A6.4ERs when transitioned to the Article 6.4 mechanism. Consistent with decision X/CMA.2, the host Party shall then apply a corresponding adjustment on the first transfer of these A6.4ERs (see also footnote 9).

3 Overview of issues and potential high-level criteria for the possible transition of CDM activities

This section provides an overview of the issues relevant to the possible transition of CDM activities to the Article 6.4 mechanism from the draft Presidency texts from COP25. It also outlines a set of high-level criteria that could be used to guide the decisions at the level of the CMA and, to the extent needed to support the possible transition, of the CMP.

3.1. Overview of issues related to the possible transition of CDM activities in latest negotiation texts and CDM EB decisions

The three iterations at COP25 of the draft Presidency text on the RMP of Article 6.4 (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]) present many common substantive elements relating to the possible transition of CDM activities to the new mechanism. These elements indicate that a transition of CDM activities is possible, but the conditions of such a transition, as well as the issues of baseline methodologies under the Article 6.4 mechanism and additionality need further elaboration. The following sub-sections explore areas of convergence in the draft Presidency texts from COP25 and focus on a few outstanding issues.

3.1.1. Areas of convergence in latest negotiation texts on the eligibility criteria for transitioning CDM activities

There are several areas of convergence in the current texts relating to a possible transition. A key one is that the process for the possible transition is neither automatic¹² nor mandatory¹³, and would be subject to certain conditions. In particular, the host Party of each eligible CDM activity physically located within its territory is to decide whether or not to approve the transition, subject to any eligibility criteria agreed by the CMA, to any domestic criteria that the host Party might have established in addition to CMA criteria, and potentially to validation and verification by a DOE. The PPs of an eligible CDM activity must also express their wish that their activity transitions.¹⁴

¹² An option for an automatic transition for small-scale activities was also discussed at COP25, but it was not reflected in the draft Presidency texts.

¹³ Because participation in the CDM and the Article 6.4 mechanism is voluntary, and the possible transition was not mandated by the Paris Agreement nor by any CMP or CMA decisions.

¹⁴ In case of PoAs located within the territory of multiple Parties, the PoA would need to receive the approval of each of the host Parties, unless a special rule is adopted to allow the PoA to transition only for the jurisdictions where the

In order to be considered for transition, activities that wish to transition must be registered in the CDM at the date of adoption of the CMA decision. To be registered in the CDM, an activity needs to have an active crediting period. This means that activities with a fixed crediting period need to be within their crediting period at the date of the adoption of the RMP for Article 6.¹⁵ Activities with a renewable crediting period will either need to be within their crediting period at the date of the adoption of the CMA decision, or to have submitted a request to renew their crediting period by no later than one year after the expiration of the last crediting period.¹⁶ Past this date, a CDM activity with a renewable crediting period loses the possibility to renew its crediting period and effectively “expires” as a CDM activity.¹⁷

Moreover, any CDM activity eligible for transition needs to comply with the RMP established by Parties for Article 6.4, as well as any further relevant decision of the CMA and relevant requirements adopted by the 6.4SB. In particular, no decision has yet been reached on whether all activities eligible for the CDM are also eligible for the Article 6.4 mechanism. For instance, if the RMP for Article 6 restrict the eligibility of certain activity types, some CDM activities may not be eligible to transition to the Article 6.4 mechanism. The draft Presidency texts from COP25 also specify that eligible CDM activities will also have to comply with the guidance relating to accounting for co-operative approaches of Article 6.2. This means that the host Party would have to apply a corresponding adjustment if the A6.4ERs are internationally transferred.¹⁸

The three iterations of the draft Presidency text from COP25 also indicate that any CDM activity eligible for transition would be allowed to continue to apply its current approved CDM baseline methodology until the end of its current crediting period or the end date of the transition period, whichever is earlier. After this time, the activity would have to apply a suitable Article 6.4 approved baseline methodology, or if no such baseline methodology exists under the new mechanism the activity would no longer be eligible to continue crediting. The draft Presidency texts assign to 6.4SB the review of CDM baseline and monitoring methodologies, as well as those from other existing market-based mechanisms, with a view to applying them to Article 6.4 activities. The outcomes of this review could impact the crediting potential of transitioning CDM activities if the baseline methodology or underlying assumptions are changed. In particular, a strengthening of a CDM baseline methodology will lower the level of its emissions baseline and may result in the activity: (i) no longer generating emission reductions beyond the emission baseline; or (ii) generating fewer emission reductions. In contrast, if the CDM baseline methodology is weakened, it could allow transitioning activities to generate more emission reductions compared to the CDM baseline. The option for the use and review of methodologies for transitioning activities is also discussed in section 4.

PoA received the host Party approval. The process of the provision of the request by the PPs for the host Party approval is not yet clear and options are discussed in section 4.

¹⁵ The vast majority of registered CDM activities with a fixed crediting period will have expired by 2022.

¹⁶ See CDM EB decision of paragraph 32.a(ii) at the EB Meeting 100 (CDM-EB100).

¹⁷ Of the 7 846 activities and 339 PoAs (composed of 2 723 component project activities (CPAs)) registered in the CDM as of February 2021, 3072 activities and 1 111 CPAs have already failed to meet this deadline and have “expired”, i.e. they can no longer renew their crediting period. The CDM EB decision of paragraph 32.a(ii) at EB Meeting 100 has had a material impact on the number of registered CDM activities with renewable crediting period, but not on those with a fixed crediting period. The number of expired CDM activities is expected to increase over time and will significantly lower the possible volume of Certified Emission Reductions (CERs) that could transition to Article 6.4.

¹⁸ See also footnote 9.

3.1.2. Areas of convergence in latest negotiation texts on procedures for the possible transition

The draft Presidency texts from COP25 also consistently task the 6.4SB to review the CDM accreditation standards and procedures with a view to applying them to the 6.4 mechanism. The options for accreditations are further discussed in section 4

Another common element of the COP25 draft Presidency texts is the inclusion of an option of “expedited transition process” for small-scale CDM project activities. The definition of an “expedited” transition process is not specified in the texts, and could materialise in different forms (e.g. small-scale activities could be the first to be actioned by the secretariat for transition; or that their review period by the 6.4SB could be shorter, etc.). The draft texts consistently assign the SBSTA the task of elaborating the transition of activities from the CDM to Article 6.4, including elaborating on the necessary steps for the expedited transition for **small scale CDM activities** (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]).

The draft Presidency texts from COP25 also convey the idea that the effective registration date of transitioning CDM activities as Article 6.4 activities does not affect the issuance volume during the transition period. For instance, paragraph 73(c) of version 3 of the draft Presidency text specifies that transitioning CDM activities may issue A6.4ERs for emission reductions achieved after 31 December 2020. Paragraph 73(b) of the same draft Presidency text indicates that any transitioning CDM activity could continue on its CDM crediting period until it expires, or the end date of the possible transition, whichever is earlier (while applying its current approved CDM methodology). This means that during the transition period, the CDM activity could operate using its CDM baseline level, but it would be able to issue A6.4ERs. However, information on the timing of any A6.4ERs issuance (e.g. when a transitioning activity could actually issue A6.4ERs for emission reductions achieved) during the transition period is not clear, as this would be dependent on the timing needed to set up the standards and procedures under the Article 6.4 mechanism (e.g. DNA for A6.4, DOE for A6.4, timing for verification of emission reductions achieved, etc.) to allow issuance from the new mechanism.

Moreover, the draft Presidency texts from COP25 show convergence on elements related to the Article 6.4 **activity cycle** for project approval. These elements include i.e. activity design; methodologies; approval and authorisation; validation; registration; monitoring; and verification and certification. These elements are also relevant to transitioning CDM activities as they will have to undergo the same activity cycle as Article 6.4 activities to be able to register and operate under the new mechanism.

3.1.3. Focus on selected issues addressed in the presidency text

A number of issues related to the possible transition of CDM activities were left unresolved at COP25. These include the duration of the transition period. The date in the draft Presidency texts from COP25 is 31 December 2023 – which was proposed assuming that the framework for Article 6 was going to be agreed in December 2019 (COP25). This date could now usefully be revised, e.g. by one or two years (Hoch et al., 2020^[16]), given that the earliest the RMP for Article 6 could now be agreed is November 2021.

Draft text on the scope of SBSTA’s work programme on issues related to the possible transition could usefully be revisited. The current texts envisage SBSTA to work on the definition of the full set of eligibility criteria for the transition, the procedures for the implementation of the transition and the expedited transition process for small-scale CDM activities and PoAs. All these tasks are essential to implement the possible transition. In order to avoid further delay, the CMA could usefully assign these tasks to work of bodies that meet more regularly, e.g. the 6.4SB (see Table 3 in section 2). Indeed, the more work that is tasked to the SBSTA, the longer the implementation of the Article 6.4 mechanism could take. This is because the SBSTA can only recommend decisions to the CMA which meets only annually in conjunction with the COP. Conversely, with a mandate from the CMA, the 6.4SB could already implement selected decisions. Some of these options are also discussed in section 4

The special case of CDM afforestation and reforestation (A/R) activities could also merit attention relating to the possible transition.¹⁹ The modalities and procedures for A/R CDM are specific to each commitment period of the KP (5/CMP1, 6/CMP1 and paragraphs 17 and 18 of 2/CMP.7) (UNFCCC, 2005^[17]; UNFCCC, 2006^[18]). As such, in order for existing registered CDM A/R activities to operate in the post-2020 period, the CMP would need to give guidance on whether CDM A/R projects could continue to apply these modalities and procedures beyond the KP's second commitment period. Without this guidance, it would be more challenging to determine if CDM A/R activities could meet the eligibility requirements to transition to the Article 6.4 mechanism. The possible transition of CDM A/R activities to Article 6.4 is also likely to need specific provisions in the rules for Article 6.4 mechanism, because these activities issue temporary/expiring CERs (called temporary CERs – tCERs - or long-term CERs - ICERs), while other market-based mechanisms use “buffer pools” to address the issue of permanence (Verra, 2019^[19]). Discussions on the Article 6.4 mechanism have not yet focused on how to address the issue of permanence of emission reductions.²⁰

3.2. Options for high-level criteria to guide the process for the possible transition of CDM activities

Key high-level criteria could guide decisions taken at CMP and CMA levels related to the possible transition of CDM activities to help to make the transition process smooth and efficient. For instance, the possible transition would not be efficient if it required significant time and resources from many actors. If the possible transition is regulated at or driven from the individual activity level, this would require significant effort and regulatory expertise for PPs and DOEs, and may require significant capacity from DNAs. Rather, using high-level criteria could help optimise the transition process from the highest level, and the CMA and the CMP use them to instruct relevant actors. Examples of such guiding criteria are outlined in Table 4.

¹⁹ CDM A/R activities account for less than 1% of total CDM registered activities and less than 1% of total CERs issued to date (UNEP DTU, 2021^[24]).

²⁰ Discussions have focused on the requirement of minimising the risk of non-permanence over multiple NDC implementation periods and that reversals are addressed in full, as included in the three draft Presidency texts from COP25 (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]).

Table 4. Example of high-level criteria to guide the process for the possible transition of CDM activities

Example of criterion	Underlying rationale	Practical examples
Ensure co-ordination across different UN climate regimes (Kyoto Protocol and Paris Agreement)	The possible transition involves work encompassing two different UN climate regimes, for which co-ordinated actions are needed. The orchestration for a possible transition requires understanding the roles of UNFCCC actors involved in the possible transitions (e.g. decision making role, supporting role, implementation role).	<p>Ensure CMA and CMP decisions are well co-ordinated at COP26 (see examples in section 4)</p> <p>Ensure CMA gives the 6.4SB clear requests for elaboration of procedures and standards</p> <p>Ensure CMP gives CDM EB clear requests for supporting decisions</p> <p>Ensure CMP elaborates clear processes and provisions for non-transitioned CDM activities (e.g. Article 6.4 non-compliant activities).</p>
Optimise regulatory efficiency	Efficiency is desirable at the regulatory level to be able to address the many technical issues in a short time that will come up in the process of implementation of the possible CDM transition.	<p>CMA could request relevant Article 6.4 actors (6.4SB, DNAs for A6.4, UNFCCC secretariat) to ensure efficiency in regulatory administration of the transition by avoiding overregulation, making transition processes easy, etc.</p> <p>CMP could request relevant CDM actors (CDM EB, DNAs for CDM, UNFCCC secretariat) to do the same for CDM.</p>
Minimise administrative and monetary burden on project participants of transitioning activities	CDM project participants might be discouraged from undergoing the effort of transitioning their eligible activity to Article 6.4 if excessive administrative and monetary burden is created.	<p>Request only essential documentation from transitioning CDM activities. This includes i.a. the confirmation of wish to transition, and how a transitioning CDM activity will meet any new requirements agreed in the RMP for Article 6.4.</p> <p>Avoid double regulation (i.e. both CDM and Article 6.4) to allow an activity to transition, such as automatic deregistration from CDM for an eligible CDM activity transitioned and registered in the Article 6.4 mechanism; or request for letter of approval from both DNA for CDM and DNA for A6.4 to transition.</p> <p>Exempting transitioning CDM activities from paying any Article 6.4 registration fees.</p>
Minimise administrative burden on host Parties	DNAs and host Parties where a high number of CDM activities could be eligible for transition could face capacity issues to process all transition requests in an efficient and thorough manner.	Enable grouped approvals by DNAs for the CDM of eligible CDM activities wishing to transition, where the host Party has indicated that they will authorise such activities to transition (e.g. per project type, per registration date).
Compatibility with paragraphs 37.b and 37.d of Decision 1/CP.21	Decision 1/CP.21, paragraphs 37.b and 37.d, recommend that the CMA adopt RMP for the Article 6.4 mechanism on the basis of “real, measurable and long-term benefits related to the mitigation of climate change” and “reductions in emissions that are additional to any that would otherwise occur” (UNFCCC, 2016 ^[12]). Any transition would need to be compatible with paragraphs 37.b and 37.d of Decision 1/CP.21, and take into account the changed context of host Parties (who have emission commitments under the Paris Agreement through NDCs, but did not under the Kyoto Protocol) as well as any further RMP agreed for Article 6.	<p>Assess the potential impact of transitioning activities on the host Party’s NDC implementation and their additionality.</p> <p>Review (and when needed, revise) currently applied CDM baseline methodologies (including, e.g. conservativeness check).</p> <p>Address the issue of permanence of emission reductions for A/R CDM activities that will need special provisions if transitioned to Article 6.4 mechanism.</p>
Take into account paragraph 37.f of Decision 1/CP.21	Decision 1/CP.21, paragraph 37.f, recommends that the CMA adopt RMP for the Article 6.4 mechanism on the basis of “experience gained with and lessons learned from existing mechanisms and approaches adopted under the Convention and its related legal instruments” (UNFCCC, 2016 ^[12]). Any transition would need to take into account the experience gained with the Kyoto Protocol mechanisms, with a view of applying the lessons learned to the provisions for the possible transition.	Assess lessons learned from the Kyoto Protocol mechanisms, for instance what worked well and what could be improved in the accreditation system of the CDM; how conservative CDM baseline methodologies are under different circumstances; understand what CDM provisions could be strengthened in order to better inform the provisions for the possible transition.

Source: Authors.

4 Options for the operationalisation of Article 6.4

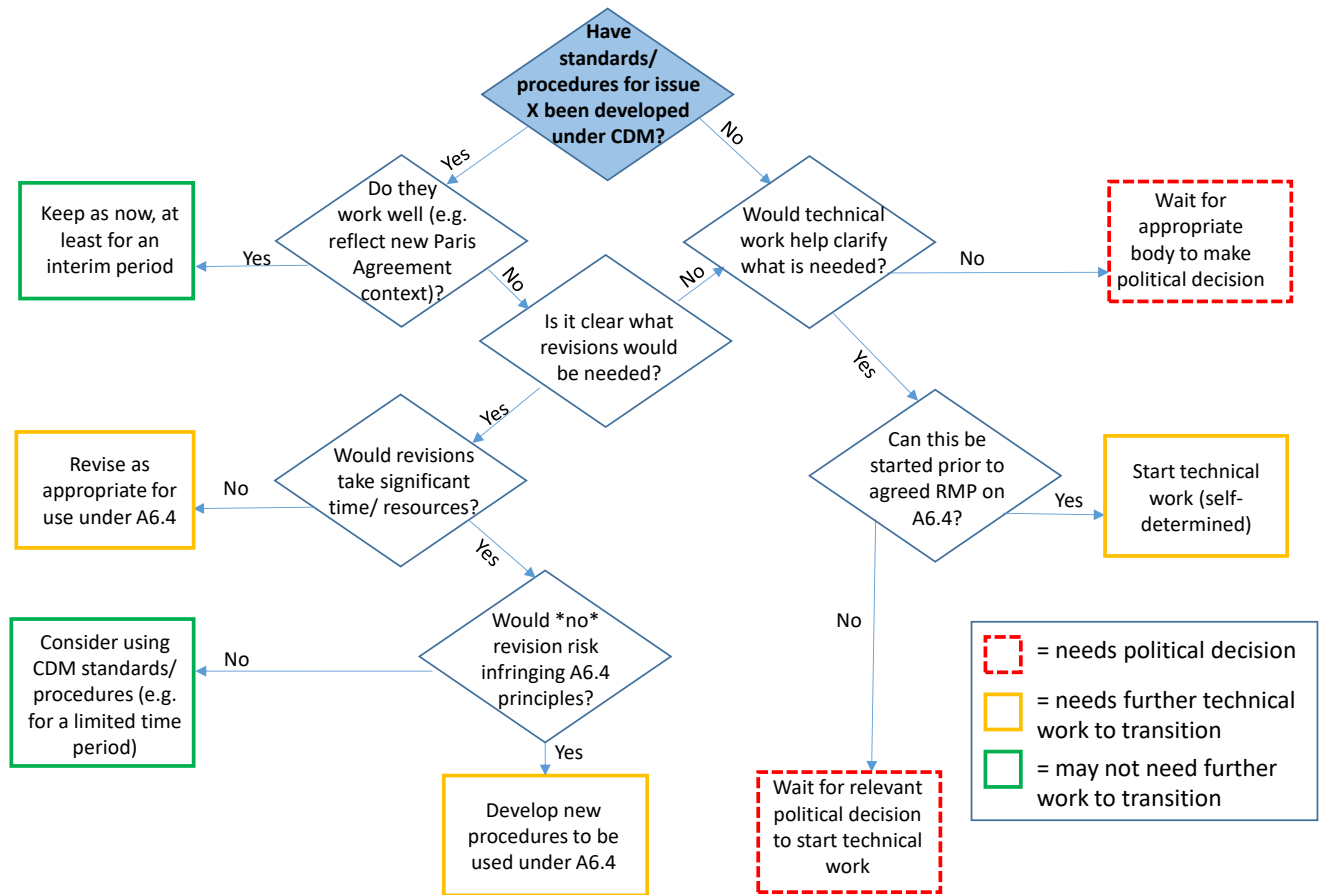
This section explores options to operationalise the possible transition of CDM activities to the Article 6.4 mechanism, to register new activities in the Article 6.4 mechanism, as well as the tasks and possible sequence of work of the 6.4SB and other relevant actors. For the possible transition of CDM activities, this section outlines various technical and procedural options for decision-making actors (as defined in section 2), and assesses these options against the high-level criteria described in Section 3. The paper acknowledges that there is no consensus on any of these options, and options are presented without prejudice of the outcomes of negotiations at COP26.

This paper also recognises that RMP on Article 6 need to be agreed before any possible transition of eligible activities from the CDM to the Article 6.4 mechanism could happen. Any decision within the RMP on the options discussed in the following sections will be applicable for Article 6.4 activities, including transitioned CDM activities. For instance, a decision on the development of a new (or revised) accreditation standard for the Article 6.4 mechanism would be applicable to all new Article 6.4 activities, including transitioned CDM activities.

Figure 1 outlines a flow chart that can help relevant actors for Article 6.4 prioritise their work, by determining whether work could usefully be started on a specific topic, such as methodology development, accreditation standards, registration procedures, or host Party criteria for participating in the Article 6.4 mechanism. This flow chart highlights that answers on whether or not to start work on a specific topic could vary between different topics (e.g. baseline methodologies, accreditation standards) as well as potentially within a given topic. For instance, the review of certain CDM baseline methodologies might lead to the conclusion that some could be used without being revised in the Article 6.4 mechanism, while others might need revision. The flow chart could therefore also help find a pragmatic way forward on selected issues, by assessing the implications of not undertaking the work.²¹

²¹ NB – it may be more difficult to agree the way forward on issues that are subjective, e.g. whether processes work well, than on issues that are objective, e.g. whether revision would take significant time/resources.

Figure 1. Flow chart to aid prioritisation of work needed to operationalise Article 6.4



Notes: A6.4 = Article 6.4 mechanism.
Source: Authors.

4.1. Options to enable the possible transition of eligible CDM activities

This sub-section presents and analyses options for decisions that key actors will have to make when designing the possible transition (e.g. CMA, 6.4SB, host Parties and, to the extent needed to support the possible transition, CMP and CDM EB). It first describes how different decision-making bodies could work together for coherent decisions to enable the possible transition. It then elaborates options for host Party approval, baseline methodologies, and accreditation standards and procedures, and assesses these options against specific criteria as laid out in Table 4.

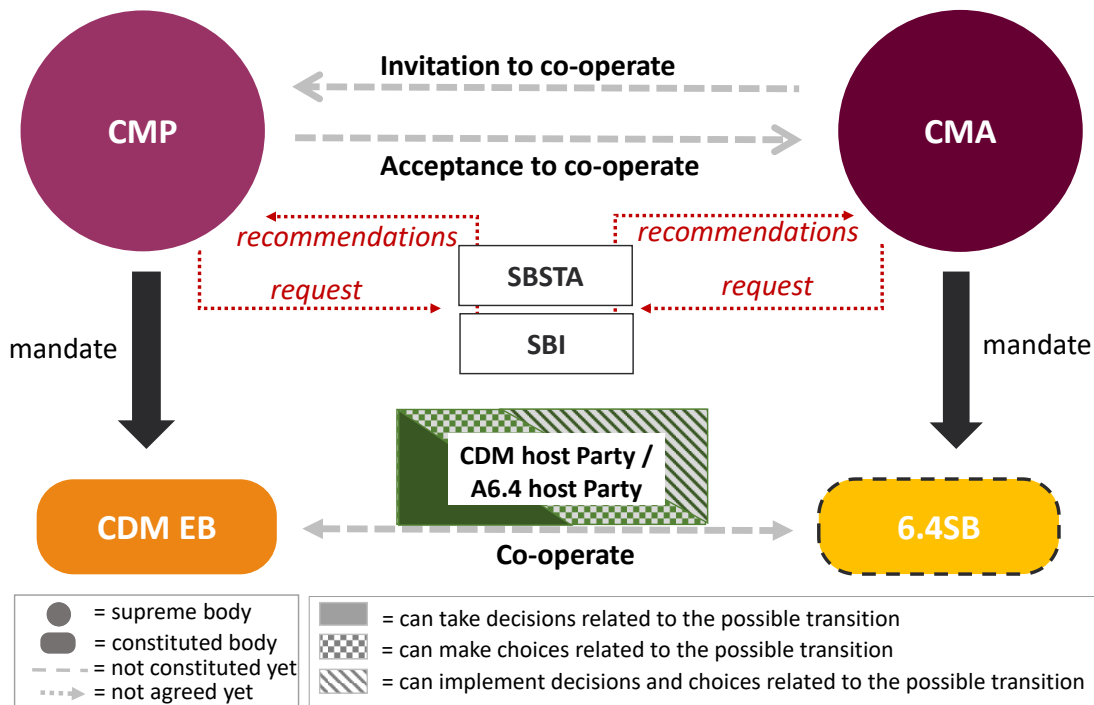
4.1.1. Options for co-ordination between actors

Well-designed co-ordination among actors across the two different UN climate regimes will be key to enable an efficient process in the possible transition (see section 2). Creating “positive feedback” in decisions of relevant bodies under the Kyoto Protocol and Paris Agreement regimes could facilitate co-ordination (see Figure 2). As there is a large overlap between the Parties who have ratified both the Kyoto Protocol and the Paris Agreement²², co-ordination could start from decisions taken by Parties at the supreme body levels (CMA and CMP). The possible transition is not a mandatory process because

²² All Parties to the Kyoto Protocol are also Parties to the Paris Agreement, but not *vice versa*.

participation in each of the CDM and the Article 6.4 mechanism is voluntary. As such, the CMA could create the first “positive feedback” by *inviting* eligible CDM activities to transition to the Article 6.4 mechanism within a certain period of time, subject to certain conditions (including the host Party having approved the transition, transitioning activities having to meet specific agreed criteria, etc.). This invitation could be part of the decision adopting the RMP for Article 6. The CMP could support this process by acknowledging the invitation from CMA and by enabling eligible CDM activities to transition.

Figure 2. Example of coherent decision-making amongst actors from different UN climate regimes to facilitate the possible transition



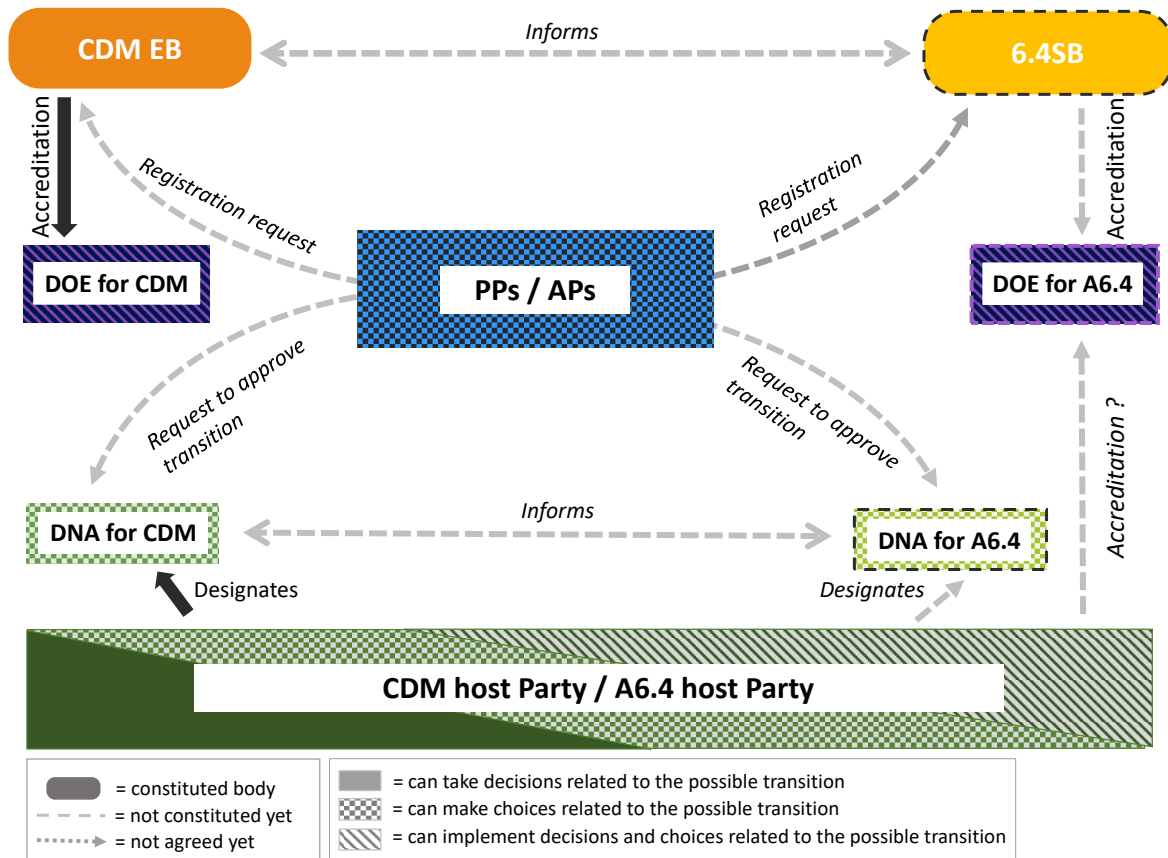
Note: This figure is presented for an individual host Party, hosting an eligible CDM activity wishing to transition to the Article 6.4 mechanism. Source: Authors, based on inputs from UNFCCC secretariat.

To implement any transition in a co-ordinated way, the CMA could mandate the 6.4SB to co-operate with the CDM EB, and in parallel, the CMP could also mandate the CDM EB to co-operate with the 6.4SB. The CDM EB and the 6.4SB would then have the mandate to co-operate with each other and could choose to adopt co-ordinated processes for the transition of eligible CDM activities to the Article 6.4 mechanism, noting that the extent of co-operation between these two bodies in practice may also depend on their membership. The CMA could also request the 6.4SB to adopt governance processes, methodologies and accreditation standards to implement the possible transition, including baseline methodologies, processes for registration of transitioning CDM activities to the Article 6.4 mechanism, and an accreditation standard. An adoption of these elements would also facilitate the implementation of the Article 6.4 mechanism more broadly (e.g. for new activities). Options for decisions on how these elements can be designed and their implications are discussed below.

The CMA and CMP could each also task the SBSTA and/or the SBI to elaborate recommendations on technical issues related to the possible transition of activities that can inform subsequent CMA and CMP decisions. However, as discussed in section 3, and because the SBSTA and SBI meet only twice a year and make recommendations rather than take decisions, the CMA could usefully assign tasks that are essential to the main implementation of the possible transition to the 6.4SB, for a quicker implementation

of the Article 6.4 mechanism. These considerations and examples of priority tasks are discussed further below.

Figure 3. Possible interactions among actors to facilitate the possible transition



Note: A6.4 = Article 6.4 mechanism. This figure is presented for an individual host Party, hosting an eligible CDM activity wishing to transition to the Article 6.4 mechanism. The dashed arrow from the host Party to the DOE for A6.4 presents a question mark (?) for accreditation because in latest negotiations Parties were discussing the possibility for individual host Parties under Article 6.4 to approve and supervise national arrangement of host Parties for accreditation of operational entities.

Source: Authors, based on inputs from the UNFCCC secretariat.

The host Party could play different roles (decision maker, choice maker, implementer of CMA/CMP/6.4SB/CDM EB decisions) in the transition process, as described in section 2. For instance, as decision maker the host Party can decide whether CDM activities hosted on its territory can transition, and if so which eligible activities wishing to transition it will approve to transition, and may decide to adopt national approval processes and criteria to guide this decision. On an implementation level, ideally this approval regime will need to minimise the administrative burden on project participants of transitioning activities, as well as on host Parties and DNAs, in line with the criteria outlined in section 3. Options for decisions for host Party approvals are discussed below.

The implementation of the possible transition would also require constituting new actors and processes to make the Article 6.4 activity cycle operational. These include the designation of a DNA for A6.4 by the host Party²³, the designation of DOEs for A6.4, and the definition of procedures and documents to enable the

²³ The designation of a DNA for A6.4 is a national prerogative and as such the timing for its establishment could vary from country to country.

possible transition. In an effort to speed up the implementation of the minimal governance structures to enable the possible transition, one option for the CMA could be to facilitate an interim process. This would consist of allowing existing CDM actors and procedures to temporarily fulfil the functions within the Article 6.4 activity cycle, until the relevant actors and procedures are established under the Article 6.4 mechanism. This could include using i.a. existing DNAs for the CDM (where already established), existing DOEs for the CDM and existing procedures for validation/issuance of A6.4ERs. However, this option would also present some disadvantages, including that it could result in double regulation, i.e. the same entity (DOE for the CDM, DNA for the CDM) would have to fulfil at the same time the regulations for the CDM and the Article 6.4 mechanism, creating extra burden for these actors. Moreover, this approach could create some legal complexities that would need further analysis given the different UN climate regimes where the CDM and the Article 6.4 mechanism are established. An alternative to this approach would be to set up the actors and procedures that are essential to the transition within the Article 6.4 mechanism. In this light, the CMA could delegate the essential work to implement the possible transition to the newly constituted 6.4SB, which could convene a meeting immediately after the adoption of the RMP for Article 6. This priority work could include the setup of procedures and formats to deal with transitioning activities and the review of procedures and standards for the accreditation of DOEs for A6.4.

The next sub-sections present and analyse options of processes for host Party approval, baseline methodologies, and accreditation standards. The implications of these options would be valid for both the possible transition of eligible CDM activities within the transition period, and to new Article 6.4 activities as well (as appropriate). The options are elaborated under the assumption that Parties will co-operate to ensure co-ordination across different UN climate regimes (as one of the high-level criteria outlined in section 3), and that:

- RMP for the Article 6, paragraph 4 mechanism will be agreed;
- The CMA will adopt provisions on CDM activity transition;
- Co-operation at CMA and CMP level will be enabled, e.g. the CMA will invite eligible CDM activities to transition to the Article 6.4 mechanism within a certain period of time, subject to certain conditions, and that CMP will acknowledge this invitation and may request the CDM EB to co-operate in relation to the possible transition;
- The CMA will elect the membership of the 6.4SB and the 6.4SB will meet soon after the adoption of the RMP for the Article 6.4 mechanism; the CMA will also request the 6.4SB to work on matters relating to the possible transition.

4.1.2. Options for host Party approval

In the context of the possible transition, the project participants of an eligible CDM activity must be in favour of transitioning to the Article 6.4 mechanism (because participation in the CDM and in the new mechanism is voluntary) and must obtain the host Party's approval to transition. There are two dimensions to consider when discussing the process for the host Party approval: (i) how the host Party can organise its domestic approval assessment of its eligible CDM activities wishing to transition, and (ii) how the process for requesting and communicating the host Party approval can be structured. For both dimensions, there are different options possible; these are described, and their implications analysed in the next paragraphs.

In terms of timing needed for the domestic approval assessment, the review of the eligible CDM activities in the host Party's portfolio could already potentially commence before adoption of the RMP for the Article 6.4 mechanism. It will be the host Party's prerogative to develop in-country procedures and criteria for approval of activities on its territory wishing to participate in the Article 6.4 mechanism. The host Party could then start evaluating among eligible activities which ones it wishes to approve, which might require co-ordination between the DNA for CDM, the DNA for A6.4 and the NDC co-ordinating entity (see section 2).

The approval for an eligible CDM activity to transition is a national prerogative and thus a Party-led process. Nevertheless, the assessment of eligibility of CDM activities that could possibly transition could potentially receive support from the UNFCCC secretariat to ease the burden on host Parties. For instance, if the RMP of the Article 6.4 mechanism produced clear and factual criteria to assess the eligibility of CDM activities to transition, the UNFCCC secretariat could provide to host Parties, upon their request, the list of CDM activities eligible for transition on a host Party's territory. Alternatively, host Parties and their DNA could create such a list, based on any criteria agreed within Article 6.4 rules and their knowledge of the operations of CDM activities hosted within their territory.

As part of its domestic approval process, the host Party would also need to decide if new institutional arrangements, or additional or different national assessment criteria (compared to assessing CDM project activities) are required to approve potential Article 6.4 activities before any assessment of whether an existing CDM project could transition. The existence of a functioning DNA, as well as DOEs, are important elements for the transition. The host Party would also need to define and allocate responsibilities for different parts of the domestic Article 6.4 approval process.

There could be various aspects that host Parties could take into account if they wish to develop in-country standards and criteria for the assessment for approval of eligible CDM activities to transition. For example, where host Parties had developed sustainable development (SD) assessment criteria to evaluate their CDM activities, these domestic criteria could be revised to be in line with the requirements of the Paris Agreement, as well as with other criteria, e.g. the Sustainable Development Goals. In this case, the DOE at the moment of validating the activity before registration into the Article 6.4 mechanism would need to validate that the transitioning activity meets both national (in-country standard) and international (for the Article 6.4 mechanism – as agreed in the RMP) criteria. Moreover, another important aspect for the host Party to consider could be the development of criteria and/or thresholds to authorise A6.4ERs crediting from these activities up to a certain level. These criteria/thresholds could help prevent potential overselling of A6.4ERs, which could jeopardise the NDC achievement due to the requirement of a corresponding adjustment if the A6.4ERs are internationally transferred.²⁴ These criteria and/or thresholds could include e.g. a maximum estimated authorisation of A6.4ERs issued per year, per activity or per sector. Host Parties could also consider developing a simplified approval process, e.g. a checklist, for the transition of small-scale projects and PoAs. This would have the advantage of speeding up the approval process for these types of activities, but more technical work will be required to develop any checklist and associated criteria. For all these cases, the UNFCCC secretariat could assist host Parties by creating a customisable template that host Parties could use to approve CDM activities wishing to transition to the Article 6.4 mechanism.

Table 5 below presents the options for host Party assessment of CDM activities eligible to transition to the Article 6.4 mechanism.²⁵ Table 6 highlights options for the design of the process for requesting and communicating the host Party approval. While the choice between these options will be the ultimate prerogative of the host Party, the CMA and 6.4SB could highlight the advantages and disadvantages of these options for host Parties in their related decisions, with the aim of optimising the efficiency of the transition process. These options are further discussed and assessed below the tables.

²⁴ See also footnote 9.

²⁵ The option of a possible automatic approval (i.e. the host Party automatically approving for transition all eligible CDM activities within its portfolio, without developing any assessment criteria) is deliberately not presented among the options analysed because it would not allow the host Party to reflect upon which mitigation activities within its portfolio are going to be relevant in the new Paris Agreement and Article 6 context.

Table 5. Options for host Party assessment of CDM activities eligible to transition

Option	Description	Time required	Technical work required
A. Blanket assessment	The host Party develops assessment criteria for all eligible CDM activities wishing to transition, and applies them to all these activities regardless of their sector, project type or number of credits generated.	Limited time required.	The amount of technical work required upfront would not depend on the depth of the portfolio of eligible CDM activities. The application of the technical assessment in itself would require less work than for options B and C.
B. Grouped assessment	The host Party develops assessment criteria by group of eligible CDM activities wishing to transition, e.g., by sector, project type (including e.g. small-scale activities), number of credits generated.	The amount of time required would depend on the diversity of the portfolio of eligible CDM activities that wish to transition. However, it is likely to be much less time consuming compared to option C.	<p>The amount of technical work required to assess activities by group would largely depend on the diversity of the portfolio of eligible CDM activities that wish to transition.</p> <p>This could entail more work upfront than for option C (if the grouping is led by a technical assessment), including the technical assessment of the best grouping for the host Party and the development of assessment criteria for each of the groups. However, the application of the technical assessment in itself would probably require less work than for option C.</p>
C. Assessment on a case-by-case basis	The host Party assesses each eligible CDM activity that wishes to transition on a case-by-case basis.	The amount of time required would depend on the diversity and depth of the portfolio of eligible CDM activities that wish to transition. It is likely, however, to be much more time consuming compared to options A and B.	<p>The amount of technical work required to assess each activity would depend on the diversity and depth of the portfolio of eligible CDM activities that wish to transition.</p> <p>For host Parties with a large and/or diverse portfolio of CDM activities (e.g. different sectors, different project type, etc.) the amount of technical work required could be significant.</p>

Source: Authors.

Table 6. Options for the design of the process for requesting and communicating the host Party approval

Option	Steps involved	Time required	Technical work required
A. DNA provides letter only to approved activities	<p>This process would entail the following steps:</p> <ul style="list-style-type: none"> At host Party request and if there is a clear CMA decision to factually assess the eligibility of CDM activities to transition, the UNFCCC secretariat could provide to the host Party a list of eligible/ineligible CDM activities; alternatively, the DNA for the CDM would compile such a list based on any eligibility criteria included in the RMP for Article 6.4; The host Party could develop its assessment process and criteria (options in Table 5) and, if so, could assess (e.g. through its DNA) eligible activities based on these; [optional]: the host Party could request the DNA for A6.4 to approach only PPs of activities with specific characteristics (depending, e.g. on any assessment criteria); The DNA for A6.4 could provide a letter to [specific] eligible activities requesting, within a specified deadline, to communicate if they wish to be considered for transition; If PPs do not reply within the specified deadline or reply negatively, the eligible CDM activity would be considered as not wishing to transition; If PPs reply positively within the specified deadline, the eligible CDM activity would be considered as wishing to transition and approved by the host Party. 	Lower time than option B.	<p>Host Party and DNA: Low level of technical work / effort required</p> <p>PPs: Low level of technical work / effort required</p>
B. PPs to send request for approval to host Party	<p>This process would entail the following steps:</p> <ul style="list-style-type: none"> The PPs of an activity would be responsible for requesting the host Party approval to transition to the DNA; this request could be done with PPs sending a letter to host Party/DNA indicating their wish to be considered for transition; The host Party would assess whether the activity is eligible to be considered for transition (based on any eligibility criteria included in the RMP for Article 6.4); If the activity is eligible, the DNA for A6.4 would assess it based on assessment process and criteria defined by host Party, if any (options in Table 5); The DNA for A6.4 would communicate the host Party approval or denial decision to PPs that requested to be considered for transition; If approved, the eligible CDM activity would be considered as wishing to transition and approved by the host Party. 	<p>The time required would depend on the number of PPs who request host Party approval to be considered for transition for their CDM activities and on the assessment option that the host Party applies (see Table 5).</p> <p>For host Parties with a large portfolio of CDM activities²⁶, this option could be very time consuming.</p>	<p>Host Party and DNA: High level of technical work / effort required</p> <p>PPs: High level of technical work / effort required</p>

Source: Authors.

²⁶ For example, CDM host Parties with over 100 CDM activities registered as of February 2021 are Brazil, Chile, China, India, Indonesia, Malaysia, Mexico, Thailand and Vietnam.

*Options for the assessment of eligible CDM activities at host Party level***A. Blanket assessment**

Under option A, the host Party could develop assessment criteria applicable to all eligible CDM activities wishing to transition, regardless of their sector, project type or other characteristics. In contrast to options B and C, the level of time and work required will not be dependent on the diversity and depth and host Party's portfolio of eligible CDM activities. This option could require upfront work to develop universal criteria for all domestic CDM activities.

This option would have the advantage of speeding up the host Party assessment compared to options B and C. Moreover, a blanket assessment would also optimise the regulatory efficiency and administrative burden on PPs and DNAs because it would require minimal engagement from PPs, while DNAs would be able to centralise their work without needing to have numerous exchanges with PPs. However, this option would necessarily lead to significant uncertainties e.g. in assessing the aggregated potential impact of individual activities on the NDC emission balance of the host Party.²⁷ This option would not take into account experience gained in the CDM, and would thus not follow the recommendation of paragraph 37.f of Decision 1/CP.21. This is because the assessment criteria developed would not be tailored to the specific characteristics of the various types of CDM activities, thus not taking into account their performance and other relevant factors.

B. Grouped assessment

Under option B, the host Party would develop assessment criteria by group of eligible CDM activities that have similar characteristics. This grouping could be e.g. by sector, project type (including e.g. small-scale activities), cumulative number of credits generated so far, number of credits generated per year, expected level of GHG emission reductions from the activity within its crediting period, remaining length of crediting period, etc. The time required to implement this option would depend on the diversity of the portfolio of eligible CDM activities that wish to transition (which is likely to be narrow for the majority of CDM host Parties). This would require more time and resources than option A, but it would be less time-intensive than and speed up the approval process compared to option C, because it would allow the host Party and its DNA to use a "batch process" for the approval assessment of eligible CDM activities that possess similar characteristics. Moreover, the amount of technical work required to assess activities by group would also largely depend on the diversity of the portfolio of eligible CDM activities that wish to transition. This work would include the technical assessment on how to best group the host Party's eligible CDM activities, the development of assessment criteria for each of the groups and the application of the assessment itself. This could result in some more upfront work compared to option C (e.g. development of assessment criteria per group) but then much less technical work during the application of the assessment.

Option B would be less regulatory-efficient and represent more administrative burden for host Parties and PPs compared to option A, because it would result in more bilateral exchanges with the PPs of eligible CDM activities, and could therefore lead to an overall slower approval process for the host Party. However, this option would be more efficient and represent less administrative burden for host Parties and PPs compared to option C. Similar to option A, this option would necessarily lead to significant uncertainties in assessing the potential impact of individual activities on the NDC emission balance of the host Party, although to a smaller extent than for option A because of the "batch processing" of groups of activities (e.g. the impact on the NDC emission balance of certain group of activities might be assessed under this option). This option could also take into account experience gained in the CDM but only partly. This is because the

²⁷ Assessing the potential impact of individual activities on the NDC emission balance of the host Party is important because of the requirement of a corresponding adjustment if the A6.4ERs that will be issued from the transitioning CDM activity are internationally transferred – see also footnote 9.

grouped assessment criteria developed might be tailored to some specific types of CDM activities but this approach would not be able to reflect all the possible nuances associated with individual activity types.

C. Assessment on a case-by-case basis

Option C consists of the host Party assessing each eligible CDM activity within its portfolio individually for approval to transition. This is likely to be much more time consuming compared to options A and B. The level of work (including technical work) required to assess each activity would depend on the diversity and depth of the portfolio of eligible CDM activities that wish to transition. Many (55) host Parties have 10 or fewer CDM projects currently registered, so assessment on a case-by-case basis would not be very time-intensive for them (even assuming that these projects were all eligible and wishing to transition). However, a few host Parties, e.g. China and India, have many hundreds of registered CDM project activities²⁸, encompassing a large and/or diverse portfolio of CDM activities (e.g. different sectors, different project type, etc.). For countries with a large CDM portfolio, the level of technical work and technical expertise required to assess projects on a case-by-case basis could be significant.

This option would not optimise regulatory efficiency, because it would require the host Party to undergo a potentially long process involving bilateral exchanges with the PPs of each CDM activity in its portfolio. For the few host Parties with a large number of eligible CDM activities wishing to transition, this option could significantly increase the administrative burden for their DNAs and on the PPs. This is because an assessment on a case-by-case basis is likely to require more in-depth documentation from the PPs for the DNA / host Party to run the assessment. At the same time, this option could represent an opportunity for the host Party to assess the potential impact of each individual activity on the NDC emission balance. This option could also allow a more in-depth assessment of other aspects of an activity's impact such as its sustainable development benefits (e.g. the impact on local air pollution levels, health, and creation of local employment), thus allowing for incorporation of experience gained in the CDM. This option could also provide for the host Party to introduce other potentially important domestic parameters, e.g. a cap on maximum levels of A6.4ERs associated with an individual activity that a Party would be prepared to authorise, a national cost floor for A6.4ERs (some countries had established a cost floor for CER prices under the CDM), or further requirements on stakeholder participation.

Options for the design of the process for requesting and communicating the host Party approval

A. DNA provides letter only to approved activities

Option A would entail a DNA-led process for the host Party approval, consisting of the DNA providing a letter to PPs for eligible CDM activities requesting these PPs to communicate their willingness to be considered for transition within a specified deadline. If the host Party has performed an assessment of the CDM activities in its portfolio (see options above), it could also request the DNA to send the letter only to specific types of pre-selected activities. If the PPs reply positively, their activity will be considered approved by the host Party for transition.²⁹ If they reply negatively or fail to meet the specified deadline, the CDM activity would not receive the host Party approval. The detailed steps are described in Table 6.

²⁸ On 1st February 2021, the CDM pipeline indicates that China has almost 800 CDM registered project activities, and India has more than 1100 registered CDM project activities (UNEP DTU, 2021^[24]).

²⁹ The procedures by which transitioning CDM activities are registered under the Article 6.4 mechanism after they have obtained the host Party approval are still unclear. For instance, it is still undecided whether transitioning CDM activities would still have to be assessed and validated by the DOEs prior to their registration into the Article 6.4 mechanism. The latest negotiations texts do not treat this issue specifically, but they consistently mention that an

This option would have the advantage of transitioning only “active” eligible CDM activities, as it requires a minimum engagement with PPs.³⁰ Moreover, this option would not necessarily require significant time to implement, because the DNA could control and adjust the deadline for the communication from the PPs (i.e. the DNA could request a short deadline for reply if it wishes so). This option would optimise regulatory efficiency because it would require only a back-and-forth communication between DNA and PPs for the host Party to provide its approval for an activity to transition to the Article 6.4 mechanism. Option A would also minimise administrative burden on host Parties and PPs for the same reason.

B. PPs to send request for transition approval to host Party

Option B would have a different approach, with a more proactive role played by PPs. Under this option the PPs would send a letter to the DNAs to request the host Party approval. This process could be limited in time by the host Party, which in a communication to all PPs of CDM activities within its territory could provide a deadline to send the requests for approval.³¹ Each project activity that sends a request for approval would then need to be assessed by the DNAs if eligible according to any RMP of Article 6.4, and if approvable according to the host Party. There would then be an additional step in communication where the DNA communicates the results of the approval assessment to the PPs. The detailed steps are described in Table 6.

Similarly to option A, this option would allow to transition only CDM activities that are still “active”, as it requires proactive action by PPs. The time required to implement this option would depend on the number of CDM activities that request host Party approval to be considered for transition and on the option for assessment of CDM activities that the host Party chooses to implement. For instance, if this option is combined with a case-by-case assessment of activities (option C in Table 5), the higher the number of CDM activities that request host-Party approval, the more time and resources it would take for the host Party to evaluate the request for approval. This means that for those few host Parties with a large portfolio of CDM activities, this option could be very time consuming, but could be somehow mitigated if the assessment option chosen is a blanket assessment, with its limitations (option A in Table 5). Moreover, this option would require a high level of effort from both the host Party and DNA, and the PPs, as the communications among them would be multiple. This option would then not minimise the regulatory steps needed (compared to option A) and would also increase the administrative burden on host Party, DNAs and PPs.

activity eligible for transition “may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December 2023, following which, it shall apply an approved methodology” under Article 6.4 (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]). This may suggest that a full validation might not be necessary for transitioning eligible CDM activities to be registered into the Article 6.4 mechanism, though there still might be some other requirements that DOEs for A6.4 would need to check. For instance, if the host Party developed customised domestic criteria to assess eligible CDM activities willing to transition, the DOEs for A6.4 would be likely to also need to validate these activities against the domestic criteria.

³⁰ Disengaged PPs of “non-active” CDM activities not interested in transitioning their activity are likely to miss the deadline under this option, and as such their activity would not receive the host Party approval.

³¹ An alternative sub-option would be that if the host Party has performed a prior assessment of the CDM activities in its portfolio (see options above), it could also request the DNA to send this communication only to specific types of pre-selected activities.

4.1.3. Options for the possible use, review and revision of existing baseline methodologies: implications for transitioning activities

CDM activities eligible to transition to the Article 6.4 mechanism would already apply an existing CDM approved baseline methodology to set the reference level against which the number of emission reductions and the associated credits that can be issued is calculated. When transitioning to the Article 6.4 mechanism, it is not yet clear what baseline methodology these transitioning CDM activities could apply. The draft Presidency texts from COP25 mention that any eligible CDM activity “may continue to apply its current approved CDM methodology until the earlier of the end of their current crediting period or 31 December 2023”³² (UNFCCC, 2019^[2]; UNFCCC, 2019^[3]; UNFCCC, 2019^[4]). After this time, these transitioned activities would have to apply a methodology approved by the 6.4SB. This option might present some advantages and disadvantages, which are explored and analysed in this sub-section. Moreover, host Parties, as part of their transition approval process, might decide to add more stringent domestic criteria to any RMP established at an international level. These could include a requirement for eligible CDM activities to adopt Article 6.4 baseline methodologies (including potentially revised CDM methodologies) prior or immediately after their transition to the Article 6.4 mechanism; or simply to apply more stringent values for selected parameters of the CDM methodology being used by the activity, as determined at national level, in order to increase the conservativeness of such baselines. PPs of transitioning CDM activities might also voluntarily decide to apply an Article 6.4 baseline methodology (including potentially revised CDM methodologies) or apply more stringent parameters in their CDM methodology prior or at the moment to transition. Indeed, there is currently no language in the COP25 draft Presidency texts preventing PPs of eligible CDM activities of applying more stringent parameters and assumptions in their baseline methodology. In this light, in the absence of a set of Article 6.4 baseline methodologies, the review and potential revision of current CDM methodologies (full or partial) could be relevant for transitioning CDM activities in ways analysed in Table 7.

³² 31 December 2023 was considered the end of the transition period in COP25 draft Presidency texts, and this date could be usefully revisited as discussed in section 3

Table 7. Options for use, review and revision of existing CDM baseline methodologies for transitioning activities

Option	Description	Time required	Technical work required
A. Use of existing CDM approved methodologies without any revision for an interim period	The CMA would allow CDM activities eligible to transition to continue applying their existing approved CDM methodologies until the earlier of the end of its current crediting period or the end of the transition period. After this period, the activity would apply a methodology approved by 6.4SB (as currently reflected in COP25 draft Presidency texts). Potentially host Parties might decide to request PPs to adjust the levels of specific parameters and assumptions of the baseline determination of currently applied CDM methodologies. PPs might also voluntarily decide to apply more stringent assumptions in the baseline calculation.	Possible within the 2021-2023 period (if this option is agreed at COP26)	Little or no technical work needed.
B. Review (and potential revision) of selected CDM methodologies by 6.4SB (e.g. most used based on CDM experience)	Some CDM methodologies could be prioritised based on prioritisation criteria to be determined, e.g. most used methodologies for registered CDM activities, most used methodologies for CERs issued, etc. (see (Lo Re et al., 2019 ^[5])). These prioritised methodologies could be reviewed, and if needed revised, by 6.4SB before being applied to new Article 6.4 activities (and potentially, by transitioning CDM activities) in the Article 6.4 mechanism. The review could be organised via formal technical input (e.g. via call for submissions) or informal technical input (e.g. via bottom-up analysis from third parties).	Dependent on the number of selected methodologies. If less than 10 selected methodologies (see (Lo Re et al., 2019 ^[5])), this would be possible within the 2021-2023 period (if this option is agreed at COP26)	Dependent on number and diversity of selected methodologies, significant technical work may be required.
C. Review (and potential revision) of all existing CDM methodologies by 6.4SB	The 6.4SB would review (and where applicable, revise) all existing CDM methodologies before these can be applied to new Article 6.4 activities (and potentially, by transitioning CDM activities).	Time consuming, considering the 250+ existing approved methodologies in the CDM. Unlikely to be achieved by the end of the transition period (31 December 2023, as indicated in the draft Presidency texts from COP25).	Significant technical work required to review all methodologies, including those rarely used under CDM

Source: Adapted by the authors from Mandy Rambharos (personal communication, 2020).

A. Use of existing CDM approved methodologies without any revision for an interim period

This option is the one currently reflected in COP25 draft Presidency texts. Using existing, approved CDM methodologies for an interim period without any revision³³ would be the quickest way to transition eligible CDM activities. This option would be an interim process only. As such, it would allow PPs to keep applying an existing CDM methodology without any revision to their activity until the end of the current crediting period or the end of the transition period – whichever is earlier, and as long as this existing CDM methodology does not infringe any new domestic criteria established by the host Party for participation in or transition to the Article 6.4 mechanism. After this period, the activity would need to apply a methodology approved by the 6.4SB.

This option would be relatively easy to implement, as no technical inputs would be required. Thus, this option would have the highest level of regulatory efficiency. Moreover, this option would not increase the reporting or cost burden on project participants, as they could still be allowed to continue using the CDM methodology they are already applying. However, if the host Party has developed new domestic criteria (e.g. for certain assumptions or parameters to be used for specific project types etc.) that would modify the baseline level, this option could increase administrative and cost burden for PPs because of the technical support needed for the calculation and verification of the new baseline level, and of the extra one-off report on this matter that would be needed in order to provide assurances that the transitioning activity will meet the RMP of Article 6. As this report would need to be verified, it would also slightly increase costs for PPs.

In certain cases, using CDM-approved methodologies (and associated parameters and assumptions) without any revision could lead to the use of non-conservative baselines under the Article 6.4 mechanism, as highlighted in previous CCXG and other analysis (Lo Re et al., 2019^[5]) (Michaelowa et al., 2020^[20]). As such, it would therefore not incorporate lessons learned from the CDM (as recommended by paragraph 37.f of Decision 1/CP.21). This might lead to an uneven playing field in the Article 6.4 mechanism between a given type of activities, some of which would have transitioned from the CDM (using CDM methodologies without any revision) and some of which would be new Article 6.4 activities applying new Article 6.4 methodologies (which could include revised CDM methodologies). To minimise this potential uneven playing field, it would be important to keep as short as possible the interim transition period during which transitioning CDM activities would be allowed to keep applying CDM methodologies without any revision.

B. Review (and potential revision) of selected CDM methodologies

The three versions the Presidency text from COP25 include bracketed text which allows for the 6.4SB to review and potentially revise baseline methodologies used for the CDM.³⁴ In these draft texts there is nothing preventing host Parties from requesting transitioning CDM activities to apply (or PPs of these activities from voluntarily applying) revised new Article 6.4 methodologies prior or immediately after the transition happened. In the absence of a set of Article 6.4 methodologies, a quicker option could be to review (and potentially revise) a selected number of CDM methodologies before authorising their use for Article 6.4 activities (including potentially transitioning CDM activities). Which methodologies would be

³³ This option assumes that host Parties would not request a review and revision of current CDM methodologies (as instead, it is the case for options B and C), but might still decide to request PPs to adjust the levels of specific parameters and assumptions of the baseline determination of currently applied CDM methodologies.

³⁴ The review and revision of existing CDM methodologies could focus on many elements of the methodologies (e.g. applicability conditions, additionality determination, baseline scenario determination, emission reductions calculation, MRV approach, assumptions, parameters, weightings etc.). In this paper, it is assumed that to speed up the transition process, any review and revision of methodologies could focus first on the baseline scenario determination, including all those assumptions, parameters and weightings that contribute to the calculation of the baseline from a specific methodology.

reviewed/revised could be based on a number of different criteria, including the most used methodologies under CDM by number of activities, the methodologies used to generate most CERs under the CDM, the size of the project activity (e.g. prioritising methods for small-scale activities), or all methodologies for a particular sub-sector or greenhouse gas.

Technical input would be needed in order to review (and potentially revise, if needed) the selected baseline methodologies, taking time and resources – but allowing lessons from the CDM to be taken into account. This option could also result in a “gap” during which selected CDM transitioning activity types, sizes, etc.³⁵ (and new Article 6.4 activities) that generated emission reductions were not able to issue A6.4ERs until their methodology is reviewed (and if needed, revised) and emission reductions verified accordingly. The size of the gap may be influenced by where the technical input comes from (e.g. if from the UNFCCC secretariat there may be a smaller gap than if the technical input is gathered via submissions or from a technical panel of the 6.4SB). Once the methodologies have been reviewed (and potentially revised) these would then be applicable to all relevant Article 6.4 activities, including CDM transitioning activities.

Among these CDM transitioning activities, this option could represent less burden for some types of activities (e.g. those whose methodologies are reviewed but not revised under Article 6.4), but could also mean an additional reporting and cost burden for others (e.g. those whose methodologies are reviewed and revised under Article 6.4). This is because PPs of activities applying CDM methodologies that are significantly revised under Article 6.4 would have to incur extra burden and costs (e.g. associated to the technical support needed to apply the revised methodology to their activity, to update their activity-specific reports and documents and have these validated by a DOE for A6.4). In this light, there could be significant uncertainty, costs and delays for PPs associated with activities whose methodologies are reviewed/revised. However, reviewing and revising selected CDM methodologies could help increase assurance that these methodologies (and associated parameters and assumptions) used lead to conservative baselines.

C. Full review (and potential revision) of existing CDM methodologies

Similar to option B, this option reflects the possibility that some CDM transitioning activities might voluntarily decide, or their host Party might require them, to apply a reviewed (and if needed, revised) CDM methodology prior or immediately after their transition to the Article 6.4 mechanism. This option would involve the review and potential revision of all approved CDM methodologies before they could be applied to Article 6.4 activities, including transitioning CDM activities. As there are over 250 approved methodologies for various types of large and small-scale CDM activities, this option would take significant time and resources to complete at the international level (e.g. by the 6.4SB and associated technical input). Given that several CDM methodologies have been used fewer than a handful of times (see (Lo Re et al., 2019^[5])), the use of time and resources to review such methodologies could be questioned. It would also have resource implications at the level of the activity participants of CDM activities eligible to transition, who will need to update their activity-specific reports and documents and have these validated by DOEs for A6.4 – as outlined in option B above.

If all CDM methodologies need to be reviewed and revised, this could result in an extremely long delay and need extensive resources. Similar to option B, it could also result in a “gap” during which CDM transitioning activities³⁶ (and new Article 6.4 activities) were not able to issue A6.4ERs until their

³⁵ It is assumed here that these CDM transitioning activities would be subject to a host Party’s domestic requirement to apply a reviewed (and if needed, revised) CDM methodology, or PPs of these activities would choose voluntarily to do the same.

³⁶ It is also assumed here that these CDM transitioning activities would be subject to a host Party’s domestic requirement to apply a reviewed (and if needed, revised) CDM methodology, or PPs of these activities would choose voluntarily to do the same.

methodology is reviewed (and if needed, revised) and emission reductions verified accordingly. Moreover, this option could increase the administrative and cost burden on PPs, as they would have to adjust the baseline level of their transitioning CDM activity, and have it validated (alongside related documentation) by a DOE for A6.4. However, reviewing and revising all CDM methodologies could help increase assurance that methodologies used in the Article 6.4 mechanism will be using conservative baselines, which are consistent with any RMP for Article 6, and would also ensure that experience gained and lessons learned from the CDM were taken into account as per paragraph 37.f of Decision 1/CP.21.

4.1.4. Options for the possible use, review and revision of existing accreditation systems: implications for transitioning CDM activities

As discussed in the section “Options for host Party approval”, it is not yet clear whether a transitioning CDM activity would have to be assessed and validated by the DOEs for A6.4 prior to its registration in the Article 6.4 mechanism. Regardless of the outcome of this decision, DOEs would still play an important role in reviewing and verifying the emission reductions from transitioned CDM activities in the new mechanism. Whether this review and verification (and potential validation) of transitioning activities could be carried out by existing DOEs accredited under the CDM as an interim process using CDM procedures, or would require a newly accredited DOE for A6.4 to perform the tasks following a revised or new accreditation system is still unclear. This sub-section discusses the implications on the transition of activities of different options around the possible use, review and revision of the CDM accreditation system, including the accreditation standard, accreditation procedure, verification of emission reductions and national arrangements of host Parties for accreditation of DOEs. It also looks at options for the use of a new accreditation system for all Article 6.4 activities, including transitioned CDM activities. Table 8 summarises the options considered.

Table 8. Options for the possible use, review and revision of existing accreditation standards and procedures for transitioning CDM activities

Option	Description	Time required	Technical work required
A. Use existing CDM accreditation procedures as an interim process (without review), in accordance with any RMP for Article 6.4	<p>Provisionally (e.g. for an interim period) relying on existing CDM accreditation standards, accreditation procedures and existing DOEs for the CDM for validating and verifying emission reductions achieved by Article 6.4 activities, including transitioned CDM activities.</p> <p>This would imply the 6.4SB allowing an interim use by the Article 6.4 mechanism of DOEs for CDM to validate and verify emission reductions achieved by activities under the Article 6.4 mechanism.</p> <p>New applicant operational entities would follow the same accreditation process as under CDM, if the 6.4SB provisionally applies the CDM accreditation standards.</p>	Achievable within the 2021-2023 timeframe (if this option is agreed at the next COP)	No technical work required, although minor edits to current standards would be needed
B. 6.4SB to review and potentially revise the existing CDM accreditation system	<p>Under this option, the CMA would mandate 6.4SB to review and potentially revise existing CDM accreditation standards with the aim of validating and verifying emission reductions achieved by Article 6.4 activities, including transitioned CDM activities.</p> <p>The 6.4SB would carry out this task, potentially with technical input from a sub-panel on accreditation, or from elsewhere (e.g. UNFCCC secretariat).</p> <p>Existing DOEs for CDM would have to re-apply for accreditation under the Article 6.4 mechanism, but possibility of expedited or automatic accreditation process could be established, should the DOE for CDM meet any new requirements under 6.4 (e.g. ability to fulfil DOE duties for different sectoral scopes).</p>	Possible to achieve in 2021-2023 timeframe (if this option is agreed at the next COP)	Moderate level of technical work required, including: <ul style="list-style-type: none"> • Assessment of whether CDM accreditation standards are sufficient to fulfil any requirements of Article 6.4 activities, whether other changes may be needed • Revision by 6.4SB of CDM accreditation standard, accreditation procedure and performance monitoring as appropriate • Clarification of any distinctions between the CDM and Article 6.4 accreditation system • Creation of a smooth transition between the CDM EB and the 6.4SB as accreditation bodies • Potentially, development of a provisional accreditation procedure for existing DOEs for CDM
C. Establish a completely new accreditation system for the Article 6.4 mechanism	<p>This option would substantially revise the CDM accreditation system, e.g. by developing new accreditation bodies, procedures and/or regulatory documents.³⁷</p> <p>Existing DOEs for CDM have to re-apply for accreditation under Article 6.4.</p>	Difficult to achieve by 2023	Significant level of technical work required, including: <ul style="list-style-type: none"> • Establishment of new accreditation standards, procedures and/or regulatory documents • Establishment of new bodies which are involved in the accreditation procedure

Source: Based on input by Elisa Thomas (personal communication), and adapted by the authors

³⁷ This option refers to the development of a new centralised accreditation system under which the 6.4SB would accredit DOEs for A6.4. This paper recognises that under current negotiations there is an open discussion about the possibility for Parties to develop and use their own accreditation system, approved and supervised by the 6.4SB; however, this option is not further analysed in this paper.

A. Use existing CDM accreditation procedures as an interim process (without review)

This option would use the existing CDM accreditation system and associated standards for an interim period (the length of which could be determined up front, e.g. by the CMA). This system could be used to validate and verify emission reductions achieved by Article 6.4 activities, including transitioned CDM activities. During this interim period, DOEs for the CDM would be allowed to perform DOE-related activities for Article 6.4 activities using the same procedures and forms as under the CDM.

This option would not require any technical input in order to be operational, although it would be likely to require minor editing of several standards (forms) developed by the CDM EB's Accreditation Panel, as well as of guidance to DOEs, e.g. to update terminology, eligibility criteria (as appropriate).³⁸ This option would have the advantage of being the quickest, and probably the least resource-intensive, way to ensure that the possible transition is not delayed due to a lack of an accreditation system. Rather than waiting for an Article 6.4 accreditation system to be setup, which could be time-consuming, this option would be quick because existing accreditation systems would be used. It is likely that many of the requirements for DOEs under the CDM will also be requirements under the Article 6.4 mechanism. These could include, e.g. that the DOE demonstrates competence in the relevant technical areas, has sufficient personnel to carry out the required tasks, has the capacity to keep records on the activity to be validated or verified (see (UNFCCC, 2018_[21]) for a full list). The existing system does include a system of checks and balances, and the fact that some validators have been suspended in the past for not meeting minimum requirements highlights that these checks and balances are needed (CDM Watch, 2012_[22]). This option, although being based on procedures developed for the CDM, would nevertheless not take into account experiences gained and lessons learned from their use. Moreover, for transitioning activities this option could represent a very low administrative and cost burden, as transitioning CDM activities would basically be allowed to continue to work with the same DOEs they were working with under the CDM. However, from a regulatory perspective, using actors set up in the Kyoto Protocol regime in the Paris Agreement regime would not be straightforward, and would need further consideration.

B. 6.4SB to review and potentially revise the existing CDM accreditation system

Under option B, the existing CDM accreditation system would be reviewed, and potentially revised, prior to application to the Article 6.4 mechanism. This option partly reflects a possible task outlined for the 6.4SB in all the draft Presidency texts of COP25 – that the 6.4SB would review the accreditation standards and procedures of the CDM with a view to applying them with revisions as appropriate for the new mechanism (UNFCCC, 2019_[2]; UNFCCC, 2019_[3]; UNFCCC, 2019_[4]). This option would allow for any criteria agreed for Article 6.4 activities that were not an explicit requirement for CDM activities to be explicitly incorporated into the accreditation system, and it would also allow for the accreditation system under Article 6.4 to incorporate experience and lessons from the CDM. This option could also potentially provide for a provisional accreditation process for DOEs under the Article 6.4 mechanism if they have already been accredited under the CDM. As this option allows for no revisions to the existing CDM accreditation system to be made if none are needed, it would help optimise regulatory efficiency, and could help ensure that this process could be completed within a relatively short timeframe.

Some technical work would be needed as input to the review process. The extent of the technical work needed might need the establishment of new bodies to be involved in the accreditation procedure (e.g. a sub-panel of the 6.4SB that focuses on accreditation). This could include an assessment of whether the CDM accreditation standards and procedures would be sufficient to fulfil the requirements of any RMP for Article 6.4. This technical work could only be started after any CMA agreement on Article 6.4 and so this

³⁸ E.g. to replace mention of “CDM” with “the Article 6.4 mechanism”, to adjust the list of eligible sectoral scopes (if the RMP for Article 6 agreed by the CMA has different sectoral eligibility than the CDM).

option could lead to a further delay in registration (e.g. if DOE validation is needed) or in issuance of A6.4ERs (for verification of emission reductions) of transitioning CDM activities.³⁹ This option could, nevertheless, represent a cost and administrative burden for transitioning activities if the existing accreditation system is revised. Indeed, this would mean that PPs they would have to change the reporting forms and procedures, and potentially also change the DOE they currently work with under the CDM.

C. Establish a completely new accreditation system for the Article 6.4 mechanism

This option would reflect any CMA mandate to the 6.4SB to develop a new accreditation system for the Article 6.4 mechanism. This new accreditation system would be applicable to all activities participating in the Article 6.4 mechanism, including transitioning CDM activities, which would not be able to be registered and issue A6.4ERs until such new accreditation system is in place. In practice, this may involve a similar initial process and level of technical input to option B above. This option could also involve requiring all DOEs wishing to be accredited under the Article 6.4 mechanism to undergo a new accreditation process, even if some had been accredited as DOEs under the CDM. Such a requirement would ensure that all DOEs accredited under Article 6.4 meet any new requirements of the new mechanism, but would increase the resource and time demands of this option compared to options A and B.

If the establishment would start from the revision of the existing system, this option could therefore also lead to significant revisions being needed for the regulatory documents related to accreditation. As in option B, this option could also need the establishment of new bodies to be involved in the accreditation procedure (e.g. a sub-panel of the 6.4SB that focuses on accreditation). This could take significant time and resources for the 6.4SB to develop and agree. Moreover, this option could increase the administrative burden on host Parties (if they need to e.g. re-issue documents or re-confirm their approval of individual activities). Option C could also increase the cost to project participants, as they would have to undergo a new validation of their transitioning activity and then a validation of the emission reductions achieved, and it could also delay any A6.4ERs generation by transitioning CDM activities.⁴⁰ It is unclear if and how such an option would take into account any experience gained or lessons learned from the CDM, and thus if and how it would take into account the recommendation of paragraph 37.f from Decision 1/CP.21.

4.2. Process options for participation and registration of new activities in the Article 6.4 mechanism

This sub-section highlights the tasks that would need to be carried out in order for new activities to be registered into the Article 6.4 mechanism, the possible roles of different actors, and the possible sequencing of different steps. It is clear that multiple actors, including activity participants, the host Party, DNAs for A6.4, DOEs for A6.4, the UNFCCC secretariat, and the 6.4SB will have a role to play in the registration of new activities into the Article 6.4 mechanism.⁴¹ As the RMP for Article 6 have not yet been agreed, the role for each body is not yet completely clear. However, the steps of the Article 6.4 activity cycle are the same across all three versions of the COP25 presidency texts. This indicates that there is general agreement on these steps. However, the precise order of some steps, and which actors are involved in which step, does vary slightly between the different texts.

³⁹ However, as analysed in section 3, the effective registration date of transitioning CDM activities as Article 6.4 activities would not affect the issuance volume during the transition period (if activities keep monitoring their emission reductions).

⁴⁰ See footnote 39.

⁴¹ NB: this section deals only with the steps of the Article 6.4 activity cycle up to and including registration of the activity.

Broad tasks relating to participation and registration of activities under the Article 6.4 mechanism will require answers to the following questions relating to what needs doing, and who would do it. In some cases (e.g. whether or not to participate in the Article 6.4 mechanism) it is clear which actor can make this decision. In other cases (e.g. which actor can develop a new baseline methodology) multiple actors could have a role in this task. In addition, for some tasks, there is not yet a decision as to which actor(s) would have a role, and some questions would need to be resolved to clarify these uncertainties before new activities could be registered in the Article 6.4 mechanism:

- **Host Party participation in the Article 6.4 mechanism:** does a host Party wish to participate (or not) in the Article 6.4 mechanism? If so, would it like to limit or focus participation in a particular way (e.g. to focus on specific activity types, on activities that use a specific type of baseline approach, on activities with a specific length of crediting period, on activities that generate specific types of co-benefits, on activities with a specified cost threshold)?
- **Procedures and infrastructure:** are the international, national and sub-national procedures and institutions in place to ensure that proposed Article 6.4 activities can be examined in a timely manner? Could any procedures (e.g. for developing a Letter of Approval, for accrediting a DOE) or infrastructure related to the CDM be “repurposed” for Article 6.4 activities? If not, what would it take to set up these procedures and infrastructure? When could work on such procedures and infrastructure start?
- **Actors:** Which actor is to play what role in the registration of new activities under the Article 6.4 mechanism? For example, at the host Party level, have procedures needed to approve new proposed Article 6.4 activities been agreed and roles been defined? This is a potentially important point for both the host Party as well as the purchaser of any associated emission credits as under the CDM different project activities generated significantly different (greater or fewer) amounts of credits than originally anticipated. This could impact NDC achievement from both the host Party or purchasing Party perspective.⁴²
- **Standards:** are there approved methodologies to calculate emission reductions from potential Article 6.4 activities? Are the regulatory documents (e.g. forms needed to submit activity proposals to host Parties, for DOE validation and verification etc.) available? Have relevant definitions been agreed? (e.g. what a “new” Article 6.4 activity entails) If not, when could these reasonably expected to be agreed?

The roles and potential sequencing for work needed by selected actors in order to register new Article 6.4 activities – encompassing both general work items and those needed for the approval and registration of specific activities – are highlighted in Figure 4 to Figure 6 below. While many of these processes and decisions may be dependent on the outcome of any CMA decision on Article 6, the domestic framework for approving participation and overseeing that participation in Article 6.4 activities can usefully be started in 2021 prior to any CMA adoption of the overall RMP for Article 6. This is particularly the case for domestic work for a potential host Party for Article 6.4 activities (Figure 4).

There are several decisions and tasks that a potential host Party for Article 6.4 activities will need to undertake before an Article 6.4 activity could be registered within its national territory (Figure 4). These include political decisions relating to the Article 6.4 mechanism (e.g. whether to participate), as well as technical and institutional decisions (e.g. which institution has the mandate to confer domestic approval of a proposed Article 6.4 activity, and what process does this institution need to undertake in order to do so). Such decisions are likely to be a pre-requisite to host Party participation in the Article 6.4 mechanism.

Importantly, the host Party may wish to undertake assessments of the potential impact of approving specific Article 6.4 activities on domestic NDC achievement and/or cost (see also discussions about host Party

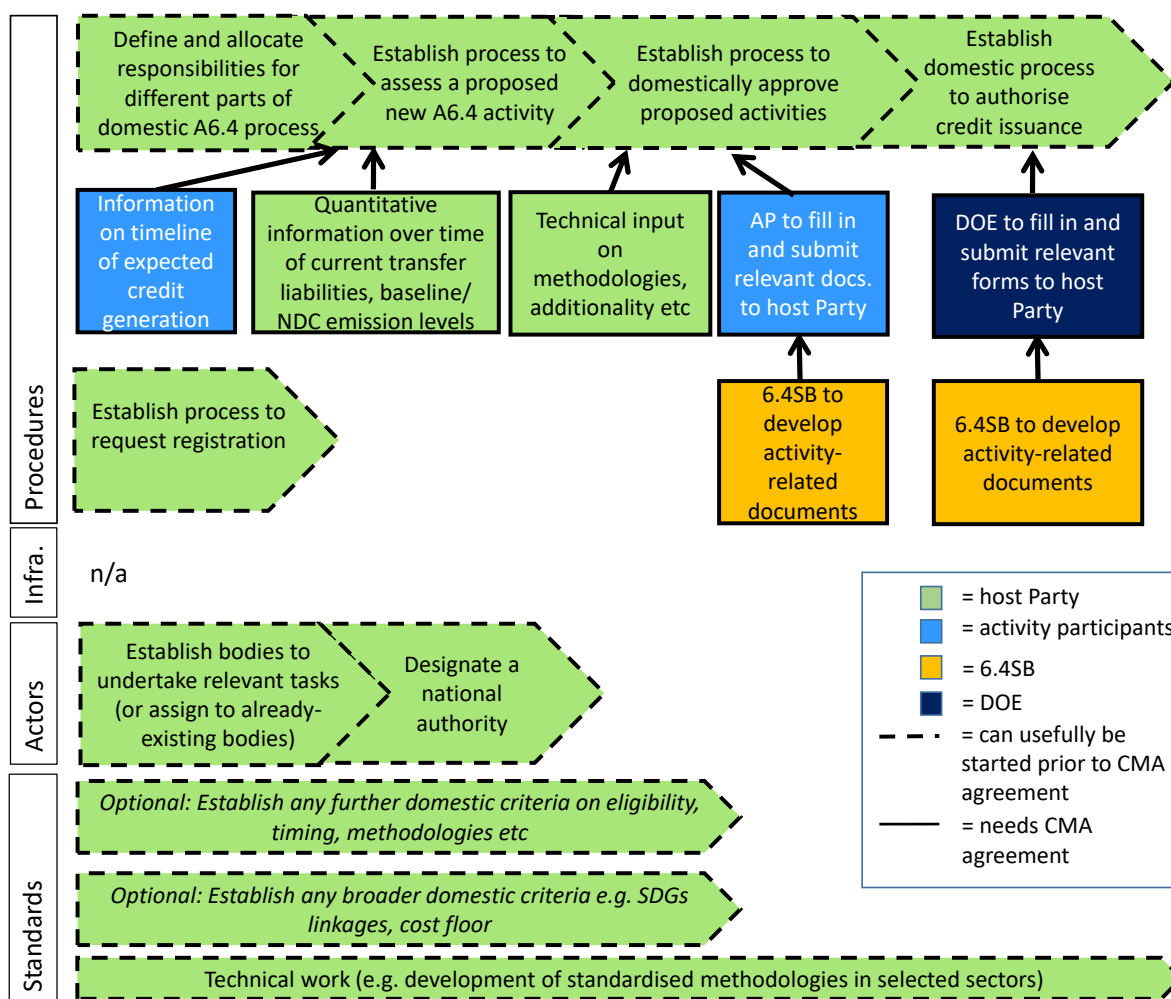
⁴² Similarly, there is a potential risk of under-purchase, and impact on achieving NDC targets.

approval above). Such assessments reflect that host Parties for Article 6.4 activities have NDCs that they will be aiming to achieve, and that if A6.4ERs are transferred internationally, a corresponding adjustment would need to be applied on the NDC emission balance of the host Party.⁴³ This also means that these A6.4ERs that are transferred internationally, depending on the RMP to be agreed, will not also be able to be used domestically for NDC achievement. Further, if A6.4ERs that are transferred internationally focus on cheaper emission reductions, emission reductions available for the host Party to achieve its NDC will be of higher cost. This could mean that host Parties may wish to assess and potentially cap (from an individual activity and/or more broadly from their Article 6.4 activities portfolio) the expected number of A6.4ERs from within its NDC that could be transferred internationally.

There are also decisions that a host Party may wish to take that would shape its potential participation in the Article 6.4 mechanism, and could also influence its potential attractiveness as a host for Article 6.4 activities. For example, some NDCs explicitly mention the biodiversity-climate link. Thus, some host Parties may wish to strengthen any internationally-agreed reference to sustainable development in the RMP for Article 6, with specific criteria that link the domestic approval for activities participation in the Article 6.4 mechanism to positive benefits for one or more Sustainable Development Goals. Similarly, some host Parties may wish to set a domestic A6.4ERs price floor, and/or to develop baseline methodologies for specific project types. These actions at host Party-level could be started prior to any adoption of the RMP for Article 6, and work on different topics could proceed simultaneously.

⁴³ See also footnote 9.

Figure 4. Roles and work required by the host Party to register new activities under Article 6.4, and inputs needed from other actors

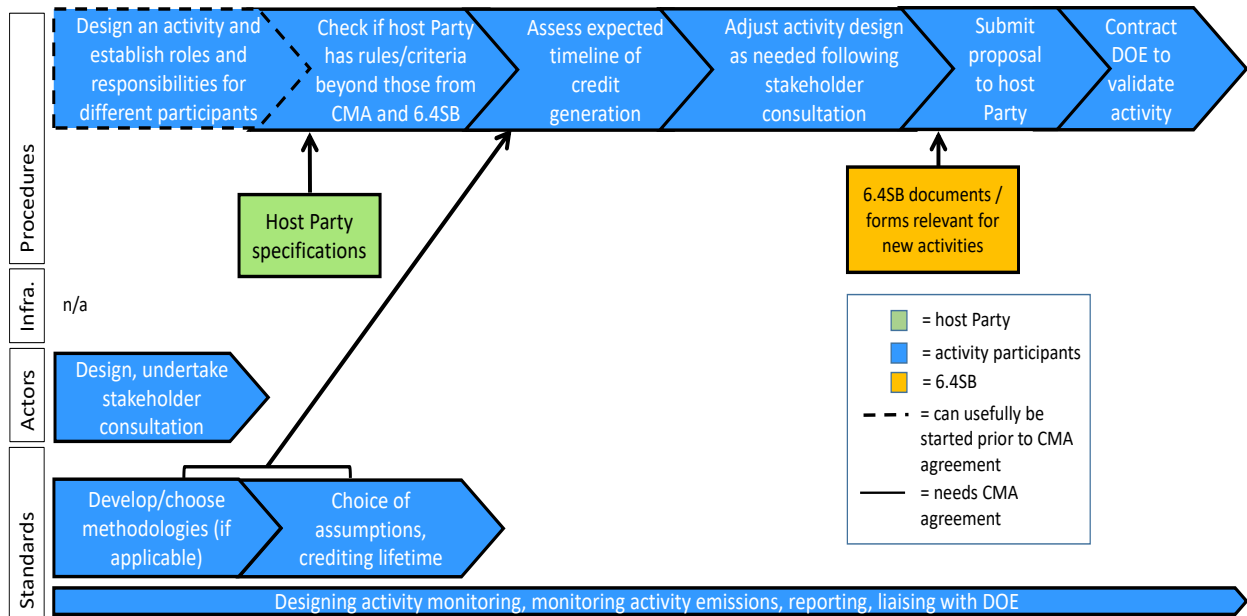


Notes: A6.4 = Article 6.4 mechanism, SDGs = Sustainable development goals.
Source: Authors.

There are also many tasks that the 6.4SB will need to perform before Article 6.4 activities can be registered (see Figure 7 in the next sub-section). In contrast, the 6.4SB will not be constituted until the CMA formally adopts the decision on the RMP of Article 6.4. Therefore, work that needs to be done by the 6.4SB cannot be started – at least by that body – until it has been established.

Activity participants (APs) for new Article 6.4 activities are of course also key actors in the development and registration of new Article 6.4 activities. Putting in place an Article 6.4 activity proposal to a host Party will also involve multiple tasks. Some of these tasks may be mandatory at international level (e.g. assessing the timeline of any A6.4ERs to be generated by such an activity), and other tasks may be mandatory at a domestic level – depending on any criteria that the host Party has established. There may also be tasks that the APs wish to undertake, such as developing and proposing a methodology to calculate baseline emissions from their activity.

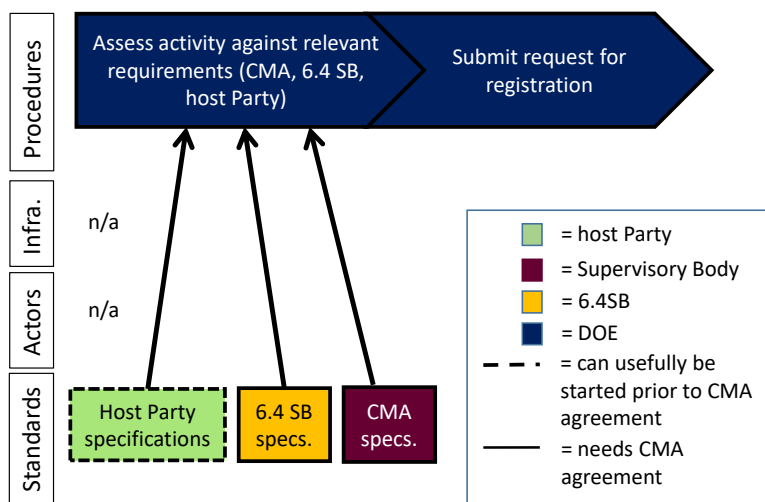
Figure 5. Tasks and potential sequencing of work required by activity participants to register new activities under Article 6.4 and inputs needed from other actors



Notes: A6.4 = Article 6.4 mechanism.
Source: Authors.

The draft Article 6.4 texts from COP25 all also indicate that there will be a role for the UNFCCC secretariat, particularly relating to the infrastructure needed to register (transitioning and new) activities under the Article 6.4 mechanism. Inasmuch as this relates to the registration of activities under the new mechanism, all three versions of the texts from COP25 indicate that the UNFCCC secretariat shall i.a. serve as the secretariat for the Article 6.4SB, and maintain and operate the mechanism registry.

Figure 6. Potential sequencing of work required by the designated operational entity to register new activities under Article 6.4 and inputs needed from other actors



Source: Authors.

4.3. Tasks and sequencing of the work of the 6.4 Supervisory Body

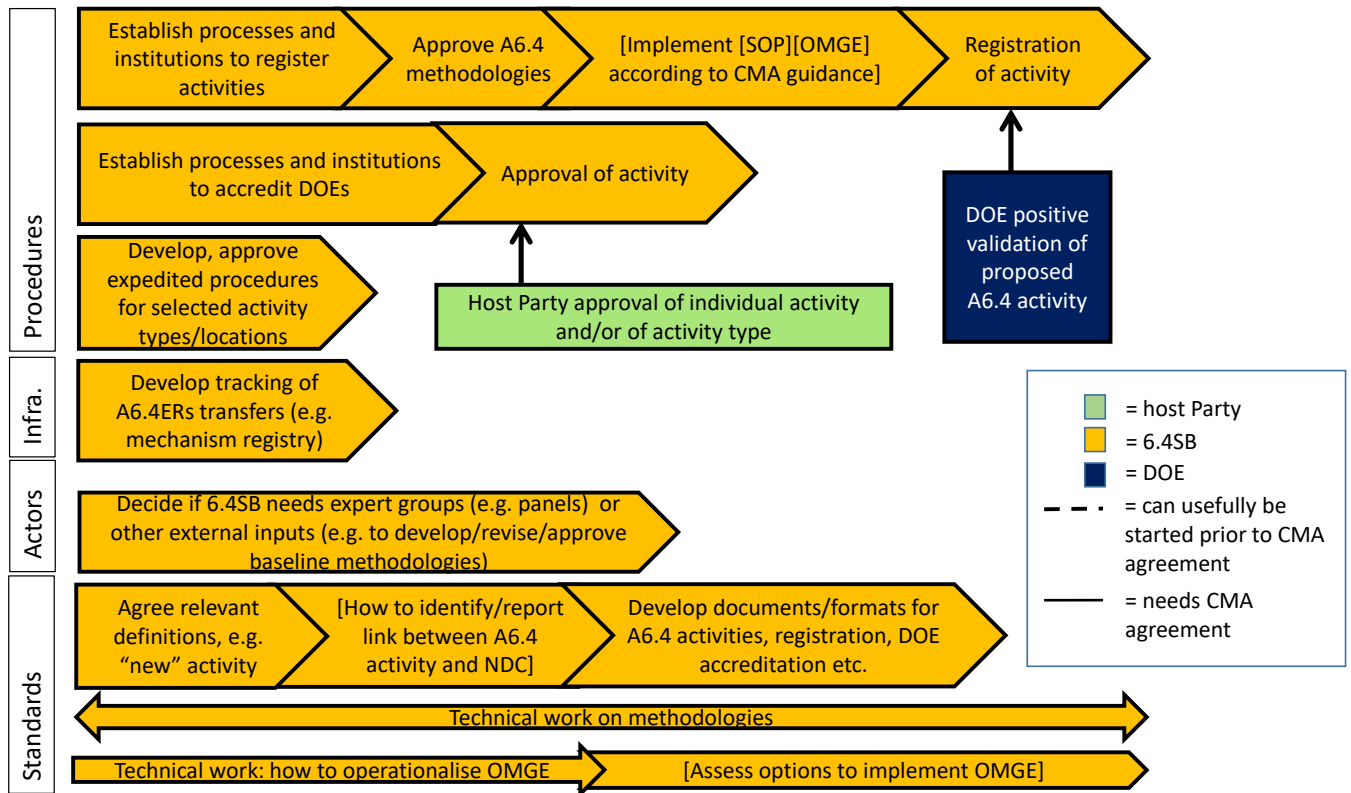
As discussed in section 3, the CMA could usefully assign tasks that are essential to the main implementation of the possible transition to the 6.4SB rather than SBSTA/SBI, as doing so could allow a quicker implementation of the Article 6.4 mechanism. In this case, the 6.4SB would have to do a lot of work in order to ensure that the Article 6.4 mechanism is operational without too long a delay after the adoption of the RMP for Article 6. As highlighted (Figure 7), this work is likely to include many items, such as:

- Work relating to procedures and institutions, e.g. “translating” CMA guidance into specific processes, including establishing processes to consider/approve Article 6.4 activities as well as baseline methods, to accredit DOEs, and to develop expedited approval for selected (e.g. small-scale) activities. This work relating to procedures will also involve i.a. agreeing on the mode of work for the 6.4 SB.
- Work relating to infrastructure, such as developing the registry for the Article 6.4 mechanism.
- Work relating to specific actors, such as identifying if/where the 6.4SB needs input from anywhere else, e.g. from technical panels, mandating “internal” (e.g. sub-panels of 6.4SB) or “external” (e.g. DOE accreditation) bodies.
- Work relating to standards, such as the development of standard documents or formats for activity participants, DOEs and other actors in the Article 6.4 process (e.g. project design documents). This type of work could also include technical work on developing baseline methodologies, or work assessing options how to implement Overall Mitigation in Global Emissions (OMGE).

All of this work can take a significant amount of time, particularly if tasks are to be done solely by the 6.4SB, and if this 6.4SB can take decisions only when it meets (in person or virtually). For example, there were four years between agreeing to the CDM under the KP (in 1997 at COP3) and its modalities and procedures (in 2001 at COP7). Despite the first meeting of the CDM EB meeting being held in 2001, there was a gap of three years before the first CDM project was registered (November 2004), and a further year’s gap until the first CERs from CDM projects were issued. If there were to be a similar timelag between agreeing the RMP for Article 6.4 and registering activities under the Article 6.4 mechanism, this would mean that the mechanism would not be operational in the implementation period of those Parties with NDCs running to 2025, and would only be operational for half of the implementation period for those Parties with NDCs running to 2030.

Of course, none of this work can officially be started until the 6.4SB itself is designated and members elected by the CMA. It would help to avoid delay in implementing the Article 6.4 mechanism if work needed to implement it could be prioritised, with those items that are of highest priority to be carried out in parallel. Given the volume of work needed in order to ensure that the Article 6.4 mechanism is operational in time for Parties to plan on using it to a significant extent, the frequency of 6.4SB meetings could usefully be high in the first year or so of its existence. The text could also usefully explicitly provide for the possibility of having virtual meetings, if all 6.4SB have reliable access to the Internet, as this could increase the feasibility of holding more frequent meetings and also reduce their financial cost (as well as environmental impact). The draft Presidency text from COP25 indicates “at least two” meetings would be needed per year, but does not specify the format. More frequent, and potentially virtual, meetings of the 6.4SB would help to front-load work needed for the possible transition. It could also be useful to carefully assess the needed modalities of decision-making of the 6.4SB (for example, whether decisions could be made via virtual meetings).

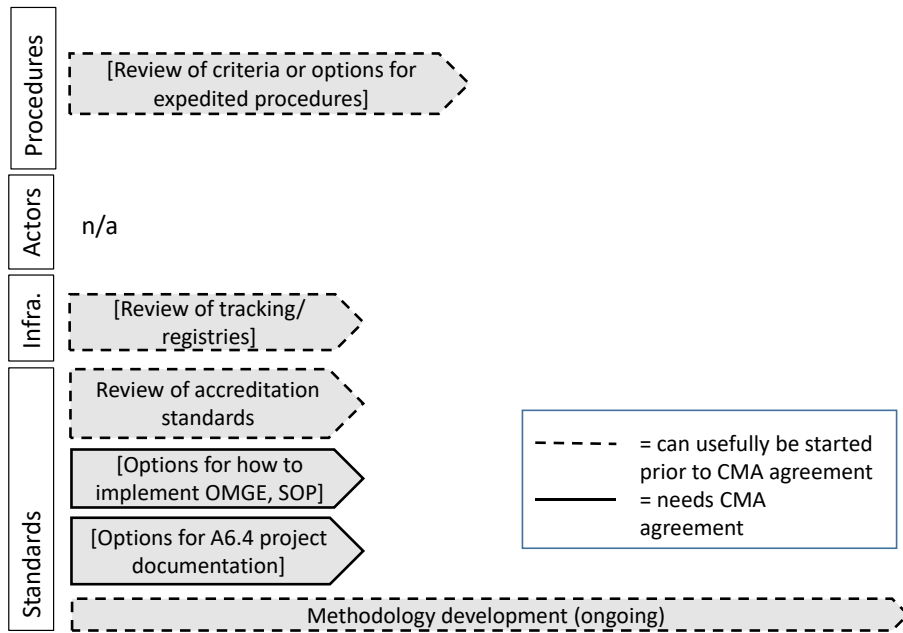
Figure 7. Potential sequencing of work required by the 6.4 Supervisory Body to register new activities under Article 6.4 and inputs needed from other actors



Note: SOP = Share of Proceeds; A6.4 = Article 6.4; OMGE = overall mitigation in global emissions.
Source: Authors.

As outlined in Figure 7, the 6.4SB needs to be constituted by a CMA decision before it can start work on the many tasks that it is likely to be mandated with. Several of these possible tasks are known in advance (Figure 8). It could be that selected institutions decide (bottom up) to undertake, unofficially, some technical analysis that could potentially be useful for the 6.4SB once it is constituted. It would also be possible for some already-existing institutions (e.g. UNFCCC secretariat) to be officially asked by SBSTA at the next negotiation session to work on specific technical issues. This could be particularly useful for aspects where such bodies are also tasked with supporting the Article 6.4 mechanism. For example, if (as per all three versions of the COP25 texts) the registry of the Article 6.4 mechanism will be maintained and operated by the UNFCCC secretariat, it may be helpful for the secretariat to review lessons learned with current registry systems even if it has not specifically yet been tasked with that analysis.

Figure 8. Tasks for un-specified actors for work that could speed up registration of new activities under Article 6.4



Note: A6.4 = Article 6.4 mechanism.
 Source: Authors.

Conclusions

This paper analysed issues related to the possible transition of Clean Development Mechanism (CDM) activities to the Article 6.4 mechanism and the registration of new activities under the Article 6.4 mechanism. The possible transition of CDM activities was among the unresolved issues of Article 6 negotiations at COP25. The paper highlighted that a lot of work and co-ordination is needed at various decision-making levels and by multiple actors across both the Kyoto Protocol and Paris Agreement UN climate regimes before the possible transition of eligible CDM activities to the Article 6.4 mechanism can happen. Moreover, the paper outlined that significant work in relation to establishing procedures and infrastructure, as well as developing standards will also be needed to implement the Article 6.4 mechanism, including the registration of new activities.

This paper also highlighted the different actors who will need to be involved in the possible transition of eligible CDM activities to the Article 6.4 mechanism (e.g. **CMP, CMA, 6.4SB, CDM EB, host Party, DOEs**), their roles, and the importance of co-ordinating their work to support an efficient possible transition. There will be significant inter-dependencies and interactions among these different actors and roles. The mapping of roles and responsibilities provided in this paper can help improve the co-ordination and efficiency of a possible transition, and thus reduce the time needed to implement the Article 6.4 mechanism, by ensuring that necessary steps are taken and that the mechanism operates in accordance with the provisions of the Paris Agreement and associated Decision, while minimising potential inefficiencies in the process. This is important because any time lag in implementing the new mechanism could have knock-on effects on the costs to Parties meeting current and future emission reduction commitments in their Nationally Determined Contributions (NDCs). This could potentially also affect the ambition of future climate commitments, which many countries are currently in the process of developing.

There are potential advantages and disadvantages of involving different actors in specific tasks related to the possible transition given their specific characteristics. The CMA and CMP, for instance, would not be efficient actors for implementing rules for a possible transition as they only meet once a year. In contrast, the CDM EB and the 6.4SB could meet more frequently and they could allow for more technical discussions, thus they could be more efficient actors for implementing rules for a possible transition. However, as the CDM EB and 6.4SB operate under two different UN climate regimes, their scope for co-operation is limited unless they are specifically invited or instructed to do so by their respective supreme bodies (CMP and CMA).

One option to facilitate co-operation among actors across the Kyoto Protocol and Paris Agreement regimes could start at the highest level of decision making through the CMP and the CMA, e.g. with the CMA inviting eligible CDM activities to transition to the Article 6.4 mechanism by a given time, subject to certain conditions. The CMP could support this process by acknowledging the invitation from the CMA and by enabling eligible CDM activities to transition. Such decisions could facilitate co-ordination by assigning the CDM EB and 6.4SB the mandate (by their respective supreme bodies) to co-operate, so that they could adopt co-ordinated processes for the implementation of the possible transition.

Host Parties would also play a key role in the possible transition, and a significant amount of co-ordination will be needed at the national level to ensure that any Host Party approval takes into account a country's

NDC targets. In particular, individual host Parties may wish to minimise the risk of unintentionally overselling internationally transferred Article 6.4 emission reductions (A6.4ERs) from both new Article 6.4 activities as well as transitioning CDM activities. Such overselling could jeopardise their NDC achievement (if such transfers require the application of a **corresponding adjustment**, as suggested by the three drafts of the COP25 Presidency texts).⁴⁴ Thus, the host Party will need to co-ordinate amongst those actors responsible for implementing domestic mitigation measures in the context of its NDC, and those involved in the possible approval of new or transitioning activities under the Article 6.4 mechanism, i.e. the **DNA for the CDM** and the **DNA for Article 6.4**. Some of this work at host Party level could potentially start before an agreement on RMP for Article 6. Host Parties will maintain the prerogative to decide which regulatory authorities in their country are to perform the role of DNA for the Article 6.4 mechanism, as in the CDM. Host Parties will also decide if/how their process for domestic approval for potential Article 6.4 activities will differ from that under the CDM.

Thus, some host Parties may wish to put in place domestic processes that strengthen any RMP for Article 6. For example, host Parties may wish to separate out their approval of an activity under the Article 6.4 mechanism (including CDM activities eligible for transition) from their authorisation of credit transfers from that activity. Distinguishing between approving an activity and authorising credit transfers could also mitigate potential risks of transferring more credits than initially foreseen, e.g. if the activity generates significantly more emission reductions than was originally anticipated – as happened not infrequently for CDM project activities. To speed up implementation of the Article 6.4 mechanism, countries planning to host many Article 6.4 activities could usefully start to establish domestic criteria, procedures and institutions needed for participation in the Article 6.4 mechanism before the RMP for Article 6 are agreed.

While there is not yet agreement on the RMP for Article 6 (or on details of any possible transition), this paper highlighted areas relating to the possible transition where Parties could focus their discussions. These include:

- The duration of the transition period: the original proposal (for the end 2023) assumed that the RMP would be agreed at end 2019, whereas they will not possibly be agreed until November 2021 at the earliest. This duration could therefore usefully be extended;
- The scope of the work programme assigned to **SBSTA**: most of the tasks assigned to the work programme of SBSTA in the draft Presidency texts from COP25 are essential to implement the possible transition. These tasks include the definition of the full set of eligibility criteria for the transition, the procedures for the implementation of the transition, the process for an expedited transition for small-scale CDM activities. Given the delays to the negotiation schedule and agreement of RMP, tasks that are essential to implement the Article 6.4 mechanism could usefully be assigned to actors who can meet more frequently and take decisions on technical matters, e.g. the 6.4SB;
- CDM afforestation and reforestation (A/R) activities: in order for existing registered CDM A/R activities to operate in the post-2020 period, the CMP would need to give guidance on whether these activities could continue to apply their modalities and procedures beyond the KP's second commitment period, when they are set to expire. Without this CMP guidance, it would be challenging to determine if these activities could meet the eligibility requirements to transition to the Article 6.4 mechanism.

There are several decision points relating to the possible transition of CDM project activities to the Article 6.4 mechanism (see options laid out in Table 9). This paper highlighted possible options relating to these decision points linked to host Party approval, to the use and review of existing CDM methodologies and of existing CDM **accreditation** standards. In all cases, the simplest and quickest option would be to facilitate

⁴⁴ See also footnote 9.

the use of CDM standards or procedures in the Article 6.4 mechanism. However, doing so would have positive, negative or mixed implications (see also Table 1 in the Executive Summary) in terms of:

- the level of regulatory efficiency;
- the level of administrative and monetary burden on project participants of transitioning activities and the host Parties in which these activities are located;
- the compatibility with paragraphs 37.b and 37.d of Decision 1/CP.21;
- the extent to which experience from existing mechanisms is taken into account, in accordance with paragraph 37.f of Decision 1/CP.21.

For instance, an individual host Party could decide to approve eligible CDM activities by applying a simple set of assessment criteria to all eligible CDM activities in its portfolio to assess their possible transition to the Article 6.4 mechanism, without further analysis of the characteristics of individual activities or project types. This option would be simple and quick to implement at the host Party level, which could be helpful for those few host Parties with large numbers of eligible CDM projects that could potentially transition. This option would also have a low administrative and monetary burden on **project participants (PPs)** and it would not have significant resource implications on the many host Parties where only a small number of CDM projects wish to transition. However, this option could lead to host Parties approving activities to transition to the Article 6.4 mechanism even if the likely emissions **baseline** may have changed because of policies put in place to implement NDCs, and/or where the emission reductions are lower-cost than other domestic mitigation options. If the resulting emission reductions from these activities are transferred internationally, this could increase the cost and/or jeopardise the Party meeting its NDC.⁴⁵ In contrast, using accreditation standards developed for the CDM (with minor editorial adjustments to take into account e.g. any changes of scope between the Article 6.4 mechanism and the CDM) would facilitate a quicker implementation of the Article 6.4 mechanism without negative consequences on NDC implementation or its cost. Reviewing (and when needed, revising) CDM accreditation standards to apply them in the new mechanism would also allow experience gained with and lessons learned from the CDM to be taken into account, thereby meeting the recommendations of paragraph 37.f from Decision 1/CP21. The pros and cons of these options are summarised in Table 9.

⁴⁵ See also footnote 9.

Table 9. Pros and cons of different options to enable the possible transition of eligible CDM activities

Option		Pros	Cons
Host Party approval - Options for the assessment of eligible CDM activities at host Party level	A. Blanket assessment	<ul style="list-style-type: none"> Significantly speed up the host Party approval assessment process Minimise administrative burden on host Parties and project participants 	<ul style="list-style-type: none"> Would lead to significant uncertainties, e.g. lack of assessment of the potential impact of individual activities on the NDC emission balance of the host Party Would not incorporate experience gained and lessons learned from the CDM
	B. Grouped assessment	<ul style="list-style-type: none"> Slightly speed up the host Party approval process Limit administrative burden on host Parties and project participants 	<ul style="list-style-type: none"> More technical work needed compared to a blanket assessment Would lead to similar significant uncertainties as a blanket assessment, although to a lesser extent More uncertainty for project participants
	C. Assessment on a case-by-case basis	<ul style="list-style-type: none"> Allows host Party to fully assess the possible impact of each individual activity on their NDC emission balance Could provide host Party more control over other potentially important domestic parameters (e.g. a national cost floor for A6.4ERs or further requirements on stakeholder participation) Could incorporate experience gained and lessons learned from the CDM, e.g. in relation to the conservativeness of the baseline 	<ul style="list-style-type: none"> Resource-intensive to implement – would slow down the host Party approval process (especially for those few host Parties with large numbers of eligible CDM projects that could potentially transition) Increase administrative burden on host Parties and project participants
Host Party approval - Options for the design of the process for requesting and communicating the host Party approval	A. DNA provides letter only to approved activities	<ul style="list-style-type: none"> Transition only “active” eligible CDM activities Quick to implement Optimise regulatory efficiency Minimise administrative burden on host Parties and project participants 	<ul style="list-style-type: none"> Need domestic co-ordination among actors involved in the transition
	B. PPs to send request for approval to host Party	<ul style="list-style-type: none"> Transition only “active” eligible CDM activities, making sure that project participants are engaged in the transition process 	<ul style="list-style-type: none"> Could be longer to implement and more resource intensive, especially for host Parties with large and diverse portfolios of CDM activities Increase administrative burden on host Parties and project participants
Options for the possible use, review and revision of existing baseline methodologies	A - Use of existing CDM approved methodologies without any revision for an interim period	<ul style="list-style-type: none"> Easy and quick to implement Minimise administrative and cost burden on project participants 	<ul style="list-style-type: none"> If host Party developed domestic criteria for Article 6.4 participation, might still need adjustments for certain assumptions or parameters, increasing administrative and cost burden for PPs. Might lead to the use under the Article 6.4 mechanism of some baselines that are not conservative in certain cases (e.g. incompatibility with paragraphs 37.b, 37.d and 37.f of Decision 1/CP.21).
	B - Review (and potential revision) of selected CDM methodologies	<ul style="list-style-type: none"> Could support the creation of methodologies fit for the Article 6.4 mechanism to be applied to all new Article 6.4 activities; Could help increase assurance that reviewed (and potentially revised) CDM methodologies are in line with the requirements of the RMP of 	<ul style="list-style-type: none"> Technical inputs needed for methodologies that need review and revision; May lead to a potential gap for selected activity types between emission reductions generated and A6.4ERs issued;

Option	Pros	Cons	
	Article 6.4 and use conservative baselines.	<ul style="list-style-type: none"> • Increase administrative burden on host Parties and PPs; • Increase cost for PPs if activity needs re-validation. 	
C. Review (and potential revision) of all existing CDM methodologies	<ul style="list-style-type: none"> • Could support the creation of methodologies fit for the Article 6.4 mechanism to be applied to all new Article 6.4 activities; • Could help increase assurance that reviewed (and potentially revised) CDM methodologies are in line with the requirements of the RMP of Article 6.4 and use conservative baselines • Could incorporate experience gained and lessons learned from the CDM. 	<ul style="list-style-type: none"> • Inefficient use of time and resources, particularly for rarely-used CDM methodologies; • May lead to a potential gap for selected activity types between emission reductions generated and A6.4ERs issued; • Increase administrative burden on HP and PP • Increase cost for PP for activities needing re-validation. 	
Options for the possible use, review and revision of existing accreditation standards and procedures	A - Use existing CDM accreditation procedures as an interim process	<ul style="list-style-type: none"> • Quick to implement and no technical input needed • Minimise administrative burden on host Parties and PPs • Would allow use of already existing DOEs, and already-existing system of checks and balances 	<ul style="list-style-type: none"> • Would need minor editing before being applied; • Might need further consideration from a legal/regulatory perspective to be applied. • Would not incorporate experience gained and lessons learned from the CDM
	B. 6.4SB to review and potentially revise the existing CDM accreditation system	<ul style="list-style-type: none"> • Incorporate any criteria agreed for Article 6.4 activities that were not an explicit requirement for CDM activities • Learn lessons from the CDM, while adjusting to new context • Already existing DOEs could be allowed to follow a provisional accreditation procedure under Article 6.4 • Could optimise regulatory efficiency (e.g. it allows for no revisions to existing system if none are needed) • Could incorporate experience gained and lessons learned from the CDM 	<ul style="list-style-type: none"> • Some technical input needed, can only be started after adoption of RMP on Article 6 • Increase administrative and cost burden on host Parties and project participants (compared to using existing accreditation system)
	C. Establish a completely new accreditation system for the Article 6.4 mechanism	<ul style="list-style-type: none"> • Ensure that all DOEs accredited under Article 6.4 meet any new requirements of the new mechanism 	<ul style="list-style-type: none"> • Increase the resource and time demands with uncertain value added • Technical input needed - potentially need the establishment of new bodies to be involved in the accreditation procedure (e.g. a sub-panel of the 6.4SB that focuses on accreditation). • Increase administrative burden and potentially costs for PPs

Source: Authors.

Decision points and inputs at the national and international level are also needed in order to register new activities under the Article 6.4 mechanism. This work includes developing procedures, infrastructure, and standards. Individual tasks could be carried out by one or more actors, including the host Party, the 6.4SB and DOEs. In order to reduce delays in implementing the Article 6.4 mechanism, some of these actors (e.g. the host Party) could usefully start work on some tasks before the adoption of RMP for Article 6. This could include decisions on domestic criteria, such as whether or not to place restrictions on any internationally-agreed eligibility criteria for Article 6.4 activities, to put in place A6.4ERs cost floors, and/or criteria relating to the wider SDGs impacts of domestic Article 6.4 activities. Conversely, work of the 6.4SB cannot be started before CMA rules are adopted, including on the membership and rules of procedure of the 6.4SB, even though input from the 6.4SB is essential to implement the Article 6.4 mechanism. The 6.4SB work will need to cover procedures and institutions (e.g. baseline methodologies for the Article 6.4 mechanism, accreditation of DOEs for A6.4, expedited processes, etc.); infrastructure (e.g. registry for the new mechanism); work relating to specific actors (e.g. any sub-panels of 6.4SB); and work related to standards (e.g. formats and documents for **activity cycle**). This work can be very time-consuming, and as such some of this work could potentially be done in parallel with the help of relevant actors on specific tasks (e.g. **UNFCCC secretariat**).

The extent to which the Article 6.4 mechanism can contribute to Parties meeting their first NDCs (with fixed end dates) has already been lessened by the lack of agreement at COP24 and 25, as well as the delay to the negotiation timetable caused by COVID-19 restrictions. To fully enable the potential use of the Article 6.4 mechanism, it would be important to enable a rapid implementation of the Article 6.4 mechanism after the adoption of RMP of Article 6. Every decision at CMA level could usefully take this consideration into account.

It will therefore be important that the governance of the Article 6.4 mechanism is flexible enough to facilitate the significant level of work needed by multiple actors over a relatively short period to make the mechanism operational, without compromising its effectiveness and integrity. The draft Presidency texts from COP25 highlights that “at least” two meetings of the 6.4SB would be expected the year after the adoption of RMP of Article 6. However, given the delays to date in adopting these RMP, it could be worthwhile considering front-loading the work of the 6.4SB in its first year or so. This could mean a greater number of meetings until the mechanism is implemented. An increased use of remote meetings could also reduce the administrative costs of the mechanism.

This paper has also highlighted options available for the Article 6.4 mechanism to potentially be implemented within two-three years of a formal agreement of RMP for Article 6 – for both transitioning CDM activities and for new activities. Indeed, implementing the Article 6.4 mechanism may not be as daunting as at first sight. While there are many procedures and standards that need to be agreed at international level, these can usefully build on (potentially with only minor changes in some cases) the procedures and institutions developed for the CDM at a national or international level. For example, the procedure for accrediting DOEs for CDM does contain checks and balances, and experience from the CDM has highlighted that these checks and balances are needed. As such, there seems little risk in carrying forward this CDM standard (with minor edits, as appropriate) to the Article 6.4 mechanism.

However, implementing the Article 6.4 mechanism while ensuring compatibility with paragraphs 37.b and 37.d of Decision 1/CP.21, taking into account the experience from existing mechanisms in accordance with paragraph 37.f of Decision 1/CP.21, and without risking negative consequences for individual Parties to achieve their NDC is likely to require significant work by multiple actors – particularly the host Party. Indeed, there is a significantly changed context for host Parties participating in the Article 6.4 mechanism compared to the CDM, as host Parties now have NDCs that they intend to achieve. Host Parties may therefore wish to examine the implication of domestic approval for transitioning CDM activities, and the international transfer of any A6.4ERs, on the implementation of their NDC and/or the cost of doing so. In particular, in order to ensure that transitioning eligible CDM activities do not jeopardise the ability of Parties to achieve their NDC, significant work may be needed to strengthen assessments of new or transitioning activities at the host Party level, as well as on specific standards (e.g. selected baseline methodologies). Such a strengthened assessment may be particularly useful for proposed new or transitioning activities that could lead to large volumes and/or very low-cost emissions reductions.

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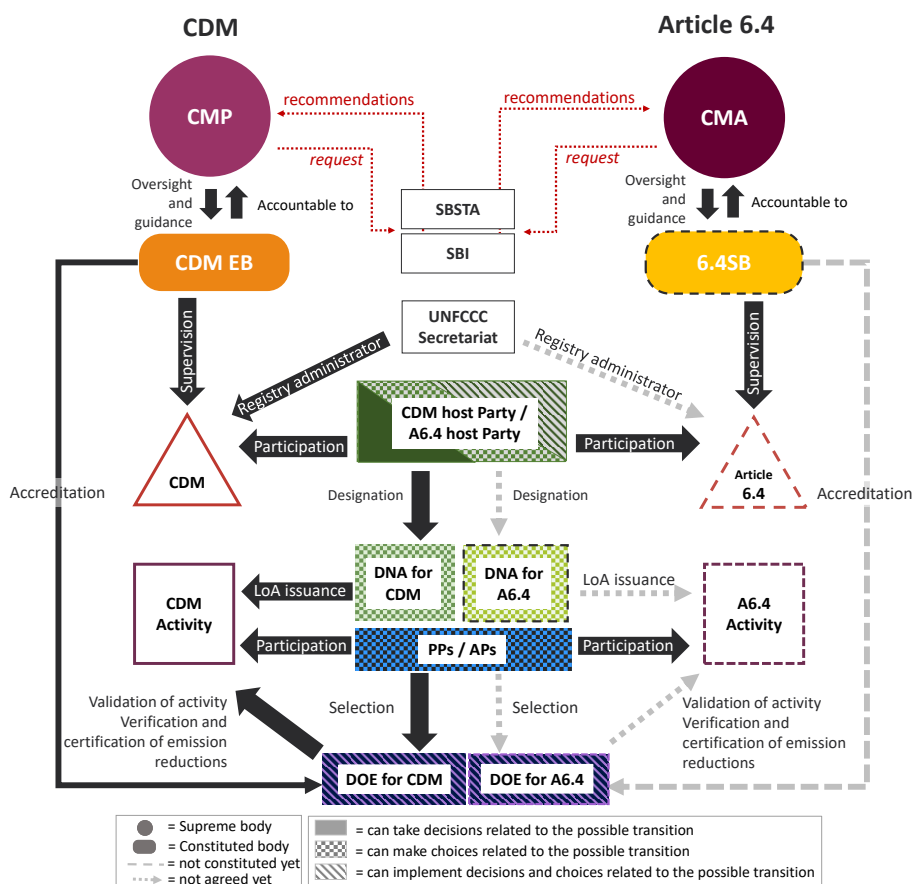
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Annex A. Overview of the main relationships among the actors that could be involved in the possible transition of CDM activities to the Article 6.4 mechanism

Section 2 describes the functions and relationships of actors involved in a possible transition. These relationships might be complex as they involve various multiple actors across two different UN climate regimes. Figure 9 illustrates a simplified overview of the main relationships among actors involved in the possible transition.

Figure 9. Simplified overview of the main relationships among the actors that could be involved in the possible transition of CDM activities to the Article 6.4 mechanism



Note: this diagram is illustrative and is not intended to represent the whole spectrum of functions and relationships among these actors. In case of transition of an eligible activity from the CDM to the Article 6.4 mechanism, the following elements on this diagram would be the same: (i) the CDM host Party and the Article 6.4 Party, (ii) the CDM activity and the Article 6.4 activity, (iii) project participants (PPs) and activity participants (APs). A6.4 = Article 6.4 mechanism. Other acronyms are available in the list of acronyms at the beginning of the paper.

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