

# Regulating carbon markets: building capacity for the implementation of Article 6 of the Paris Agreement

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Victoria Falls and Online

## CDM TO ARTICLE 6.4 Transition updates

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# Background – Transition

## Key Decisions

Decision 3/CMA.3,  
annex (RMPs),  
chapter XI.A



Decision 7/CMA.4



## Details

- ❑ Contains provisions that allow transition of CDM activities to the Art. 6.4 Mechanism with conditions:
  - Transition request submission.
  - Host Party approval submission.
  - Compliance with the RMPs.

- ❑ Elaborated key conditions and processes (elaboration of RMPs) – **ACTIVE CREDITING PERIOD AS OF 1<sup>st</sup> JAN 2021**
  - Crediting period or PoA period.
  - Activity design.
  - Transition process.

## CDM activities can transition to the A6.4 Mechanism

As per Decision 3/CMA 3, Annex, Chapter XI.A of the RMPs, PAs and PoAs registered under the CDM or listed as provisional as per the temporary measures adopted by the EB CDM may transition to the Article 6.4 mechanism, which is further elaborated by Decision 7/CMA 4 by further elaborating key conditions and process including eligibility aspects such as: crediting period, activity type, methodologies, among others.

In accordance with the new Standard for the transition of CDM activities to the Article 6.4 mechanism, a CDM project activity that is not an afforestation or reforestation project activity may transition to the Article 6.4 mechanism.

## Eligibility for transition – PAs & PoAs

| Aspect to be considered for Transition         | Description  |
|--|--|
| <b>Activity Type</b>                           | Shall be among those indicated publicly by the host party to the Supervisory Body.   |
| <b>Crediting Period</b>                        | <ul style="list-style-type: none"> <li>• Active as of 1 Jan 2023.</li> <li>• Ends either at the end of the current CDM CP or 31 Dec 2025 (whichever is earlier) or as specified by the host party;</li> <li>• Type (renewable or fixed) – not to change at or after transition.</li> <li>• Renewals – <b>following the RPMs (same as CDM rules)</b> unless the Host Party specifies no-renewal</li> </ul>  |
| <b>Use of CDM Methodologies</b>                | <ul style="list-style-type: none"> <li>• <b>May continue to use currently applied CDM meth until renewal or 31 Dec 2025 (whichever is earlier)</b></li> <li>• May voluntarily (or requested by the host party if incompatible with its meth approach) replace the meth or as requested</li> <li>• Additionality demonstration is deemed fulfilled if CDM meth is applied</li> <li>• Global Warming Potential – apply values from the IPCC 5AR.</li> <li>• For a <u>PoA</u> that continues applying CDM meths, no new CPAs may be included until renewal of <u>PoA</u> under Art. 6.4.</li> </ul> |
| <b>Additional activity design requirements</b> | <ul style="list-style-type: none"> <li>• Long-term benefits to climate change.</li> <li>• Addressing non-permanence (all types of activities) – analysis of risks and planned monitoring and counter measures.</li> <li>• Social impacts.</li> </ul>   |

# Transition Process

| Procedure (Step)                              | Description   |
|---|---|
| <b>Submission of transition request</b>       | <ul style="list-style-type: none"> <li>PPs shall submit their expression of transition by filling the “CDM activity transition request form” .</li> <li>Submission of the form to the SB by 31 Dec 2023.</li> </ul>   |
| <b>Global stakeholder consultation</b>        | <ul style="list-style-type: none"> <li>Parties, stakeholders, and UNFCCC admitted observer organizations may submit comments within 28 days of the publication of the request for transition on the UNFCCC website.</li> </ul>  |
| <b>Submission of host party approval</b>      | <ul style="list-style-type: none"> <li>A host party shall fill in the “CDM activity transition approval form”.</li> <li>Submit to the Art.6 SB through a dedicated interface on the UNFCCC website, by 31 Dec 2025.</li> <li>HP may submit approval only after it has fulfilled participation requirements e.g., nominated Art.6 DNA, submitted NDC etc.</li> <li>The secretariat shall publish the host party approval of transition on the UNFCCC website and promptly inform the PPs of the receipt of such approval.</li> </ul> |
| <b>Submission of additional documentation</b> | <ul style="list-style-type: none"> <li>Addendum to the PDD, PoA-DD and CPA within 6 months of the publication of the host party approval (in case of continued use of currently applied CDM meths).</li> <li>Revised PDD, or PoA-DD/CPA-DDs and a validation report within 1 year (for voluntary/mandatory meth replacement cases).</li> </ul>  |

# Transition Process

| Procedure (Step)                               | Description  |
|--|--|
| <b>Processing of transition request</b>        | <ul style="list-style-type: none"><li>• Upon payment of transition fee (waived for activities in LDCs &amp; SIDs)</li><li>• Completeness check by the secretariat (within 7 days) - prioritizing requests for transition for small-scale CDM PA and PoAs</li><li>• Substantive check (21 days)</li><li>• Preparation of summary note to SB whether to approve the requested transition (within 14 days of the date of publication of additional documentation)</li></ul> |
| <b>Requesting review of transition request</b> | <ul style="list-style-type: none"><li>• Host party of the transitioning PA/PoA, SB member/alternate (within 28 days of receipt of the notification of the completion of the substantive check)</li><li>• Provide reasons for requesting review</li></ul>   |
| <b>Finalizing transition request</b>           | <ul style="list-style-type: none"><li>• If no review is requested, the request for transition shall be deemed approved by the Supervisory Body.</li><li>• The secretariat shall register the activity under the A6.4 mechanism, to be effective on the day it is deregistered from the CDM.</li></ul>  |

# State of play – implementation by the PACM – SBM

SB005

- Considered the draft “Standard and procedure for transition of CDM activities to the Art 6.4 mechanism – activity design/attributes & processes to follow respectively.
- Agreed to start the process of receiving requests for transition from PPs **on 30 June 2023**; and requested the secretariat to operationalize the submission interface on the UNFCCC website on that date.

SB006

#### Adopted:

- Standard and Procedure for the transition of CDM activities to Art.6 Mechanisms (enters into force on 1 Jan 2024).
- Procedure for Development, revision and clarification of methodologies and methodological tools.
- Procedure for Development, revision and update of standardized baselines.
- As of 30 June 2023 - a dedicated portal available to facilitate the submission of transition requests by PPs of eligible CDM PAs and PoAs to the Article 6.4 mechanism.

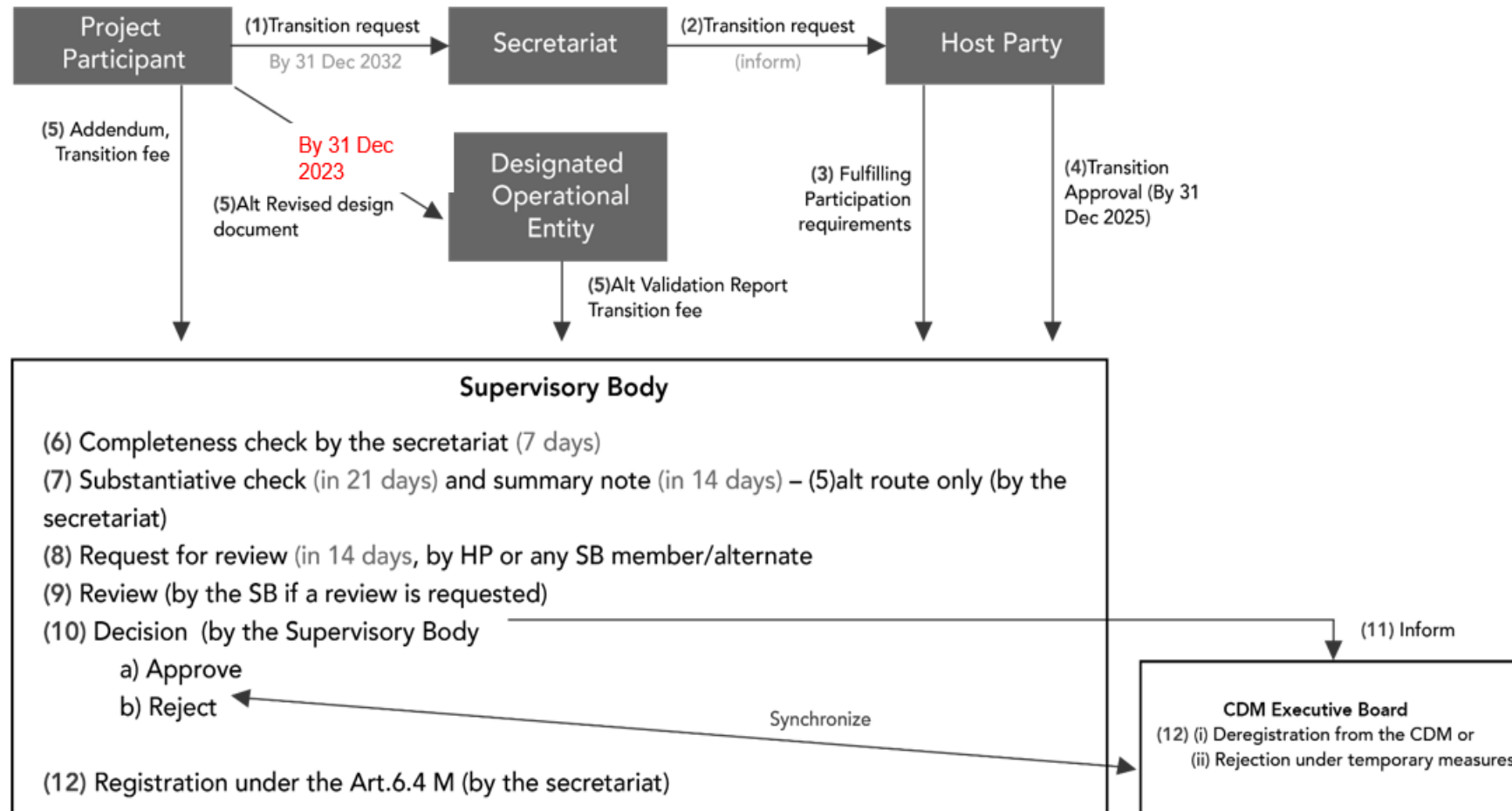
Transition  
Portal

## Use of current CDM methodologies

- May continue to use currently applied CDM meth until renewal or 31 Dec 2025 (whichever is earlier)
- May voluntarily (or requested by the host party if incompatible with its meth approach) replace the meth or as requested
- Additionality demonstration is deemed fulfilled if CDM meth is applied
- Global Warming Potential – apply values from the IPCC 5AR.
- For a PoA that continues applying CDM meths, no new CPAs may be included until renewal of PoA under Art. 6.4.



# Schematic illustration of transition process



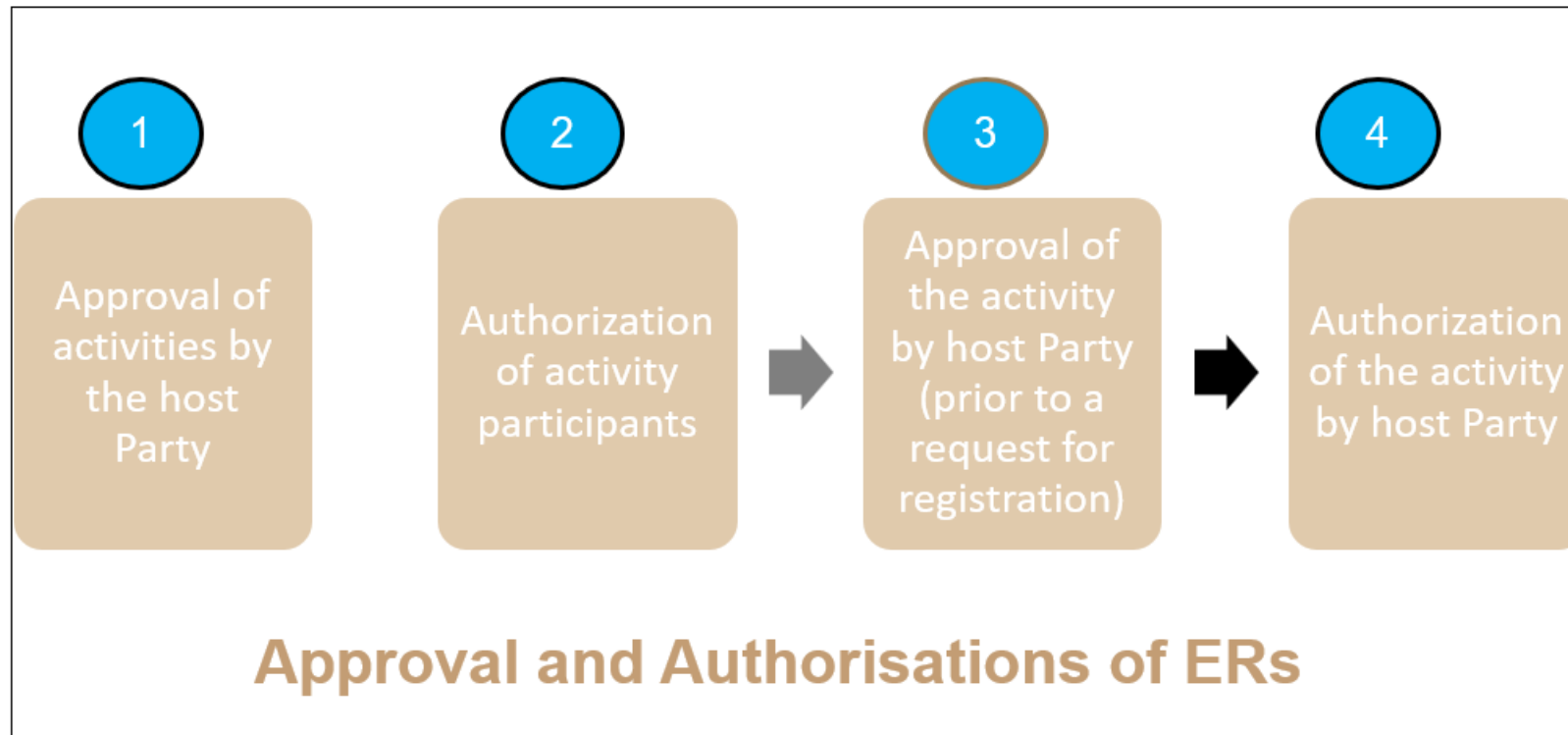
## Transition Process Procedural process requirements

| Transition Steps   | Timeline   |
|--|--|
| Submit transition request                                    | 31 December 2023   |
| Global Stakeholder Consultation                              | 28 Days  |
| Submission of Host Party Approval                            | By 31 December 2025  |
| Submission of Additional Documentation                       | If continuing to apply the CDM Meth: within 180 days of HP approval<br>If applying A6.4 Meth: within 1 year of HP approval or new meth becoming available whichever is later |
| Processing of Transition Request                             | Collect transition fee, Completeness Check (7 days), Substantive Check (21 days), <b>Summary Note with recommendation</b> (14 days)  |
| Request for Review of Transition Request by HP or SBM member | May be requested within 28 days of the completed substantive check   |
| Finalizing transition request                                | <b>Approve, Approve with Modification</b> (7 days for proponent to respond), <b>Reject</b>   |

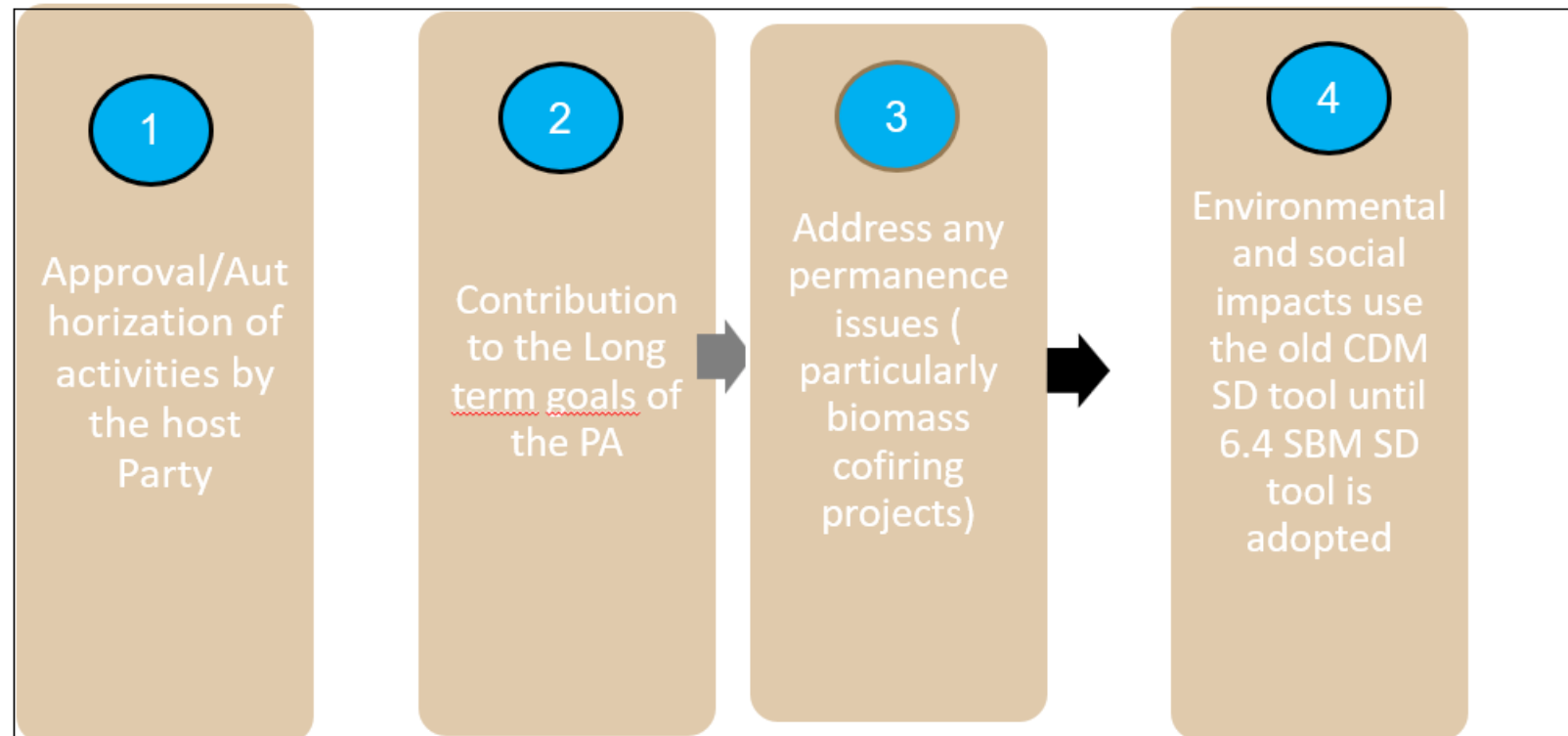
## Responsibilities for host countries

| Mandatory | Requirement Description  |  |
|-----------|--|--|
|           | Article 6.2  | Article 6.4  |
|           | Must be a Party of the Paris Agreement   |  |
| ✓         | Has prepared, communicated and is maintaining an NDC.  |  |
| ✓         | Has arrangements in place for authorizing, tracking and reporting the use of ITMOs towards achievement of NDCs.  | PRIOR TO PARTICIPATING   |
| ✓         |  | Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and SB |
| ✓         | Submit most recent National Inventory Report - NIR (as part of BTR - Biennial Transparency Reports).   | Has indicated publicly to SB the type of Art 6.4 activities (Sectors) that it would consider approving         |
| ✓         |  | Has indicated publicly to the SB how participation in the mechanism contributes to Sustainable Development.    |
| ✓         | Has to specify how this participation benefit and contribute to the implementation of its NDC and LT-LEDS (if submitted) and the long-term goals of the Paris Agreement. |  |
|           | May specify (more conservative) baseline approaches and crediting periods.   |  |

## Responsibilities of host Parties



## What should transition project submit



## Status of Projects requested for transition

| Transition Status  | Total Volumes |
|--|---------------|
| <b>Total Number of activities that requested transition</b>                            | <b>1,796</b>  |
| <b>Have moved to or have completed Global Stakeholder Consultation</b>                 | <b>1,464</b>  |
| Withdrawn or closed due to objection of Focal Points                                   | 6             |
| Have initiated <u>MoC</u> amendments in order to resubmit a request for transition     | <b>103</b>    |
| Have not communicated with the secretariat since submitting the request for transition | <b>223</b>    |

For entities [ 1796 – 1464] who do not submit corrected and final MoC documentation by 4<sup>th</sup> November 2024, their request for transition from CDM to Article 6.4 would not be possible.

## Transition of pre-2021 CERs

- CERs from PA/PoAs registered on or after 2013 can be used for the first NDC compliance without a corresponding adjustment by the host country.
- Temporary and Long-term CERs shall not be used towards NDC achievement.

Registered on or after 2013 until December 31, 2020

CERs must be transferred to the A6.4 Mechanism Registry and identified as Pre-2021 ERs

CERs can only be used to meet the first or first updated NDC.

Corresponding Adjustments and contribution to the SoP are not required.

CERs not meeting this conditions may only be used for achievement of an NDC in accordance with future decision of the CMA;



**THANK  
YOU!**

Ideas  
to  
Action