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Date of submission	02/04/2026

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. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)

1	DEMONSTRATION OF ADDITIONALITY	6.3 Investment Analysis	Section 6.3, para 32 states that Activity participants shall use a valid version of the "Methodological tool: Investment analysis" (A6.4-AMT-002) to conduct the investment analysis. While the requirements of para. 30(h) and 33(h) of the A6.4-AMT-002 Tool are fundamental to demonstrating additionality under the Benchmark Analysis and Investment Comparison Analysis tracks, respectively, the Draft Methodology does not sufficiently elaborate on what constitutes "credible evidence" in the specific context of a renewable energy project under the PACM and does not provide any specific guidance on how activity participants shall satisfy the requirement under paragraphs 30(h) and 33(h) of the Tool in the context of renewable energy projects. In particular, the Draft Methodology does not: • Define what types of evidence qualify as "credible" in the context of renewable energy projects; • Specify whether the evidence must be qualitative, quantitative or both; • Indicate the minimum level of detail or documentation required; • Clarify whether a financing gap analysis, a decision-making narrative, a contractual or institutional record, or some combination thereof is sufficient. This situation, in our opinion, creates significant uncertainty for Carbon Project Developers as to what documentation, analyses or information they must prepare and include in the Project Design Document and supporting documents.	We therefore kindly request MEP to consider improving the clarity of interpretation of para. 30(h) and 33(h) by introducing additional guidance or illustrative "best practice examples" on what constitutes "Credible Evidence". We propose the following illustrative examples of evidence that could be considered "credible" to assist with the interpretation of paragraphs 30(h) and 33(h) in the context of renewable energy projects under the Draft Methodology. We invite the MEP to consider whether any of the following categories of evidence – individually or in combination – should be explicitly acknowledged in the guidance. 1) Demonstration of Funding Gap: Activity participants prepare a base-case financial model showing that the project IRR (or NPV) without A6.4ER revenues is below the applicable financial benchmark (WACC or cost of equity). A supplementary model scenario then shows that the project IRR (or NPV) meets or exceeds the benchmark or improves by certain "specific" percentage (e.g. IRR was 10%, but became 13% - this is 30% improvement) when projected A6.4ER revenues (based on current market price estimates, volume projections consistent with the monitoring plan, and the crediting period) are included. This quantitative demonstration may, in itself, constitute a sufficient component of credible evidence where: (i) the revenue assumptions are conservative and well-justified; (ii) the sensitivity analysis confirms robustness; and (iii) A6.4ER revenues close the funding gap under all scenarios. 2) Levelized Cost of Energy (LCOE) Analysis: Where applicable, activity participants may present a levelized cost of energy (LCOE) analysis demonstrating that the project's LCOE exceeds the applicable reference price (e.g., the feed-in tariff, the power purchase agreement (PPA) price, or the prevailing wholesale electricity price) in the host country without A6.4ER revenues. The analysis then shows that A6.4ER revenues are necessary to close this cost gap, enabling the project to achieve the required return on investment. 3) Investment Committee or Board Resolution: Activity participants submit an extract of an investment committee or board resolution that explicitly conditions the final investment decision (FID) on the registration of the project as an Article 6.4 activity and the anticipated receipt of A6.4ER revenues. The resolution

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				should identify, at minimum: (i) the expected volume of A6.4ERs over the crediting period; (ii) a reference to the price assumption used (e.g., a floor price or market price estimate); and (iii) an explicit statement that the investment would not proceed without these revenues. 4) Letter from Lender or Investor Conditioning Finance on A6.4ER Revenues: Activity participants submit a letter of intent, term sheet, or conditional offer of debt or equity financing from a bank, development finance institution (DFI), or equity investor that explicitly conditions financing (or sets a lower interest rate / required equity return) on the project's registration as an Article 6.4 activity and the assignment of A6.4ER revenues to the lender or investor. Such a letter or term sheet need not be legally binding, but it must be sufficiently specific to demonstrate that the financing terms were directly shaped by the anticipated A6.4ER revenue stream. 5) PPA or Offtake Agreement with Explicit Carbon Revenue Clause: Where the project developer has entered into a power purchase agreement (PPA) or offtake agreement in which the electricity price was set on the basis that A6.4ER revenues would supplement electricity revenues to achieve the required project return. In addition to the above examples, we encourage the MEP to consider and propose further examples to provide project developers, VVBs and UNFCCC with more clarity on how to meet the requirements of para. 30(h) and 33(h) of the Investment Analysis Tool.
2	BASELINE EMISSIONS	Section 7.2.2, para 39 (a)	It is quite difficult to objectively determine one "fixed" minimal distance, when one can confidently state that shadowing effect can be neglected. The distance may depend on whether the Wind Plants are off-shore or on-shore, on the location (where the weather conditions are predominantly stable or unstable, wind directions), on the duration of wake-affected periods. What we can suggest that the "default distances" shall be different depending on whether the Wind Plant is on-shore or off-shore.	We propose to distinguish the distances depending on whether the Wind Plant is on-shore or off-shore

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3	BASELINE EMISSIONS	Section 7.2.2, para 39 (b)	As projects developed under PACM may not be necesserily generating A6.4ERs, but can also generage MCUs, when no Authorisation/CAs are provided by host countries (similar to various carbon units under VCM), we suggest that text of the para 39(a) is amended to allow Projects registered under any Carbon Standard (not only PACM)	We propose to revise the para 39(a) as follows: The shadowing effects affect other wind power plants that are registered as an Article 6.4 activity or under any other Carbon Standard
4	BASELINE EMISSIONS	Table 3, Section 13: Reduction in electricity generation by other wind power plants through shadowing effects in year y	In order to facilitate Project Participant and DOE efforts during validation, we suggest to introduce 2 options for Project Participants: (a) the default values (conservative default value of EGshadowing,y, in % of total Energy Production by other Plant depending on the distance), (b) The value to be sourced from reports (e.g., Environmental Impact Assessment, feasibility reports) or technical studies undertaken at the project site. In cases where no such sources/reports available, or efforts/costs for preparation of such reports are significant, Project Participants should be able to opt for Option (a) - the default values.	We propose to provide to Activity participants with 2 options to determine EFshadowing,y: (conservative) default values, (b) Project-specific reports/studies
5	APPLICABILITY	Para 11(a)	In our opinion the threshold of 1% of total energy generation from back-up sources consuming fossil fuels may be restrective for many projects, especially in the developing countrirs, where the operation of power grids characterized by instability. Moreover, the proposed draft Methodology accounts for project emissions from fossil fuel combustion. Therefore we propose to either remove this applicability condition or increase the above threshold of 1% (alternatively, different thresholds depending on host country profiles can be proposed). Determination of the threshold has to be justified (if the threshold is decided to be kept in Methodology)	To either remove applicability condition in para 11(a) or provide judtified (higher than 1%) theshold

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6	DEMONSTRATION OF ADDITIONALITY	Section 6.4, Para. 33(e)	Renewable energy projects of different capacity ranges significantly differ from each other by economic (specific costs per kW installed capacity, different off-take tariffs), technical (land required, efficiency) and regulatory conditions (different grid access schemes/incentives). This result in a situation when different scale RE plants may have different barriers for implementation and different incentives for implementation. Thus, to ensure better accuracy of common practice test we propose to distinguish at least between following groups RE activities: micro: less than 1 MW; small-scale: 1 - 15 MW, large scale: more than 15 MW	We propose that max. thresholds to be differentiated depending on scale of Renewable Energy A6.4 Activity. the following scale groups of RE Projects are proposed: Micro - less than 1 MW, Small-Scale: 1-15 MW, Large Scale: more than 15 MW.