

Japan's submission on Article 6 of the Paris Agreement
The Transition of CDM project activities

October, 2021

1. Outline

- In COP 26, with respect to project activities registered under the CDM (clean development mechanism) under the Kyoto Protocol that can be qualified under the Article 6.4 mechanisms under the Paris Agreement, the CMA (Conference of the Parties serving as the meeting of the Parties to the Paris Agreement) needs to decide the general framework for accepting the transition of such project activities to the Article 6.4 mechanisms.
- In addition, the CMP (Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol) needs to decide on transition of CDM project activities. Without such decision, there's a risk that the transition of the project activities, as well as the issuance of Article 6.4 credits from the activities, will not function as intended. Both CMA decision and CMP decision will need to function as the two wheels of the same vehicle when it comes to the transition of CDM project activities to the Article 6.4 mechanisms.
- CMP decision on the transition of CDM project activities will be a part of a package for Article 6 discussion. In case there is no package, there could be no CDM project activities transition nor CMP guidance to the CDM Executive Board. The consequence of this may be that there is no credits issuance from transitioned CDM projects under the Article 6.4 mechanisms, and this should be avoided.
- Since time slots for the CMP are likely to be limited in COP 26, efficient discussions are needed for the adoption of decisions and work programme under the CMA and the CMP, so that the transition of the project activities will be undertaken by a certain deadline (e.g., the end of 2023) based on the third version of Presidency text prepared in COP25. Discussion on detailed conditions for the transition needs to be continued under the SBSTA and by relevant constituted bodies.

2. Necessary decisions in COP 26 (CMA3 and CMP 16)

2.1 Transition of CDM project activities

CMA RMP

- Transition conditions (Approval by the Article 6.4 Supervisory Body and Host Parties) (Presidency texts Version 3, Annex Para 72)
- Transition deadline (e.g. end of 2023) (Presidency texts Version 3, Annex Para 73 (a))
- Application of the simplified transition procedure to small-scale CDM project activities and CDM programme of activities) (Presidency texts Version 3, Annex Para 74)
- For CDM project activities transitioned to the Article 6.4 mechanism, the credits will be issued as Article 6.4 emission reductions after 2021.

Work programme in CMA decision

- Request the SBSTA to develop further elaboration of the transition conditions of CDM project activities (Presidency text, Version3, para7 (g)) (Adoption at CMA4)
- Request the SBSTA to develop the procedure for transition of CDM project activities (including expedited transition process for small-scale CDM project activities and CDM programme of activities) (Adoption at CMA4)

CMP decision

- Based on a request from a CDM project developer, a CDM project activity which qualifies the transition condition to be transitioned to the Article 6.4 mechanism
- Request the CDM Executive Board to cooperate with the Article 6.4 Supervisory Body on the transition of CDM project activities

Work programme in CMP decision

- Request the CDM Executive Board to provide the guidance to project participants on the procedure for transition of CDM project activities (e.g., de-registration under the CDM) (Adoption at CMP 17)
- Draft decision on the treatment of CDM project activities that are not transitions to the Article 6.4 mechanism (Adoption by CMP 17)

2.2 Use of CDM Methodology

CMA RMP

- Period of applicability of the existing CDM methodologies (the earlier of the end of the current credit period or a certain period (e.g. 1 January 2024)) (Presidency text, Version3, Annex para73 (b))
- CDM methodologies that can be revised will be modified and utilized under the Article 6.4 mechanism

Work programme in CMA decision

- Request the Article 6.4 Supervisory body to review existing CDM methodologies (Presidency text, Version3, Annex para73 (b)) (adoption at CMA4 and continues thereafter)

CMP decision

- Accept CDM methodologies to be utilized under the Article 6.4 mechanism

2.3 Treatment of the Secretariat and the CDM registry

CMA decision

- Current Secretariat staffs will engage in the Article 6.4 mechanism.
- Receive necessary information and data for transition of CDM project activities from the CDM Registry to the Article 6.4 Registry

CMP decision

- Approve current CDM secretariat staffs will engage in the Article 6.4 mechanism.
- Sending necessary information and data for transition of CDM project activities from the CDM Registry to the Article 6.4 Registry

2.4 Treatment of the CDM Trust Fund

CMA decision

- Financial resource in the CDM Trust Fund will also be used for the Article 6.4 mechanism.

Work programme in CMA decision

- Request the Article 6.4 Supervisory body to consider a new approach of trust fund management and administration under the Article 6.4 mechanism (adoption at the CMA4)

CMP decision.

- Accept financial resource in the CDM Trust Fund will also be used for Article 6.4 mechanism.

Work programme in CMP

- Request the SBSTA to consider the operational deadline under the CDM when using CDM Trust Fund resources under the Article 6.4 mechanism (adoption at the CMA 4)

3. Others

CMA decision

- The UNFCCC RCC (Regional Collaboration Centres) will support project participants and DNAs for their transition of CDM project activities.
 - ✓ Approval process for transition of existing CDM registered projects to the Article 6.4 mechanism
 - ✓ Support for reviewing the standardized baseline if necessary
 - ✓ Organising workshops and developing tools for promoting the understanding of new procedures.

CMP decision

- The UNFCCC RCC will support CDM project participants and DNAs (Designated National Authorities) in administrating the transition of relevant CDM project activities to the Article 6.4 mechanism.