

CDM-EB85-AA-A13

Concept note

Review of the flexibility in the accreditation standard and procedure

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-third meeting (EB 83) considered recommendations of the CDM Accreditation Panel (CDM-AP) on improvements to the CDM accreditation standard (version 6) and the CDM accreditation procedure (version 11). The Board requested the secretariat and the CDM-AP to prepare a joint concept note with an analysis of these recommendations and other possible improvements for consideration by the Board at EB 85.
2. The Board also requested the secretariat and the CDM-AP to include in this analysis aspects relating to general provisions for non-compliance by the designated operational entities (DOEs) with the deadlines specified in the regulations.
3. Furthermore, at its previous meetings, the Board considered several other recommendations of the CDM-AP on the improvement of the same documents and requested the secretariat to consider including these recommendations in the next revision.
4. A draft of this concept note was presented at the 72nd meeting of the CDM-AP (AP 72). The concept note was amended to reflect the views of the CDM-AP in the final recommendations.
5. This work relates to the activity 'accreditation system' under objective 1(b): 'Operate an effective regulatory framework' with a resource allocation as referred to in table 3 of the Management plan 2015 (EB 81, annex 1).

2. Purpose

6. The purpose of this note is to seek agreement from the Board on various amendments to the CDM accreditation standard (version 6) and CDM accreditation procedure (version 11).

3. Key issues and proposed solutions

3.1. General recommendations

7. The CDM-AP and the secretariat agreed that it is important to provide stability in the accreditation system and minimize the number of revisions to the CDM accreditation standard. The CDM-AP and the secretariat further agreed that the issues identified in this note, related to the standard, do not justify its immediate revision at this time. The CDM-AP and the secretariat also felt that further improvements may be identified in the near future, as the DOEs are undergoing their first assessments on compliance with version 6 of the standard. Therefore the CDM-AP and the secretariat are proposing to introduce these changes through a set of stand-alone clarifications and to integrate them into the standard at a later stage.
8. At the same time, the CDM-AP and the secretariat agreed that the changes to the CDM accreditation procedure can be implemented immediately.

3.2. Observation of DOE personnel during the first on-site validation/verification

9. AP 71 (AP 71 report, para. 26) recommended the approval of an exception to the application of paragraph 104 (a) of the CDM accreditation standard under the following circumstance: in situations where a validator/verifier is qualified by on-site observation of a validation/verification project activity or programme of activities (PoA), it would not be necessary to observe the validator/verifier during their first on-site validation/verification, as required by paragraph 104 (a).
10. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
 - (a) **Compliance oversight:** no impact. The competence of the validator/verifier will be confirmed through the on-site observation during their qualification. A second on-site observation of a competent staff member shortly thereafter does not add value to the oversight system;
 - (b) **Costs to the DOEs:** decrease. Those DOEs that choose to qualify their staff through an on-site observation will not have to bear costs of sending additional observers for their first independent on-site validation/verification;
 - (c) **Costs to the Board:** none. The change has no impact on the work of the Board and its support structure;
 - (d) **Other impacts:** none.
11. The secretariat and the CDM-AP recommend that the Board approve this change, through a clarification, as it would reduce the costs incurred by the DOEs while having no negative impact on the compliance oversight.

3.3. Composition of the assessment team visit to DOE offices during the regular surveillance assessment

12. AP 71 (AP 71 report, para. 24) recommended that when planning regular surveillance assessments, the secretariat should only send the lead assessor to the on-site visit and arrange for the other assessment team (CDM-AT) member(s) to work remotely. AP 71 further noted that when deciding on whether this option can be exercised, the following conditions shall be considered by the secretariat:
 - (a) Required technical competence of the CDM-AT;
 - (b) DOE performance;
 - (c) The volume of DOE activity;
 - (d) Any other influencing factors.
13. Currently the procedure states that a CDM-AT shall consist of at least two members, including a team leader and that the CDM-AT shall conduct the assessment, including off-site documentation review and on-site assessment at each office of the DOE identified in the workplan. The purpose of the regular on-site surveillance is to verify whether the systems, competence and operational capability of the DOE continue to meet the CDM accreditation requirements over the accreditation term. Each DOE is subject to two regular on-site surveillances during its accreditation term.

14. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
- (a) **Compliance oversight:** none. The reduction in size of the assessment team present on-site may limit the time and, therefore, scope of the assessment, as only one person will be present on-site. However, this risk is mitigated through making this decision based on the forecasted volume of the assessment work. Also, the other CDM-AT member(s) will continue to support the team leader through an off-site documentation review. Furthermore, the proposal is only focused on regular surveillance assessments – a full team will be sent on-site for initial accreditation, reaccreditation and performance assessments of verification activities;
 - (b) **Costs to the DOEs:** decrease. The main costs of the regular surveillance assessments are associated with the travel of the CDM-AT members. Therefore the reduction of the number of assessors travelling on-site will significantly reduce the costs borne by the DOEs;
 - (c) **Costs to the Board:** minimal increase. The secretariat will be required to make an additional analysis to decide on the number of assessors to be sent on-site. Also, the secretariat will be required to organize prompt sharing of documents between the on-site and off-site assessors during the assessment.
 - (d) **Other impacts:** less air travel will reduce the climate footprint of an assessment.
15. The secretariat and the CDM-AP, having considered a letter from a DOE, as requested by the Board, agreed to revise the proposal as follows:
- (a) When planning regular surveillance assessments, under special circumstances, the secretariat should have more flexibility and decide, in consultation with the CDM-AP (via electronic means when applicable) on the modalities of the assessment, such as:
 - (i) The number of experts on the assessment team, with an option to have a one-person team;
 - (ii) The number of days to be spent by the team on-site, with a possibility to have a one-day assessment;
 - (iii) The format of the assessment, with some or all of the assessors working remotely through, for example, videoconferencing;
 - (iv) The sites to be included in the assessment, with a possibility to visit only the non-central offices;
 - (b) When deciding on whether these options can be exercised, the following conditions shall be considered by the secretariat:
 - (i) Required technical competence of the CDM-AT;
 - (ii) DOE performance;
 - (iii) The volume of DOE activity;
 - (iv) Any other influencing factors.

3.4. Options available to the CDM-AP on making recommendations to the Board

16. AP 71 (AP 71 report, para. 27 (b)) recommended that the Board enable the CDM-AP, in addition to the regular processing of the non-conformities (NCs), under exceptional circumstances, to make any suitable recommendations, supported by proper justification, to the Board. The intention being to allow the CDM-AP to deal with situations that may be new or different.
17. Previous versions of the CDM accreditation procedure contained an option for the CDM-AP, whenever it considers reports of the CDM-ATs, to “undertake any other appropriate action based on the reports”. This provision was removed in version 11.0 of the procedure. The proposal is to reintroduce a softer version of this provision, allowing the CDM-AP to make any other appropriate recommendations to the Board, supported by proper justification.
18. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
 - (a) **Compliance oversight:** increase. The suggested provision will allow the CDM-AP to expedite and bring exceptional cases to the attention of the Board fully in compliance with the accreditation procedure;
 - (b) **Costs to the DOEs:** increase. Providing the CDM-AP with greater flexibility will mean some predictability for the DOE will be lost and most likely will mean additional scrutiny. The current procedure, essentially, only allows for a “pass-or-fail” decision by the CDM-AP. The CDM-AP has recommended “successful completion of the assessment” even though minor issues have been observed. With greater flexibility the CDM-AP may recommend that minor issues be followed up, which would entail time and costs for the DOE;
 - (c) **Costs to the Board:** none;
 - (d) **Other impacts:** limited negative impact on the predictability of the assessments for the DOEs.
19. The secretariat and the CDM-AP recommend that the Board approve this change, as it would increase compliance oversight while having no impact on the Board and only minimal costs for DOEs. Introduction of this change will also require a corresponding decision option for the Board.
20. Further, AP 72 agreed that any new provision not be applied retroactively.

3.5. Options available to the CDM-AP to conclude a performance assessment

21. AP 71 (AP 71 report, para. 29 (d)) recommended that the Board provide the CDM-AT with the option to conclude a performance assessment as unsatisfactory or satisfactory, based on whether the DOE conducted the validation/verification activity competently, with a subsequent recommendation by the CDM-AP. An unsatisfactory performance assessment would have consequences, such as the CDM-AP recommending that the Board request an additional performance assessment in the same or any other scope depending on whether the NCs are scope-specific or general in nature, or a spot check to examine whether these issues are present in other projects, or even placing the DOE

- under observation or suspension of accreditation. This recommendation should be available even if the DOE was able to address all NCs raised.
22. Previous versions of the CDM accreditation procedure required the CDM-AP to consider reports of the CDM-AT and either “inform the Board of the positive outcome of the performance assessment” or “inform the Board of the negative outcome of the performance assessment”. In the latter case the CDM-AP had an option to either undertake an additional performance assessment, or recommend to the Board the suspension of the DOE.
 23. In version 11.0 this process was changed to the following: the CDM-AP has to consider the reports of the CDM-AT and decide on whether the identified NCs were addressed by the DOE and closed. If all NCs were closed it “shall inform the Board of the successful completion of the performance assessment”, even if in the CDM-AP’s view the validation/verification activity was not conducted competently.
 24. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
 - (a) **Compliance oversight:** increase. Such a mechanism would improve the communication between the CDM-AT and the CDM-AP and gives the CDM-AT an explicit opportunity to flag issues for further consideration;
 - (b) **Costs to the DOEs:** increase. As the proposal suggests additional actions may be taken to follow up on the unsatisfactory performance of a DOE;
 - (c) **Costs to the Board:** none;
 - (d) **Other impacts:** This proposal increases compliance oversight and provides the Board a procedural avenue for prompt action when needed.
 25. The secretariat and the CDM-AP agreed to revise the proposal as follows:
 - (a) Introducing a provision for CDM-ATs to conclude whether the performance assessment was satisfactory or not, based on whether the DOE conducted the validation/verification activity competently. The CDM-AT should include this conclusion in the first assessment report prepared in the performance assessment process, prior to proposal and implementation of the corrective actions by the DOE;
 - (b) If the CDM-AT concludes that a performance assessment was unsatisfactory, the case should be promptly escalated to the CDM-AP (at its next meeting or electronically) for its consideration and a possible recommendation to the Board, for example: an additional performance assessment, spot-check or placing the DOE under observation or suspension of its accreditation.

3.6. Minimum number of performance assessments per accreditation cycle

26. AP 71 (AP 71 report, para. 30 (a)) recommended that the Board should not grant reaccreditation to those DOEs that did not undergo a minimum number of performance assessments.
27. The CDM accreditation procedure (version 11) demands that performance assessments are carried out on a regular schedule. However, where DOEs do not submit any

issuance or registration requests, for example due to a lack of project activities/PoAs validated/verified by the DOE, the required number of performance assessments cannot be done.

28. This recommendation was made as some DOEs seek CDM accreditation for non-CDM purposes. Such DOEs are not performing CDM validation and verification work and consequently the scheduled performance assessments cannot be launched. These DOEs are not subject to proper competence oversight by the Board.
29. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
 - (a) **Compliance oversight:** none. All DOEs are subject to rigorous oversight of their established quality management system through the initial accreditation assessment, and two regular surveillance and reaccreditation assessments per five-year accreditation cycle. The DOEs that do not have CDM validation/verification activities are not posing a threat to the CDM system, even in case of lower competence oversight from the Board due to lack of performance assessments. Whenever such DOEs decide to work on CDM project activities, their work will automatically be scrutinized by the CDM-ATs and the CDM-AP;
 - (b) **Costs to the DOEs:** increase. The change will require all DOEs to undertake a minimum number of validations/verifications in the accreditation cycle that may be against their business interests due to market conditions;
 - (c) **Costs to the Board:** none;
 - (d) **Other impacts:** limited impact on reputational risks. The proposal addresses a particular reputational risk in the following scenario: a DOE with competence deficiencies that were not identified due to lack of performance assessments, uses its CDM accreditation for non-CDM purposes, demonstrates poor quality work in a non-CDM scheme and casts a shadow on the reputation of the quality of the CDM accreditation system. At the same time the proposal has a lead time of five years before any positive impact would be felt. Furthermore, under the current scheme the DOEs may withdraw their accreditation before the end of the accreditation cycle and immediately reapply to avoid this limitation.
30. The secretariat and the CDM-AP recommend that the Board not approve this change, as it would have no impact on compliance oversight while increasing the costs borne by the DOEs.

3.7. Enhance access to information on DOE activity

31. AP 71 (AP 71 report, para. 30 (b)) recommended that the Board make the number of validations and verifications recently completed by DOEs publicly available on the CDM website, to allow the market participants, including those outside of the CDM system, to better understand the level of experience of DOEs.
32. The introduction of the proposed change would have the following impacts on various aspects of the CDM system:
 - (a) **Compliance oversight:** none;
 - (b) **Costs to the DOEs:** none;

- (c) **Costs to the Board:** minimal. This proposal may require some minor IT development;
 - (d) **Other impacts:** Limited impact on transparency to new project participants. The proposed change allows new project participants to make more informed decisions in choosing experienced DOEs. At the same time this information will be of limited value to project participants that already have CDM experience and other sources of information.
33. The secretariat and the CDM-AP recommend that the Board approve this change, introducing to the CDM accreditation procedure a requirement for the secretariat to publish, together with the accreditation status of each DOE, information on its recent number of validations/verifications and performance assessments (e.g. over the past six months).
- 3.8. General provisions for non-compliance by the DOEs with the deadlines specified in the regulations**
34. The Board (EB 83 report, para. 54) and the CDM-AP (AP 71 internal report) raised a concern that some sections of the CDM accreditation procedure and other accreditation-related procedures, such as transitional provisions for implementation of the revised accreditation standard, do not have provisions for dealing with non-compliance by the DOEs with the specified deadlines.
35. Appendix 3 to the CDM accreditation procedure states that a DOE may be placed under observation if it fails to follow any provision of the procedure. This includes failure to submit records, information, reports, or other materials requested as deemed necessary to determine continued conformity with the accreditation requirements, and failure to accommodate a request to undergo an assessment. However, the procedure does not specify any process for the CDM-AP and the Board to consider such failures. Furthermore, the procedure does not specify what happens if a DOE is already under observation.
36. The secretariat and the CDM-AP recommend introducing provisions for the following purposes:
- (a) To allow the CDM-AP, at any time and under special circumstances, to make any appropriate recommendation to the Board (for example placing a DOE under observation) for the failure of a DOE to meet the deadlines specified in the regulations and decisions of the Board or the CDM-AP. The recommendation of the CDM-AP shall be supported by proper justification. The Board shall consider the recommendation at its next meeting;
 - (b) To include an option for other transitional documents, such as transitional provisions for implementation of the revised accreditation standard, to introduce special ad hoc provisions for suspending and putting DOEs under observation for failing to meeting critical deadlines. Such ad hoc provisions should only be applicable for a particular transitional period.

3.9. Previous recommendations of the CDM-AP and decisions by the Board

37. At its previous meetings, the Board considered recommendations of the CDM-AP and notes prepared by the secretariat and agreed on the following revisions to the CDM accreditation standard and the CDM accreditation procedure:

- (a) EB 77 (para. 69):
 - (i) To amend section 7.6 of the CDM accreditation procedure, with a view to streamlining the work of the CDM-AP when considering the results of performance assessments. This proposal repeats the proposal in section 3.4 above on options available to the CDM-AP to conclude a performance assessment;
 - (ii) To clarify or revise paragraph 47 of the CDM accreditation standard in relation to DOE contract conditions and potential linking of payments to final outcomes of validation or verification/certification activities;
- (b) EB 80 (para. 44): Not to charge applicant entities (AEs) and DOEs an additional fee for subtraction of scopes in the application for accreditation;
- (c) EB 81 (para. 15 (a)): To modify the provision contained in paragraph 75(a) of the CDM accreditation procedure (version 11.0) to have, after applying a risk-based approach, a minimum of one mandatory performance assessment every 20 months for any DOE. This modification is on a temporary basis, valid only for the next two years;
- (d) EB 81 (para. 26 (d)): To clarify the accreditation standard on whether the access to technical experts is sufficient to demonstrate compliance regarding paragraphs 57 and 58 of the CDM accreditation standard version 6.0;
- (e) EB 81 (para. 26 (d)): To clarify the accreditation standard on how the demonstration of competence will be done in accreditation assessments as per section 10.3.1 of the CDM accreditation standard version 6.0.

4. Impacts

38. The decision by the Board to introduce the recommended changes to the CDM accreditation procedure and the CDM accreditation standard will have an impact on the level of compliance oversight over the DOEs, the quality of work of DOEs, costs borne by the DOEs and by the Board and its support structure, and other aspects, as outlined in the section above.
39. The proposed work foresees cost implications for the DOEs. Some proposals do not impact DOEs while for other proposals there would be a decrease or an increase in costs. Some of these costs will be short-term and some will be long-term. More detailed discussion of the impacts are outlined in the section above.

5. Subsequent work and timelines

40. Depending on the Board's decision to change or to maintain current practice, the following changes may be required:

- (a) Clarification of the CDM accreditation standard;
 - (b) Revision of the CDM accreditation procedure.
41. The clarifications and draft revised procedure could be prepared for consideration and adoption by the Board at EB 86.

6. Recommendations to the Board

42. It is recommended that the Board allow time to gain experience from implementing the CDM accreditation standard (version 6) before revisions are made.
43. It is recommend that the Board request the secretariat to prepare clarifications of the CDM accreditation standard (version 6) for consideration at EB 86, reflecting the following:
- (a) Observation of DOE personnel during the first on-site validation/verification;
 - (b) EB 77 report, paragraph 69 (second part of the paragraph);
 - (c) EB 81 report, paragraph 26 (d).
44. It is recommend that the Board request the secretariat to prepare a revised accreditation procedure for consideration and adoption at EB 86, reflecting the following:
- (a) The proposal on the composition of the CDM-AT visit to DOE offices during the regular surveillance assessment;
 - (b) The proposal on options available to the CDM-AP on making recommendations to the Board;
 - (c) The proposal on options available to the CDM-AP to conclude a performance assessment;
 - (d) The proposal on enhancing access to information on DOE activity;
 - (e) The proposal on general provisions for non-compliance by DOEs with the deadlines specified in the regulations;
 - (f) EB 77 report, paragraph 69 (first part of the paragraph);
 - (g) EB 80 report, paragraph 44.

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