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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. (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	BASELINE EMISSIONS	Section 7.3.1, paras 45-52	The application of the downward adjustment in the draft methodology as per paras 45, 47, 49, 50-52 in section 7.3.1 is done in a way where the percentage of the continuous downward adjustment is the same at the first year of the crediting period for each activity, regardless of the actual calendar year in which the crediting period begins. This leads to a lower continuous downward adjustment level for activities that start at later dates, which distorts the competitive situation in favour of activities that start at later dates. These receive more A6.4ERs for the same calendar year compared to the activities that started earlier. For the annual downward adjustment of 0.01, an activity starting in 2021 has a downward adjustment factor of 0.85 in 2035, whereas the factor of an activity starting in 2030 reaches 0.95. We therefore propose that the starting value of the continuous downward adjustment at the start of the crediting period of an activity is the level that the continuous downward adjustment reaches calculated from 2021. This would mean that the initial continuous downward adjustment factor for an activity starting in 2030 would be 0.91, for an activity starting in 2035 0.86, an activity starting in 2040 0.81, and so on. We also propose that host country-specific net zero targets are to be taken into account.	The downward adjustment in subsequent years (Y2 to Yn) shall be done applying a downward adjustment factor (DAF) based on the reference and net zero target year as defined by the host country as follows: $DAFY_n = 1 - (Y_n - Y_{netzero}) \times \max(1 / ((Y_{netzero} - Y_{reference}) / 0.01), 0.01)$ Where: DAFY_n = Downward adjustment factor applied in year Y_n Y_n = Calendar year for which the downward adjustment is applied Y_{netzero} = Net zero target year of the host country Y_{reference} = Reference year for the net zero target of the host country (i.e. the year 2025 for the period 2025-2030)