CALL FOR INPUT

Name of submitter	Lázaro Gouveia Matheus
Affiliated organization of submitter	Auren Energia
Email of submitter	lazaro.matheus@aurenenergia.com.br
Date of submission	10/07/2026

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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	COVER NOTE	Paragraph 8(a); see also paragraphs 27–29	The methodology should not be restricted to activities located only in Least Developed Countries or Small Island Developing States. Such a restriction would automatically exclude Brazil and other developing countries where renewable energy projects may still face material financial, regulatory and infrastructure barriers. Country classification alone is not an adequate proxy for project additionality. In Brazil, renewable power generation projects may face high costs of capital, currency exposure, transmission constraints, grid-connection costs, curtailment risk and regulatory uncertainty. These conditions can materially affect project viability, even where the relevant technology has achieved significant national deployment. The Cover Note itself recognizes that technology uptake may be a better indicator of the risk of false positives than whether a host Party belongs to a certain group of countries. A country-level restriction would therefore create a significant risk of false negatives by excluding genuinely additional projects.	Select Option A2 and delete the country eligibility restriction in Option A1. Proposed text: “This methodology shall be applicable to eligible activities in all host Parties. Eligibility shall be assessed based on the project-specific additionality requirements and the applicable common practice analysis, and shall not be restricted solely on the basis of the host Party’s country classification.”

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
2	COVER NOTE	Paragraphs 19–23; Tables 2 and 3	For host Parties that are neither LDCs nor SIDS, the thresholds of 2.5 per cent and 5 per cent would be excessively restrictive and could exclude virtually all new solar and wind projects in Brazil. Brazil has experienced substantial additions of wind and solar capacity. However, high technology deployment at the national or interconnected-system level does not demonstrate that every individual project is financially viable or non-additional. A low threshold may operate as a de facto technology exclusion, irrespective of project-specific factors such as curtailment, connection costs, financing conditions, transmission limitations, merchant exposure or dependence on carbon revenues. The common practice analysis should provide a safeguard against non-additional activities, but should not prevent the registration of activities that demonstrate robust project-specific additionality.	Adopt the least restrictive proposed threshold of 10 per cent for non-LDC and non-SIDS host Parties and allow project-specific evidence to rebut a common-practice finding. Proposed text: "The common practice factor threshold shall be 10 per cent for Article 6.4 activities located in host Parties that are neither LDCs nor SIDS." Add: "Where the applicable threshold is exceeded, the activity may still demonstrate additionality if the activity participants provide robust and independently verifiable evidence that project-specific financial, regulatory, infrastructure or market conditions materially differentiate the proposed activity from the activities identified as common practice."
3	COVER NOTE	Paragraph 80; see also paragraphs 19–23 of section 3.3.2	The common practice analysis should distinguish utility-scale, grid-connected projects from distributed generation, behind-the-meter generation and other materially different market segments. This distinction is particularly important in Brazil, where a substantial portion of solar capacity additions comes from distributed generation. Distributed generation and utility-scale solar projects have different regulatory frameworks, financing structures, revenue models, connection arrangements and investment risks. Including distributed generation in the same numerator or denominator as utility-scale generation could significantly distort the assessment of whether a utility-scale project is common practice. Comparable activities should be genuinely comparable in terms of regulatory framework, scale, market structure and delivery of electricity to the system.	Add the following specification to the definition of comparable and similar activities: "For the purpose of determining comparable and similar activities, utility-scale power plants connected directly to the transmission or distribution system shall be assessed separately from distributed generation, behind-the-meter generation, captive generation and other generation arrangements that operate under materially different regulatory, commercial or technical frameworks."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
4	COVER NOTE	Paragraph 77	The physical boundary of an electricity system may be too broad for large and heterogeneous countries such as Brazil. Most of Brazil is connected to the National Interconnected System, but the relevant market and operational conditions vary materially among regions and subsystems. Differences include transmission availability, grid congestion, curtailment levels, connection costs, generation profiles, resource quality and market conditions. Using the entire interconnected system as the default area may classify a technology as common practice even where the proposed project is located in a region facing materially different barriers. The methodology should allow a narrower subnational or subsystem area where objective evidence demonstrates relevant structural differences.	Revise the geographical-area provisions as follows: "The physical boundary of the electricity system shall be used as the default applicable geographical area. However, a subnational region, electrical subsystem, bidding zone, balancing area or other relevant market area may be used where the activity participants demonstrate that the selected area has materially different regulatory, technical, market or infrastructure conditions, including differences in transmission availability, grid congestion, curtailment, connection conditions or generation profiles."
5	6. DEMONSTRATION OF ADDITIONALITY	Paragraphs 28–37 (and COVER NOTE 16, 28–29)	The draft requires all additionality analyses to be concluded positively. Under this structure, the common practice analysis may override a robust investment analysis showing that the proposed activity is not financially viable without Article 6.4 revenues. This approach can create false negatives. Technology deployment does not necessarily mean that all new projects are viable under current conditions. In Brazil, projects may face project-specific challenges such as high financing costs, curtailment, transmission constraints, grid-upgrade obligations, foreign-exchange exposure, merchant risk and delayed connection. The common practice test should be used as a screening or evidentiary tool, rather than as an automatic exclusion where strong project-specific additionality evidence exists.	Revise the additionality requirement so that a common-practice finding may be rebutted: "The proposed Article 6.4 activity shall be considered additional where the regulatory analysis and investment analysis are concluded positively and the common practice analysis either: (a) confirms that the activity is not common practice; or (b) identifies the activity as common practice, but the activity participants demonstrate through robust, independently verifiable project-specific evidence that the proposed activity is materially different from the identified similar activities and would not be implemented without the incentives provided by the Article 6.4 mechanism."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
6	COVER NOTE	Paragraph 68	Participation in a competitive bidding process or renewable energy auction should not automatically make an activity ineligible. In Brazil, electricity auctions have historically served as procurement and price-discovery mechanisms. They do not necessarily constitute subsidies and may not provide sufficient revenues to ensure project viability. Whether an auction or contracted tariff makes a project non-additional should be assessed based on the actual financial effect of the arrangement, rather than the existence of the competitive process itself. An automatic exclusion could prevent projects from demonstrating that Article 6.4 revenues were material to the investment decision.	Revise the regulatory-analysis provision as follows: "The Article 6.4 activity does not participate in a support or penalty scheme designed to achieve a quantitative target or outcome, unless the activity participants demonstrate that the support, tariff or remuneration obtained under that scheme, including through a competitive procurement or auction process, is insufficient to make the activity financially viable without the expected Article 6.4 revenues." Add: "Participation in a competitive electricity procurement or auction process shall not, by itself, constitute evidence that the activity is non-additional."
7	COVER NOTE	Paragraph 61	The exclusion of activities that supply electricity through the electricity system to specific consumers is too broad. Corporate power purchase agreements and bilateral contracts are increasingly important for financing renewable energy projects in Brazil. The existence of a PPA does not necessarily eliminate project additionality. Any concerns regarding the baseline, allocation of environmental attributes or double claiming can be addressed through disclosure, contractual restrictions, cancellation of attributes and monitoring requirements. Excluding all projects with specific offtakers would remove a significant portion of potential Brazilian renewable energy activities from the mechanism.	Replace the blanket exclusion with the following provision: "Where electricity from the Article 6.4 activity is supplied through the electricity system to one or more identified consumers, the activity participants shall: (a) demonstrate that the applicable baseline remains electricity supplied from the electricity system; (b) disclose all contractual arrangements relating to the electricity and associated environmental attributes; (c) demonstrate that no consumer or other entity claims the same emission reductions for which A6.4ERs are issued; and (d) cancel, ring-fence or otherwise reconcile any associated environmental attributes in accordance with the double-counting provisions."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
8	COVER NOTE	Paragraph 87	The methodology appropriately addresses double claiming between A6.4ERs and renewable energy certificates. However, it should clarify that participation in a renewable energy certificate system is permitted where robust reconciliation measures are implemented. This is relevant in Brazil, where I-REC certificates are widely used. Projects should be able to operate within both systems provided that the same MWh is not used to support both an A6.4ER claim and a renewable electricity consumption claim. The methodology should recognize cancellation, non-issuance, ring-fencing and registry-based reconciliation as acceptable approaches.	Revise the relevant provision as follows: "Activity participants shall provide evidence, in each monitoring report, that the renewable electricity generated by the Article 6.4 activity and any associated environmental attributes are not used to support overlapping claims. This may be demonstrated through: (i) non-issuance of the relevant environmental attributes; (ii) administrative cancellation without an associated renewable energy claim; (iii) ring-fencing of the relevant generation volumes; or (iv) another transparent and auditable registry-based reconciliation procedure that prevents the same MWh from supporting both an A6.4ER claim and a renewable electricity consumption claim."
9	COVER NOTE	Paragraphs 40–43; see also paragraph 84	The proposed treatment of wake effects may impose disproportionate costs and uncertainties on wind projects, particularly in regions with concentrated wind development. This is highly relevant in northeastern Brazil, where wind projects are often located in clusters and many neighbouring plants may be within 50 kilometres. The proposed requirements may require project developers to assess losses at third-party facilities and obtain information that may be confidential or unavailable. The 50-kilometre threshold for onshore projects and the mandatory 50 per cent upward adjustment to modelled losses may also be overly conservative. A materiality-based, tiered approach would preserve environmental integrity while avoiding disproportionate transaction costs.	Establish a tiered assessment: "Wake effects shall be assessed through the following steps: (a) an initial screening based on distance, prevailing wind direction, terrain and relative turbine location; (b) a materiality assessment based on conservative assumptions; and (c) detailed modelling only where the screening indicates that the expected impact on electricity generation at other wind power plants exceeds 1 per cent of the Article 6.4 activity's annual electricity generation." Add: "Where data from affected third-party facilities are not reasonably available, activity participants may use publicly available information, standardized assumptions or conservative default values approved under this methodology." Replace the uniform 50 per cent uncertainty uplift with: "The model output shall be adjusted to account for model uncertainty based on the demonstrated uncertainty range of the selected model. A mandatory uniform 50 per cent upward adjustment shall not apply where a project-specific uncertainty assessment is provided."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
10	COVER NOTE	Paragraph 8(b); see also paragraph 26	A fixed 15 MW capacity limit is not an appropriate proxy for hydropower additionality. Project size alone does not determine whether a hydropower activity is additional. Larger projects may also face financing, infrastructure, environmental and regulatory barriers. The methodology already contains specific eligibility requirements relating to reservoirs, water availability, water rights, operating rules and investment analysis. These safeguards are more directly relevant to environmental integrity than a generic capacity threshold. For Brazil, a 15 MW threshold would exclude a significant portion of potential small and medium-sized hydropower projects, including many projects that may otherwise satisfy all methodological safeguards.	Select Option B2. Proposed text: "No fixed installed-capacity limitation shall apply to hydropower activities. Eligibility shall be determined through the applicability conditions relating to reservoir emissions, water-resource impacts, regulatory analysis, investment analysis and common practice analysis."
11	COVER NOTE	Paragraph 51(a)(i); see also paragraph 98	The methodology is limited to greenfield power plants and excludes capacity additions, repowering, modernization, rehabilitation and replacement activities. This limitation significantly reduces the relevance of the methodology for mature renewable energy markets such as Brazil. Repowering and modernization can increase renewable electricity output, improve efficiency, reduce system costs and avoid the need for additional land occupation. Such activities may also require significant investment and may be additional. The methodology should either include these activities or establish a clear and expedited timeline for a revision covering them.	Add: "This methodology may also apply to capacity additions, repowering, modernization, rehabilitation or replacement of existing renewable energy power plants, provided that the activity participants separately identify and quantify the electricity generation attributable to the Article 6.4 activity and establish an appropriate baseline for the existing facility." Alternatively: "The Supervisory Body shall request the MEP to develop, within 12 months of adoption of this methodology, a revision covering capacity additions, repowering, modernization, rehabilitation and replacement of existing renewable energy facilities."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
12	COVER NOTE	Paragraph 51(a)(iv); see also paragraph 61	The methodology does not cover captive consumption, autoproduction or electricity supplied to specific end consumers. These arrangements are relevant in Brazil, particularly in the free electricity market, and may support the development of new renewable capacity. The baseline for these activities can be determined where the alternative would be electricity supplied from the grid or electricity generated by an identified fossil-fuel source. A blanket exclusion is therefore not necessary. Appropriate baseline and double-counting provisions can be established.	Add: "Activities involving captive consumption, autoproduction or supply to identified consumers may apply this methodology where: (a) the baseline electricity source can be clearly identified; (b) the electricity attributable to the activity is separately metered; (c) any displacement of onsite generation is accounted for; and (d) double claiming of emission reductions and environmental attributes is prevented."
13	COVER NOTE	Paragraph 98	The draft applies only to individual projects and excludes Programmes of Activities and other aggregated approaches. This may prevent smaller renewable energy projects from accessing the mechanism because individual validation, registration, verification and monitoring costs may be disproportionate. Aggregated structures are especially relevant in large countries such as Brazil, where multiple similar projects may be geographically dispersed but operate under the same regulatory and technical conditions.	Revise the scope as follows: "The methodology may be applied to individual projects, Programmes of Activities and other aggregated activity structures, provided that each included activity complies with the applicability conditions and that the methodology establishes procedures for inclusion, sampling, monitoring and verification."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
14	COVER NOTE	Paragraphs 33–37; see also paragraph 50(a)–(c)	The methodology combines several conservative elements, including uncertainty deductions, a minimum initial downward adjustment, an annual increase in the downward adjustment, the electricity-system emission factor, activity emissions and leakage deductions. For renewable energy activities in countries with relatively low-carbon electricity systems, such as Brazil, the cumulative effect may materially reduce the creditable volume and undermine financial viability. The methodology should ensure that the combined effect of multiple conservative adjustments does not result in disproportionate double discounting. A project-specific assessment should be allowed where the electricity-system emission factor already reflects rapid decarbonization or where other mandatory deductions address the same source of uncertainty.	Add: "Activity participants shall assess whether the combined application of the uncertainty adjustment, the minimum downward adjustment, the annual increase in the downward adjustment and other mandatory conservative deductions results in overlapping treatment of the same source of uncertainty or baseline ambition." Add: "Where such overlap is demonstrated, the initial downward adjustment may be limited to the amount necessary to meet the requirements of the baseline standard, while avoiding double discounting."
15	COVER NOTE	Paragraph 48; see also paragraphs 68 and 90	Alignment with a host Party's NDC should not be interpreted as evidence that an activity is non-additional. Brazil's NDC is economy-wide. Renewable electricity generation contributes to its implementation, but the NDC does not necessarily create a legal obligation to implement each individual renewable energy project. The Article 6.4 mechanism may serve as a means of implementation and may help the host Party achieve higher ambition, accelerate deployment and overcome financing or infrastructure barriers. The methodology should distinguish between general alignment with national climate objectives and a binding legal obligation requiring implementation of the specific activity.	Add: "The fact that an activity contributes to the achievement of the host Party's NDC, LT-LEDS or other climate and energy policies shall not, by itself, render the activity non-additional." Add: "Non-additionality shall arise only where a binding and enforceable legal requirement directly or indirectly requires implementation of the specific activity or an equivalent mitigation outcome, subject to the regulatory analysis."

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

Draft mechanism methodology: Electricity generation from renewable sources connected to an electricity system (version 02.0)

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)
16	COVER NOTE	Paragraph 28	The investment analysis should expressly recognize curtailment, transmission constraints and grid-connection costs as relevant factors affecting the financial viability of renewable energy activities. These issues are increasingly material in Brazil, particularly in regions with high concentrations of wind and solar generation. Historical or projected generation may be materially reduced by system restrictions that are outside the control of project developers. Projects may also be required to bear substantial connection or grid-upgrade costs. These factors should be reflected in the financial analysis and sensitivity assessment.	Add to the investment-analysis specifications: "The investment analysis shall reflect project-specific grid and market conditions, including, where applicable: (a) expected curtailment or generation restrictions; (b) transmission and distribution constraints; (c) connection and grid-upgrade costs borne by the activity participants; (d) delays or uncertainty in grid access; (e) merchant electricity-price exposure; (f) currency and financing risks; and (g) other host-Party-specific factors materially affecting project viability."