

# **CLOSING THE DEAL ON 'CDM TRANSITION'**

## **HOW COP 25 DEFINED NEW GUARDRAILS FOR COMPROMISE AND WHAT THEY MEAN FOR AFRICA**

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This short study seeks to contribute to the elaboration of the rules, modalities and procedures of the Article 6.4 mechanism. The transition from the Kyoto Protocol to the Paris Agreement has potentially strong impacts on the continuation of existing mitigation activities established through the CDM. This creates the need for a careful and selective transition process of methodologies and activities from the CDM towards the Article 6.4 mechanism. The study identifies key open issues and challenges concerning the transition of CDM methodologies, activities and units that Article 6 negotiators need to address in designing the transition process. We have identified key messages and recommendations in the concluding section. In particular, we emphasize that Parties should: (1) take into account realistic timelines, (2) decide for a sensible distribution of tasks among involved institutions (the UNFCCC Secretariat, the Article 6.4 Supervisory Body, the CDM Executive Board and host country institutions) and (3) adopt clear guidance on overarching principles and criteria of the transition process that provides clarity to project developers and host country institutions. The study also pays particular attention to how the African CDM portfolio may be affected by the anticipated agreement on CDM transition to Article 6.

This study has been prepared in the context of the project  
"Climate Finance Innovators – Linking carbon markets with climate finance in Africa".



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© May 2020

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#### Acknowledgements

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This short study benefited from valuable comments from technical experts and negotiators, including participants of a webinar, held under Chatham House Rules in April 2020

Supported by:



Federal Ministry  
for the Environment, Nature Conservation  
and Nuclear Safety

based on a decision of the German Bundestag

This short study is part of a project under the International Climate Finance Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative. The views expressed in this publication are those of the authors and do not necessarily reflect the views of BMU.

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## 1. CDM TRANSITION – WHY DOES IT MATTER FOR AFRICAN COUNTRIES?

The Clean Development Mechanism (CDM) was established to promote sustainable development and climate action in developing countries while supporting industrialized countries in complying with Kyoto Protocol mitigation commitments. By 2020, it had mobilized more than 10,000 CDM activities from projects and programmes (UNEP DTU 2020a, b). However, the CDM lost some international support after receiving criticism for the lack of additionality and sustainable development contributions of some activities, its inequitable regional distribution as well as its administrative complexities. As a result of comprehensive reforms, the CDM became more accessible to African and least developed countries (LDCs), however, only at a time when the price of certified emission reductions (CERs) had already crashed due to the introduction of import barriers for CERs in industrialized countries and a general lack of global mitigation ambition. Despite achieving reforms, trust in the CDM was never fully restored and the international demand for CERs has remained low to date. The African CDM pipeline, which is dominated by activities with high sustainable development contributions, thus continues to be unable to harness sufficient revenues.

Article 6 promises to pave the way for a new phase in the global carbon market that helps all countries to achieve their NDCs. Article 6.4 of the Paris Agreement (PA) establishes a new multilateral baseline-and-crediting mechanism that may emerge as a successor to the CDM. In the absence of a generally accepted name, it is increasingly referred to as the “Article 6.4 mechanism” (A6.4M). While governments are struggling to finalize the A6.4M rules, modalities and procedures, the CDM experience continues to play a key role but needs to be adapted to the new context of NDC implementation by all host countries.

This policy brief discusses three important issues relevant to the transition of the CDM to the new A6.4M, with a focus on their significance for Africa:

- **What is the role of CDM methodologies for the A6.4M?**
- **Under which conditions can CDM activities re-register under the A6.4M?**
- **Can CERs generated before 2020 be used for compliance with post-2020 NDC targets?**

The currently discussed options for these aspects will be analysed with a dual focus: First, to identify remaining open questions that need to be clarified. Second, to reflect on the implications of these options for Africa, both in terms of the African CDM portfolio as well as African priorities related to environmental integrity and the ambition of the PA.

## 2. WHAT HAPPENED IN MADRID?

At the 25th Conference of the Parties to the UNFCCC (COP 25) negotiations on all three issues of CDM transition progressed significantly. Discussions moved beyond entrenched “no transition” versus “full transition” positions to concrete text proposals for compromise options. Parties seemingly converge on fundamental aspects: There should be a well-organized process with the objective that Article 6 mechanisms contribute to closing the gap on mitigation action. Parties recognize the balance that needs to be struck between preserving the trust of market actors that complied with all UNFCCC rules when investing in CDM activities and with ensuring the ambition and integrity of activities that generate mitigation outcomes in the future. The specific compromise proposals are distributed across the last three versions of the COP Presidency draft texts for the Article 6.4 rules, modalities and procedures. These texts significantly advanced a shared understanding of the main guardrails for a CDM transition. A key objective now for COP 26 is to close the deal, in order to provide certainty to governments and market participants and enable them to accelerate investments for those activities that will have a future under Article 6.

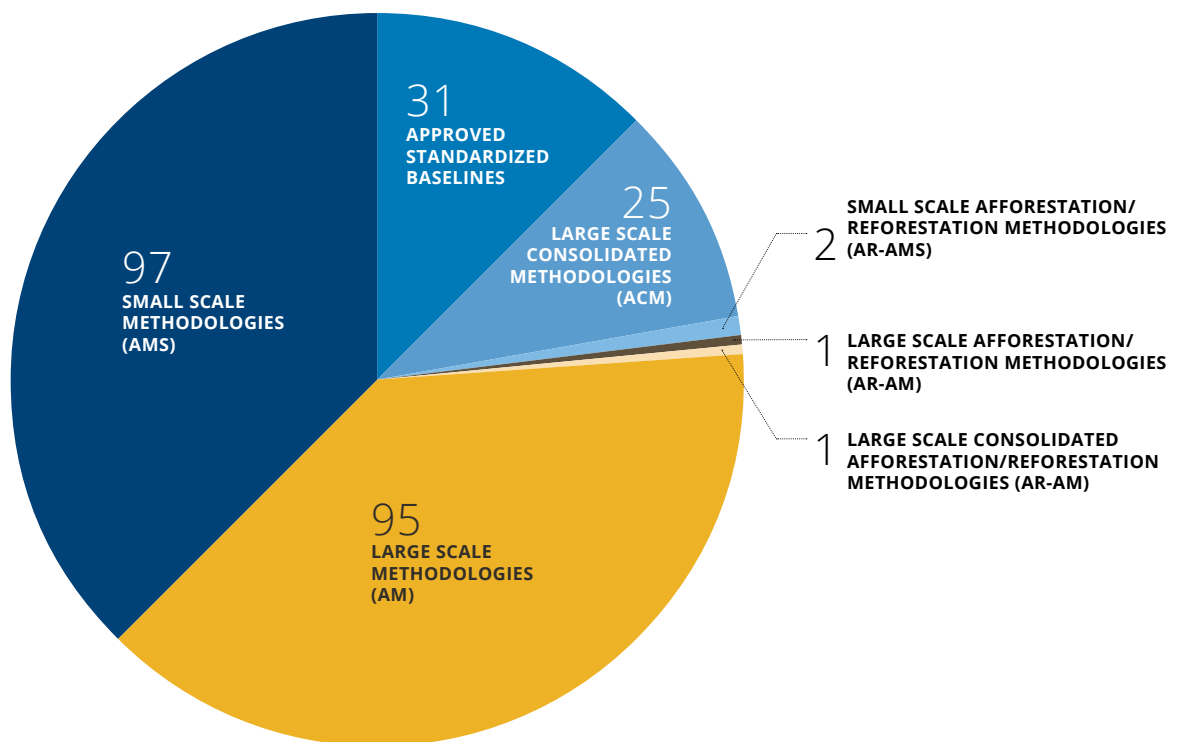


Figure 1: Number of approved CDM Methodologies per category

Source: UNEP DTU 2020A

### 3. REVIEWING THE EXPERIENCE WITH CDM METHODOLOGIES

The CDM requires the use of UNFCCC-approved baseline and monitoring methodologies in order to determine emission reductions. A designated operational entity (i.e. a UNFCCC-accredited third-party auditor) will then assess whether CDM project or programme developers have applied these methodologies correctly. There are currently 252 methodologies under the CDM that have been approved for a wide range of sectors (see Figure 1).

However, 109 methodologies (43.3%) have not yet been applied in any project and 79 methodologies (31.1%) less than five times. Only about 10% of all methodologies have been used in more than 50 projects. These frequently-used methodologies have been regularly revised (some of them up to 20 times) to reflect practical experiences and new information. These revisions have in many cases led to a more conservative baseline, meaning that the CER volume generated by a project would decrease. Discussions on the transition of methodologies focus on the need to preserve knowledge generated in the current body of methodologies. Approving the selective use of CDM methodologies is crucial to ensure a quick implementation of the A6.4M. Developing new methodologies from scratch is a time-consuming and costly exercise; a well-defined methodology can cost up to 200,000 US\$. The development of a new methodology from the inception to the approval stage has often taken up to two years in the past, and only in rare cases has a methodology been approved within one year. At the same time, transitioned methodologies must be in line with the principles of the A6.4M and the Paris Agreement to ensure environmental integrity.

The three iterations of the Presidency text propose that:

- The Supervisory Body reviews methodologies in use for the CDM and other existing market-based mechanisms with a view to applying them with revisions as appropriate for A6.4M activities.
- The Supervisory Body reviews the CDM accreditation standards and procedures with a view to applying them with revisions as appropriate by 2021.
- When an activity is eligible for transition (see below), it may continue to apply the currently approved CDM methodology either until the end of its current crediting period or until 31 December [2023], whichever is earlier. Afterwards, it shall apply an A6.4M methodology.

In order to operationalize these proposals, the following questions must still be answered by negotiators:

- What criteria should determine the eligibility and revisions of methodologies before they qualify as A6.4M methodologies?
- What is the added value of expanding the review mandate to methodologies of other market-based mechanisms?
- Is the foreseen process feasible and realistic?

## **CRITERIA TO DETERMINE THE ELIGIBILITY AND REVISIONS OF METHODOLOGIES**

Many CDM methodologies are already in line with key principles of the A6.4M as laid out in the presidency texts, namely: the transparency and conservativeness in assumptions, parameters, data sources and key factors, taking into account uncertainty as well as leakage risks. CDM methodologies might have to be revised in particular to take into account all relevant policies and measures related to a host country's NDC. This was not necessary under the CDM as all mitigation actions in developing countries were deemed voluntary.

In addition, CDM methodologies will need to ensure that the baseline methodology is in line with approved approaches, i.e. generic principles for baseline setting for certain sectors or sub-sectors under A6.4M rules. Under the CDM, generic approaches were defined by the Marrakech Accord, but actual baseline methodologies were not really aligned with these approaches. Whether this will change under the A6.4M remains to be seen. At COP 25, Parties were not able to reach a consensus on these approaches. In practice, methodologies often apply a mixture of different generic approaches such as performance standards, emission projections, best available technology benchmarks etc. While some key CDM concepts such as standardized baselines are included in proposed baseline approaches, others relevant for Africa such as suppressed demand, are not.

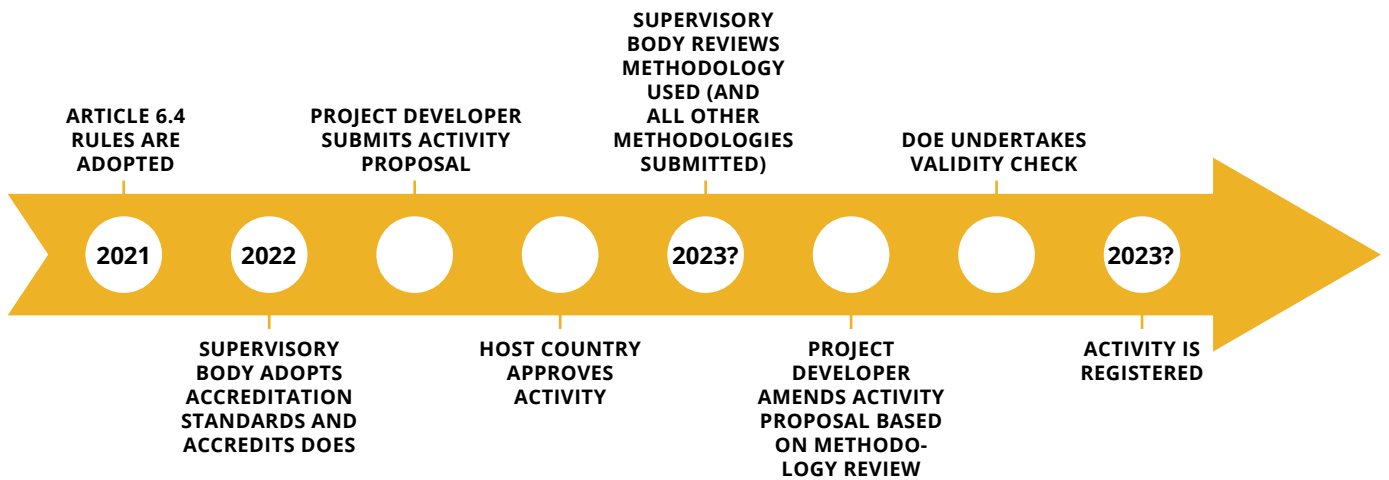
A6.4M methodologies should be consistent with host countries' NDCs and long-term strategies. This provision must be operationalized further, as NDCs are heterogeneous, especially with regard to the nature of emission targets, the metrics used and the level of detail regarding mitigation policies. This provision requires amendments to many existing methodologies, in particular regarding additionality determination. Furthermore, A6.4M methodologies should encourage the increase of ambition over time, and thus set increasingly stringent crediting baselines, as has been the case with certain sectors (e.g. industrial gases) under the CDM.

## **EXPANDING THE REVIEW MANDATE TO METHODOLOGIES OF OTHER MARKET-BASED MECHANISMS**

The current negotiation text mandates the Supervisory Body to review not only CDM methodologies but also those used by other carbon market standards. This would broaden the scope of the revision processes and thereby generate a higher burden for the Supervisory Body, as there is a wide range of voluntary and domestic carbon market standards with diverging degrees of environmental integrity and transparency. On the other hand, voluntary carbon market standards have come up with solutions for challenges that were not addressed by the CDM, such as the permanence of carbon sequestration in the forestry and land use sector.

## **FEASIBILITY OF THE PROCESS**

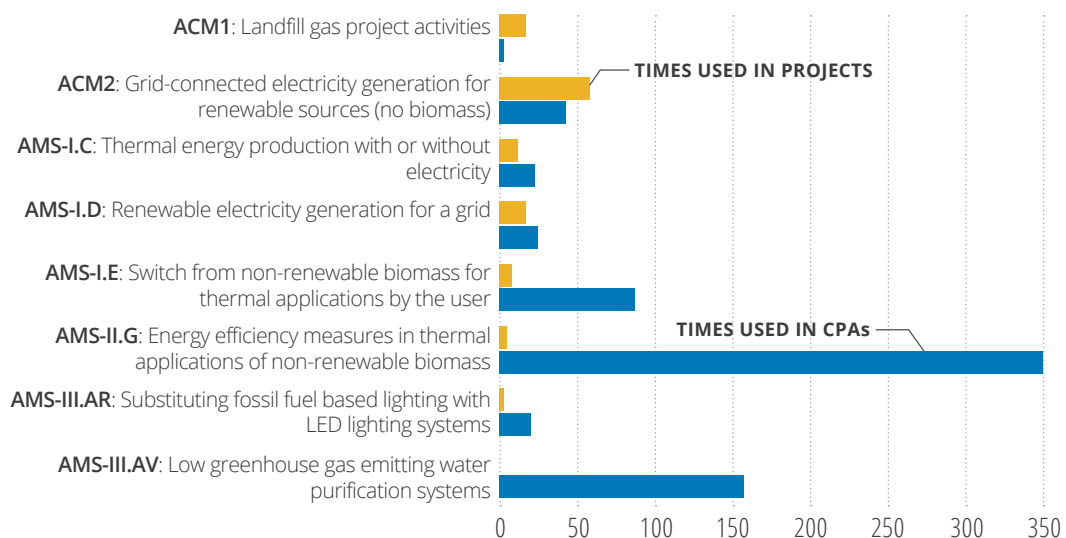
The current wording in the negotiation texts suggest that methodologies will only be reviewed by the Supervisory Body if they are used in the context of a proposed A6.4M activity – resulting in a case-by-case assessment. This means the first to implement a specific project type runs the



**Figure 2: Proposed timeline for the revision of methodologies**

Source: Authors

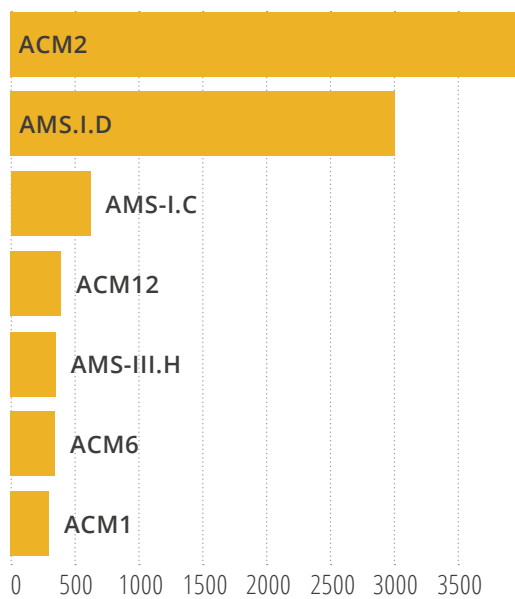
risk of facing methodology revisions, reductions in the volume of A6.4ERs, or even a rejection by the Supervisory Body. Thus, a “wait and see” attitude could emerge. Moreover, time pressure will be severe. Designated Operational Entities (DOEs) that need to validate both methodologies and activities, will only be accredited after the accreditation standards are applied from 2022 onwards. The delay of COP 26 due to the Covid-19 pandemic adds to this time pressure as it means that the A6.4M will be established several months later than envisaged. If CDM methodologies can then only be applied until 2023, this would leave just one year for the review process to be completed. Experience from the CDM shows that comparable processes took many years to complete. The worst outcome would be if the process is “clogged” by methodologies that are not really relevant and lead to a de facto exclusion of CDM activities from the A6.4M.



**Figure 3: Most widely used CDM methodologies in projects and PoAs in Africa**

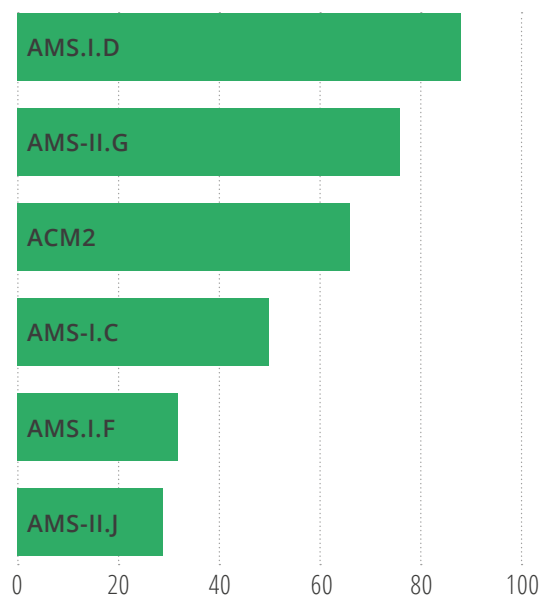
Source: UNEP DTU 2020A, B





**Figure 4: Methodologies most used in CDM projects at a global level**

Source: UNEP DTU 2020A



**Figure 5: Methodologies most used in PoAs at a global level**

Source: UNEP DTU 2020B

**ACM2:** Grid-connected electricity generation for renewable sources (no biomass) | **AMS.I.D:** Renewable electricity generation for a grid | **AMS-I.C:** Thermal energy production with or without electricity | **AMS.I.F:** Renewable electricity generation for captive use and mini-grid | **AMS-II.G:** Energy efficiency measures in thermal applications of non-renewable biomass | **ACM12:** GHG reductions for waste gas or waste heat or waste pressure based energy system | **AMS-II.J:** Demand-side activities for efficient lighting technologies (deemed savings) | **AMS-III.H:** Methane recovery in wastewater treatment | **ACM1:** Landfill gas project activities | **ACM2:** Grid-connected electricity generation for renewable sources (no biomass) | **ACM6:** Grid-connected electricity from biomass residues (includes AM4 & AM15)

A compromise could be that Parties give the UNFCCC Secretariat a mandate to fast-track the revisions of widely used CDM methodologies that align with political priorities, such as sustainable development benefits and geographical distribution, in a top-down manner. There are precedents for top-down developments for CDM standardized baselines in priority sectors, such as energy in isolated areas. In Africa, seven methodologies have been most widely used in CDM projects and PoAs (see Figure 2 and Figure 3).

These are generally in line with the most-used methodologies in CDM activities that are still valid as of April 2020 at a global level and thus should find a widespread level of support by many CDM host countries on different continents.

However, some methodologies are particularly important for the African context, for instance AMS-I.E. and AMS-III.A.R. To secure the greatest share of the CDM portfolio, the most effective approach would be to revise these key methodologies first, upon the establishment of the A6.4M, and to review the other methodologies as they are applied to activities. This would require a small addition in the mandate given to the Supervisory Body by the CMA. In addition, the timeline in which CDM methodologies may continue to be used could be prolonged until 2025 in the Article 6.4 rules (i.e. the first NDC implementation period), to allow the work load of the Supervisory Body to be more evenly distributed.

## 4. TRANSITION OF CDM ACTIVITIES

The transition of CDM activities was not one of the contentious issues at COP 25. Parties generally agreed that activities that meet Article 6.4 criteria and are re-authorized by the host Party should be allowed to transition.

The options for transitioning CDM activities therefore remained largely unchanged in all three iterations of the Presidency texts, with the exception of the “end date” of the transition process<sup>1</sup>:

- The transition of activities is allowed following an eligibility check, in line with future CMA decisions and relevant requirements adopted by the Supervisory Body.
- SBSTA is tasked with developing criteria for the transition of activities, the steps for implementation of the transition and a fast track procedure for small-scale activities and PoAs (to be adopted by the CMA).
- Before an activity can be re-registered under the Article 6.4 mechanism, the host Party needs to communicate its approval of such a transition.
- The transition shall have been completed no later than [2023].
- The transitioned activity may continue to apply the CDM methodology until the earlier of the end of its current crediting period or 31 December 2023 (see discussion in preceding section).
- A6.4ERs may be issued for emission reductions achieved after 31 December 2020, in line with the guidance on corresponding adjustments.

Overall, the issue has seen substantial changes and progress in Madrid. Compared to earlier negotiation texts, the process has been elaborated in greater detail. Moreover, following an intervention made by the African Group, a fast-track procedure for small-scale projects and PoAs was introduced.

### ISSUES LEFT UNRESOLVED

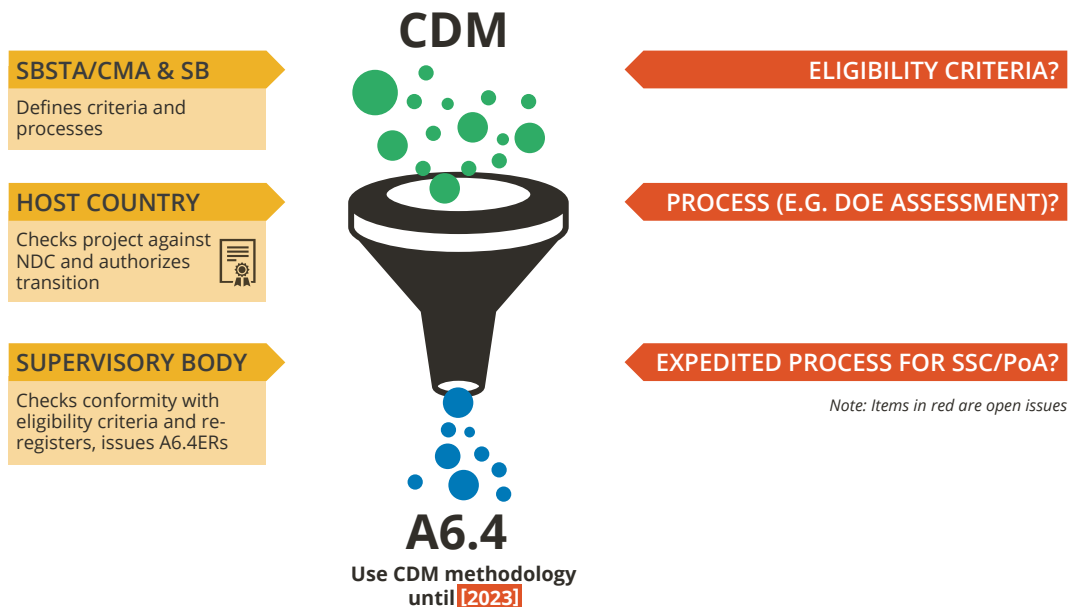
At the same time, a number of key issues are still left unresolved and relegated to a work programme of the SBSTA. This includes the nature of the eligibility criteria as well as the implementation steps, i.e. the process for transition. It is also unclear how an expedited process for small scale projects and PoAs would look like, which certainly would depend on the default process adopted. It is possible, for example, that the default process would include a reassessment of the registered CDM activity against certain criteria by a DOE, while small scale and PoA might enjoy an automatic transition with minimal requirements, for example consisting of host country approval and confirmation of key criteria such as the project being operational.

Which eligibility criteria would apply to the transition of CDM activities has not yet been discussed as negotiations have not reached that level of detail. Such criteria could relate to project size, project categories, geographies, sectors as well as temporal characteristics,

<sup>1</sup> Relevant paragraphs of the presidency texts are contained in the Annex

such as date of registration, last issuance, end and/or renewal of the crediting period. Furthermore, the relationship with the country's NDC or likelihood of continued additionality could be assessed.

Another open question is the duration of the transition period. Parties that support the closure of the CDM after the true up period of the KP, e.g. the EU and Switzerland, proposed to have the transition process be completed by the same date, 2023. This may be rushed, considering the amount of work that is still needed for the A6.4M to be fully functional. Furthermore, important delays have occurred since the negotiation of the date, creating further time pressure. The Article 6.4 rules have not been adopted in Madrid, delaying resolution of the outstanding issues for at least a year. In addition, the Covid-19 pandemic has led to the postponement of COP 26 in Glasgow. It is therefore recommended to extend the transition period by at least two years to the end of 2025, which would coincide with the first NDC cycle.



**Figure 6: Transition of CDM activities according to COP 25**

Source: Authors

With regard to host country reauthorization of projects, it is not expected that the SBSTA would define criteria but that it would be the prerogative of host countries to decide on the transition. Given that corresponding adjustments will have to be performed for any A6.4ERs issued, host countries may base their decision on criteria such as the relationship with NDC targets (unconditional/conditional) and sectoral policies/measures, the stringency of baselines and additionality tests or sustainable development benefits.

Figure 7 summarizes what needs to be accomplished in order to fully operationalize the transition of CDM activities.

Given that no agreement was reached in Madrid and Article 6 can be finalized at the earliest at COP 26 in Glasgow, the time pressure to complete outstanding tasks has increased. The delay of COP 26

<p><b>SBSTA/CMA</b></p> <ul style="list-style-type: none"> <li>• Adoption of eligibility criteria for transition</li> <li>• Definition of necessary steps for the implementation of the transition</li> <li>• Adoption of expedited procedure for SSC/POA</li> <li>• Constitution of Supervisory Body and election of members</li> <li>• Decision on infrastructure for issuance of credits</li> </ul>
<p><b>Supervisory Body</b></p> <ul style="list-style-type: none"> <li>• Provision of templates for transition and process definition</li> <li>• Adoption of (inter alia) accreditation standard, accreditation of DOEs</li> <li>• Re-registration of transitioned activities under Art 6.4</li> <li>• Adaptation of CDM methodologies for Art 6.4 (for application after [2023])</li> </ul>
<p><b>Host country</b></p> <ul style="list-style-type: none"> <li>• Designation of national authority, national approval process and criteria defined</li> </ul>

**Figure 7: Steps necessary in the operationalization of CDM activity transition**

Source: Authors

means that it has become impossible that CDM transition will be resolved before January 1, 2021. Most urgently eligibility criteria and the transition procedure will have to be fully fleshed out either in the Article 6.4 rules, modalities and procedures or the cover decision. Furthermore, members of the Supervisory Body have to be nominated at COP 26 to be able to take up the work immediately in 2021. Also, resources will have to be made available at once. Parties will either have to make contributions to the UNFCCC Trust Fund for Supplementary Activities or the remaining budget resting with the CDM Executive Board will have to be transferred to the Supervisory Body, which would require a decision by the CMP in Glasgow. At the same time, the CDM Executive Board will have to continue to function for some time. The short time frame until 2023 would most likely generate a “rush into the mechanism” where host countries with weak governance structures would be disadvantaged.

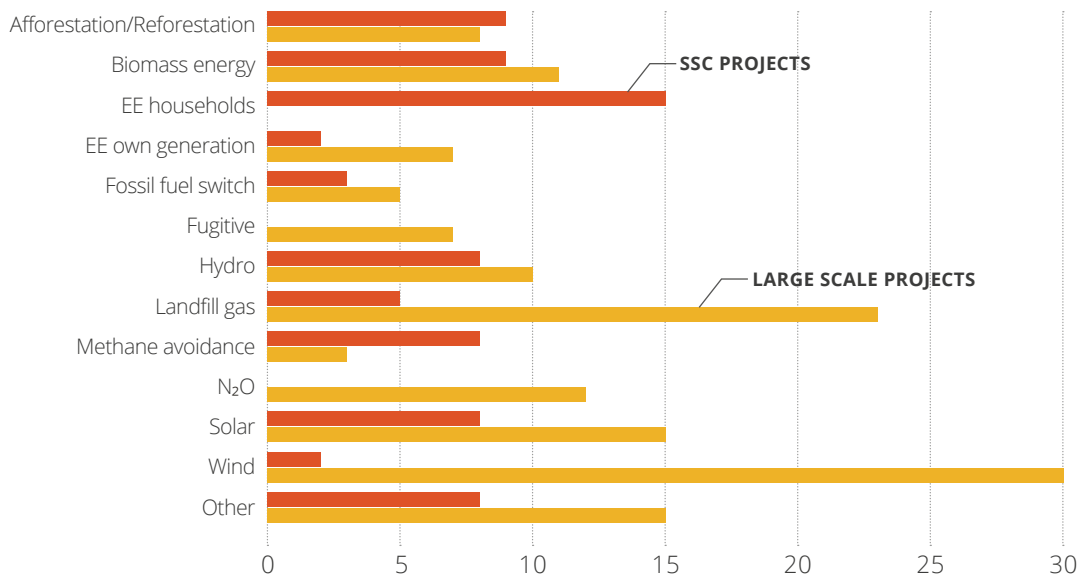
## **IMPLICATIONS OF ELIGIBILITY CRITERIA FOR THE AFRICAN ACTIVITY PORTFOLIO**

A dominant share of the African CDM portfolio consists of small-scale activities and PoAs supporting renewable energy, energy efficiency and landfill gas destruction (see Figure 6 and Figure 7). Thus, the fast track procedure brought into the negotiation text would be highly important to ensure a high share of activities transition.

Despite being a small share of the overall African portfolio, 23 projects and 16 PoAs were registered since 2016 in African countries (see Figure 9). In addition, 425 CPAs were included in PoAs in that period (see Figure 10, left). Compared to the global portfolio, the relative share of post-2016 activities is higher for the African portfolio. While only 2% of global CDM projects were registered after 2016, post-2016 registrations make up for 10% of the African CDM portfolio (see Table 2 and Table 3). The same is true for PoAs, where in Africa the post-2016

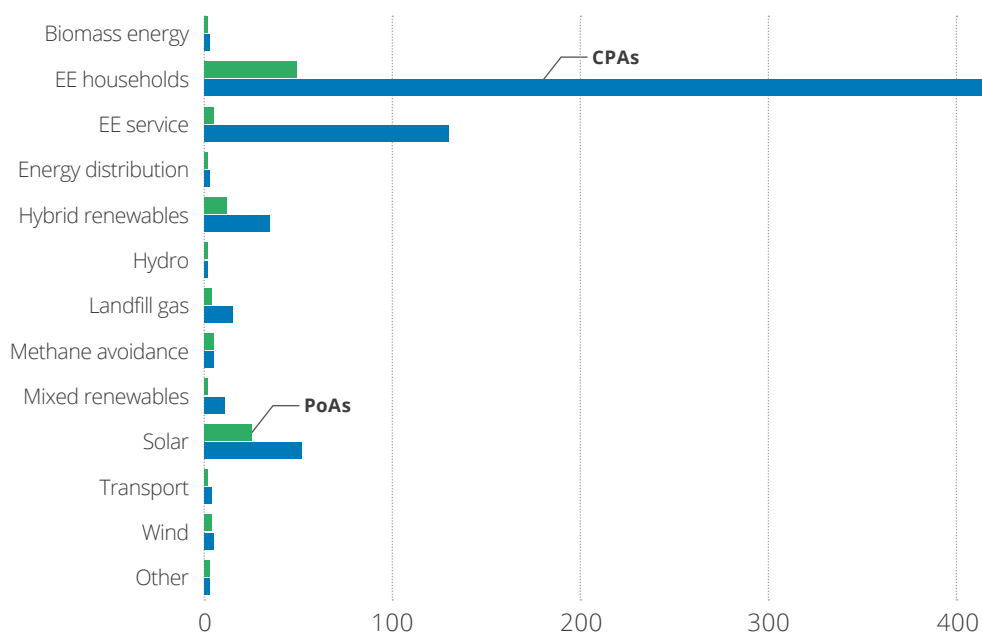
PoAs represent 14% of the portfolio compared to only 11% on the global level (see Table 4 and Table 5). In addition, the share of African activities in the global portfolio increased significantly since 2016, compared to prior years.

Therefore, prioritising recent activities in automatic fast-track procedures, registered not later than the date of the Paris Agreement (December 2015), would benefit the African position within the A6.4M. As PoAs can easily be scaled up significantly by adding further CPAs, provided there is regulatory certainty and market demand, the upside would be high.



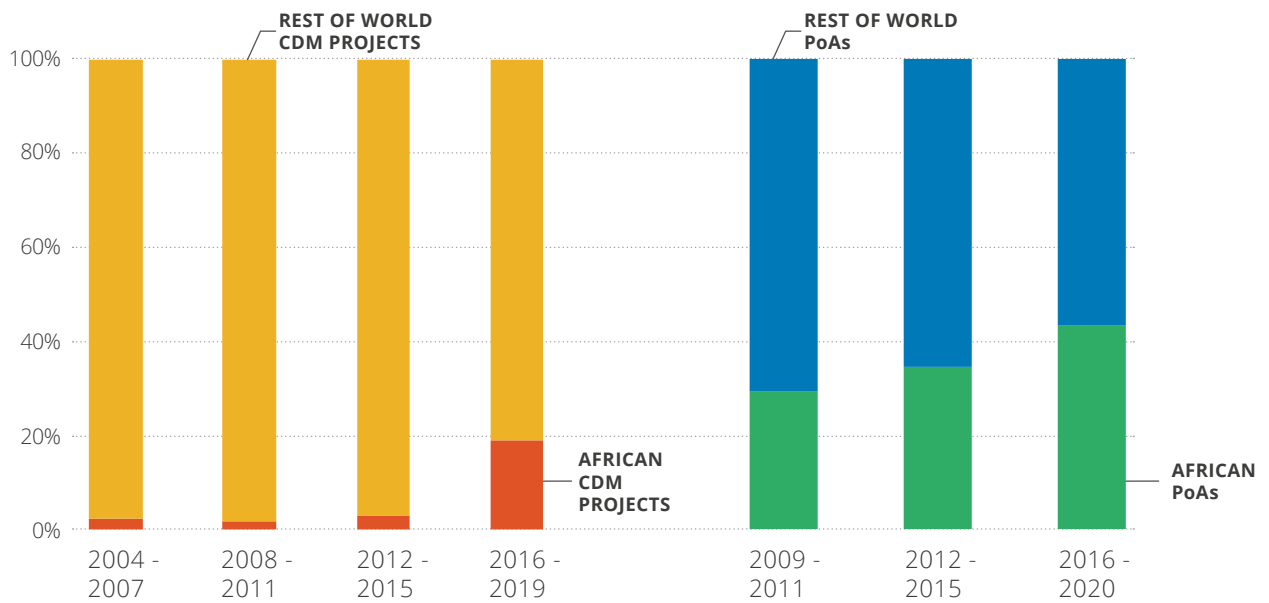
**Figure 8: Overview of African CDM Project portfolio by sector and activity type**

Source: UNEP DTU 2020A



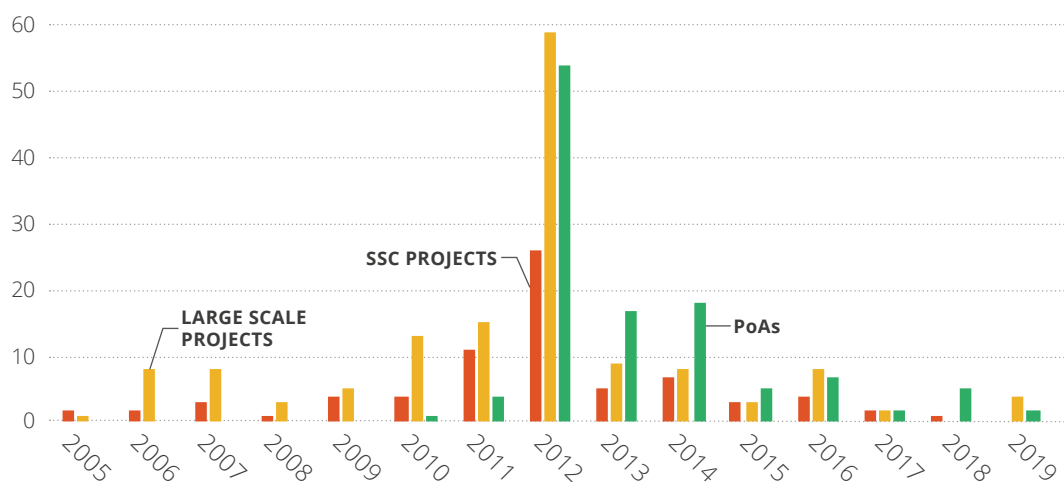
**Figure 9: Overview of African POA portfolio by sector and activity type**

Source: UNEP DTU 2020B



**Figure 10: African relative share of CDM activities over time**

Source: UNEP DTU 2020A, B



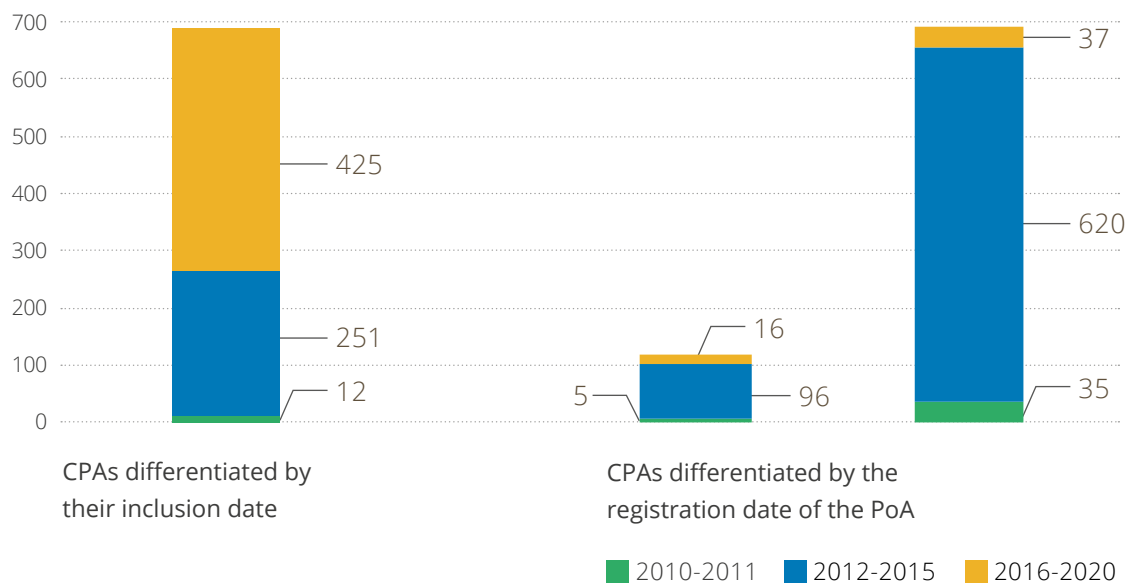
**Figure 11: African CDM activities by registration year**

Source: UNEP DTU 2020A, B

It should be noted, however, that a project registration criterion date for PoAs in 2016 for automatic transition, would exclude the fast-track transition of CPAs with a CPA inclusion date after 2016 to PoAs registered before that date (note the difference in Figure 10 above).

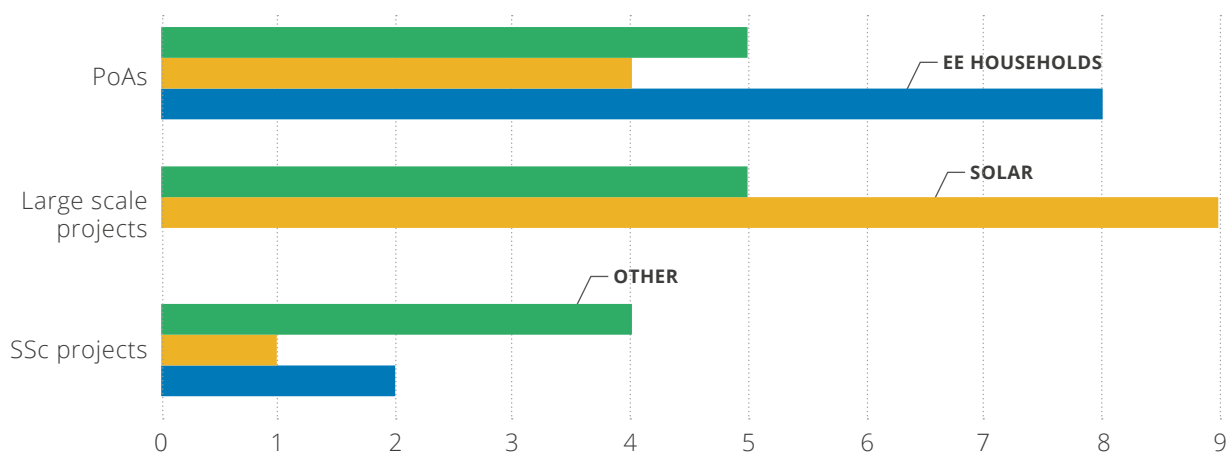
This also has important implications on the supply potential of the transitioned programmatic activities. All CPAs included after 2016 have an estimated potential of delivering approximately 230mt CO<sub>2</sub>e between 2020 and 2030 (UNEP DTU 2020). If the transition of activities is restricted to CPAs from PoAs registered after 2016 this amount is reduced to a potential of 25mt CO<sub>2</sub>e<sup>2</sup> (UNEP DTU 2020).

<sup>2</sup> Please note that the mitigation potential is taken from the project design documents. Experience shows that the actual issuance is much lower.



**Figure 12: Implication for Africa of cut-off criteria based on CPA inclusion or PoA registration date**

Source: UNEP DTU 2020B



**Figure 13: Recently registered African CDM activities by sector**

Source: UNEP DTU 2020A, B



Restricting activity transition to those registered from 2016 onwards would give preference to activities on energy efficiency in households and solar energy (see Figure 11).

## OPERATIONAL CONTINUITY OF THE CDM BEYOND 2020

In Madrid, African countries also called for the avoidance of a gap between the end of the CDM and the A6.4M being fully operational, which was supported by many developing country Parties. Given the substantial amount of unresolved issues, it was already a tall order that the transition period could start seamlessly on 1 January 2021, marking the end of the second commitment period of the Kyoto Protocol (CP2) and the beginning of the Paris era. With the delay of COP 26 to the beginning of 2021 due to the Covid-19 pandemic it has become entirely impossible that all issues will be resolved by this time.

In order to ensure continuity for registered CDM activities it is therefore fundamental that the CDM Executive Board (CDM EB) fulfils vital operational functions after 2020. In the absence of a functioning A6.4M and during the transition period the CDM Executive Board could continue with project related tasks, while the A6.4M Supervisory Body, once it is constituted and picks up operations, focuses on putting in place the necessary regulatory context of the new mechanism. This will on the one hand ensure continuity for CDM activities while reserving the limited capacity of the Supervisory Body for making the new mechanism operational.

Figure 14 contains a proposal of the division of tasks between the CDM EB and the A6.4M Supervisory Body.

FUNCTION	CDM EB	A6.4M SB
<p><b>Operational business</b></p> <ul style="list-style-type: none"> <li>• Issuance of CERs</li> <li>• Renewal of crediting periods</li> <li>• Inclusion of CPAs into PoAs</li> <li>• Registration of activities</li> </ul>		
<p><b>Regulatory business</b></p> <ul style="list-style-type: none"> <li>• Adaptation of CDM methodologies</li> <li>• Adaptation of accreditation, validation, verification standards</li> <li>• Conversion of post 2020 CERs into A6.4ERs</li> <li>• Definition of processes and timelines</li> <li>• Development of templates</li> <li>• Build Art 6.4 registry</li> </ul>		

**Figure 14: Proposal of the division of tasks between the CDM EB and the A6.4M Supervisory Body**

Source: Authors



## 5. TRANSITIONING CERs

Unlike the transition of methodologies and registered activities, the carry-over of CERs was at the centre of controversy in Madrid and largely contributed to the failure of Parties to finalize the Article 6 rules. After years of contentious debates, compromise could only be found midway between 'no transition of pre-2020 units' and 'automatic transition of all unused CERs'. Those Parties mainly concerned with the transfer of CERs to the NDC implementation period undermining the stringency of NDCs, have to swallow some loss of environmental integrity, while those who stress the liability towards investors have to accept a certain cut. Finding this delicate balance essentially became a numbers game in Madrid, with unfortunately a wide range between estimates of unused pre-2020 CERs of Parties<sup>3</sup> and not much clarity regarding the underlying assumptions. In the end, Parties were unable to decide on the parameters as they started negotiating the restrictions for CERs to be carried over only in the final hours of the conference, giving them insufficient time to digest the implications and to understand the differences in the numbers. Parties did not directly negotiate on volumes of CERs though, but discussed various proxy parameters, including:

- **The cut-off date for activities: only CERs from activities with a certain registration date would be eligible to transition. Proposals range from early registration years (2008 or 2012) to late ones (2016)**
- **The cut-off date for use: limiting the period until when transitioned CERs may be used (2023? 2025? 2030?)**

The third iteration of the presidency text indicates the following compromise options:

- **CERs issued under the CDM may be used towards the NDC of the host Party or another Party subject to conditions.**
- **Registration date of the underlying CDM activity was on or after a date to be determined by the CMA (SBSTA to make recommendations and CMA to decide in November 2020)**
- **CERs have to be used towards an NDC by no later than 31 December 2025**
- **Corresponding adjustments only on the side of the using Party, not by the host Party**
- **Pre-2021 CERs to be reported in Parties' transparency reporting**
- **CERs that do not meet the above conditions may go into a reserve and may only be used in accordance with a future CMA decision.**

The key crunch issue in Madrid was the cut-off date for the registration of CDM activities whose credits can be transitioned. Instead of settling on a date, Parties postponed the decision to the next COP and opened the possibility to transfer additional CERs in the future through the creation of a reserve. Since the deferral does not actually resolve the issue of 'carry-over', the compromise was unacceptable to Parties in Madrid.

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<sup>3</sup> Differences in estimates were later attributed to a variety of factors. Schneider (2020) identifies six such factors including, different data sources, different assumptions on technical performance of projects and regarding the implementation status ('aliveness') of projects, as well as different demand and price assumptions.

In order to operationalize these proposals, negotiators must still answer the following questions:

- Can the compromise be found through focusing on the numbers?
- What implications do the proposed cut-off dates have?

## OPEN ISSUES IN DISCUSSIONS

The question after Madrid is how robust the cornerstones of the agreement that were laid out in the third presidency iteration will prove to be. When negotiations resume, is it only a matter of agreeing on the missing registration date or will Parties fall back onto their original positions? Indications are that the potential compromise found in Madrid is fragile. Technical work may, to a certain extent, be able to facilitate a deal. As technical complexities and the lack of a common understanding of the volumes of available CERs clearly played a part in Parties' failure to come to an agreement in Madrid, efforts to consolidate databases and discuss the assumptions going into projections may help to find common ground.

However, technical discussions alone cannot secure a compromise given the prevailing political priorities among Parties. During the ERCST Informal Forum on Article 6 in February 2020, the exchange of views delivered more fundamental concerns than the setting of the registration date alone (see Table 1).

**Table 1: Open issues in CER transition discussion**

ISSUE	OPEN QUESTIONS
<b>Incentive issues</b>	<ul style="list-style-type: none"> <li>• Who benefits from the carry-over of CERs? Is it an actual concern of the private sector and project developers?</li> <li>• What happens to market liquidity and the price signal after 2020 if carry-over is restricted?</li> <li>• Will companies still be able to meet their demand for credits post 2020?</li> <li>• Alternatively: only carrying over CERs in the holding account to the national registries?</li> <li>• What precedent would a carry-over limitation set for 2030?</li> </ul>
<b>Pre-2020/Vintage issues</b>	<ul style="list-style-type: none"> <li>• Could pre-2020 credits be used for pre-2020 carbon neutrality?</li> <li>• Talk about pre-2020 action instead of CERs and include achievements from REDD+?</li> </ul>
<b>Alternatives to vintage restrictions</b>	<ul style="list-style-type: none"> <li>• Should only CERs from certain categories be transferred (positive inclusion or negative exclusion?)</li> <li>• Instead of transitioning only CERs from certain project vintages (unfair), could all CERs be transferable but with haircuts?</li> </ul>
<b>Alternatives to carryover</b>	<ul style="list-style-type: none"> <li>• Could unused CERs absorbed instead through results-based finance, voluntary corporate GHG neutrality pledges or CORSIA?</li> </ul>

Given that the Presidency proposals from Madrid provides a compromise but does not take away Parties' underlying concerns, it may well be that negotiations will see the return of original positions and the introduction of alternative proposals.

While not having a direct impact on UNFCCC negotiations, ICAO's decision in March 2020 to limit the use of CERs under CORSIA to those with vintages from 2016-2020 is worth noting. CORSIA may be a significant non-Party source of finance for CERs, however, the implications of the Covid-19 pandemic on the scheme are not yet clear. Possibly, the demand for units increases as the baseline emissions in 2020 are expected to be very low. However, there may be regulatory changes regarding baseline emission levels given the economic burden on airlines induced by the pandemic. If the baseline year is shifted from 2019-2020 to 2019 only and the air industry sector takes years to reach prior levels of economic activity, demand could also be considerably lower.

## IMPLICATIONS OF PROJECT REGISTRATION CUT-OFF DATES

In the context of the African CDM project portfolio, a 2012 registration cut-off date would eliminate 88% of issued CERs and 54% of the 2020 CER potential of the registered CDM projects estimated by UNEP DTU<sup>4</sup>. A 2016 registration cut-off date would eliminate 99% of issued project CERs and of the expected 2020 CERs (see Table 2).

Table 2: African CDM projects by project registration date

REGISTRATION DATE	CDM PROJECTS	TOTAL ISSUANCE (kCERs)	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
2005-2007	24	30.237	73.653	90.292
2008-2011	56	16.374	87.820	104.335
2012-2015	120	5.713	130.957	218.840
2016-2020	23	445	4.365	13.344
<b>Total</b>	<b>223</b>	<b>52.769</b>	<b>296.795</b>	<b>426.811</b>
<b>Post-2011 percentage of portfolio</b>	64%	12%	46%	54%
<b>Post-2015 percentage of portfolio</b>	10%	1%	1%	3%

Source: UNEP DTU 2020A

<sup>4</sup> Please note that the latter is severely overestimated as many projects will be unable to issue due to various issues ranging from the project not being implemented, technical underperformance to not having monitored properly.

Compared to the global situation, however, Africa's portfolio of activities is relatively new. While post-2015 activities make up 10% of the African portfolio, only 2% of the global portfolio were registered in this time (see Table 3). Between 2004 and 2015, only 2-3% of registered projects were located in Africa. This has changed considerably after 2016, whereby 19% of the CDM projects registered since 2016 are in Africa. A late cut-off date would therefore strengthen Africa's position in the market and ensure the regional imbalances that dominated the CDM for a long time would not continue.

A 2012 registration cut-off date would eliminate 92% of globally issued CERs and 63% of the 2020 CER potential as estimated in the project design documents. A 2016 registration cut-off date would allow for the use of 2173 kCERs and potential issuances up to 39mtCO<sub>2</sub>e, which would be a marginal share of the overall portfolio, but equivalent to 75% of all issued African CERs to date.

**Table 3: CDM projects by project registration date**

REGISTRATION YEAR	GLOBAL CDM PROJECTS	ISSUED kCERs	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
<b>2004-2007</b>	897	1.134.452	1.912.883	2.346.751
<b>2008-2011</b>	3.027	713.517	3.165.209	3.837.908
<b>2012-2015</b>	3.781	154.685	2.941.679	4.587.974
<b>2016-2019</b>	121	2.173	38.487	138.128
<b>Total</b>	7.826	2.004.827	8.058.258	10.910.761
<b>Post-2011 percentage of portfolio</b>	50%	8%	37%	43%
<b>Post-2015 percentage of portfolio</b>	2%	0%	0%	1%

Source: UNEP DTU 2020A

## IMPLICATIONS OF POA REGISTRATION CUT-OFF DATES

Africa's share of registered PoAs has been much higher from the beginning and increased over time. Of the PoAs registered between 2009 and 2011, 29% are located in Africa, as well as 35% of PoAs registered between 2012 and 2015 and 43% of all PoAs registered after 2016.

Most PoAs were registered in Africa in the period between 2012 and 2015. PoAs registered in this time entail nearly 90% of all CPAs and 88% of issued CERs. Therefore, a 2016 cut-off

would restrict transition to 2% of issued CERs under PoAs, while a 2012 cut-off would result in the eligibility of 91% of issued CERs in a post-2020 period (see Table 4). The situation is fairly comparable to the global level (see Table 5).

**Table 4: African PoAs by registration date**

DATE OF PoA REGISTRATION	PoAs	PoA CPAs	TOTAL ISSUANCE (kCERs)	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
<b>2010-2011</b>	5	35	723,241	5.017,706	7.068,227
<b>2012-2015</b>	96	620	6.839,465	140.089,978	461.704,752
<b>2016-2020</b>	16	37	182,851	6.320,079	31.022,620
<b>Total</b>	117	692	7.745,557	151.427,763	499.795,599
<b>Post-2011 percentage of portfolio</b>	96%	95%	91%	97%	99%
<b>Post-2015 percentage of portfolio</b>	14%	5%	2%	4%	6%

Source: UNEP DTU 2020B

**Table 5: Global PoAs by registration date**

DATE OF PoA REGISTRATION	PoAs	PoA CPAs	TOTAL ISSUANCE (kCERs)	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
<b>2009-2011</b>	17	203	4.157,562	40.576,004	65.515,072
<b>2012-2015</b>	275	1213	19.988,889	257.593,099	816.158,970
<b>2016-2020</b>	37	103	185,337	21.287,290	128.174,824
<b>Total</b>	329	1519	24.331,788	319.456,393	1.009.848,866
<b>Post-2011 percentage of portfolio</b>	95%	87%	83%	87%	94%
<b>Post-2015 percentage of portfolio</b>	11%	7%	1%	7%	13%

Source: UNEP DTU 2020B

A 2016-cut-off registration date for PoAs would give Africa a comparative advantage, as 99% of the CERs issued from PoAs registered after 2016 are from PoAs located in Africa. This is surprising as African CERs from PoAs registered after 2016 only account for 30% of the over 2020 potential of the portfolio (see Table 6). It also strongly substantiates the often-made claim that PoAs have been particularly relevant for access to the CDM in Africa, even if the absolute CER volume remains small.

**Table 6: African share of global PoA portfolio**

<b>PORTFOLIO</b>	<b>2009-2011</b>	<b>2012-2015</b>	<b>2016-2020</b>
<b>Global PoAs</b>	17	275	37
<b>African PoAs</b>	5	96	16
<i>African portfolio percentage</i>	29%	35%	43%
<b>Global issued CERs from PoAs registered in this period</b>	4157,562	19988,889	185,337
<b>African CERs from PoAs registered in this period</b>	723,241	6839,465	182,851
<i>African portfolio percentage</i>	17%	34%	99%
<b>Global 2020 CER potential from PoAs registered in this period</b>	40576,004	257593,099	21287,29
<b>African 2020 CER potential from PoAs registered in this period</b>	5017,706	140089,978	6320,079
<i>African portfolio percentage</i>	12%	54%	30%
<b>Global 2030 CER potential from PoAs registered in this period</b>	65515,072	816158,97	128174,824
<b>African 2030 CER potential from PoAs registered in this period</b>	7068,227	461704,752	31022,62
<i>African portfolio percentage</i>	11%	57%	24%

Source: UNEP DTU 2020B

## **IMPLICATIONS OF CPA INCLUSION CUT-OFF DATES**

In the case that not the PoA registration date, but the inclusion date of the CPAs would determine CER eligibility, the implications of the decision would be very different. Since 2016, a significant number of CPAs, constituting 42% of the current portfolio were included in PoAs. Only a small fraction, 7% of the current portfolio, were added to PoAs registered after 2016. The vast majority of CPAs was added to PoAs that were registered in between 2012 and 2015.

In the African CER portfolio, 62% of currently registered CPAs were included after 2016. A 2016 cut-off based on the CPA inclusion date would render 20% of CERs issued for PoAs eligible on the post-2020 carbon market.

**Table 7: African CPA portfolio by inclusion date**

DATE OF CPA INCLUSION	CPAs	TOTAL ISSUANCE (kCERs)	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
2010-2011	12	179,017	1.668,815	2.462,059
2012-2015	251	6.012,383	96.148,733	203.439,150
2016-2020	425	1.554,157	51.586,300	280.746,674
<b>Total</b>	<b>688</b>	<b>7.745,557</b>	<b>149.403,848</b>	<b>486.647,883</b>
<b>Post-2011 percentage of portfolio</b>	98%	98%	99%	99%
<b>Post-2015 percentage of portfolio</b>	62%	20%	35%	58%

Source: UNEP DTU 2020B

Moreover, 62% of CPAs included after 2016 are implemented in African PoAs and Africa also has a higher percentage of post-2016 CERs when compared to the global level. Otherwise, the implications on the global portfolio would be rather similar (see Table 8).

## CHALLENGES IN ASSESSING THE IMPLICATIONS OF CUT-OFF DATES OF THE GLOBAL CARBON MARKET

Since CER market prices fell massively after 2011, issuance levels have been very low. While some projects discontinued, others continued monitoring but did not request issuance as the transaction costs were higher than the market prices. The difficulty in estimating the implications of cut-off dates is in understanding how many projects would request issuance in case there is an increased price signal or the prospect of eligibility of the CERs in a post-2020 market. In short: what is the difference between the 2020 CER potential estimated in PDDs and a realistic assumption of potential CERs that could be issued for pre-2020 emission reductions? Experts have undertaken different types of analyses that differ in their underlying assumptions regarding the technical performance of projects, the implementation status of projects, as well as future demand and prices. In order to reach a compromise, it would be important and essential to undertake further calculations based on transparent assumptions that are shared by a broad range of Parties. This would be a good basis to formulate an informed decision on setting specific cut-off dates.

Table 8: Global CPA portfolio by inclusion date

DATE OF CPA INCLUSION	CPAs	ISSUED kCERS	EXPECTED ACCUMULATED 2020 ktCO <sub>2</sub> e	EXPECTED ACCUMULATED 2030 ktCO <sub>2</sub> e
2009-2011	67	2.386,089	20.790,766	32.708,854
2012-2015	808	19.110,640	198.390,523	407.580,861
2016-2020	637	2.835,059	98.211,993	553.342,030
<b>Total</b>	1.512	24.331,788	317.393,282	993.631,745
<b>Post-2011 percentage of portfolio</b>	96%	90%	93%	97%
<b>Post-2015 percentage of portfolio</b>	42%	12%	31%	56%

Source: UNEP DTU 2020B



## 6. CONCLUSIONS AND KEY MESSAGES

- As an unresolved crunch issue for Article 6, the transition of the CDM, including its units, activities, methodologies and accreditation standards, was given great attention at COP 25 in Madrid. All issues made considerable progress and positions seem to converge around the guardrails of an agreement. However, final agreement could not be reached, contributing to the overall failure to operationalize Article 6 for the second year in a row. COP 26 needs to finalize the rules for a CDM transition in order to provide certainty to governments and market participants.
- The most contentious issue proved to be the transition of pre-2020 CERs to the Paris Agreement context. While Parties accepted that a compromise had to be found between “no transition” and “full transition”, they were unable to agree on specific cut-off dates for project registration and the period of use. Given the nature of their portfolio, African countries would benefit from restricting eligible units to those generated under PoAs and would have comparatively little to lose from setting a late registration cut-off date. A late PoA registration cut-off date would, however, also exclude CERs issued for recently included CPAs from the post-2020 carbon market. Moreover, excluding some projects or PoAs over others from the same activity type without a substantial justification may seem erratic and punish early movers. In addition, it must be noted that data availability is fuzzy and further analysis is needed to estimate the potential issuance of pre-2020 CERs currently not requested by project developers due to the unattractive market conditions.
- While not having a direct impact on UNFCCC negotiations, ICAO’s decision in March 2020 to limit the use of CERs under CORSIA to those with vintages from 2016-2020 is worth noting. CORSIA may be a significant non-Party source of finance for CERs, however, the implications of the Covid-19 pandemic on the scheme are not yet clear. The demand for units post 2020 could possibly increase as the baseline emissions in 2020 are expected to be very low. However, there may be regulatory changes regarding baseline emission levels given the economic burden on airlines induced by the pandemic.
- In contrast to the transition of units, the transition of activities, methodologies and accreditation standards was relatively uncontroversial in Madrid. However, the compromise language found in the presidency texts leaves important gaps and full operationalization subject to future decisions by the SBSTA and the A6.4M Supervisory Body.
- The transition of registered CDM activities was agreed in principle for those activities that meet A6.4M criteria and are re-authorized by the host Party. In order for the guidance to be operational, the SBSTA has yet to define eligibility criteria for transition, the process for transition as well as a fast track procedure for small scale activities and PoAs. Host countries need to prepare for the transition process and develop criteria to evaluate the relationship of registered CDM projects with their NDCs.

- Currently, the negotiation text foresees the transition process to be completed by 2023. Such an early cut-off date for the transition of activities may lead to another rush that could considerably strain the capacity of the regulatory system/UNFCCC Secretariat, similar to 2012. Given the delays caused by the failure of COP25 to agree on the Article 6 guidance and the postponement of COP 26 to 2021 due to the Covid-19 pandemic, the deadline seems even more unfeasible. It is recommended to extend the transition period by at least two years to the end of 2025, which would coincide with the first NDC implementation cycle.
- Relevant proposals also emerged regarding the transition of CDM methodologies: a mandate was given to the SB to adapt CDM methodologies for use in the A6.4M and transitioned CDM activities may continue to use CDM methodologies until 2023 or the expiration of their crediting period, whichever comes earlier. A key operational question is how to prioritize among the 252 approved methodologies. Another is how CDM methodologies should be adapted to take into account the NDCs. While the experience generated in CDM methodologies is significant, only a few have been widely used. Africa may consider identifying high priority technologies and corresponding methodologies, and advocate for a fast track process to transition these. This could take the form of a top-down process led by the UNFCCC Secretariat, funded by remaining CDM resources. There was a very similar top-down precedent for CDM standardized baseline development, but this would require an official mandate for the Supervisory Body to revise key methodologies upfront.
- So far, very little thought has been given to the division of tasks between the CDM EB and the A6.4M Supervisory Body. Given the failure to provide a solution in time, the CDM EB should continue to issue CERs to registered CDM activities for emission reductions achieved post 2020, renew crediting periods and perform CPA inclusions for PoAs until the end of the transition period. The SB, on the other hand, should focus its attention on the adaptation of methodologies, accreditation standards, tools and templates and on putting in place the necessary procedures for the A6.4M. Both bodies need to share the considerable operational and regulatory burden and work together seamlessly. This division of tasks will also ensure that registered CDM activities do not fall into a gap on January 1, 2021.

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UNFCCC (2019c): Draft text on matters relating to Article 6 of the Paris Agreement: Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement. Version 3 of 15 December 1:10 hrs

## ANNEX

Transition of methodologies in the Presidency texts, changes compared to the previous iteration of text are marked in red.

PRESIDENCY TEXT 13.12.	PRESIDENCY TEXT 14.12.	PRESIDENCY TEXT 15.12.
Decision text		
<p>5. Requests the Supervisory Body to:</p> <p>(a) Develop provisions for development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, [forwarding] [transfer] from the mechanism registry, and voluntary cancellation, pursuant to paragraphs 31–71 of the annex;</p> <p>(b) In the context of developing and approving new methodologies for the mechanism, review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol and other existing market-based mechanisms with a view to applying them with revisions as appropriate pursuant to chapter V.B of the annex (Methodologies), for Article 6, paragraph 4, activities when Parties and authorized public and private entities use them;</p> <p>(c) Review the accreditation standards and procedures of the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate, for the mechanism by 2021;</p>	<p>5. Requests the Supervisory Body to:</p> <p>(a) Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, <b>transfer</b> from the mechanism registry, and voluntary cancellation, pursuant to paragraphs 31–<b>67</b> of the annex;</p> <p>(b) In the context of developing and approving new methodologies for the mechanism, review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol and other existing market-based mechanisms with a view to applying them with revisions as appropriate pursuant to chapter V.B of the annex (Methodologies), <b>for the activities under the mechanism established by Article 6, paragraph 4, (hereinafter referred to as Article 6, paragraph 4 activities)</b> when Parties and authorized public and private entities use them;</p> <p>(c) Review the accreditation standards and procedures of the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate, for the mechanism by 2021;</p>	<p>5. Requests the Supervisory Body to:</p> <p><b>(a) Develop options for consideration by the SBSTA on principles for methodologies, including baseline and additionality principles, pursuant to chapter V. B (Methodologies);</b></p> <p><b>(b) Develop provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, renewal, transfer from the mechanism registry, and voluntary cancellation, pursuant to paragraphs 30–58 of the annex;</b></p> <p><b>(c) In the context of developing and approving new methodologies for the mechanism, review the baseline and monitoring methodologies in use for the clean development mechanism under Article 12 of the Kyoto Protocol and other existing market-based mechanisms with a view to applying them with revisions as appropriate pursuant to chapter V.B of the annex (Methodologies), for the activities under the mechanism established by Article 6, paragraph 4, (hereinafter referred to as Article 6, paragraph 4 activities) when Parties and authorized public and private entities use them;</b></p> <p><b>(d) Review the accreditation standards and procedures of the clean development mechanism under Article 12 of the Kyoto Protocol with a view to applying them with revisions as appropriate, for the mechanism by 2021;</b></p>
Annex		
<p>96. Where an activity is eligible for transition pursuant to paragraph 95 above:</p>	<p>86. Where an activity is eligible for transition pursuant to paragraph 85 above:</p>	<p>73. Where an activity is eligible for transition pursuant to paragraph 72 above:</p>

- (a) [The transition, including the necessary actions by the Supervisory Body, shall have been completed by no later than 31 December [2023][X date ]];
- (b) [The Supervisory Body shall ensure that small-scale CDM project activities and CDM programme of activities undergo an expedited registration process in accordance with decisions of the Supervisory Body;]
- (c) [It may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December [2023][X date];]
- (d) [For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved on or after 1 January 2020.]

- (a) The transition shall have been completed by no later than 31 December [2023];  
*Text on expedited process for small-scale activities and PoAs now separate para (see below)*
- (b) It 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 pursuant to chapter V. B (Methodologies);
- (c) For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved on or after 1 January 2020.

- (a) The transition shall have been completed by no later than 31 December 2023;
- (b) It 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 pursuant to chapter V. B (Methodologies);
- (c) For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved after 31 December 2020.

Transition of activities in the Presidency texts, changes compared to the previous iteration of text are marked in red.

PRESIDENCY TEXT 13.12.	PRESIDENCY TEXT 14.12.	PRESIDENCY TEXT 15.12.
<b>Decision text</b>		
7. Requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020): (...)	7. Further requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020): (...)	7. Further requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020): (of such transition;

(e) Further elaboration of the transition of activities from the clean development mechanism under Article 12 of the Kyoto Protocol to Article 6, paragraph 4, including expedited transition for small scale CDM project activities and CDM programmes of activities, and on necessary steps for the implementation of such transition;

(e) Further elaboration of the transition of activities from the clean development mechanism under Article 12 of the Kyoto Protocol to Article 6, paragraph 4, including expedited transition for small **scale clean development mechanism** project activities and clean development mechanism programmes of activities, and on necessary steps for the implementation of such transition;

(g) Further elaboration of the transition of activities from the clean development mechanism under Article 12 of the Kyoto Protocol to Article 6, paragraph 4, including expedited transition for small scale clean development mechanism project activities and clean development mechanism programmes of activities, and on necessary steps for the implementation

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#### Annex

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95. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol (CDM) may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to:

- (a) The provision of approval of such transition to the Supervisory Body by the host Party per decision 3/CMP.1 of the CDM project activity or CDM programme of activities, by no later than [31 December [2023] [X date]];
- (b) The compliance with these rules, modalities and procedures and any further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body;

85. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol (CDM) may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to:

- (a) The provision of approval of such transition to the Supervisory Body by the host Party per decision 3/CMP.1 of the CDM project activity or CDM programme of activities, by no later than **31 December [2023]**;
- (b) The compliance with these rules, modalities and procedures and any further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body;

72. Project activities and programmes of activities registered under the clean development mechanism under Article 12 of the Kyoto Protocol (CDM) may transition to the mechanism and be registered as Article 6, paragraph 4, activities subject to:

- (a) The provision of approval of such transition to the Supervisory Body by the host Party per decision 3/CMP.1 of the CDM project activity or CDM programme of activities (CDM host Party), by no later than 31 December **2023**;
- (b) The compliance with these rules, modalities and procedures and any further relevant decisions of the CMA and relevant requirements adopted by the Supervisory Body, **including those that relate to the application of a corresponding adjustment consistent with decision X/CMA.2 (Guidance relating to cooperative approaches referred to in Article 6, paragraph 2)**;

96. Where an activity is eligible for transition pursuant to paragraph 95 above:

- (a) [The transition, including the necessary actions by the Supervisory Body, shall have been completed by no later than [31 December [2023][X date ]];]
- (b) [The Supervisory Body shall ensure that small-scale CDM project activities and CDM programme of activities undergo an expedited registration process in accordance with decisions of the Supervisory Body;]

86. Where an activity is eligible for transition pursuant to paragraph 85 above:

- (a) **The transition shall have been completed by no later than 31 December [2023]**;
- Text on expedited process for small-scale activities and PoAs now separate para (see below)*
- (b) It 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**

73. Where an activity is eligible for transition pursuant to paragraph 72 above:

- (a) The transition shall have been completed by no later than 31 December **2023**;
- (b) It 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 pursuant to chapter V. B (Methodologies);

<p>(c) [It may continue to apply its current approved CDM methodology until the earlier of the end of its current crediting period or 31 December [2023] [X date];]</p> <p>(d) [For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved on or after 1 January 2020.]</p>	<p>methodology pursuant to chapter V. B (Methodologies);</p> <p>(c) For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved on or after 1 January 2020.</p>	<p>(c) For CDM project activities and CDM programmes of activities that have transitioned, A6.4ERs may be issued for emission reductions achieved after 31 December 2020.</p>
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<p>Para 96 b above</p>	<p>87. The Supervisory Body shall ensure that small-scale CDM project activities and CDM programme of activities undergo an expedited transition process in accordance with decisions of the Supervisory Body.</p>	<p>74. The Supervisory Body shall ensure that small-scale CDM project activities and CDM programme of activities undergo an expedited transition process in accordance with decisions of the Supervisory Body.</p>
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Transition of CERs in the Presidency texts, changes compared to the previous iteration of text are marked in red.

PRESIDENCY TEXT 13.12.	PRESIDENCY TEXT 14.12.	PRESIDENCY TEXT 15.12.
<b>Decision text</b>		
<p>7. Requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020):</p> <p>(...)</p> <p>(f) [Further elaboration of the use of certified emission reductions issued under the Kyoto Protocol [or any other non-Kyoto Protocol pre-2021 units] that may be required in addition to those set out in chapter XI.B (Transition of Kyoto Protocol units to the Article 6, paragraph 4, mechanism);]</p>	<p>7. Further requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020):</p> <p>(...)</p> <p>(f) Further elaboration of the provisions in chapter Error! Reference source not found.. Error! Reference source not found. of the annex (Transition of clean development mechanism activities and certified emission reductions);</p>	<p>7. Further requests the Subsidiary Body for Scientific and Technological Advice to develop, on the basis of the rules, modalities and procedures contained in the annex, recommendations on further elements to be included as an integral part of the rules, modalities and procedures, for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (November 2020):</p> <p>(a) The opt out period end date to be decided by the CMA in paragraph 70 of Chapter IX of the annex (Avoiding the use of emission reductions by more than one Party) and the date to be decided by the CMA in paragraph 75 (a) of chapter XI. B of the annex (CER transition);</p> <p>(...)</p> <p>(h) Further elaboration of the provisions in chapter XI of the annex (Transition of clean development mechanism activities and certified emission reductions);</p>

Equivalent text in para 102

9. [Requests the secretariat, as mechanism registry administrator, to develop procedures to enable the mechanism registry to receive CERs from the CDM registry, as defined in decision 3/CMP.1];

No text

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Decision text

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Option A

No text

No text

97. CERs shall not be used by any Party towards its NDC.

Option B

No text

No text

98. A CDM host Party shall not use CERs for its own NDC or [first transfer][forward] CERs for use towards its NDC by another participating Party, more than [X] CERs {formula for calculation of a volume limit}.

Option C

Option A

75. CERs issued under the CDM may be used towards the NDC of the CDM host Party or a participating Party in accordance with all of the following conditions:

99. A Party other than a host Party per decision 3/CMP.1 may use CERs towards its NDC where all of the following conditions are met:

88. A Party other than a host Party per decision 3/CMP.1 may use CERs towards its NDC where all of the following conditions are met:

(a) The CDM project activity or CDM programme of activities was registered on or after [X date];

(a) The CDM project activity or CDM programme of activities was registered on or after 1 January [X][2016];

(a) The CDM project activity or CDM programme of activities was registered on or after a date to be determined by the CMA;

(b) The CERs were issued in respect of emissions reductions or removals achieved prior to or on 31 December 2020;

(b) The CERs were issued in respect of emissions reductions or removals achieved prior to or on 31 December 2020;

(b) The CERs were issued in respect of emissions reductions or removals achieved prior to or on 31 December 2020;

(c) The CERs are used towards the NDC by no later than [31 December 2023];

(c) The CERs are used towards the NDC by no later than 31 December 2023;

(c) The CERs are used towards the NDC by no later than 31 December 2025;

(d) [The CDM host Party shall not be required to apply a corresponding adjustment consistent with decision X/CMA.2 (guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement) to the CERs identified as to be used by [2023][X date]].

(d) The CDM host Party shall not be required to apply a corresponding adjustment consistent with decision X/CMA.2 (guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement) to the CERs identified as to be used by 31 December 2023.

(d) The CDM host Party shall not be required to apply a corresponding adjustment consistent with decision X/CMA.2 (Guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement) in respect of the CERs identified as to be used by 31 December 2025 pursuant to (c) above;

Option C1

89. A CDM host Party may use CERs issued in respect of emission reductions or removals achieved prior to or on 31 December 2020, towards its own NDC where all of the following conditions are met:

(e) The participating Party using the CERs towards its NDC shall apply corresponding adjustments consistent with decision X/CMA.2 (Guidance for cooperative approaches referred to in Article 6, paragraph 2);

(a) The CERs are used towards the NDC by no later than [2023][X date].



(b) The CERs are transferred to the mechanism registry by no later than [31 December 2023], upon the request of the CDM host Party;

(c) The use of such CERs is reported by the CDM host Party in the relevant biennial transparency reports in accordance with decision 18/CMA.1.

101. [The CDM host Party shall not be required to apply a corresponding adjustment consistent with decision X/CMA.2 (guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement) to the CERs identified as to be used by [2023][X date]].

{Cover decision text}

102. Requests the secretariat, as mechanism registry administrator, to develop procedures to enable the mechanism registry to receive CERs from the CDM registry, as defined in decision 3/CMP.1.

{CMP decision text}

103. Affirms that a host Party may request a Party holding account in the CDM registry in order to hold CERs issued from CDM project activities and CDM programmes of activities in that host Party [in reserve];

104. Requests the CDM registry administrator to enable the CDM registry to forward CERs to the mechanism registry as defined in decision X/CMA.2.

Option C2: {no further text}

Option D

105. CERs may be used towards NDCs consistent with decision X/CMA.2 (guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement).

Option E

106. Kyoto Protocol units, or emission reductions underlying such units, shall not be used by a Party towards its NDC or for other purposes.

Option F: {no reference to Kyoto Protocol units}

(a) The CDM project activity or CDM programme of activities for which the CERs were issued was registered on or after 1 January [2013][X][2016];

(b) The CERs are transferred to the mechanism registry by no later than 31 December 2023;

(c) The CERs are used towards the NDC by no later than 31 December 2023;

(d) The use of such CERs is reported by the CDM host Party in the relevant biennial transparency reports in accordance with decision 18/CMA.1.

*No text on corresponding adjustments*

*Request to the Secretariat moved to work programme (see above)*

No text

*(6.2 text from 14.12. has no reference to Kyoto units)*

Option B

90. [Other than CERs used in accordance with this chapter, Kyoto Protocol units, or emission reductions underlying such units, shall not be used by a Party towards its NDC or for other purposes].

91. [Other than CERs used in accordance with this chapter, Kyoto Protocol units may be placed in reserve].

Option C: {no reference to Kyoto Protocol units other than CERs}

(f) The CERs shall be identified as pre-2021 CERs in the CDM host Party and participating Party's reporting in accordance with decision 18/CMA.1.

76. CERs that do not meet the conditions of paragraph 75 above are in reserve and may only be used towards NDCs in accordance with a future decision of the CMA.]



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