

**Submission by Bhutan on behalf of Least Developed Countries Group on Clean Development Mechanism (CDM) activity transition to Article 6.4 mechanism**

**3 June 2021**

The LDCs welcome the opportunity to provide to share views in response to the invitation extended by the Chair of the SBSTA, relating to **Clean Development Mechanism (CDM) activity transition to Article 6.4 mechanism** and to the guiding questions presented as follows:

First, we wish to express our disappointment with the questions for this discussion. It assumes that there will be a transition from CDM activities to article 6.4 mechanism, or that any such transition is required.

**We do not agree that units generated from the CDM should be carried forward into the Article 6.4 Mechanism**

**There are very sound reasons why there should be no carry over of Kyoto Protocol units into Art 6.**

**The LDCs commissioned a study into the implications of carrying over units from the Kyoto Protocol to Article 6. This report will be appended to our submission on this topic.**

**In brief, the study** indicates that full transition of CDM project activities leads to an overall increase in global emissions of 763 Mt CO<sub>2</sub>e. This assumes that 30% of activities take steps to transition.

This is unacceptable. This is a significant downgrading of ambition from existing targets. Therefore, we are gravely concerned about the implications of carrying over units. Nevertheless, we could consider the possible transfer of activities from the CDM to the Article 6.4 mechanism

It is under this understanding that activities could potentially be carried forward, that we will address the questions

With respect to question 1 - Which actors need to take which steps to enable eligible CDM activities to transition to the 6.4 mechanism?

- Parties to the Paris Agreement could request the Article 6.4 Supervisory Body to develop criteria for the eligibility of activities under Art 6.4. This would need to consider such aspects as **improved baseline setting, additionality, meeting environmental integrity standards, meeting social safeguards requirements, addressing non-permanence and reversals.**
- These criteria would then need to be submitted from the Supervisory Body to the CMA for approval.

- Once these general guidelines for Article 6.4 eligibility criteria are approved, the Supervisory Body could be mandated to investigate whether any existing CDM project activities meet these criteria.
- The Supervisory Body could approve these activities subject to participation requirements being met by the host Party and subject to the host Party has established procedures for cancellation of units to meet requirements under Overall Mitigation in Global Emissions and Share of Proceeds

On question 2 - By what deadline should CDM activity transition be completed? –

- This will depend on how quickly the Art 6.4 Supervisory Body is established and how quickly it can develop criteria for eligibility of Art 6.4 activities and that these criteria are approved by the CMA. The Supervisory Body would then need to review existing CDM activities to determine whether these activities meeting the Article 6.4 eligibility criteria

On question 3 - Which rules of the 6.4 mechanism could apply to transitioned activities immediately upon transition? We have trouble accepting the formulation of this question..

- We believe CDM activities are either fit for purpose in the art 6.4 mechanism or that they should not be transitioned at all.
- Put differently, if an CDM activity cannot adhere to all the rules of the Art 6.4 mechanism, they will not transition.
- We don't have the luxury of time nor the carbon budget for transition of activities that are not additional in the context of the post-2020 regime.

Finally, on question 4 "Which accompanying decisions might be needed by the CMP to facilitate CDM activity transition?",

- We don't think the CMP needs to be involved for the 6.4 mechanism to decide on which methodologies it will accept or not. Parties may request the Art6.4 Supervisory Body to consider whether their existing CDM activities meet the requirement of Art 6.4 activities.

Last session we agreed that article 6 has a role on unlocking mitigation ambition.

CDM projects transition **would deliver just the opposite of that: it would aggravate the global GHG concentration.** The LDCs would not support that and would hope that no parties to the Paris Agreement or the UNFCCC would.