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Concept note

Reregistration of voluntarily deregistered CDM project activities

Version 01.0



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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 eighty-second meeting, adopted a revised “CDM project cycle procedure” (PCP), which introduced a process for voluntary deregistration of CDM project activities, based on the endorsement by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its tenth session, of the development of such a process.¹ At the same meeting, the Board requested the secretariat to prepare a concept note on a possible reregistration process for previously deregistered project activities.
2. This work relates to the routine activity “Regulatory management” under objective 1(b): “Operate an effective regulatory framework” with a resource allocation as referred to in table 1 of the management plan 2015.²

2. Purpose

3. The purpose of this concept note is to explore the range of issues around reregistration of voluntarily deregistered project activities and the plausible criteria that could be applied if and when such a process is introduced.

3. Key issues and proposed solutions

3.1. Overview of issues

4. Currently, there is no procedure to allow reregistration of a project activity that was voluntarily deregistered. From the perspective of project participants (PPs), the possibility to deregister from the CDM logically and naturally leads to the question of whether there is a possibility to reregister under the CDM in the future. Reregistration, if allowed under the CDM, would present a future option available to PPs. Therefore, clarifying the possibility of introducing such a process as early as possible may give comfort to PPs and increase predictability of the outcome.³ From the perspective of the Board, the matter is equally important to consider, as the decision to allow or prohibit reregistration should be based on its overall objective to assist Parties in achieving sustainable development or compliance with their commitments under the Kyoto Protocol.

¹ Decision 4/CMP.10, paragraph 10.

² EB 81 meeting report, annex 1.

³ Since the adoption of the deregistration process, the secretariat has received a few enquiries regarding this process and the possibility to reregister after voluntary deregistration. To date, two project activities have been deregistered from the CDM (PA 0799, 7243).

5. Introduction of a reregistration process should, above all, safeguard environmental integrity. It should also require the consent of all Parties that were involved in the voluntary deregistration. There are several other environmental integrity and procedural considerations relevant to this process; these are discussed along with conceivable approaches and options to address them, in sections 3.2 and 3.3 below.

3.2. Environmental integrity considerations

3.2.1. Avoiding double counting

6. A voluntarily deregistered project activity may migrate to other greenhouse gas (GHG) mitigation schemes, such as domestic, regional or voluntary crediting schemes, and generate emission reduction credits under that scheme. It may also remain dormant, that is, not join any market or non-market mechanism. It is not possible to draw up an exhaustive list of options a deregistered project activity may choose from. However, it is presumed that switching to another scheme is the primary motive for deregistration. Hence, when allowing reregistration of a deregistered project activity that was active in another scheme in the deregistered period, ensuring the absence of double counting would impart credibility to the post-registration emission reductions. This is also pertinent from a global environmental integrity perspective. The CDM regulatory infrastructure alone cannot detect all possible cases of double counting as the registries and accounting systems of the CDM and other schemes operate independently. Nevertheless, disregarding the possibility of double counting as a matter of environmental integrity concern poses some reputational risk for the CDM, particularly for reregistration cases, considering the higher than usual likelihood of their having switched to another scheme as mentioned above. It should also be noted that some offsetting schemes already have systems in place to check for double counting, for example, letters from the designated national authority (DNA) or relevant regulatory authority, evidence of cancellation of emission reductions, attestation of PP's ownership rights to the emission reductions, and so on.⁴
7. Based on the above consideration, in order to mitigate the risk of double counting to a reasonable extent, **it is proposed that the PP be required to submit a self-declaration stating that the project activity will not participate in any other scheme or claim any credits for emission reductions under any other scheme for the period after reregistration.**⁵ To ensure the transparency, the declaration would be published on the UNFCCC CDM website. Requiring such a declaration from the PP would be seen as good governance by the Board. The PP would be expected to provide this assurance in good faith to the Board.

3.2.2. Crediting period

8. The crediting period in which verified and certified emission reductions (CERs) are attributed to the reregistered project activity may be fixed or renewable. A deregistered project activity may have already received CERs issued previously, and the starting date

⁴ Examples: Carbon Action Reserve, and Voluntary Carbon Standard Double Counting Policy Brief, available at <http://www.v-c-s.org/sites/v-c-s.org/files/VCS%20Policy%20Brief%2C%20Double%20Counting.pdf>.

⁵ The appropriate legal language for such a declaration will be decided upon at a later stage and would then be subject to a due diligence check.

of its crediting period after reregistration is an important consideration to determine how much longer the project activity could generate CERs under the CDM.

9. The CMP has confirmed that a registered project activity, after the expiry of its crediting period, may not be reregistered as a new CDM project activity.⁶ In line with this decision, a deregistered project activity should also not be reregistered after the expiry of its original crediting period.
10. Hence, **it is proposed that reregistration be allowed as long as the original crediting period has not expired; that is, a fixed period of a maximum of 10 years or a renewable period of a maximum of 21 years.** The PP should still be required to comply with certain conditions as discussed in subsections below and CERs should not be claimable for the part of the crediting period when the project activity was deregistered.

3.2.3. Additionality

11. A project activity requesting reregistration had demonstrated additionality and selected a plausible baseline at the time of initial registration. At the time of reregistration, the project activity may still be considered as additional as the project activity had already demonstrated additionality for the entire length of the chosen crediting period type, based on either a project-specific approach (e.g. investment analysis, barrier analysis) or a standardized approach (e.g. positive lists) and taking into account the technical lifetime of the equipment.
12. However, it is still arguable that a reregistration case should be treated on a par with a new registration case in terms of additionality demonstration, and if so, it should be taken into account that circumstances could have changed from the time of original registration whereby not all parameters and assumptions that were used to determine additionality may still be valid and true. For instance, the project technology may have graduated from the positive list, or may not be considered 'marginal' anymore according to the latest tools and guidelines applicable at the time of reregistration.⁷ Also, the project activity may not have started or fully completed implementation, or may face a different investment environment in terms of capital costs and revenues when restarting implementation, which may affect its additionality.
13. It may be helpful to note that in cases where a project activity has delayed implementation for the entire first crediting period, the Board has agreed, in principle, to require redemonstrating additionality on a prior-approval basis, before allowing the renewal of the crediting period and change of start date of crediting period. The Board has also clarified that, where the sale of CERs is the only income of a project activity, additionality redemonstration is not required to renew the crediting period.⁸

⁶ Decision 3/CMP.9, paragraph 15.

⁷ The Board reassesses the validity of automatically additional technologies every three years.

⁸ EB 82, annex 16, Clarification, and, EB 86 meeting report, paragraph 9(e), Proposal under simplification of the CDM.

14. Based on the consideration above, it could be concluded that, broadly speaking, there are two alternative approaches to addressing the issue of additionality of a deregistered project activity:
- (a) Option 1: consider project activities requesting reregistration to be still additional for the entire crediting period(s) despite deregistration.⁹ From an environmental integrity perspective, reregistration of these project activities would be in parity with similar project activities that were registered at the same time. Moreover, had the project activities not been voluntarily deregistered, they would not have been required to redemonstrate additionality until the end of the entire crediting period(s); or
 - (b) Option 2: consider project activities requesting reregistration additional, only if additionality is redemonstrated at the time of reregistration. While this approach is in sharp contrast to the other option, from an environmental integrity perspective, it is in parity with new project activities entering the CDM, including the application of the latest guidelines and criteria for demonstration of additionality set by the Board.¹⁰
15. Overall, **it is proposed that, in order for the reregistration process to be transparent and predictable, only one of the above approaches be adopted for all deregistered project activities wishing to be reregistered under the CDM.**

3.2.4. Baseline

16. The baseline of a project activity can be either fixed or dynamic depending on the type of project activity and methodology. Registered project activities with a dynamic baseline are required to update the baseline emissions according to the specifications in the applicable tools and methodologies for each monitoring period, where the choice of values reflects the latest available data.¹¹ In addition, at the time of renewal of crediting periods, PPs must demonstrate the validity of the original baseline or update the baseline and incorporate the impact of existing national and/or sectoral policies and circumstances in the updated baseline as appropriate.
17. From an environmental integrity perspective, it is more accurate and in many cases more conservative, if reregistered project activities claim CERs based on the latest available baseline information as compared to the registered baseline. However, not updating the baseline would also not pose huge environmental integrity risks as it would be updated at the time of the renewal of the crediting period.
18. Therefore, when considering a reregistration process, with regard to the baseline emissions, there are two possible options:
- (a) Option 1: **do not require the baseline to be reassessed and updated as appropriate** at the time of reregistration if the reregistration occurs during the

⁹ Project activities with delayed implementation may be required to re-demonstrate additionality.

¹⁰ A degree of flexibility may still be granted to certain project activities that can be exempted; for example, project activities with no revenue other than CERs.

¹¹ For example, Operating Margin of the grid emission factor can be based on dispatch data and updated annually.

same crediting period as when the deregistration occurred. At the time of renewal of crediting period, the baseline should be reassessed and updated as appropriate in accordance with the existing provisions;

- (b) Option 2: **always require the baseline to be reassessed and updated as appropriate** at the time of reregistration using the latest available version of the methodology. In addition, at the time of renewal of crediting period, the baseline should be reassessed and updated as appropriate in accordance with the existing provisions.

3.2.5. Monitoring

19. According to the “CDM project standard”, a PP shall monitor the project activity and emission reductions in accordance with the registered monitoring plan. Implicitly, the CDM modalities and procedures¹² require monitoring covering the whole of the crediting period. In accordance with the PCP, if a project activity opts to deregister, then during the administrative period, it may still claim emission reductions for the period prior to the effective date of deregistration, provided all monitoring requirements are met, although it is the choice of the PP to do so and not enforceable by the regulation.
20. It is arguable whether at the time of reregistration, the requirement of continuous monitoring should be enforced for the entire part of the crediting period for which the project activity did not seek issuance of CERs, including the period of deregistration. Unreported periods may undermine environmental integrity, especially where negative emission reductions and leakage are of concern.¹³
21. Therefore, considering that certain project activities pose a higher threat to environmental integrity than others; **it would be prudent to require only those specific project activities to continuously monitor emission reductions**. For such cases, it would be required to monitor and report the emission reductions in accordance with the registered project design document (PDD) for the whole period since the end of the last monitoring period covered by the monitoring report published on the UNFCCC website until the end of the deregistration period.
22. **In the event that there are net negative emission reductions generated in the period prior to reregistration, the amount should be deducted from the first request for issuance after reregistration.** This approach is fair from the viewpoint that similar project activities that stayed under the CDM would have monitored continuously and be subjected to the deduction of negative emission reductions of the previous monitoring period in accordance with the existing regulations.
23. All other project activities not falling under the category of methodologies with potential accrual of negative emission reductions would not require continuous monitoring during the period prior to reregistration, however monitoring should resume in line with the registered monitoring plan.

¹² Decision 3/CMP.1, annex.

¹³ The Board has approved a list of methodologies that indicate potential accrual of negative emission reductions. Afforestation and reforestation project activities may lead to net reversal of sequestered carbon which may require other specific monitoring considerations; therefore, this is not covered in the scope of the present concept note.

3.3. Procedural considerations

3.3.1. Authorization by Parties

24. Similar to the action required by the Parties involved when a project activity is deregistered, it is proposed that **a written no-objection to reregistration or a new letter of approval (LoA) by the DNAs of all Parties involved in the project activity be required to be submitted as proof of renewed participation in the CDM.** Reregistration should not be made effective until such time that the PP has submitted the authorization from the DNAs of the Parties involved.

3.3.2. Validation

25. **It is proposed that a designated operational entity (DOE) be required to undertake validation of the project activity for reregistration to ensure that implementation is in accordance with the registered PDD, and if agreed by the Board, to check the baseline, additionality and evidence of continuous monitoring etc.** A DOE may also be required to check authenticity of statements issued by the PP and the revised Modalities of Communication (MoC). If a project activity undergoes changes in design, monitoring arrangements, ownership or any other change currently allowed as part of the post-registration change process, then validation of such changes by a DOE would also be necessary.
26. The role of the DOE may be kept minimal, but it may not be appropriate to completely do away with the engagement of a DOE in the reregistration process.

3.3.3. CDM registry

27. In accordance with the current provisions on the deregistration process, the CDM registry is meant to operate and support a deregistered project activity during the administration period, that is, three calendar years from the effective date of deregistration. If a project activity resumes its registration status during the administrative period, the registry services would not be impacted. If reregistered after the administration period, such services may still be safely resumed without foreseeable interruptions. In either situation, the PP would be required to submit a new MoC.
28. At the time of deregistration, any positive balance on the registration fee left after the deduction of the share of proceeds for issued CERs would not be reimbursed. In terms of administrative fees for the reregistration process, there are two possibilities:
- (a) Option 1: **do not charge a fee** but obtain the share of proceeds at the time of issuance. This approach is based on the fact that reregistration is a relatively “light” process compared to a new registration and the administrative costs incurred for processing requests for reregistration will be recovered at the issuance stage anyway;
 - (b) Option 2: **charge a fee** as an advance payment towards the share of proceeds similar to the fee at the initial registration. This approach is to safeguard the recovery of the administrative costs for processing requests for reregistration even in case the reregistered project activities do not resume the issuance stage.

3.4. Overall approach

29. The designing of a reregistration process could be guided by two different approaches, primarily differentiated by the choice of options with regard to the necessity of redemonstrating additionality and updating baseline:
- (a) Treat the project activity requesting reregistration **on a par with existing registered project activities**, therefore exempt redemonstration of additionality and updating the baseline at the time of reregistration (combination of Option 1 under section 3.2.3 above and Option 1 under section 3.2.4 above);¹⁴
 - (b) Treat the project activity requesting reregistration **on a par with new project activities requesting for registration**, therefore requiring redemonstration of additionality and updating the baseline at the time of reregistration (combination of Option 2 under section 3.2.3 above and Option 2 under section 3.2.4 above) This approach would ensure conceptual and methodological harmony with each other.
30. Validation requirements would mirror the approach chosen.
31. All other matters discussed in this concept note such as those related to double counting, crediting period, monitoring, authorization by Parties and administrative fees can be considered independently and the decisions taken in each area can be independent of each other.

4. Impacts

32. Reregistration of a voluntarily deregistered project activity may offer an attractive option to PPs who, after opting out of the CDM via deregistration, wish to re-enter the CDM due to a variety of market and non-market-related considerations. Such a process would increase the flexibility for a project activity in the CDM cycle, allowing the PPs to deregister it with the understanding that it may regain its CDM status if they wish to do so in the future, provided that certain conditions are met. In the long run, the combination of deregistration and reregistration processes may serve to increase the 'movement' of project activities between the CDM and other GHG mitigation schemes, within thresholds of environmental integrity established by the Board. However, there is presently no data to estimate the extent of such movement.
33. On the other hand, it seems that not permitting reregistration at this point in time would also not have much negative impact for the CDM as there is no clear evidence of demand for such a process, or at least until there is clarity on the role of the CDM in the pre- and post-2020 period in the new agreement under the UNFCCC process.
34. It is to be noted that reregistration of project activities under the CDM is an entirely new concept that has no basis in the CDM modalities and procedures or any other CMP decisions. Therefore, the introduction of the reregistration process, similar to the deregistration process, would require a decision by the CMP before the Board implements the process.

¹⁴ If reregistration takes place in the different crediting period from when deregistration took place, then updating the baseline is necessary on par with registered project activities that keep staying in the CDM.

5. Subsequent work and timelines

35. Should the Board decide to recommend to the CMP that a reregistration process be introduced, subsequent work would include:
- (a) Formulation of provisions in the CDM regulatory documents to specify the process for submission of such a request, secretariat assessment and possible Board reviews;
 - (b) Production of relevant forms, checklists and IT Implementation to support the reregistration process.

6. Recommendations to the Board

36. The Board is requested to consider the issues and implications highlighted in this concept note and decide whether to allow reregistration of voluntarily deregistered project activities and, if needed, mandate further work by the secretariat.

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Document information

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