

CDM-EB87-AA-A08

Concept note

Approaches to reduce the accreditation fees charged to DOEs

Version 01.0



United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. Over the past years the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) and the CDM Accreditation Panel (CDM-AP) have attempted to optimize the accreditation fees charged to the designated operational entities (DOEs), reducing them and making them more predictable.
2. The Board, based on recommendations of the CDM-AP and the secretariat, introduced several measures to reduce the fees and cost of assessments, while maintaining the integrity of the accreditation system. These measures included increasing the accreditation cycle from three to five years, reducing by 40 per cent the number of performance assessments, reducing travel costs of assessments through the appointment of assessors from the same geographical areas and introducing, under exceptional circumstances, the possibility of one-person assessment team and remote assessments. This brought the average accreditation assessment costs charged to a DOE from USD 33,600, prior to 1 January 2014, down to around USD 13,300 per year today.
3. To improve predictability of the costs, the Board at its eighty fifth meeting (EB 85) considered a concept note on accreditation assessment fees which included, among other options, a proposal to introduce a fixed fee, providing DOEs with an equal and fully predictable cost of obtaining and maintaining accreditation.
4. The Board while deciding to maintain the status quo in relation to the accreditation fees, requested the secretariat, in consultation with the CDM-AP and taking into account inputs from the DOEs through their forum, to prepare a concept note to explore approaches to reduce the accreditation fees charged to DOEs by means of a subsidy¹, for the consideration of the Board at a future meeting.
5. This concept note was prepared in consultation with the CDM-AP and taking into account inputs from DOEs provided through their forum at CDM-AP 73.²
6. This work relates to the activity 'Entity assessments' under objective 1(a): 'Operate efficient project and entity assessment processes' with a resource allocation as referred to in table 2 of the CDM management plan 2015 (EB 81, annex 1).

2. Purpose

7. The purpose of this concept note is to enable the Board to assess if there is merit in introducing subsidies or waivers to further reduce the accreditation fees charged to DOEs in view of the current market situation.

3. Key issues and proposed solutions

3.1. Measures taken by the Board to reduce costs to DOEs

¹ For the purpose of this note subsidy means that the Board may issue waivers to exempt or reduce AE/DOE from certain regulations or accreditation fees.

² See CDM AP 73 meeting report at <<https://cdm.unfccc.int/Panels/accreditation/index.html>>.

8. A number of other measures have also been taken during the period 2013–2015 to reduce costs to DOEs, which include inter-alia:
 - (a) An extension of the accreditation period from three to five years (as per paragraph 20 of decision 5/CMP.8), thereby decreasing the frequency of regular surveillance (RS) and reaccreditation assessments (RA);
 - (b) A change in the calculation method for the number of performance assessments (PA), thereby reducing the number of performance assessments a DOE is subjected to;
 - (c) Use of assessors from nearby geographic areas to reduce travel and daily subsistence allowance costs related to onsite visits;
 - (d) Use of secretariat staff to reduce the size of the teams and further strengthen the support and predictability of the assessment process;
 - (e) Flexibility to use under special circumstances one-day assessment and one-person team for on-site assessments (with some or all of the assessors working remotely through, for example, videoconferencing);
 - (f) Introduction of economy class for flights requiring less than nine hours travel;
 - (g) Reduction of timeframes of processes in the “CDM accreditation procedure”; and,
 - (h) Reduction of the assessment costs for the extension of accreditation for additional sectoral scopes that contain three or fewer sectoral scopes.
9. It is important to highlight that the launching of PAs is subject to submissions of request for registration or issuance by DOEs; hence when DOEs are inactive in validation and verification, PAs cannot be conducted.

3.2. Current status of accreditation fees and cost of assessments

10. At this moment there are two main categories of fees:
 - (a) **Application fees** are charged for initial accreditation, reaccreditation and extension of sectoral scopes and are fixed at USD 15,000 each³. This fee covers the cost of the desk review (four person-day) and the overhead costs for running the accreditation system;⁴
 - (b) **Accreditation assessment fees**, are charged for performance assessments, regular surveillance and any other additional type of assessment (spot check, ad

³ The CDM does not contemplate an annual fee which is a commonly applied practice in other accreditation bodies. See paragraph 11 of the concept note: CDM-EB81-AA-A03.

⁴ An AE or DOE from a non-Annex I Party may have the possibility of paying 50 per cent of the application fee when it applies for accreditation or reaccreditation respectively, provided that it states its inability to pay the full fee at application, bearing in mind that it still needs to meet the relevant requirements in the “CDM accreditation standard for operational entities” regarding financial stability and liability. In this case, the AE/DOE shall pay the remaining 50 per cent of the application fee if and when the AE is accredited before starting its operation or once and if the DOE is re-accredited before starting its operation in the renewed term.

hoc assessment, etc.). The costs charged to the DOEs are the actual variable costs incurred by assessment teams. These fees consist of:

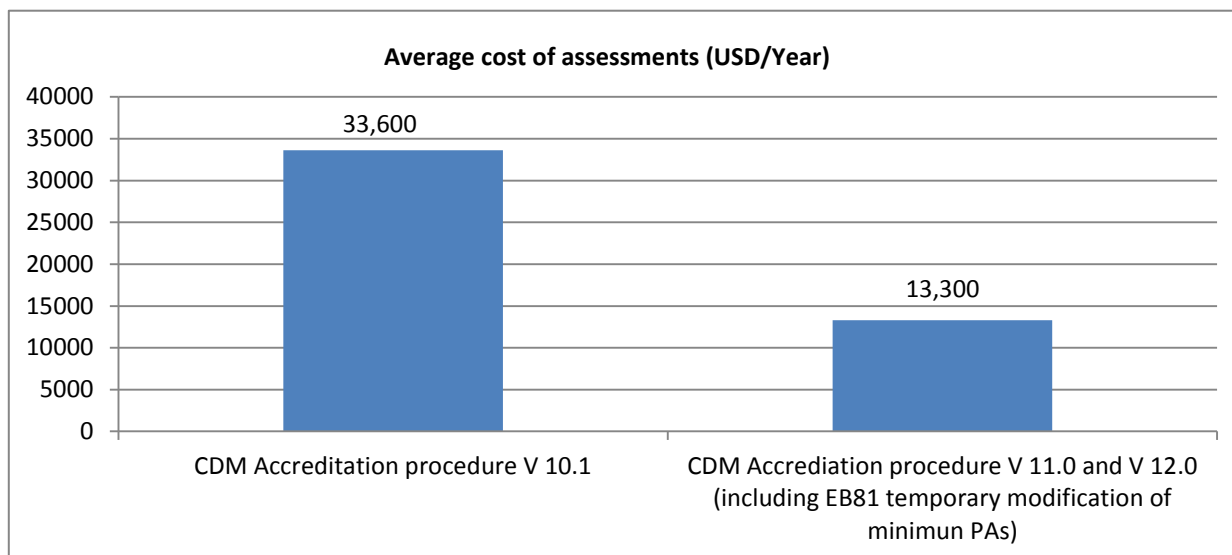
- (i) Assessor daily fee: USD 400 per assessor per day of work.
 - (ii) Travel of assessors: transportation costs, daily subsistence allowance, terminal expenses.
11. Fees and indicative costs for accreditation assessments by assessment teams as well as application fees for accreditation, reaccreditation and extension of accreditation for additional sectoral scopes are detailed in appendix 9 of the “CDM accreditation procedure” (version 11.0).
 12. The assessor daily fee level is one of the lowest in comparison with other accreditation bodies (ABs)⁵ that accredit entities that undertake validation or verification of greenhouse gas (GHG) assertions.
 13. Since 1 January 2013, on average, the DOEs were charged the following amounts for different types of assessments:
 - (a) On-site assessment of the initial and reaccreditation: USD 11,000 each, one reaccreditation assessment after been granted with five-year accreditation;
 - (b) Regular surveillance: USD 11,000 each, twice per five-year accreditation cycle;
 - (c) Performance assessment (verification): USD 10,500 each; two times per accreditation cycle;⁶
 - (d) Performance assessment (validation): USD 4,000 each, three times per accreditation cycle.⁷
 14. On average a DOE is expected to pay a total of USD 81,000 per five years of accreditation cycle or USD 16,200 per year in fees associated with accreditation. At this moment, in accordance with the Board’s decision to reduce, for two years, the amount of performance assessments by 40 per cent and other measures above, this amount is reduced to around USD 13,300 per year, covering all accreditation fees.
 15. The yearly average has consequently decreased significantly from USD 33.600⁸ prior to 1 January 2014 to USD 13.300 after implementation of the revised “CDM accreditation procedure” versions 11.0 and 12.0.⁹

⁵ For example: 1) Die Deutsche Akkreditierungsstelle GmbH (DAkkS) assessor’s fee applicable outside Germany (USD/day): **1,024.02** at <http://www.dakks.de/sites/default/files/71%20SD%20001_e_fee_schedule_abroad_nhb_20130213_v1.2.pdf>, 2) The American National Standard Institute (ANSI) assessor’s fee (USD/day): **1,250.00** at <<https://www.ansica.org/wwwversion2/outside/ALLviewDoc.asp?menuID=200&dorID=436#doc17792>>, 3) The National Accreditation Board for Certification Bodies (NABCB) assessor’s fee (USD/day): 327 and **800.00** (outside SAARC), at <<http://www.qcin.org/nabcb/EnMS/FeeStructure.pdf>>. References: Internet sources as of 20/10/2014/. Currency conversion as of 20/10/2014: 1 USD = 0.781249 EUR = 11.0204 ZAR = 61.1608 INR.

⁶ The amount of performance assessments was reduced by 40 per cent on a temporary basis until the end of 2016.

⁷ See footnote 6 above.

Figure 1. Comparison of the yearly average cost of assessment per DOE achieved through the revised “CDM accreditation procedure” (versions 11.0 and 12.0).



16. Furthermore, the current CDM accreditation procedure provides sufficient flexibility to avoid incurring unnecessary travel costs to the DOEs through:
- (a) Back-to-back assessments of DOEs in the same region by the same assessment team;
 - (b) Early confirmation of the assessment dates and early booking of tickets for the assessors;
 - (c) Use of experts located close to the location of the assessment;
 - (d) Use the provisions for flexibility allowed for in the relevant United Nations travel policy for internal assessors.
17. Taking into account some unique features of the CDM accreditation system inter-alia: the length of the accreditation cycle, the assessor's daily fee, current flexibility, frequency, number and timing of assessments¹⁰, the secretariat considers that **fees in the CDM accreditation system are at a reasonable level**. This statement is concurrent with the view of the CDM-AP¹¹.

⁸ See the “Concept note: Numbers, frequency and timing of assessments of DOEs” (CDM-EB81-AA-A03) at < <http://cdm.unfccc.int/Meetings/MeetingInfo/DB/T7D5B3Z1VHXN82Q/view>>.

⁹ Figure corresponding to version 10.1 of the procedure includes: 2.5 RS, 7 PA-Ver, 7 PA-Val, 3.2 Fees, 1.6 RA. Figures corresponding to version 10.0 and 12.0 and of this procedure including EB81 modification: 2 RS, 1 PA-Ver, 2 PA-Val, 1 Fees, 1 RA.

¹⁰ Other accreditation systems require annual on-site surveillance assessments versus two on-site surveillance assessments in a period of five years in the CDM. See paragraph 18 (b iv b) of the concept note: CDM-EB81-AA-A03.

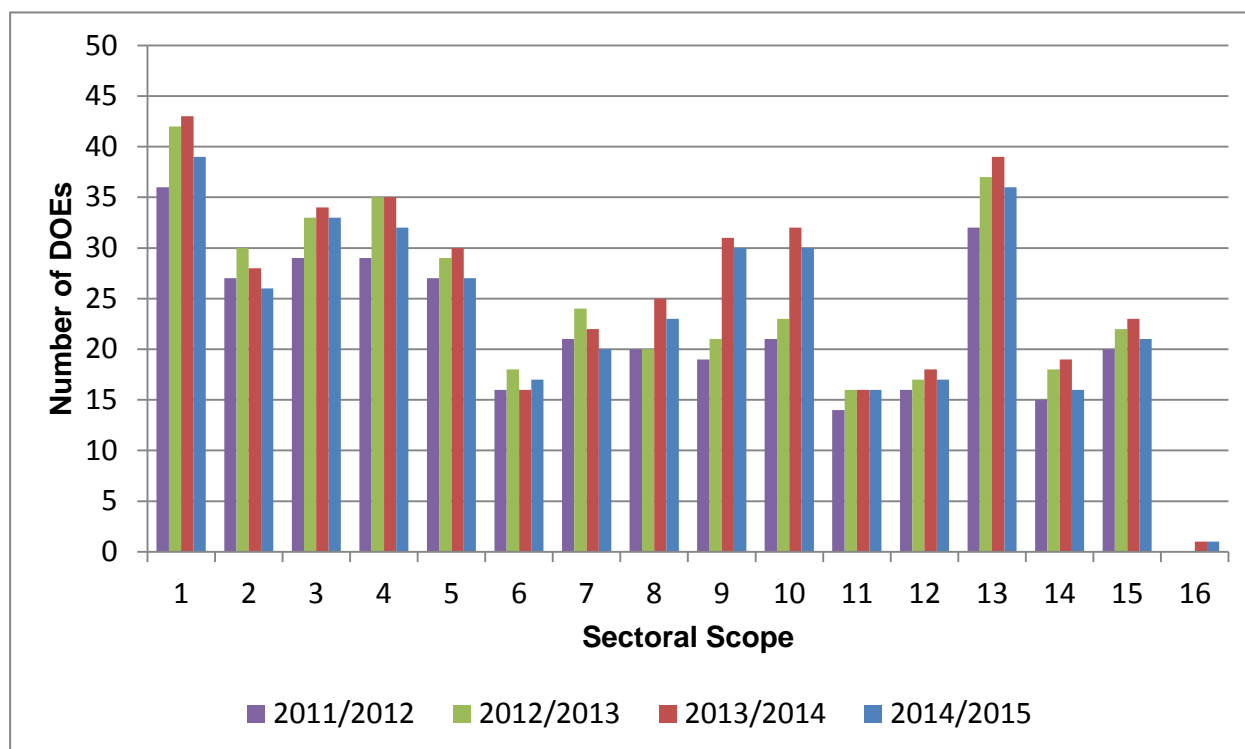
¹¹ See CDM AP 73 meeting report <<https://cdm.unfccc.int/Panels/accreditation/index.html>>.

18. It is pertinent to indicate that an important cost item regarding the overall cost of accreditation of DOEs relies on the management of their own systems and resources in order to comply with the CDM accreditation requirements (e.g. required internal competence of CDM validator and verifiers). Analysis of this cost item is beyond the scope of the analysis of fees and cost of assessments above.

3.3. Currents status of availability of DOE services

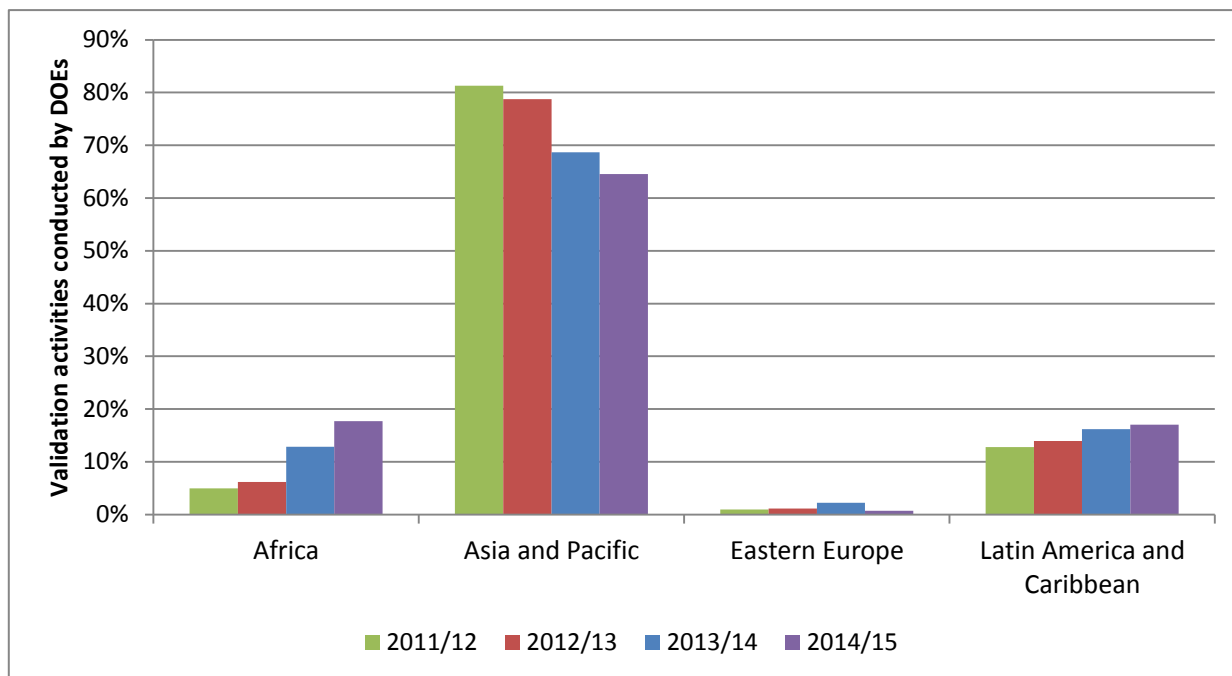
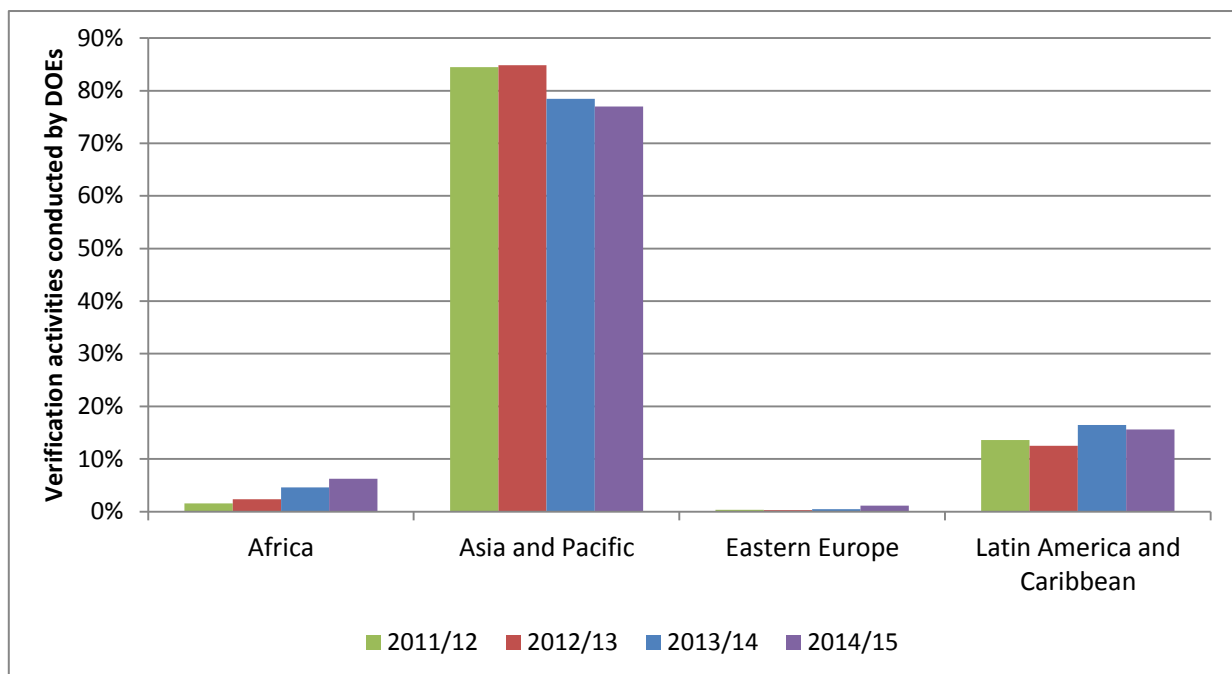
19. As of EB 86, 39 DOEs are accredited by the Board, covering all sectoral scopes, with the majority of DOEs being accredited in scopes 1 and 13. Only one DOE is accredited in scope 16 (carbon dioxide capture and storage).

Figure 2. Accreditation status of DOEs per sectoral scope



20. The DOEs reported that in 2014–2015, competition and the limited amount of work put huge pressure on the prices for DOE work. The average fees charged by DOEs in 2014–2015 were reported as follows:
- (a) USD 14,000 for validation;
 - (b) USD 9,500 for initial verification;
 - (c) USD 8,500 for subsequent verification.
21. Figures 2 and 3 below provide an overview of project activities and programmes of activities registered during the period (by region)¹².

¹² Programmes of activities are not included in the last reporting period.

Figure 3. Validation project activities worked on during the reporting period (%)**Figure 4. Verification project activities worked on during the reporting period (%)**

22. Overall one can clearly conclude that there is adequate supply of DOE validation and verification services at a sufficient level of competition to ensure low costs to the project participants. Geographic coverage is also extensive.

23. Further information on the availability of validation and verification services is provided in the synthesis report of the annual activity reports by DOEs for 2014–2015¹³.

3.3.1. Possible policy objectives for the subsidy

24. Given the current high number of DOEs and good competition among them which has driven the validation and verification fees down, the introduction of waivers would be unlikely to have further positive impact on the global availability of DOEs. It is also unlikely to affect the fees charged by DOEs.

3.3.2. CDM modalities and procedures and CMP decision related aspects: conflict of interest

25. Were the Board to consider that exemption of fees for some or all DOEs, in the form of a waiver of fees it would be necessary to consider potential conflicts of interests for the Board, as decision-maker in respect of accreditation cases.
26. In the case of a DOE for which fees were waived, it is possible that there would be a perceived conflict of interest of the Board if a DOE for which fees were waived was subject to suspension under the “CDM accreditation procedure” as it seems at least possible that the Board, having actively enabled, through the fee waiver, the DOE to become accredited would be less inclined to apply the requirements of the “CDM accreditation standard” strictly.

3.4. Proposed solutions

27. The secretariat as well as the CDM-AP consider that fees in the CDM accreditation system are at a reasonable level and do not see merit in waiving these fees for the existing DOEs.
28. If the Board wishes to further explore waiving the fees charged to DOEs, the CDM-AP recommends focusing on the cost associated with travels of assessment team members.
29. At the same time, the CDM-AP sees the merit of exploring ways and impacts to levelize costs to increase their predictability, for example by spreading out the initial accreditation fee over the five-year accreditation cycle.
30. Given the foreseen limited material impacts and complexities, the secretariat does not see the need of a new mandate by the Board to exploring ways and impacts to levelize costs to increase their predictability as described by the CDM-AP in paragraph 29 above.

4. Impacts

31. The following are possible impacts for waiving fees and cost of assessments:
- (a) Given the current level of application fees, full waivers might reduce operational expenses of DOEs seeking accreditation, extension of their sectoral scope or re-accreditation to a one-off saving of USD 15,000 in the five year period;

¹³ See the “Synthesis report of the annual activity reports submitted by the DOEs 2014–2015” at <http://cdm.unfccc.int/Meetings/MeetingInfo/DB/YPU4DW3OJI2RAFZ/view>.

- (b) It is unlikely that these waivers would have a significant impact on the costs incurred by project participants;
- (c) The CDM accreditation procedure version 12.0 may require a future revision, including small technological amendments, if the Board decides to introduce waivers of fees and cost of assessments.

5. Subsequent work and timelines

- 32. If the Board agrees on the recommendation by the secretariat, no further work is envisioned.

6. Recommendations to the Board

- 33. The secretariat recommends that the Board maintain the status quo and not waive the accreditation fees charged to DOEs.

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Document information

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