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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)
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1	DEMONSTRATION OF ADDITIONALITY	Section No.: 6 — Demonstration of Additionality, Paragraph No.: 24, 25, 26, 27, 28, 29-31, 32, 33	Section 6 represents the most operationally consequential part of this methodology. Additionality determination is the foundational credibility test for any carbon crediting mechanism; if it fails, every downstream calculation of baseline emissions, downward adjustments, and emission reductions becomes meaningless regardless of technical precision. The current architecture has serious structural problems that will systematically produce both false positives and false negatives depending on context, with SIDS and LDC projects disproportionately affected in the negative direction. The Four-Test Conjunctive Requirement Need Paragraph 25 states that all four analyses must be concluded positively. This conjunctive structure is not adequately justified anywhere in the document. The practical effect is that a project can pass three tests conclusively and still fail additionality because of an unresolved lock-in question where the MEP has not selected between four mutually exclusive options. Where one test is fully specified and another contains four unresolved options with bracketed thresholds throughout, the conjunctive structure produces arbitrary outcomes. A project registered before the lock-in tool is finalised faces a materially different additionality standard than one registered after. This is a rule of law problem, not merely a technical inconvenience.	Investment Analysis - Section 6.3 The specifications in paragraph 32 are among the best-drafted provisions in the document. Two targeted issues require attention. Paragraph 32(d) imports a competitive market assumption — that any entity could implement the project — that does not exist in SIDS electricity markets typically served by a single vertically integrated utility. This will systematically underestimate financial barriers by comparing against a hypothetical competitive developer with unrealistically low costs of capital. Paragraph 32(e) tests only inputs exceeding 20% of total costs individually. In small SIDS projects, no single cost line may reach 20% while collectively representing the majority of financial uncertainty, leaving critical assumptions untested. Proposed change: For SIDS/LDC projects, paragraph 32(d) should require cost of capital parameters consistent with actual market participants. Paragraph 32(e) should additionally require combined sensitivity testing of all inputs exceeding 10% of total costs moving simultaneously. Common Practice Analysis - Section 6.4 The common practice thresholds at paragraph 33(f) remain entirely unspecified at [x]% for both LDC/SIDS and non-LDC/SIDS contexts. This is the most operationally critical gap in the additionality framework. No project developer, DOE, or DNA can apply this methodology in its current form without this number. The geographical pooling of all LDCs and SIDS under paragraph 33(d)(i) creates a structural penalty for early movers. A SIDS that has advanced renewable deployment will show a higher comparative renewable share against the pooled LDC/SIDS reference area and be more likely to fail common practice analysis than a SIDS that has done nothing. This inverts the intended incentive structure; the projects most deserving of carbon finance support are exactly those in jurisdictions that have already demonstrated political commitment to renewable transition. The reference period of [3][5] years in paragraph 33(c) remains bracketed. For SIDS where grid-scale renewable deployment may have only one or two comparable installations in any reference window, the choice between three and five years is not a minor calibration question; it determines whether the comparable activity pool is statistically meaningful at all. Proposed change: Specify numerical thresholds for paragraph 33(f) at a minimum of
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				30% for non-LDC/SIDS and 50% for LDC/SIDS contexts, reflecting the structurally thin comparable activity pools in smaller jurisdictions. Introduce an explicit safe harbour for first-of-kind technologies in SIDS regardless of pooled geographical threshold. Set the reference period at three years for LDC/SIDS contexts and five years for others. These are concise calibration decisions the MEP should make rather than defer.