



Transitioning from the CDM to the new Art.6.4 mechanism

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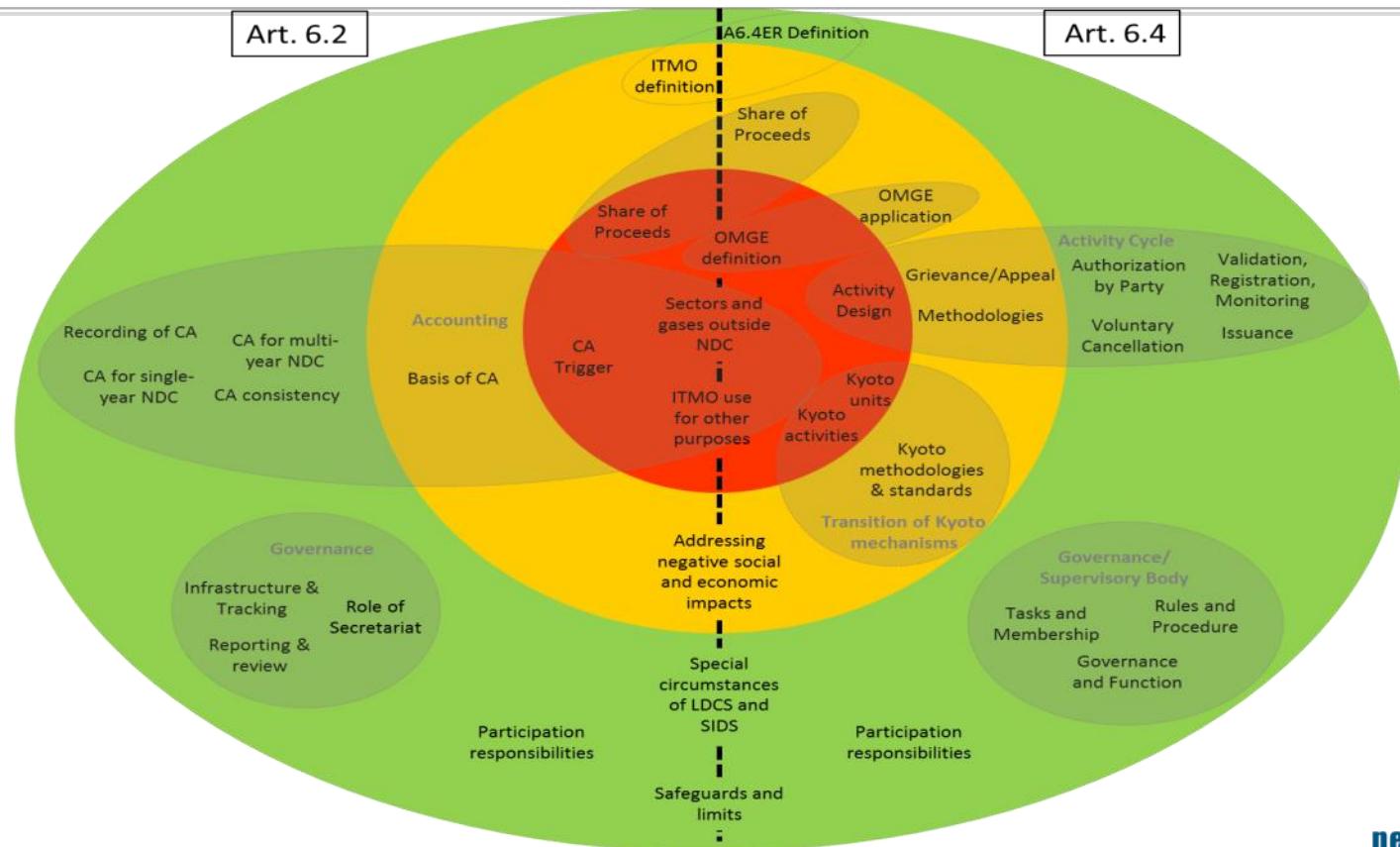
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Agenda

- **Negotiation status of the CDM transition**
- **Criteria for CDM transition and potential pathways**
- **Key messages**



Article 6 negotiation status (after Katowice)



CDM transition into Art. 6.4

- **Transition of credits**
 - Possible criteria: **vintage** (cut off?), **country** type, **project** type
- **Transition of activities**
 - Re-registration + criteria (**registration / commissioning** date...)
- **Transition of methodologies**
 - Issues with **stringency of methodologies** (depending on the stringency of Art. 6.4 in general)
 - CDM methodologies may have to be revised if Article 6.4. has **very stringent rules** on **additionality**
- **Art. 6.2 => nothing prevents Parties from using the CDM**

Criteria for the CDM transition

Criteria are needed to regulate the transition and limit the risk of negative impacts:

- *Cut-off based on CDM activity* **registration date**
- *Limitation of* **project type/technology**
- *Limitation of* **host countries**

Utilizing these criteria we developed 4 pathways:

- *Pathway A* - **Full CDM transition**
- *Pathway B* - **Transition with certain limitations**
- *Pathway C* - **Transition with stricter limitations**
- *Pathway D* - **No transition**

Possible pathways analysed

Pathway	Cut-off on registration date	Limitation on project type/ technology	Limitation on Host Countries
A	No cut off-date	All types eligible	All countries eligible
B	Only CDM activities with registration date on or after 1 January 2013	Exclusions of: - Industrial gases (HFC and N ₂ O adipic acid) - Large hydro (above 15 MW)	All countries eligible
C	Only CDM activities with registration date on or after 5 November 2016	Exclusions of: - Industrial gases (HFC and N ₂ O adipic acid) - Large hydro (above 15 MW) - Projects involving “clean” coal/EE on coal for industrial applications - Reforestation and afforestation	Only LDCs and SIDS eligible

Impact of restrictions on the CDM transition

	A	B	C
Projects			
Number of projects	7 805	583	7
CERs already issued (million CERs)	1 963	5,2	0,25
Potential CERs from projects post-2020 (million CERs)	6 912	255	5,1
Potential CERs from projects pre- and post-2020 (million CERs)	14 485	554	8,2
Programmes of Activity (PoAs)			
Number of PoAs	319	109	11
CERs already issued - PoAs (million CERs)	17,2	3,4	0,02
Potential CERs from PoAs post-2020 (million CERs)	630	250	101
Potential CERs from PoAs pre- and post-2020 (million CERs)	975	332	119
Total			
Total potential CERs post-2020 (million CERs)	7 543	505	106
Total potential CERs pre- and post-2020 (million CERs)	15 445	885	128

Pathway D – No transition: re-framing of activities?

- **Deregistering CDM activities and register them under the SDM**
 - New registration process, including associated **costs and uncertainties**
 - Provide a way forward for investors to generate **continuity of their investments** and ability to generate emission reductions also under the PA
- **Utilization of Article 6.2 mechanism**
 - Cooperative approaches allow **designing tailor-made alternatives** and provide a leeway for investors to generate revenues potentially along the lifetime of the CDM activity

Conclusions

- **CDM transition is important to keep trust of private sector in long-term stability of market mechanisms**
 - Impact on overall ambition of mitigation (private sector pressure on keeping NDCs lenient if there are no credible markets)
- **“Buy off” accumulated CER surplus through public climate finance in order to allow “fresh start”**
 - Subject to what quality criteria?
- **Ensure at least transition of methodologies and “high quality” activities**
 - Transition of credits from LDCs?



Thank you!

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Read the [full study](http://www.perspectives.cc) on
www.perspectives.cc

Additional elements that may affect the transition

- Eligibility of mitigation measures in **sectors not covered in the NDC**
- Eligibility of mitigation measures under **conditional or unconditional pledges**
- Eligibility based on **the level of standardization of methodologies**
- **Baseline setting, additionality testing and conservativeness**
- Eligibility based on the **contribution to Sustainable Development**

Article 6.4 activity cycle may resemble the CDM

