

Members of the CDM Executive Board
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D 53153 Bonn
Germany

CHAIRPERSON:
Sven Kolmetz
sven.kolmetz@pd-forum.net

CO VICE CHAIRPERSONS:
Philipp Hauser
Philipp.HAUSER@pd-forum.net
Christiaan Vrolijk
christiaanvrolijk@gmail.com

To cdm-info@unfccc.int
From sven.kolmetz@pd-forum.net
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Subject **Request for review of renewal of crediting period**
Classification: Not confidential – this letter will be distributed to interested parties and published online

Director
Rachel Child
Rachel.child@pd-forum.net

Honourable Members of the CDM Executive Board,

Following EB 107, we noticed that there had been no decision on the most urgent matter of the subject of our recent communication, Request for Review for the renewal of the crediting period for a number of CDM project activities and Programmes of Activities. While we are deeply disappointed, we are heartened by the fact that EB 107 has enabled CDM continuation post 2020 in another area: it has decided to provisionally accredit DOEs until the CMP meets again in 2021 and pending final designation by the CMP. In our view, such provisional decisions set the right precedent for dealing with issues where the EB does not have the legal mandate to decide. It is what we and many other actors, including the World Bank have been calling for in our last letters to the CDM EB: all functionalities of the CDM should be maintained on a provisional basis until the CMP has the opportunity to decide on the matter. By contrast, stopping operations would unduly pre-empt a decision. All our motivations and reasonings still apply and instead of repeating our arguments here we wish to refer you back to our previous letters¹. Our focus in this letter is to offer concrete and constructive solutions that the EB could adopt in the interim, which would not only be fully within the purview of the EB but also pave the way for a transition from CDM to Article 6.4.

Because the CDM has no end date or sunset clause, as long as no formal CMP decision has been taken to end the mechanism, CDM operations must continue. The legal competency with regards continuation of the CDM lies with the international negotiation process at UNFCCC level, the CMP, not the EB; the EB should continue to operate the CDM, finding solutions where barriers exist, including barriers caused by the delays in the negotiations, as it has done over more than 20 years already, building the most successful international environmental mechanism.

To further substantiate our point, we wish to draw your attention to the belated ratification of the DOHA Amendment in November 2020 which legalizes the second KP commitment period – just when the same comes to an end. In the light of this ratification, we do not understand why the continuity of the CDM cannot be maintained, at least, on a provisional basis as the whole second KP commitment period was.

We, as CDM project developers, want to contribute in a constructive manner to a reasonable and pragmatic solution based on our technical expertise, working to make the potential envisaged transition to Article 6 possible. Our proposition is as follows:

¹ Our joint letter with IETA, ICROA, and DIA to EB 107: https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20200805100717355/INQ-10078_COM_FORM.pdf, our submission in the call for input on the EB 107 annotated agenda: https://cdm.unfccc.int/public_inputs/2020/0809_01/cfi/9RHPLZD0PZQCMHKT2B21C2DU7KLD7V and our earlier letter to EB 106: https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20200505124243766/INQ-09831_COM_FORM.pdf.



The CDM continues – until CMP decides to end it or potentially transition it under the Article 6 – for all Parties interested. There is no obligation on all Parties to actively participate, buy CDM credits, or count them towards any UNFCCC obligations – if the EU no longer wants to use CERs for their Paris targets, then that is their right (as much as we may disagree with such decision).

Given the fact that 21 years of project lifetime has been promised during registration, project developers should be allowed to proceed with their CDM projects, possibly issuing vintages from the period after CP2 on a “provisional” basis. **This could be achieved by either marking the CERs initially as “provisional” rather than CP3 and then convert them to CP3 after the CMP decision, or alternatively by progressing issuance requests up to IRC only or up to issuance into the pending accounts only without the possibility of forwarding until the CMP decision – in this latter case, the issuance fees for the CP3 credits could only be charged upon the CMP decision to enable the forwarding.** The next CMP will then have the opportunity to decide about if and how to continue. Ideally, based on a clear CMP mandate adopted at COP26, the carbon credits created by CDM projects during this phase of transition can be used for a quick start of the new Art. 6.4 mechanism, thus supporting the green recovery of the world’s economies from the severe COVID-19 crisis. CMP may decide on a grace period for these transitional carbon credits without additional requirements or additional criteria once modalities and procedures of the new Art. 6.4 mechanism have been agreed in the Paris Rulebook.

This way, the CMP, as the only legitimised body, can decide on the matter of continuity and/or transition of the CDM at COP 26 without the CDM EB having previously made a decision that limit its options. If a positive decision for transitional CDM continuation is taken by CMP, the “provisional” carbon credits could be released. In case of a negative CMP decision, abandoning the CDM would at least have the required formal legitimization.

Registrations and renewal of crediting periods are also considered critical and solutions for these pressing issues are still urgently requested. The rejection of a renewal of the crediting period may discriminate projects that happen to require renewal during this interim period from 1st of January 2021 until hopefully receiving further guidance from COP 26. The rejection of the renewal request would mean the irreversible exclusion of the project from any provisional post-2020 CDM activities and most likely as well from a transition to any future Art. 6 mechanisms.

The opponents should be fully aware that in case of an abrupt discontinuation of key CDM operations after 2020 or ongoing regulatory uncertainty about this issue, project developers may be forced to transition their CDM projects to other voluntary, national or regional carbon market standards. When successfully transitioned such projects may still be eligible for important carbon offset schemes, such as CORSIA, or national regulations.

However, the regulatory uncertainty created by this situation will inevitably lead to a (further) loss of trust, reputation and relevance of any UNFCCC mechanism, particularly for private sector actors who have made early investments in ambitious climate action, as well as national and regional schemes that might have utilised UNFCCC-endorsed credits but find themselves exposed to the political bargaining between UNFCCC member states. Such a scenario, will lead to further fragmentation of the world’s carbon markets and will be a major blow to any serious and internationally coordinated climate action under the umbrella of the UNFCCC.

Therefore, the PD Forum would like to reiterate its hope that the CDM EB will reject these unsubstantiated Requests for Review for these few projects, and unambiguously supports the continuation of the CDM until otherwise decided by the CMP. We further urge the CDM EB to develop viable interim solutions for the transitional operation of the CDM post 2020 that may be proposed to CMP and to undertake the required preparations by commissioning the necessary technical work.

The PD Forum and its members look forward to the next CDM EB meeting and remain at the disposal of the CDM EB to provide any required assistance in this and other matters.

Yours sincerely,



Dr. Sven Kolmetz
Chairman, Project Developer Forum signing on behalf of the membership

