



15 September 2022

## **Technical paper on the use of CERs towards first NDCs**

## **I. Introduction**

### **A. Background and Mandate**

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA) requested the secretariat to prepare, with a view to facilitating the understanding of the relevant issues but without prejudging possible outcomes, and considering the views expressed by Parties at this session and taking into account paragraph 29 of the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, where applicable, technical papers without formal status on, *inter alia*, the processes for implementation of chapter XI.B of the annex to decision 3/CMA.3 (“Use of certified emission reductions towards first or first updated nationally determined contributions”).

2. The SBSTA also requested the secretariat, before SBSTA 57 (November 2022), to organize a series of virtual technical workshops followed by an in-person technical workshop with the possibility of virtual participation, to consider the elements on reporting referred to in paragraph 1 above, taking into account the submissions by Parties and this technical paper, thus ensuring broad participation of Parties.

### **B. Scope and approach**

3. The scope of this technical paper is on the procedural and policy considerations related to the implementation of the provisions in chapter XI.B of the annex to decision 3/CMA.3 (“Use of certified emission reductions towards first or first updated nationally determined contributions”), from the perspective of the administration and operation of the mechanism registry established by chapter VI of the annex to decision 3/CMA.3 (“Mechanism registry”). This paper has only considered transfer of eligible CERs from the CDM registry and not any other registry in which eligible CERs may be held.

4. This technical paper should be read in conjunction with the technical paper on the A6.4 mechanism registry and the technical paper on the impact on the clean development mechanism (CDM) registry of the transfer of certified emission reductions (CERs) to the A6.4 mechanism registry. The approach of the technical paper is to examine what processes are needed in order to effectively implement each of the provisions of paragraph 75(a)-(f).

## **II. Processes for implementation of the use of certified emission reductions towards first or first updated nationally determined contributions**

### **A. 75(a): The CDM project activity or programme of activities was registered on or after 1 January 2013**

5. The implementation of this provision is supported through the establishment of a complete list of CDM project activities and programmes of activities (CDM activities) that issue these types of CERs. This list is identifiable from the CDM information system (CDM-IS) data, and the project ID of the CDM activities is embedded in the serial number of these CERs. Thus, a “positive list of eligible projects” whose CERs are eligible for transfer to the A6.4 mechanism registry is known.

### **B. 75(b): The CERs shall be transferred to and held in the mechanism registry and identified as pre-2021 emission reductions**

#### **1. Process for transferred to and held in the mechanism registry**

6. The technical processes for cancellation of eligible CERs in the CDM registry, and their transfer to the A6.4 mechanism registry, have been addressed in the technical paper on

the impact on the CDM registry of the transfer of CERs to the A6.4 mechanism registry. In addition, the technical processes for receiving and recreating the eligible CERs in the A6.4 mechanism registry have been addressed in the technical paper on the operation of the mechanism registry referred to in chapter VI of the annex to decision 3/CMA.3 (“Mechanism registry”). This paper has only considered transfer of eligible CERs from the CDM registry and not any other registry in which eligible CERs may be held.

## 2. Process for the identification of CERs as pre-2021 emission reductions

7. Implementation of the requirement to identify transferred CERs as being from pre-2021 could be undertaken by either:

(a) Reissuing the CER in the A6.4 mechanism registry with the original serial number, which contains information that the CER was issued during the second commitment period of the Kyoto Protocol (and can therefore only be pre-2021);

(b) Reissuing the CER in the A6.4 mechanism registry with a new serial number that embeds the “pre-2021” in some other way.

## C. 75(c): The CERs may be used towards achievement of the first NDC only

### 1. Scope of the purpose of transferring CERs to the A6.4 mechanism registry

8. The purpose of chapter XI.B of the annex to decision 3/CMA.3 is to enable the use of CERs towards Parties’ first NDCs. It is the assumption of this paper that the transferred and held CERs can also be used for any of the other purposes in addition to use towards achievement of the first NDC.

### 2. Reporting use towards achievement of the first NDC, including prevention of use towards achievement of the second NDC

9. It is the assumption of this paper that CERs from the CDM are not within the definition on internationally transferred mitigation outcomes (ITMOs) in paragraph 1 of the annex to decision 2/CMA.3. This implies that the calculation methods for determining an emissions balance and for reporting on use towards the achievement of a Party’s first NDC contained in the annex to decision 2/CMA.3 are not applicable to CERs. Furthermore, there is no place in the structured summary<sup>1</sup> for a Party to make an adjustment in the calculation of an emissions balance.

10. To facilitate the reporting of use of eligible CERs towards the achievement of Parties’ first NDC, guidance may be needed on how the Party “uses” CERs towards achievement of its first NDC. This could be demonstrated, placing the CERs into a “retirement for NDC use” account in the A6.4 mechanism registry for that Party that is a separate account to its CER holding account (see the technical paper on the operation of the mechanism registry for further details or

11. In either application, the CER holdings of a Party in the A6.4 mechanism registry could be made publicly available for transparency purposes. Such reporting would need to be at a sufficient level of aggregation and be consistent with any general approaches to confidentiality of unit holdings in the A6.4 mechanism registry that are adopted. This paper notes that reporting by Parties on CER holdings and use towards achievement of the first NDC are not within the scope of reporting in the agreed electronic format on annual information referred to in chapter IV.B of the annex to decision 2/CMA.3 (“Annual information”), nor are they within the scope of the information tracked in the Article 6 database referred to in chapter VI.B of the annex to decision 2/CMA.3 (“Article 6 database”).

12. The use of the CERs could be implemented and reports as either:

<sup>1</sup> Decision 5/CMA.3, Annex II

(a) Amounts used by the Party in its assessment of achievement of its first NDC in the relevant biennial transparency report covering the end year of NDC, including a breakdown of the quantity of CERs used in each year; or

(b) Quantity of CERs used in the number of ITMOs used for each year of the NDC period in the structured summary, with a notation on the quantity of CERs used in each year in addition to the ITMOs recorded, as used in the Article 6 database for those years.

13. Confirmation of the above numbers should be an element covered by the review of the structured summary that reconciles the number of ITMOs used for each year of the NDC period as the sum of the number of ITMOs recorded as used in the Article 6 database and the number of CERs used as reported by the Party.

14. The provisions of paragraph 75(c) of the annex to decision 3/CMA.4 are only operative for a Party's first NDC; therefore, the use of CERs towards NDC achievement beyond this period by any Party is automatically prevented. No additional processes for implementing this aspect of the provision are considered necessary.

**D. 75(d): The CDM host Party shall not be required to apply a corresponding adjustment consistently with decision 2/CMA.3 in respect of the CERs and not be subject to the share of proceeds pursuant to chapter VII above (Levy of share of proceeds for adaptation and administrative expenses)**

15. The implementation of this provision requires no processes for procedures, as it refers to actions that are not required to be done.

**E. 75(e): CERs not meeting the conditions referred to in paragraph 75(a)-(d) above may only be used for achievement of an NDC in accordance with a relevant future decision of the CMA**

16. The implementation of this provision is beyond the scope of the current mandate. Any further relevant decision on the CMA in relation to use of CERs for achievement of an NDC that do not meet the conditions referred to in paragraph 75(a)-(d) on the annex to decision 3/CMA.3 may require further processes to be developed for implementation.

**F. 75(f): Temporary CERs and long-term CERs shall not be used towards NDCs**

17. The implementation of this provision is beyond the scope of the current mandate. However, as a complete list of CDM activities that issue these types of CERs is identifiable from the CDM-IS data and the project ID of the CDM activities is embedded in the serial number of these CERs, it is noted that this creates a "negative list" of CERs that are incapable of being transferred to the A6.4 mechanism registry. Furthermore, temporary CERs and long-term CERs are distinct unit types that are trackable as such, and this provides an additional filtering point that could be used to prevent the transfer of temporary CERs and long-term CERs to the 6.4 mechanism registry for the purpose of use towards NDCs.