



## CALL FOR INPUT

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|---------------------------------------------|----------------------------------------------------------------------------------------------------------------|
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### Document reference number and title: (Recommendation from the MEP to SBM020)

#### A6.4 MEP012-A03: Draft mechanism methodology: Electricity generation from renewable sources connected to electricity systems (version 01.0)

| Item | Section no.<br>(as indicated in the document) | Paragraph/Table/Figure no.<br>(as indicated in the document) | Comment<br>(including justification for change)                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Proposed change<br>(including proposed text)                                                                                                                                                                                                                                                                                                                                                                                             |
|------|-----------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | INTRODUCTION                                  | Paragraph 6 (item g)                                         | FMASE notes that the current approach to defining installed capacity may lead to inconsistencies between turbine nameplate values and officially approved installed capacity by national authorities in the host country. The lack of harmonization in verification criteria may result in regulatory uncertainty and divergent interpretations across jurisdictions. This issue is particularly relevant in contexts where different authorities adopt distinct standards for capacity certification.    | Include the following definition: “Installed electricity generation capacity (or installed capacity) corresponds to the capacity, expressed in Watts or its multiples, for which the generating unit is designed to operate under nominal conditions. The installed generation capacity of a power plant corresponds to the sum of the installed capacities of its generating units, as indicated on the respective turbine nameplates.” |
| 2    | APPLICABILITY                                 | Paragraph 6.2                                                | FMASE considers that the inclusion of technological lock-in analysis for renewable energy technologies, particularly wind and solar, may not be appropriate. These technologies are inherently low-carbon and do not present structural risks of long-term carbon lock-in. Furthermore, requiring newly produced equipment introduces unnecessary regulatory complexity without effectively addressing the actual methodological risks, which are more closely associated with previously used equipment. | Exclude wind and solar energy projects from technological lock-in analysis requirements.                                                                                                                                                                                                                                                                                                                                                 |

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| 3    | DEMONSTRATION OF ADDITIONALITY                | Paragraph 6.4                                                | FMASE notes that the current wording may lead to the interpretation that participation in competitive auctions or support schemes automatically implies a lack of additionality. In the Brazilian context, auctions are the primary mechanism for electricity sector expansion and do not eliminate financial, regulatory, hydrological, or implementation barriers. Therefore, participation in such mechanisms should not be considered as automatic evidence of non-additionality.                                                                                                                                                                                                                                                                                              | Replace paragraph 26(b)(iii) with: “(iii) Participation in competitive procurement processes or electricity contracting mechanisms based on market principles.” Alternatively, the full deletion of paragraph 26(b)(iii) is recommended.                                                                                                                                                                                                                                                                                                    |
| 4    | APPLICABILITY                                 | Paragraph 8                                                  | FMASE notes that restricting the applicability of the methodology exclusively to greenfield plants may not adequately reflect the reality of electricity systems such as Brazil’s. In the Brazilian context, modernization, rehabilitation, retrofitting, and capacity expansion of existing hydropower plants contribute to increased efficiency and clean energy generation without significant additional environmental impacts. Excluding such activities may discourage improvements in existing infrastructure and reduce the overall effectiveness of the mechanism.                                                                                                                                                                                                        | Replace the current provision with: “This methodology applies to Article 6.4 activities involving the installation of new power plants or the capacity increase, modernization, rehabilitation, or replacement of existing power plants generating electricity from renewable sources.”                                                                                                                                                                                                                                                     |
| 5    | APPLICABILITY                                 | Paragraph 10                                                 | FMASE notes that restricting eligibility to run-of-river hydropower plants and establishing fixed criteria related to storage duration, hydraulic residence time, and land use may not adequately reflect the role of reservoirs in electricity systems such as Brazil’s. Reservoirs play a strategic role in ensuring water and energy security, supporting system reliability, and enhancing resilience to increasing hydrological variability driven by climate change. Additionally, GHG emissions from reservoirs are highly dependent on local conditions, and indirect indicators such as residence time or land cover may not accurately capture their complexity. Internationally recognized methodologies allow for more robust, project-level assessments of emissions. | Allow the eligibility of hydropower plants (including storage), provided that: CO <sub>2</sub> and CH <sub>4</sub> emissions associated with the reservoir are quantified using scientifically recognized methodologies; Emission intensity does not exceed a defined threshold (e.g., 100 gCO <sub>2</sub> e/kWh); Mitigation and compensation measures are implemented where applicable; Hydraulic parameters are used as indicative rather than exclusionary criteria; Forest cover is not used as a standalone ineligibility criterion. |

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|------|-----------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6    | DEMONSTRATION OF ADDITIONALITY                | Paragraph 14                                                 | FMASE notes that restricting or prohibiting bilateral electricity supply agreements may compromise the eligibility of a significant share of renewable energy projects. In the Brazilian context, long-term financing — including from development banks — relies on Power Purchase Agreements (PPAs) to ensure revenue predictability and enable financial close. The existence of PPAs does not eliminate additionality, as projects continue to face financial, regulatory, and implementation barriers. Moreover, contractual arrangements for energy supply should not be conflated with the accounting of environmental attributes.                                                                                                                                                                                                 | “(b) Activity participants may enter into electricity supply agreements through the grid with specific consumers, provided that double counting or double claiming of environmental attributes is avoided.”                                                                           |
| 7    | BASELINE EMISSIONS                            | Paragraphs 16, 20, 38–40 and 41–53                           | FMASE notes that the proposed methodology introduces cumulative mechanisms that may structurally reduce the volume of credits generated, particularly through the application of shadowing effects and downward adjustment of the baseline. The requirement to account for aerodynamic interference between wind farms introduces significant uncertainty and may lead to methodological and legal disputes, as it depends on complex modeling and variables beyond the control of project developers. Additionally, the mandatory downward adjustment of the baseline may lead to the systematic underestimation of avoided emissions, particularly in integrated hydrothermal systems such as Brazil's. The combined application of these mechanisms may result in double penalization of projects and reduce their economic viability. | Limit the impact of shadowing through a predefined cap or, alternatively, replace it with a simplified and standardized methodology. Avoid the cumulative application of multiple mechanisms that reduce crediting levels without proper consideration of system-specific conditions. |

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| 8    | DEMONSTRATION OF ADDITIONALITY                | Paragraphs 33–34                                             | FMASE notes that the current approach to common practice may disadvantage countries where renewable energy already represents a significant share of the electricity mix. High penetration of renewable energy does not imply the absence of barriers. In the Brazilian context, projects continue to face financial constraints, curtailment risks, transmission limitations, and regulatory challenges. Therefore, the methodology should avoid assuming that high renewable participation automatically implies a lack of additionality.                                                                  | “The reference period corresponds to the three most recent years prior to whichever occurs first: (i) the start of operation of the Article 6.4 activity; or (ii) the submission of the Project Design Document (PDD) for validation. |
| 9    | APPLICABILITY                                 | Paragraph 31                                                 | FMASE notes that the proposed land-use assessment based on thresholds may not adequately reflect the limited territorial impact of small hydropower projects. In the Brazilian context, small hydropower plants typically present low land-use intensity and do not pose significant risks related to land-use lock-in. The absence of standardized thresholds within the methodology may increase transaction costs and reduce regulatory predictability.                                                                                                                                                   | “... applying a limit of [XX]. Hydropower projects with installed capacity below 15 MW or with a power density above 4 W/m <sup>2</sup> are considered as not posing a relevant land-use lock-in risk.”                               |
| 10   | APPLICABILITY                                 | General comment                                              | FMASE notes that the proposed methodology should ensure overall internal consistency and practical applicability across different electricity system configurations. In particular, methodologies applied under Article 6.4 should take into account the diversity of national contexts, including integrated hydrothermal systems, and avoid overly rigid criteria that may limit the participation of otherwise eligible low-carbon projects. Ensuring coherence, regulatory predictability, and alignment with real investment conditions is essential for the effective implementation of the mechanism. | Ensure that the methodology remains flexible and adaptable to different national and system-specific contexts, while preserving environmental integrity and avoiding unnecessary regulatory complexity.                               |
| 11   | COVER NOTE                                    | General                                                      | FMASE reiterates the importance of ensuring that the proposed methodology remains aligned with the diversity of electricity systems and supports the effective participation of low-carbon projects in different national contexts.                                                                                                                                                                                                                                                                                                                                                                          | No additional text proposed. This comment aims to reinforce the importance of methodological flexibility and coherence.                                                                                                               |

