

## DRAFT TEXT

on

### SBSTA 61 agenda item 12

### Matters relating to the operations of the clean development mechanism

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## **Matters relating to the operation of the clean development mechanism**

### **Draft conclusions proposed by the Chair**

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA) considered matters relating to the operation of the clean development mechanism (CDM).
2. The SBSTA welcomed the technical paper by the secretariat on further breakdown of necessary level of resources for the functioning and operation of the processes and institutions under the CDM.<sup>1</sup>
3. The SBSTA welcomed updates from the secretariat on communication with the CDM project participants that have not paid their share of proceeds and their intention to pay.<sup>2</sup>

#### *Option 1*

4. The SBSTA recommends the draft decision on this matter for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its nineteenth session (November 2024 (for the text of the draft decision, see document FCCC/SBSTA/2024/L.X.Add.1)

#### *Option 2*

5. The SBSTA did not reach any agreement on functioning of processes and institutions under the CDM and agreed to forward this matter for further consideration at the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its nineteenth session (November 2024);

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<sup>1</sup> FCCC/TP/2024/7.

<sup>2</sup> <https://unfccc.int/documents/641883>

**Draft Decision – CMP. XX**

**I. Functioning of the clean development mechanism beyond the end of the second commitment period of the Kyoto Protocol:**

1. The SBSTA agreed to recommend the CMP on deadlines for operations and institutions under the CDM in a phase wise manner as follows:

*Issuance, transfer and cancellation of CERs:*

(a) The submission of requests for issuance of certified emission reductions for CDM project activities or programmes of activities shall cease on [31 December 2025] [or any other later date];

(b) The submission of requests for transfer of certified emission reductions to the Article 6.4 mechanism registry, pursuant to paragraph 11 of decision 7/CMA.4, shall cease on [31 December 2026] [or any other later date];

(c) The cancellation of certified emission reductions and any other transactions in the CDM registry shall cease on [31 December 2026] [or any other later date];

*Post-registration changes:*

(d) The submission of requests for post-registration changes shall cease on [31 December 2025] [or any other later date];

*Approval, revision, Issues related to methodologies:*

(e) The submission of proposed new methodologies, the submission of requests for revisions to methodologies, methodological tools and the submission of requests for updates of standardised baselines under the bottom-up process in accordance with the relevant procedures shall cease on [31 December 2024] [or any other later date];

(f) The approval and revision of methodologies, methodological tools under the top-down process, in accordance with the relevant procedure, shall be limited to addressing any environmental integrity issues and shall cease when the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement approves a methodology, methodological tool or standardized baseline covering the same scope, but no later than [31 December 2025] [or any other later date];

(g) The submission of requests for clarification to methodologies, methodological tools and standardised baselines shall cease on [31 December 2025] [or any other later date];

(h) The deadline for submitting requests from DNAs on automatic additionality of microscale technologies and for recognition of a special underdeveloped zone starting [31 December 2024] [or any other later date];

(i) The deadline for submitting requests from DNAs on a change in the definition of forest starting [31 December 2024] [or any other later date];

*Accreditation of designated operational entities:*

(j) The accreditation of designated operational entities (DOE) under the CDM shall be terminated on [31 December 2026] [or any other later date];

(k) Requests the Executive Board to:

- i. Cease the submission of requests for accreditation and reaccreditation of DOEs on [31 December 2024] [or any other later date];
- ii. Cease other operations related to accreditation, including the regular surveillance, spot checks and performance monitoring, on [31 December 2026] [or any other later date];

- iii. Allow DOEs under the mechanism established by Article 6, paragraph 4, of the Paris Agreement to perform validation and verification functions under the CDM, if necessary.

(l) To maintain the stakeholder interactions defined within the particular process procedures as long as they are in operation;

*Operation of the Executive Board and its panels and working groups:*

- (m) Requests the CDM Executive Board to
  - i. Cease the operation of panels and working groups as soon as their functions are no longer required in accordance with the timelines set out in paragraphs (e) to (g) and (j) above;
  - ii. Report to the CMP, in its annual reports, on arrangements made with regard to paragraphs (a) to (l) above;
  - iii. Hold its last meeting once all functions and operations as set out in paragraphs (a) to (l) above have been concluded.

*Treatment of certified emission reductions held in the pending account because the share of proceeds has not been paid:*

(n) Requests the administrator of the CDM registry to administratively cancel any certified emission reductions for which no share of proceeds have been paid and that are remaining in pending accounts in the CDM registry on [1 January 2027] [or any other later date];

*Operations of the clean development mechanism registry:*

- (o) Requests the administrator of the CDM registry to
  - i. Disconnect the CDM registry from the International Transaction Log, while maintaining the functions of issuance and cancellations in the CDM registry, no later than [1 July 2025] [or any other later date];
  - ii. Stop operating the CDM registry once the relevant operations and functions referred to in paragraphs (a) to (c) have been concluded;
  - iii. Make arrangements for safeguarding of the data from the CDM registry for at least 15 years after ceasing its operation;

(p) Requests the CDM Executive Board to notify project participants, DOEs, designated national authorities, owners of certified emission reductions and relevant stakeholders of the provisions referred in paragraphs above, as early as possible;

(q) Requests the secretariat to make arrangements for safeguarding regulatory documents and information pertaining to project activities and programmes of activities for at least 15 years after the last meeting of the CDM Executive Board, as referred to in paragraph (m) (iii) above;

## **II. Management of financial resources:**

2. The SBSTA recommend to the CMP to request the CDM Executive Board to review and reduce its expenditure, consistent with the provisions and timelines in paragraphs 4 above;

3. The SBSTA recommend to the CMP to request the secretariat, following the last meeting of the CDM Executive Board as referred to in paragraph (m) above, to report to the CMP on the arrangements made for the closure of the CDM, including the resources remaining in the CDM Trust Fund, for consideration by the CMP;

*Option 1*

4. The SBSTA recommend to the CMP to direct the Subsidiary Body for Implementation to authorize a transfer USD [xx] million from the CDM trust fund to the [Adaptation Fund]

[Article 6 related activities including capacity building activities to support developing countries] [the enhanced transparency framework under the Paris Agreement, including capacity-building for related reporting and review thereof] [potentially to other areas in need of funding];

*Option 2*

5. The SBSTA recommend to the CMP not to transfer any amount from the CDM trust fund to any activities outside of the CDM;

### **III. Operation of the International Transaction Log (ITL)**

6. The SBSTA recommend to the CMP to request the administrator of the International Transaction Log to close the International Transaction Log shortly after the decoupling from the CDM registry and no later than 31 December 2025;

7. Further, recommends that any unspent balances from the Trust Fund for International Transaction Log shall be transferred to operationalise Article 6.2 under the Paris Agreement.]

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