

CDM-EB96-AA-A03

Concept note

Changes in the CDM project activity, PoA or CPA to be allowed as post-registration changes (jointly by MP and secretariat)

Version 01.0



United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its ninetieth meeting (EB 90 report, para. 61), considered a policy issue arising from a request related to the provisions on post-registration changes (PRCs) in the “CDM project standard” (version 09.0) and an associated request by the Methodologies Panel (MP) to clarify whether the provisions on changes to the project design of a registered project activity or programme design of a registered programme of activities (PoA) were intended to cover changes to the project/programme design that could result in a significant increase in the issuance of certified emission reductions (CERs) over the original project/programme design. The Board requested the MP and the secretariat to jointly prepare a concept note for its consideration at a future meeting analysing the design changes to a CDM project activity, PoA or component project activity (CPA) that could be acceptable as PRCs.
2. This work relates to the CDM management plan 2017 (CDM MAP 2017) activity group “Project assessments” under objective 1(a): “Operate efficient project and entity assessment processes”, as referred to in table 2 of the CDM MAP 2017 (EB 92 report, annex 1).

2. Purpose

3. The purpose of this concept note is to prepare a joint recommendation by the MP and the secretariat for the Board on design changes to the registered CDM project activities, PoAs or included CPAs after registration that should be allowed using the PRCs procedures and requirements.

3. Key issues and proposed solutions

4. At its 70th meeting, the MP considered a prior-approval PRC request for a landfill gas project activity in which there was a proposal to increase landfill capacity by more than 100 per cent, leading to a significant increase in the amount of CERs to be issued (by approximately 55 per cent) compared to the original registered project design document (PDD), even though the change does not have an impact on any of the areas listed in paragraph 243 of the “CDM project standard for project activities” (version 01.0) (i.e. additionality, scale, applicability or application of the methodology) and paragraph 244 of the “CDM project standard for programmes of activities” (version 01.0). The MP requested the Board to clarify whether the provisions on “changes to the project design of a registered project activity or programme design of a registered programme of activities” were intended for those changes to the project design/programme design that enable significant increases in the amount of CERs to be issued over the original project/programme design.

3.1. Analysis

5. A total of 1,012 PRC requests were finalised by the Board by 31 May 2017. Of these requests, 296 requests are related to the changes to the project or programme design, out of which 286 requests were approved by the Board. Of the 10 rejected requests, 1 request was rejected because of the addition of technology to the existing project.

6. Table 1 below indicates the total number of PRC requests processed every year since 2012 and the percentage of requests that relate to changes in design capacity and/or changes in technology/measures. As shown in the table, about 14 per cent and 5 per cent of PRCs processed in the last two years (2015 and 2016, respectively) are related to changes in design capacity and technology, respectively, while no PRC showed changes in technology prior to 2015.

Table 1. Analysis of post-registration change requests processed

Year	Number of post-registration changes (PRCs) processed	% of PRCs with changes in design capacity	% PRCs with changes in technology
2012	122	1.6 %	0.0 %
2013	433	7.9 %	0.0 %
2014	185	2.2 %	0.8 %
2015	107	14.0 %	2.8 %
2016	105	15.2 %	5.7 %

7. Allowing changes in the capacities or technologies/measures in the registered CDM project activities, PoAs or CPAs and the resulting substantial increase in CERs to be processed as PRCs may provide perverse incentives to project participants (PPs) or coordinating/managing entities (CMEs) to avoid a more rigorous registration process and submit substantial changes or additions to their already registered project activities, PoAs or included CPAs using the PRC process.
8. The registration process requires a designated operational entity (DOE) to (i) assess the letter of approval (LoA); (ii) the local stakeholder consultation process; and (iii) conduct global stakeholder consultation, in addition to assessing the additionality, baseline determination and application of the methodology. Design changes made through a PRC process only requires a DOE to assess the additionality, scale, application and applicability of the methodology. The registration process also includes a more rigorous review process by the Board than that for the PRC process.
9. Increasing or adding capacities or technologies/measures of already registered project activities, PoAs or included CPAs beyond certain thresholds may:
- Render the LoAs issued by the Parties involved invalid, which is not checked during the PRC process;
 - Cause the local stakeholder consultation and the global stakeholder consultation conducted prior to the registration to become irrelevant. Under the current CDM rules and requirements, the PPs/CMEs are not required to re-conduct global stakeholder consultation or local stakeholder consultation for any type of PRCs.
10. Allowing PPs/CMEs to use the PRC process to make minor changes to the technologies/measures after registration provides flexibility to accommodate issues such as the unavailability of a specific make/size of equipment or specific types of biomass. However, allowing any change to the technologies/measures in the project design after

registration using the PRC process may result in PP/CMEs altering the technologies/measures fundamentally compared to what was described in the registered design document. Since the requirements for PRCs do not specify reporting on or assessing the impact of such changes on the validity of the LoA issued and/or the validity of the local stakeholder consultation or global stakeholder consultation conducted, making such changes using the PRC process may raise doubts regarding the integrity of the mechanism.

3.2. Proposed solutions

11. With respect to the changes in the design capacity of a CDM project activity, PoA or included CPAs after registration, the following changes are allowed to submit a request for approval of PRCs in the project design, in accordance with the provisions of the process for PRCs in the CDM project cycle procedure.
 - (a) Increase the design capacity defined in a registered design document (project design document (PDD), programme of activities design document (POA-DD), generic component project activity design document (CPA-DD) or specific CPA-DD), but not exceeding the limits used in the sensitivity analysis if an investment comparison or a benchmark analysis is used to demonstrate additionality;
 - (b) Increase by a maximum of 20 per cent the design capacity defined in a registered design document (PDD, POA-DD, generic CPA-DD or specific CPA-DD), where additionality is demonstrated using simple cost analysis, barrier analysis, or the methodological tools “Demonstration of additionality of microscale project activities” or “Demonstration of additionality of small-scale project activities”.
12. It is also proposed that the changes in the technologies/measures compared to the description in the registered design document (PDD, POA-DD, generic CPA-DD or specific CPA-DD) are allowed to be submitted following the same provisions of the process for PRCs in the PCPs referred to in paragraph 11 above, except for the following:
 - (a) Addition of new technologies/measures contributing to emissions reductions that generate income/revenue from sources or products not described or considered in the registered design document (e.g. addition of electricity-generating equipment to a landfill gas flaring project not described or considered in the design document);
 - (b) Change of technologies/measures that are fundamentally different in the technological processes that result in greenhouse gas emissions reduction (e.g. a registered hydropower project or programme adding wind turbines or solar photovoltaics).
13. The requests for approval of PRCs referred to situations in paragraphs 11 and 12 above have to be submitted to the secretariat within two years of
 - (a) Implementation/commissioning of the emissions reduction measures in the project activity, or the first specific CPA included in the PoA, if the design changes are proposed at a PoA level.
 - (b) Implementation/commissioning of the emissions reduction measures in a specific CPA, if the design changes are proposed for a specific CPA.

4. Impacts

14. The proposed solution presented in section 3.2 above, if agreed by the Board, will bring more clarity to stakeholders that under what scenarios of project or programme design changes the PRC procedures may be followed. The proposed solution will also strengthen the environmental integrity of the CDM by ensuring that only credible design changes are processed using the PRC process.
15. The proposed solution, if agreed by the Board, will also require changes to the regulatory documents (e.g. “CDM project standard”, “CDM validation and verification standard” and “CDM project cycle procedure”) with respect to the provisions on PRCs. As the Board recently adopted a new set of regulatory documents at EB 93, the changes, if any, should be reflected in the new set of regulatory documents.

5. Subsequent work and timelines

16. The proposed solution presented in section 3.2 above, if agreed by the Board, will require the incorporation of these provisions in the “CDM project standard”, the “CDM validation and verification standard” and the “CDM project cycle procedure”.

6. Recommendations to the Board

17. The secretariat recommends that the Board agree to the joint recommendation of the MP and the secretariat as proposed in above paragraphs 11–12 of this concept note.

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Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	4 September 2017	Published as an annex to the annotated agenda of EB96.
Decision Class: Regulatory Document Type: Information Note Business Function: Methodology, Registration Keywords: project design document, post-registration change		