

Towards the implementation of Article 6.4 activities

COP29 Side Event

19.11.2024

Towards the implementation of Article 6.4 activities

Duration	Topic	Speaker(s)
8 min	Welcoming remarks and scene setting	Thomas Forth, Federal Ministry for Economic Affairs and Climate Action (BMWK)
10 min	Advances in operationalising the Article 6.4 project pipeline	Anna Kovacs, Climate Focus
10 min	Ensuring market integrity for Article 6.4	Paula Castro Pareja, Zurich University of Applied Sciences (ZHAW)
10 min	Development of Article 6.4 methodologies	Juliana Kessler, Perspectives Climate Re-search (PCR)
Panel discussion		
40 min	From regulation to action: What will it take to mobilise an Article 6.4 activity pipeline	<p><u>Moderator:</u> Stephan Hoch, PCR</p> <p><u>Panellists:</u></p> <p>Alick Muvundika, SBM member</p> <p>Karolien Casaer-Diez, Global Senior Director for Article 6, South Pole</p> <p>Molly Brown, Head of Carbon Strategy, BURN</p>
Q&A		
15 min	Q&A session	Audience & all speakers, panellists

Operationalizing the A6.4 project pipeline

Anna Kovács (Climate Focus)

11/26/2024



Project pipeline

- CDM transition: Likely origin of first A6.4ERs
 - 1478 projects/PoAs requested transition & have undergone GST
 - **Next step: SD assessment**
- New A6.4 projects:
 - 719 prior consideration notifications
 - **Next step: methodologies**



2023-ongoing

SD Tool

- Approved by SBM in October
- First mandatory SD tool, first to provide for assessment of negative impacts
- Risk assessment, identification and assessment of positive and negative SD impacts, monitoring
- **Next steps: working out its application**



October 2024

Methodologies & removals standards

- Approved by SBM in October
- Endorsed by CMA at COP29 opening plenary
- **Next steps: revision of CDM methodologies, development of new A6.4 methodologies, elaborating on specific points under the standards, e.g., baseline-setting, additionality, leakage, etc.**



October 2024/ongoing

COP29 progress so far

- Good progress on A6.4
- Focus of Week 1 technical talks on A6.4ER authorization and the mechanism registry; emerging consensus
- Week 2 focusing on resolving outstanding technical issues & finding solutions to the more political ones



COP29

Registry readiness

- Interim registry should be in place by December 2024
- Issuing and tracking A6.4ERs
- Mid-2025: full registry
- **Next steps: A6.4 decision to be reached by CMA, interim registry in place**



December 2024/ongoing

First A6.4ER
issuance &
registration of new
projects



Early 2025

Ensuring market integrity for Article 6.4 (PACM)



Paula Castro

**Side Event “Towards the implementation of Article 6.4 activities”
COP29 Baku, 19 November 2024, 11:30 hours**

Critical criteria and elements for ensuring market integrity

Criteria according to paragraphs 33, 34, 38 of RMP:
Mechanism methodologies shall (...)

- “encourage ambition over time”
- “be real, transparent, conservative, credible”
- “be below ‘business as usual’”
- “align with the long-term temperature goals”
- “contribute to reducing emission levels in the host Party”
- “align with [the host Party’s] NDC (...) [and LEDS]”
- “take into account (...) policies and measures”
- “specify the approach to demonstrating the additionality”
- “avoid leakage, where applicable”
- “address reversals, where applicable”

Elements

Baseline

Downward adjustment

Additionality

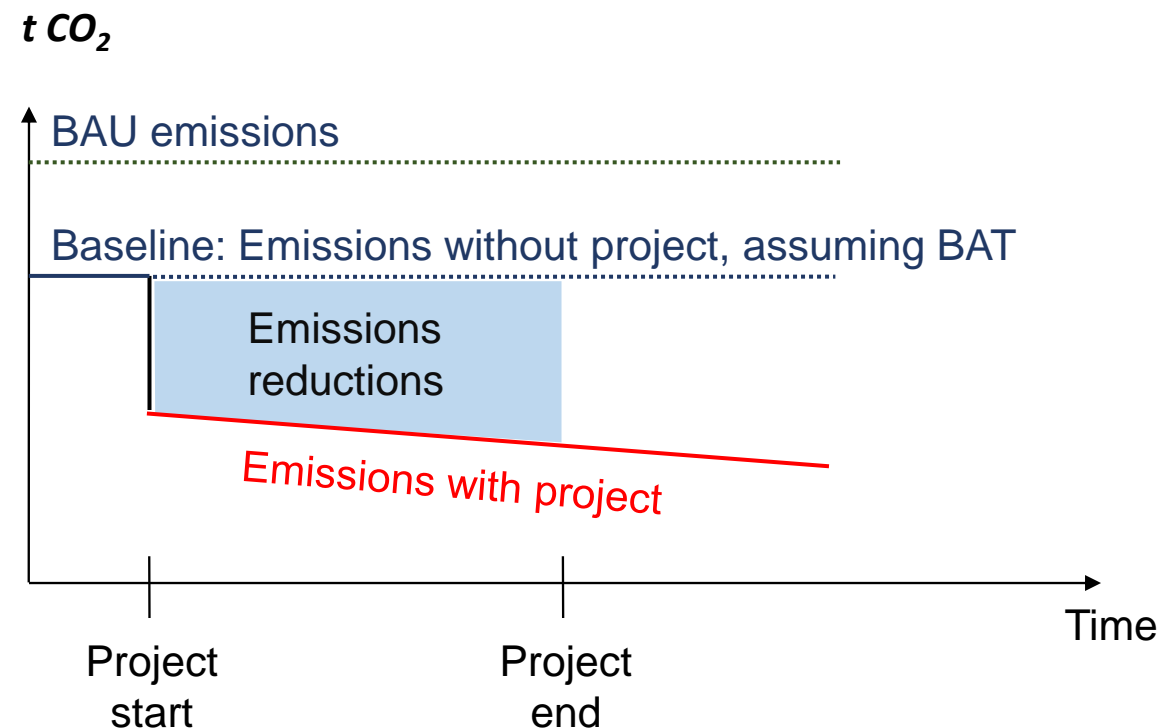
No double counting

Permanence

Baseline

Situation that would take place without activity

- **Below BAU and conservative**
- Determined using a **performance-based approach**, taking into account:
 - (i) Best available technology,
 - (ii) Ambitious benchmark, or
 - (iii) Existing or historical emissions adjusted downwards.



→ If baseline emissions are overstated, non-real emission reductions are generated

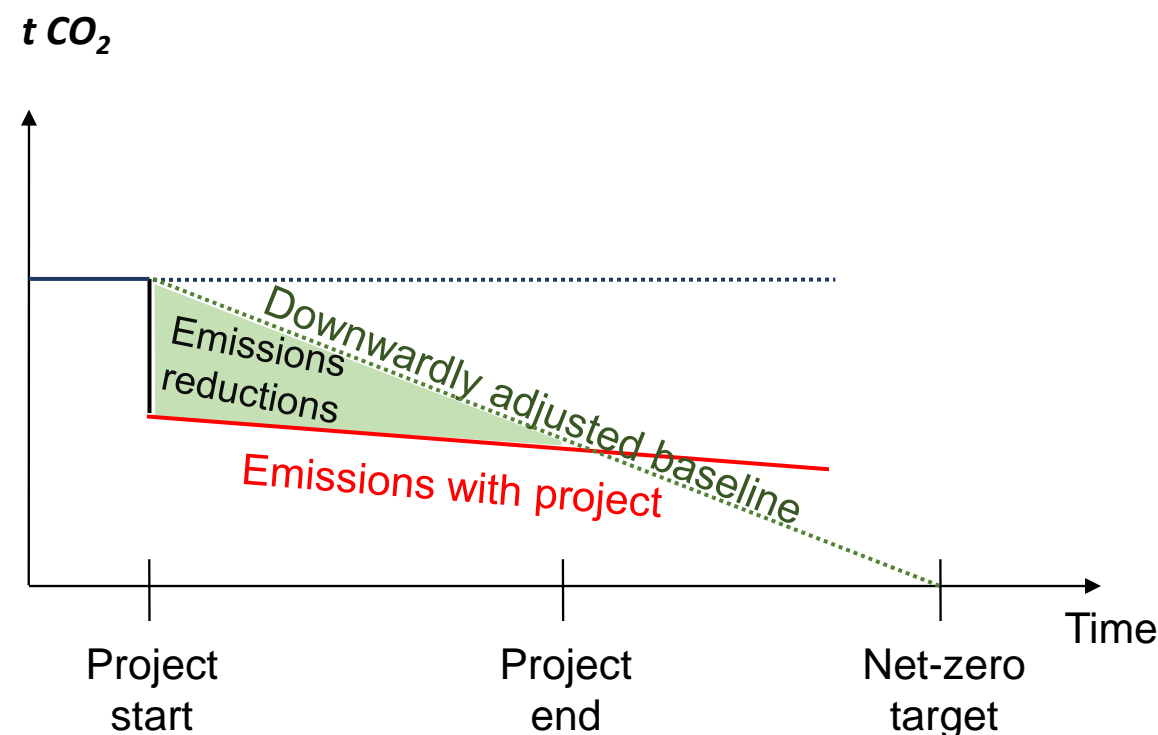
Downward adjustment to the baseline

To ensure that crediting is in line with PA temperature goals and host country's net-zero target

- Baseline is adjusted over time
- So that it reaches the host country's net-zero target
- So far, required for baselines based on existing or historical emissions (iii)
- SBM may decide otherwise for baselines based on BAT (i) or benchmarks (ii)

→ This leads to a falling amount of credited emission reductions over time

→ In line with net zero and 1.5°C!

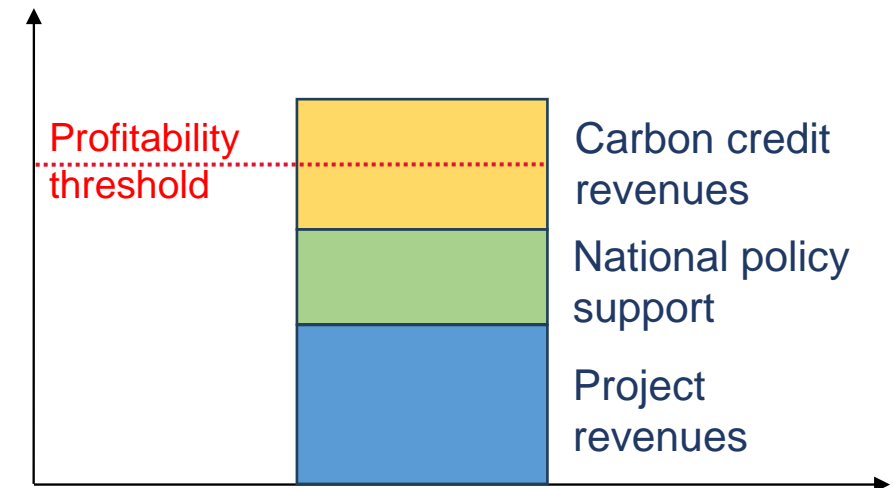


Additionality

To ensure that the activity would not have happened in the absence of the mechanism

- **Real and credible** emission reductions
- **Exceeding what is required** by national law or regulation
- **Avoiding** locking in levels of emissions, technologies or carbon-intensive practices
- **Approaches:**
 - Prior consideration of benefits
 - Regulatory analysis
 - Avoidance of lock-in
 - Financial and common practice analysis

Project costs

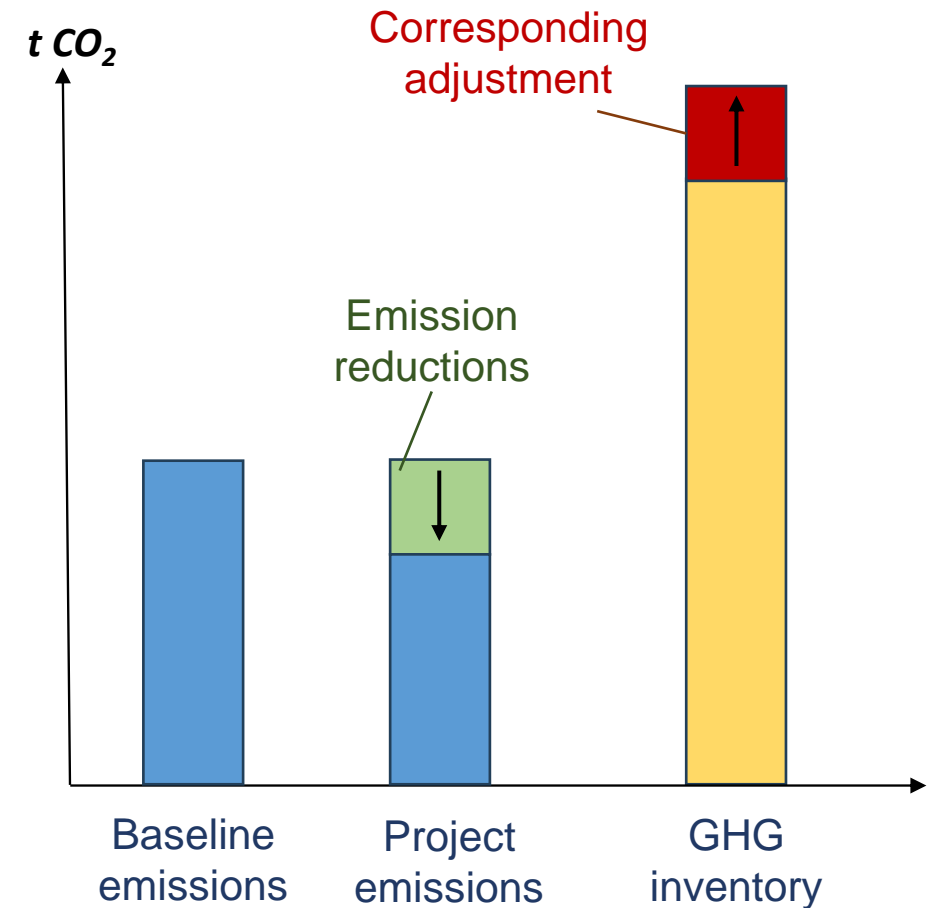


→ Without additionality, emission reductions are not generated by market and are not real!

No double counting

Emission reductions resulting from the activity are counted only once towards NDCs or other international mitigation purposes

- Use of **corresponding adjustments** to ensure no double counting:
- **Emission reductions** authorized to be used for meeting other countries' NDCs or for other international mitigation purposes **must be deducted** from the host country's GHG inventory



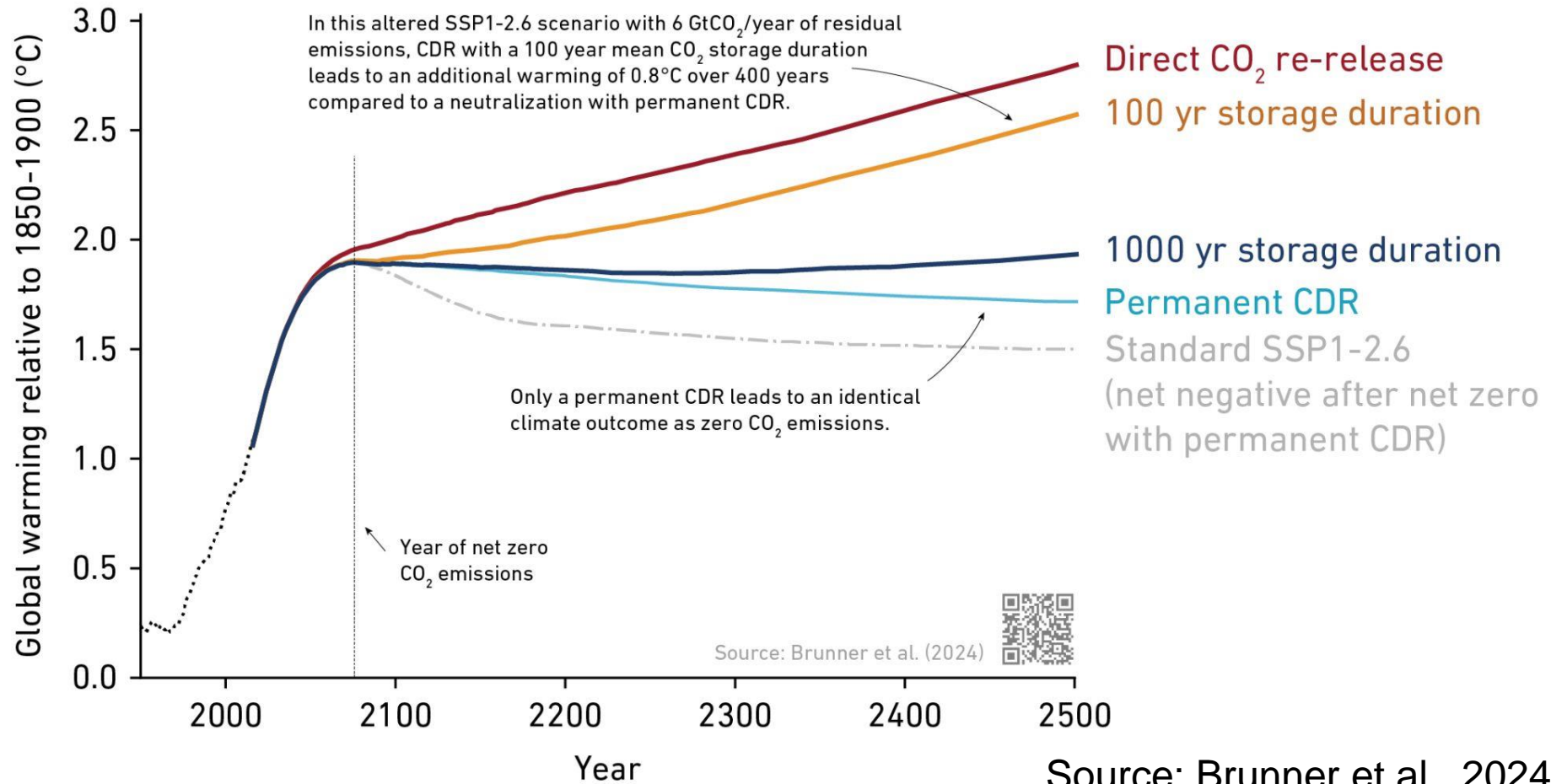
Permanence and addressing reversals

Particularly relevant for activities involving removals

- Reversals may occur **because of** activity-related changes; regulatory uncertainty and political risks; natural disturbances; climate change impacts
- Risk assessment and risk mitigation plan → **percentage-based risk rating**
- Monitoring and reporting **after the end** of the last crediting period
- If a **reversal is suspected**: notification, preliminary assessment report, monitoring report
- **Remediation** of reversals
 - Contribution to **Reversal Risk Buffer Pool Account**
 - If used for **avoidable reversals**: to be replenished by activity participants

Permanence and addressing reversals

Net zero CO₂ emissions with Carbon Dioxide Removal (CDR) with:



Source: Brunner et al., 2024

Some further elements

- Robust monitoring, data capture and reporting system to ensure credibility
- Transparent MRV and calculations
- Life-cycle approaches including embodied emissions (“where relevant and practicable”)
- Dealing with suppressed demand
- Contributions to OMGE (2%) and Adaptation Fund (5%)
- **Robust rules for transition of CDM project activities**


Problems with baselines and additionality in CDM

Just published study in Nature Communications (Probst et al 2024):

- Meta-analysis of 14 studies covering 2346 projects, and 51 studies covering similar activities without carbon market
- CDM, but also national compliance markets (California) and voluntary markets
- Estimates that **less than 16% of the issued credits** constitute real emission reductions
- **Wind power projects: additionality** concerns
- **Forestry, cookstove, chemicals** projects: **baseline** concerns

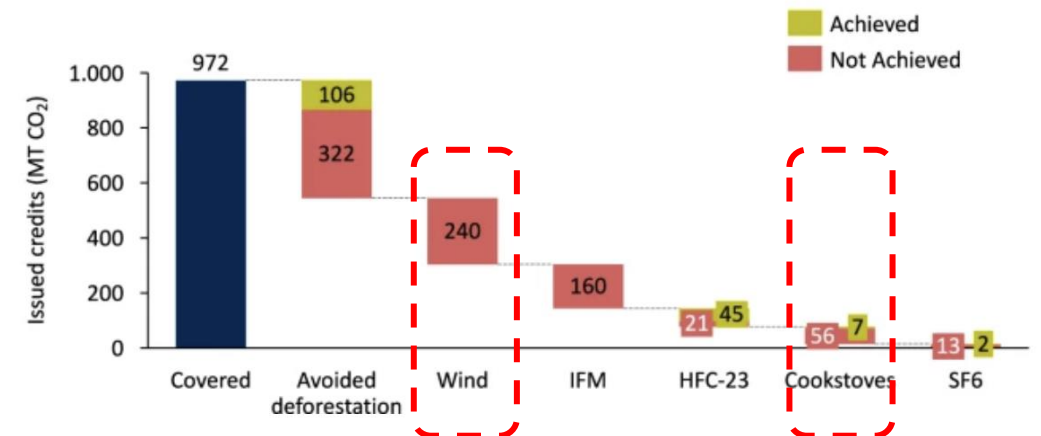
Article | [Open access](#) | Published: 14 November 2024

Systematic assessment of the achieved emission reductions of carbon crediting projects

[Benedict S. Probst](#) , [Malte Toetzke](#), [Andreas Kontoleon](#), [Laura Díaz Anadón](#), [Jan C. Minx](#), [Barbara K. Haya](#), [Lambert Schneider](#), [Philipp A. Trotter](#), [Thales A. P. West](#), [Annelise Gill-Wiehl](#) & [Volker H. Hoffmann](#)

[Nature Communications](#) **15**, Article number: 9562 (2024) | [Cite this article](#)

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Problems with baselines and additionality in CDM

Comparing with Article 6 Pipeline:

- **Wind projects:**
 - 723 CDM projects requested transition to Art. 6.4
 - Of these: 364 in China, 275 in India, 34 in Brazil
 - China and India: **188.5 MtCO₂** potential A6 reduction in period 2021-2025
 - potentially non-additional according to Probst et al 2024 study!
- **Cookstove projects:**
 - 3 CDM projects, 46 PoAs and 476 CPAs have requested transition to Art. 6.4
 - 95 CPAs in Uganda, 69 in Madagascar, 66 in Kenya, 59 in Myanmar...
 - Overall: **167.6 MtCO₂** potential A6 reduction in period 2021-2025
 - with potentially faulty baseline according to Probst et al 2024 study!

Recommendations

- Article 6.4 RMP and methodologies standard so far based on **sound principles**
- However, some implementation details remain unclear
- Unclear **application**
 - New Brazilian NDC: **wide range** between low- and high-ambition targets
 - Argues that “it is possible to raise the ambition of its national mitigation actions beyond the base level (...) through [ITMOs]”
- **Low demand**
 - Risk of flooding market with low-quality CDM projects
 - Competition with easier-to-use and less regulated Article 6.2 cooperation
 - Resulting low carbon price reduces incentive to reduce emissions
- In the end, emissions **need to reach net-zero everywhere**

Thank you for your interest!



Paula Castro (paula.castro@zhaw.ch)

Development of Article 6.4 methodologies

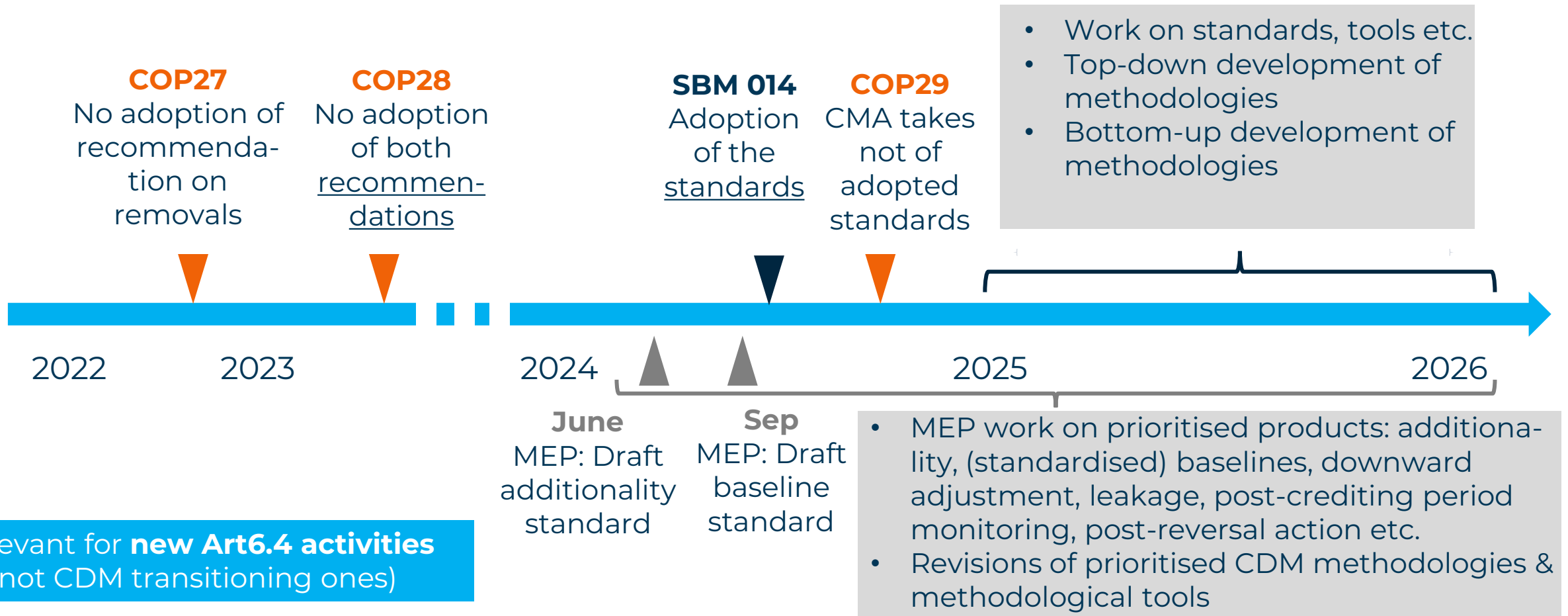
Juliana Kessler, Head of Market Mechanisms
Perspectives Climate Research

COP29

19/11/2024

PACM is fully operational – what's next?

For carbon market methodology development and revision



Top-down and bottom-up approach

For carbon market methodology and methodological tools development

Top-down

- **SBM initiates** process based on:
 - Priority considerations: Relevance for LDCs and SIDS, host country priorities, etc.
 - MEP proposals
- Based on development plan, **Secretariat to prepare draft new methodology** or meth tool
- **Review** by members of **MEP**
- Finalization + consideration by MEP + **recommendation to SBM**
- **Global stakeholder** consultation
- Finalization by MEP **based on input** + consideration by SBM

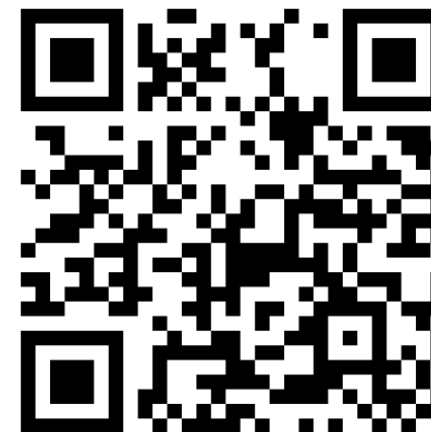
Bottom-up

- Process is initiated **based on proposals made** to the SBM:
 - Project participants of a planned project
 - Coordinating/managing entity of a planned PoA
 - Host Party
 - DOE
 - Any other stakeholder
- Submission includes relevant forms presenting the new methodology or methodological tool, draft PDD
- Completeness check + initial assessment by Secretariat + recommendation to MEP
- Consideration by MEP
- Consideration by SBM

Work by independent initiatives

International Initiative for Development of Article 6 Methodology Tools (II-AMT)

- Development of Article 6 tools (additionality, baseline, MRV) during 2021-2022 aimed at aligning with the Art6.4 methodological requirements
- Significant interaction with the SBM
 - Need for alignment with the standard on methodologies
- Objective
 - Use tools to expedite development and approval of Article 6.4 methodologies
 - Avoiding need for developing methodologies from scratch



Tools are currently being piloted

Insights from the piloting of the tools

Key questions when applying the tools to a coal phase-out methodology

Performance-based approaches to set the baseline:

- Best available technologies (BAT)
- Ambitious benchmark
- Approach based on existing actual or historical emissions adjusted downwards

- Activity type and sector characteristics are key for choosing between BAT, ambitious benchmark or existing/historical emissions downwards
- Difficult to use BAT approach across the entire sector
- BAT and benchmarking in principle applicable to sub-sector of coal power plants as long as project scenario provides same output/service as baseline

Additionality to be demonstrated through robust assessment that shows the activity would not have occurred in the absence of the incentives from the mechanism

- Retirement of power plants (without qualification) frequently happens without carbon revenue (high risk); early retirement rarely happens with carbon revenue → definition of “early”
- “Boundaries” of investment test: Narrow understanding (cashflow analysis) or broader understanding taking into account ancillary costs?

Conclusions

- 2025 will be **key year for development of Art6.4 methodologies** and methodological tools
- Need to fully implement the standard(s) through a robust methodology that is applicable without excessive transaction costs
 - **Collaboration** of think tanks, regulatory actors and activity developers is important
- **Prevent fragmentation of methodology development** through coordination of initiatives and building on the strengths of these endeavours



Federal Ministry
for Economic Affairs
and Climate Action



From regulation to action: What will it take to mobilize the Article 6.4 activity pipeline?

The panelists



Alick Muvundika
SBM Member



Karolien Casaer-Diez
Global Senior
Director for Article 6,
South Pole



Molly Brown
Head of Carbon
Strategy, BURN

Moderated by

Stephan Hoch
Research Director,
Perspectives Climate Research

