

Japan's submission on Article 6 of the Paris Agreement Clean Development Mechanism (CDM) activity transition to the Article 6.4 mechanism

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Introduction

Japan welcomes the invitation from the SBSTA Chair to voluntarily submit further views on the Clean Development Mechanism (CDM) activity transition to the Article 6.4 mechanism.

For the transition of CDM project activities and a programme of activities to the Article 6.4 mechanism, Japan is of the view that the following points need to be decided at COP26 with the premise of ensuring environmental integrity.

Basic concept

- The Kyoto Protocol and the Paris Agreement are two distinct international frameworks. To name some of the differences between the two, the Paris Agreement does not apply classification of Annex I and non-Annex I Parties, aims to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, and requests all Parties to set emission reduction targets they intend to achieve. Therefore, the Kyoto mechanisms such as the CDM cannot automatically transition to the Paris Agreement with their original designs.
- With that understanding, CDM project activities and programme of activities already registered may contribute to emission reductions under the Paris Agreement only when they are re-registered in line with the rules, modalities and procedures for the Article 6.4 mechanism including provisions on baseline. For this to happen on a sound legal basis, a both a decision by the CMA on Article 6.4 and a decision by the CMP on the CDM activity transition to the Article 6.4 mechanism will be required.

Timeline for the CDM activity transition

- A deadline for CDM activity transition to be completed which is contained in the current presidency texts should be considered, taking into account last year's postponement of COP26.
- In principle, new Article 6.4 methodologies should apply from 1st January 2021 to CDM projects and a programme of activities which are transitioned to the Article 6.4 mechanism.

Examination of existing CDM methodologies

- Since a significant amount of work will be required to examine qualification of all the existing CDM methodologies, the methodologies for small-scale CDM and a programme of activities should be examined through an expedited process.

- With regard to the existing CDM methodologies with broader applications, such as those for grid-connected renewable energy projects, the Supervisory Body established under Article 6.4 should prioritize developing relevant methodologies based on the rules, modalities and procedures of Article 6.4 to enable smooth transitions for the CDM activity.

Support for the CDM activity transition

- It is essential to support Parties in need on such aspects as approvals by host Parties on the transition of CDM project activities and a programme of activities, establishment of domestic institutional arrangements, and developing methodologies. Therefore, support systems including through utilization of the Regional Collaboration Centres (RCCs) and other international organizations, should be established.

Essential elements for decision under the CMP

- A CMP decision is also needed at COP26 for CDM activity transitions to the Article 6.4 mechanism. Such a decision should at least cover the following elements:
 - Whether or not new project activities and a programme of activities can be registered under the CDM after 2021.
 - Whether or not CERs can be issued based on the emission reductions achieved after 2021.
 - How the budget surplus and resources in the CDM (including Regional Collaboration Center) should be utilized.