

CDM-EB86-AA-A01

Concept note

Proposals for simplification and streamlining of the CDM

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-fourth meeting (EB 84), considered the concept note on the direction for the simplification and streamlining of the CDM. The Board agreed on the areas for the secretariat to develop concrete proposals without compromising environmental integrity for consideration by the Board at EB 86.
2. At EB 84, the Board also requested the secretariat to consult with stakeholders on i) the structure of consolidated provisions for PoAs and for project activities; and ii) modalities for withdrawing a published monitoring report and the change of DOE at the verification stage. Based on this, a call for public input soliciting views on these issues was conducted from 27 August to 16 September 2015. It received inputs from five stakeholders.¹
3. This work relates to the planned activity in the CDM Management Plan for 2015 “Simplification of the project submission, registration and issuance processes and further opportunities for streamlining” under its objective 1(a) “Operate efficient project and entity assessment processes”. This work encompasses existing and new actions that would help simplify and streamline the CDM at both the regulatory and operational levels, and covers all relevant mandates from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) (up to its tenth session) as well as from the Board (up to EB 85).

2. Purpose

4. The work aims to simplify and streamline the CDM, while maintaining or improving environmental integrity, in order that:
 - (a) Transaction costs incurred through participation in the CDM are reduced;
 - (b) The cost efficiency in the regulation of the CDM is increased;
 - (c) The uptake of the CDM is increased and preserved over the long term;
 - (d) The use of the CDM infrastructure in other fields is increased, in particular for results-based finance.

3. Key issues and proposed solutions

3.1. Impetus for simplification and streamlining

5. Since 2001, when the CDM was effected through the decision by Conference of the Parties on the “prompt start”, and in particular since 2005, when the Kyoto Protocol entered into force and the “Marrakech Accords”² became effective, the CDM brought

¹ <http://cdm.unfccc.int/public_inputs/2015/mr_08/index.html>.

² Decision 3/CMP.1, annex; decision 4/CMP.1, annex II; decision 5/CMP.1, annex; and decision 6/CMP.1, annex.

about unprecedented scale of capital flow for mitigation actions to combat climate change. It is estimated that, by the end of 2014, the CDM supported investments worth approximately USD 90 billion in emission reduction project activities in developing countries.³ By the end of August 2015, over 8,000 project activities and PoAs have been registered under the CDM, and over 1.6 billion certified emission reductions (CERs) have been issued.⁴ The CDM proved to be a powerful tool for collaborative mitigation action among Parties and became a key success story of the Kyoto Protocol.

6. The history of the CDM rules has often been characterized as “learning by doing”. The rapid implementation of the mechanism, the likes of which had never been undertaken on a global scale, was considered the major priority and it was necessary to accommodate unforeseen cases and address regulatory shortcomings by creating or revising rules. While very effective in quickly establishing momentum in the mechanism, this also resulted in a sometimes complex “patchwork” of rules and processes in a number of areas of the CDM. Also, the inherent difficulty in dealing with “baseline” and “additionality”, which are based on a hypothetical future scenario in the absence of the CDM project activity, has contributed to the complexities in-built within the system.
7. The number of voices calling for a simplification and streamlining of the CDM has been growing in recent years, including those of stakeholders, governments, the CMP and the Board and the secretariat themselves. These have grown louder as the market for CERs has reduced; the effort and complexity required to generate CERs could be tolerated in times of high demand and high prices, but has become much harder to justify since.
8. These calls have also been echoed by those wishing to see greater use of the CDM for the purposes of results-based finance. While some wish to see monitoring, reporting and verification (MRV) of the CDM used for these purposes, others suggest that the CDM as it stands today is too cumbersome and complex to be used effectively.
9. Efforts to simplify and streamline the CDM have in fact been underway for many years, often based on the frequent requests from the CMP or by the Board’s own initiative. Such efforts are typically ongoing, and sometimes bring their own complexities which could benefit from further streamlining. Such effort include:
 - (a) **Methodological requirements:** while methodological requirements are key to ensuring the environmental integrity of the CDM, they can be the biggest source of technical complexity and the highest hurdle for project participants. The Board has been making significant efforts to lower such hurdles by standardizing methodological requirements, so that project participants do not need to develop methodological values individually. The development of standardized baselines and “positive lists” of technologies and conditions that confer automatic additionality to project activities are some examples of such efforts;
 - (b) **Programmatic CDM:** the concept of PoA was originally intended to reduce transaction costs by registering a group of similar individual activities as a single project activity.⁵ Over time, the wish to incorporate more flexibility into PoAs has

³ World Bank and Ecofys, *State and Trends of Carbon Pricing 2015*.

⁴ <<http://www.cdmpipeline.org/>>.

⁵ Decision 7/CMP.1, paragraph 20.

led to the PoA rules themselves becoming more complex. There would be value in consolidating and clarifying how the PoA rules are to work, taking fully into account the distinctive nature of PoAs, to ensure appropriate flexibility for their diverse and dynamic nature. As PoAs have a huge potential to scale up mitigation actions, their simplification and streamlining should be prioritized.

- (c) **Overall processes:** the steps and time frames in various processes under the CDM, such as under the CDM project cycle (registration, post-registration changes, issuance, renewal of crediting period, etc), the development, revision, update and clarification of methodologies and standardized baselines, and the accreditation process, have evolved significantly over the years, mainly with a view to improving the credibility of the processes. The resulting processes are robust but are often seen as being more cumbersome than necessary to achieve the desired outcome. It is necessary to review the steps and time frames in each of these processes and streamline them wherever possible.
 - (d) **Validation and verification requirements:** in the early years, as the CDM rules were evolving quickly and DOEs and the Board had little experience, validation and verification requirements were developed in a very prescriptive manner. As the mechanism has now matured and DOEs have become more experienced, there would be value in streamlining these requirements to make them more general and leave more to the professional judgement of DOEs. This can stimulate DOEs to develop innovative and cost-effective means of validation and verification, while achieving the same level of assurance. In the short term, some specific validation and verification requirements have already been recognized as posing challenges to DOEs and their consideration can be prioritized.
10. The areas of streamlining identified above, in both their historical and ongoing aspects, are the natural evolution of a dynamic and responsive mechanism. Growing experience with the CDM strengthens the understanding of how best to streamline it. If the CDM is to remain a key tool available to Parties to continue their collaboration on mitigation, the simplification and streamlining of the CDM remains an urgent need that is undiminished by the current market situation or uncertainty regarding the level of Parties' ambition in reducing emissions and enhancing removals in the long term.

3.2. A programme of work

11. The work under this project seeks to take a holistic approach to the simplification and streamlining of the CDM, in a manner that encompasses ongoing work and provides a basis for the Board to determine future directions. Such a "programme of work" would bring together all related activities, both ongoing and future, around a coherent approach that simultaneously promotes:
- (a) Environmental integrity of the CDM;
 - (b) Streamlined requirements and processes;
 - (c) Appropriate flexibility to allow innovation and new uses of the CDM.
12. It is well recognized that the environmental integrity of the CDM is its key cornerstone and source of its value as a means for collaboration on mitigation. What is needed is simpler approaches that can nevertheless deliver the same or greater integrity, recognizing that integrity and streamlining do not represent a simple tradeoff. Flexibility

is in some ways more challenging, as the rules required to allow flexibility, while still safeguarding integrity, can sometimes become cumbersome for the regulator. It is necessary to consider what areas of flexibility are needed by CDM participants, recognizing that a full suite of options may not be needed.

13. The proposals contained in this concept note cover all of the areas addressed in paragraph 9 above. Some areas of ongoing work on methodological requirements have not been addressed through proposals in this concept note, as they are already the focus of much attention by the Board.⁶ The secretariat foresees that a more consolidated programme of work on the streamlining of the CDM can be presented in the context of the draft CDM Management Plan for 2016.
14. The approach taken to this work to date has proceeded by the following approach:
 - (a) Key factors contributing to high transaction costs and delays at each stage of the processes were identified.⁷ These are highlighted for each stage individually through the remainder of section 3;
 - (b) Possible solutions to help reduce transaction costs and delays were developed, taking into account relevant requests made by the CMP to the Board as contained in appendix 1 and the direction given by the Board at EB 84. The remainder of section 3 summarizes the proposals being made through this concept note, while further detail for each proposal is elaborated in appendix 2. The linkage between the proposed solutions and specific requests from the CMP are summarized in appendix 3;
 - (c) Where it is considered that the implementation of some proposals would require decisions by the CMP, draft recommendations were prepared, as contained in appendix 4, for possible recommendation by the Board to the CMP at its eleventh session via the annual report of the Board to the CMP;
 - (d) The impact of the proposals was estimated. Impacts of individual measures, to the extent these can be estimated in the time available, are discussed for each stage individually through the remainder of section 3. In practice, many of the impacts are unlikely to be separable from other proposals, and section 3 seeks to draw some overall conclusions regarding the overall impacts.
15. Finally, the establishment of a continuous work programme for the streamlining of the CDM beyond 2015 is proposed to identify and address other issues that may be raised in the future.

⁶ In particular, separate work streams are addressing the simplification of methodologies, methodological tools and guidelines; the development of broadly applicable simplified methodologies; the development of standardized baselines; the simplification of additionality demonstration; and the digitization of methodology-specific PDD development.

⁷ The accreditation process has not been reviewed under this project based on the direction given by the Board at EB 84 as referred to in paragraph 1.

3.3. Proposals

3.3.1. Stage I: PDD development and validation

16. For a project activity⁸ to be registered under the CDM, there are many requirements on its features that the project participants⁹ have to demonstrate the compliance with and elaborate them in a project design document (PDD). Once a PDD is developed by the project participants, the information provided in the PDD has to be independently reviewed and validated by a DOE (validation) before proceeding with the submission of a request for registration.
17. To reduce the burden for PDD development and validation, the Board has undertaken several initiatives in the past (e.g. consolidation of methodologies, introduction of “positive lists” of technologies that confer automatic additionality, introduction of standardized baselines, development of the “CDM validation and verification standard”, and validation templates). Still, there is further room for improvement in this regard.
18. The key factors contributing to high transaction costs and delays for this stage are:
 - (a) **Complexity of additionality and baseline:** PDD drafting can be a cumbersome exercise requiring deep understanding of CDM concepts, in particular additionality and baseline, as the credibility of CERs¹⁰ hinges upon their strength. Consequently, methodological issues are highly complex and most often require the hiring of experts;
 - (b) **Additional documents for PoAs:** when preparing a PoA, the current rules on combination of technologies necessitate a large number of generic and specific-case CPA documents to be submitted;¹¹
 - (c) **Long approval process for developing and revising methodologies:** many project participants develop or revise methodologies to suit their project design, for which the approval process can be over 10 months¹² and notably expensive;¹³ The methodology approval process adds to the total time for PDD development and, when combined, takes between 12 and 15 months before commencement of validation;

⁸ Unless otherwise specified, the descriptions on a project activity in this concept note also apply to a programme of activities (PoA), but for ease of reading only the term “project activity” is used in this concept note. Similarly, unless otherwise specified, the descriptions apply to both non-afforestation and reforestation (A/R) project activities and A/R project activities but, for ease of reading, only the term “emission reductions” is used.

⁹ In the case of PoAs, “project participants” should be read as “coordinating/managing entities” throughout this concept note.

¹⁰ Most rejections are due to the inability to credibly demonstrate additionality and choice of baseline.

¹¹ Application of ACM0002 may result in the creation of 30 generic CPA-DDs if all technologies in the methodology are covered in the PoA.

¹² Average time from submission to approval is 311 days (UNEP Risoe, 2015).

¹³ Methodology development and approval can cost up to USD 200,000. Source: Bruce P. Chadwick, Natural Resources Forum 30 (2006).

- (d) **Long waiting time to obtain letter of approval (LoA):** the process of obtaining the LoA from the designated national authority (DNA) of the host Party can also be long, where nearly 80 per cent of all registered project activities have taken more than six months to receive the LoA from the commencement of validation, and in many cases over two years;¹⁴
- (e) **Long and costly validation process:** before issuing a positive opinion, DOEs conduct desk reviews, on-site inspections, interviews and several checks against the CDM requirements. Validation takes on average 20.4 months before the request for registration, and the cost of validation is reported to be between USD 20,000 and USD 70,000 per project activity.¹⁵ Moreover, small-scale project activities have not been exempted from the high validation costs despite simplified methodological requirements. In addition, based on decision 9/CMP.7, the materiality concept is currently not applicable to validations.
19. Overall, this stage of the project cycle is one of the longest and involves very high transaction costs that the project participants have to bear. Moreover, there is no certainty on the registration of project activities even after the delays and expenses.
21. Proposed solutions are presented in the table below:

#	Proposal title	Summary of proposal
1	Streamlining the methodology development, revision and clarification processes	<ul style="list-style-type: none"> Review each step and timeline in the bottom-up process for approval of a new and revised methodology and the process for clarification of an approved methodology in the current procedure with a view to simplifying and shortening them as appropriate. Most notably, strengthen the preparation stage through electronic consideration of issues prior to the meeting and introduce a clear timeframe for decision making. Allow the submission of a proposed revised methodology without a PDD.
2	Allowing pre-approval use of proposed new or revised methodology	<ul style="list-style-type: none"> Allow the use of a proposed new or revised methodology in a request for registration in parallel to the processing of the proposed new or revised methodology under the methodology approval process, after at least one consideration by the relevant methodological panel or working group. The request for registration can be processed until the end, but the final decision by the Board is subject to the positive approval of the proposed new or revised methodology.

¹⁴ Two projects took as long as 56 months to receive the LoA (UNEP Risoe, 2015).

¹⁵ Ecofys, *CDM Market Support Study*, 2013.

#	Proposal title	Summary of proposal
3	Simplifying validation requirements	<ul style="list-style-type: none"> Clarify the conditions for exemption and scope of an on-site inspection during validation, and introduce a requirement to check the physical features of the project activity at the latest by the first verification. Provide an option to a DOE to conclude validation and submit a request for registration in the absence of an LoA. The LoA can be submitted any time thereafter directly by the DNA or the project participants/coordinating managing entity to the secretariat, who will check its validity. In the meantime, the processing of the request for registration can move forward, but the project activity can be deemed registered only after a valid LoA is received. Expand the application of materiality also to validation of both project activities and PoAs, in particular to validation of investment analysis to demonstrate additionality and estimation of emission reductions.
4	Streamlining specific requirements for PoAs	<ul style="list-style-type: none"> Remove the requirement of submission of the first specific-case CPA corresponding to each generic CPA at the registration of the PoA stage or through post-registration change process, so that the registration of a PoA would be done based solely on the concept, and the inclusion of all specific-case CPAs in the PoA would not involve the secretariat and the Board. Allow to include more than one technology/measure or combination thereof in one generic CPA, provided that they share the same methodology or combination thereof and the applicability of the information provided in the generic CPA-DD to each technology/measure or combination thereof is clearly identifiable. Consolidate the provisions applicable for PoAs by restructuring the “CDM project standard” (PS) and the “CDM validation and verification standard” (VVS) into two standard documents: (i) one consolidating all elements of the PS and VVS for project activities; (ii) one consolidating all elements of the PS, VVS for PoAs and the PoA standard, while maintaining the “CDM project cycle procedure” (PCP) covering both project activities and PoAs.

3.3.2. Stage II: Registration

22. After a request for registration is submitted, it undergoes an assessment by the secretariat on the compliance with the CDM requirements and a review by the Board may follow. Since EB 55, the assessment process has been progressively streamlined and the process time between submissions of requests for registration to registration has improved: the average process time in the last 12 months was 2.9 months.¹⁶
23. The key factors contributing to high transaction costs and delays for this stage are:
- Long registration process:** the assessment timelines may be too long and prohibit project participants from accruing CERs as early as possible. Moreover, the same process is to be followed regardless of project type, scale and technical complexity including those with a low risk of compromising environmental integrity, such as those applying automatically additional technologies and pre-approved baseline factors, being subjected to equally long assessment and review periods;
 - Strict regulations on validity of methodologies:** widely used methodologies are revised frequently and current rules concerning the validity of methodologies, in particular for resubmission after incompleteness, would require the project participants and the DOE to revise all documentation according to the latest version of the applied methodology. Such regulations pose an additional administrative burden and may well increase the validation cost.
24. Proposed solutions are presented in the table below:

#	Proposal title	Summary of proposal
5	Streamlining the registration process	<ul style="list-style-type: none"> Merge the information and reporting check and summary note preparation steps, and reduce the combined timeline from 37 days to 21 days. Shorten the period for requesting review (by DNAs of the Parties involved or Board members) from 28 days to 14 days.

¹⁶ Measured as the time between the submission of a request for registration and the decision by the Board. The historical average time is 3.3 months
<<http://cdm.unfccc.int/Statistics/Public/CDMinsights/index.html#val>>.

#	Proposal title	Summary of proposal
6	Simplifying the registration process for automatically additional project types	<ul style="list-style-type: none"> • Introduce a faster registration process for project activities where the technology/measure qualifies for automatic additionality (specified in applicable tools, methodologies or standardized baselines) and that apply pre-approved baselines and baseline emission factors (specified in applicable methodologies, standardized baselines or combination of both). • Validation requirements will be minimized to confirming the eligibility of the project activity for the faster process and optional on-site inspection. Comments received from the global stakeholder consultation (if any) will be addressed at the time of first verification. • Registration process will be simplified whereby, after a completeness check and short information and reporting check by the secretariat, the project activity will be automatically registered. There will be no review period.
7	Simplifying inclusion and re-inclusion of CPAs into a PoA	<ul style="list-style-type: none"> • For inclusion of the first specific-case CPA corresponding to each generic CPA, it is already proposed to simplify the process (see proposal #4 above). Allowing the coordinating/managing entity of a PoA to include CPAs without involving a DOE, in particular for CPAs that are deemed automatically additional, was also considered, however not further recommended, on the grounds of weakened process integrity and difficulty in pursuing liability of the coordinating/managing entity. • Allow a CPA that has been voluntarily excluded to be re-included in the same PoA, to be included in a different PoA (provided the eligibility criteria for inclusion in that PoA are met), or to apply for registration as a single CDM project activity (where the full validation and registration process will be applied). In all cases, the crediting period should be discounted by the length of period that the same activity has consumed in the bundle already. • Allow a CPA that has been excluded as a result of erroneous inclusion to be included in a different PoA, or to apply as a single CDM project activity. In both cases, the crediting period will not be discounted (since the compensation for that period is to be made by the DOE).
8	Extending the validity of methodologies for resubmissions	<ul style="list-style-type: none"> • Apply one time extension of the grace period for application of the revised version of a methodology to resubmission of a request for registration due to unsuccessful completeness check or information and reporting check (e.g. by 90 days after the notification of unsuccessful check).

3.3.3. Stage III: Post-registration changes

25. During implementation of a registered project activity, there may be changes to the project design and monitoring modalities that were not planned or known at the time of

registration. Changes can range from minor corrections to design changes caused by, for example, market unavailability of the planned technology, change of monitoring set-up, change of market or regulatory conditions, or a company's organizational issues.

26. The key factors contributing to high transaction costs and delays for this stage are:

- (a) **Most post-registration changes require prior approval:** according to the current rules, post-registration changes that are not deemed minor require prior approval from the Board, for which the project participants must hire a DOE to validate the changes and submit its opinion to the Board. This is an essential step in the cycle before the project participants can request issuance. Since the Board approval cycle follows similar steps and timelines as for registration, the waiting time can be long. Until now the secretariat has processed more than 330 requests for post-registration changes under the prior-approval track, which indicates that changes to a registered project activity are commonly encountered during implementation and only less than 2 per cent of the post-registration changes have been rejected by the Board;
- (b) **Restrictions to type of changes:** post-registration changes currently exclude voluntary updating of methodology versions, thereby limiting the choice of monitoring options and in many cases the use of default values available to the project participants who registered the project activities applying older versions of methodologies.

27. Prior approval for post-registration changes is an additional cost and time factor for project participants. The process could benefit from enhanced flexibility and reduced procedural steps.

28. Proposed solutions are presented in the table below:

#	Proposal title	Summary of proposal
9	Expanding post-registration change types that do not require prior approval by the Board	<ul style="list-style-type: none"> Expand the list of types of post-registration changes that may follow the issuance track to any permanent change to the monitoring plan and temporary deviation that propose alternative monitoring arrangements.
10	Allowing voluntary update and change of methodology after registration	<ul style="list-style-type: none"> Introduce the option to voluntarily update the applied methodology after registration to either a later valid version of the same methodology or a different methodology, as long as all requirements in the chosen version/methodology are met.
11	Increasing flexibility in changes to the start date of the crediting period	<ul style="list-style-type: none"> Allow delaying the start date of a crediting period by longer than two years for project activities hosted in non-LDCs (four years in LDCs) via the prior approval process by re-evaluation of the baseline and re-demonstration of additionality.

3.3.4. Stage IV: Monitoring, verification and issuance

29. After registration of a project activity, project participants monitor emission reductions in accordance with the monitoring plan and contract a DOE to conduct an independent

review and ex post determination of the CERs (verification) before submitting a request for issuance to the Board.

30. The key factors contributing to high transaction costs and delays for this stage are:

- (a) **Restriction on DOEs to conduct both validation and verification:** a DOE may not conduct both validation and verification functions for a large-scale project activity and for (any accumulated scale of) PoAs. A DOE must first seek prior approval from the Board if it wishes to perform both functions. The procedure for seeking this approval can be very long as the request is considered only at a Board meeting. Moreover, if the authorization request is rejected, the project participants have the additional burden and expense of contracting another DOE that sometimes may not be active in the host country or region. This restriction unnecessarily reduces the opportunity to develop and implement CDM project activities, especially in countries underrepresented in the CDM, where DOEs are few and far between. The accreditation standard safeguards the impartiality of DOEs and the current rule may be an over-restriction;
- (b) **Limited number of batches permitted for issuance under a PoA:** the current rules impose on the coordinating/managing entity of a PoA an additional administrative cost to combine CPAs in batches up to a maximum of 10 to request issuance of CERs. This restriction may not be necessary and debilitates verification and issuance for PoAs that are meant to include unlimited CPAs covering several different technologies/measures and possibly multiple countries;
- (c) **Inflexible monitoring provisions for bundled project activities:** for a bundled small-scale project activity, currently, the project participants are not allowed to remove or add a project activity to the bundle after registration, and unlike in PoAs, batched requests for issuance are not allowed. Due to this inflexibility, the project participants may incur additional transaction costs on account of the non-implemented activities in the bundle and not have the chance to expand the project activity even if an activity suitable for the bundle is identified after the registration. The project participants face challenges in managing the monitoring and verification schedules where not all activities in the bundle are ready to proceed, or if the other project participants involved have not consented to proceed with verification;
- (d) **Unsustainable sample size for geographically scattered project activities:** the cost and time required for verification depend largely on the geographical distribution and accessibility of the sites. For geographically scattered project activities with a small amount of emission reductions, the sample size for on-site inspections determined by the current requirements makes the verification cost much higher than the revenues from the CER sale;
- (e) **Limited application of the materiality concept in verifications:** the application of the materiality concept in verifications reduces cost and time for DOEs. However, based on decision 9/CMP.7, the materiality concept is currently not applicable to verifications for PoAs.

31. Proposed solutions are presented in the table below:

#	Proposal title	Summary of proposal
12	Allowing a DOE to perform both validation and verification for the same project activity	<ul style="list-style-type: none"> Automatically allow a DOE to perform both validation and verification functions for a project activity of any scale or for a PoA.
13	Allowing change of DOE at verification	<ul style="list-style-type: none"> Introduce the process for notifying the secretariat about the change of DOE at the verification stage, similar to the existing provision at the validation stage. Provide procedural clarification applicable to change of DOE at both validation and verification stages: i) the secretariat would obtain confirmation from the outgoing and incoming DOEs before making the change effective; ii) the incoming DOE would be responsible for all the roles of DOE at the validation or verification stage (including requesting withdrawal of documents) and have full responsibility of the validation or verification outcome.
14	Providing unlimited flexibility to verification schedules for PoAs	<ul style="list-style-type: none"> Allow unlimited number of batches for verification and issuance for a monitoring period.
15	Allowing de-bundling and flexible verification schedules for bundled project activities	<ul style="list-style-type: none"> Expand the concept of bundling to cover also large-scale project activities. Allow changing the composition of bundled project activities by removing a project activity from the bundle, or adding a new project activity to the bundle, any time after registration. Once removed from a bundle, the project activity cannot be added back to the same bundle or to a different bundle. It can however be registered as a standalone CDM project activity by following the full validation and registration process, and if registered, its crediting period should be discounted by the length of the period that has been consumed already when it was in the bundle. Allow batched issuance for bundled project activities if the bundle comprises more than one small-scale project type, methodology or technology/measure, and consequently generates separate monitoring reports. To prevent complications, however, each batch should correspond to each monitoring report and no further breakdown should be allowed.

#	Proposal title	Summary of proposal
16	Simplifying verification requirements	<ul style="list-style-type: none"> Clarify under what conditions an on-site inspection may be optional (e.g. high security risk in conducting on-site inspections due to the force majeure such as natural disasters or conflicts). Introduce modalities to reduce the sample size for geographically-scattered project activities with small amount of emission reductions at each site. Clarify that the materiality concept may apply also to PoAs, and provide further information on the application of the concept including the calculation of a threshold for PoA issuance.

4. Impacts

4.1. Methodological requirements

32. The proposals made in this concept note on simplifying and streamlining methodological requirements would primarily benefit those wishing to develop CDM project activities, as the cost and time required for designing CDM project activities and monitoring emission reductions would be reduced. Also, as a consequence, validations and verifications by DOEs would become simpler, thus helping DOEs improve the certainty of their work.
33. The proposals on the rules on the applicability of methodologies (i.e. extending the validity of methodologies for resubmissions; allowing voluntary change of methodology after registration; and increasing flexibility in changes to the start date of the crediting period) would save cost and time for some (but not all) project participants, without undermining environmental integrity if appropriate conditions are met.

4.2. Programmatic CDM

34. The proposals in the area of PoA rules (i.e. streamlining specific requirements - allowing the inclusion of more than one technology/measure or combination thereof in one generic CPA) as well as simplification of scale thresholds for CPAs and simplification of rules on the combination of methodologies under a PoA, which are tackled under a separate work stream,¹⁷ would simplify the methodological aspect of PoA rules, helping project participants and coordinating/managing entities design PoAs and CPAs in a more flexible manner, thus implying cost and time reductions in some cases.
35. Other proposed solutions (i.e. streamlining specific requirements for PoAs - removing the requirement of submission of the first specific-case CPA corresponding to each generic CPA at registration of PoA or through the post-registration change process; simplifying inclusion and re-inclusion of CPAs into a PoA; and providing unlimited flexibility to verification and issuance schedules for PoAs) would simplify the procedural aspect of PoA rules, helping project participants and coordinating/managing entities register PoAs

¹⁷ CDM Management Plan, project 223.

faster and plan monitoring/issuance schedule in a more flexible manner, thus implying cost and time reductions in some cases.

36. Furthermore, consolidating provisions applicable to PoAs, as mandated by the CMP, would facilitate better understanding and compliance with PoA rules in general, mainly benefiting project participants and DOEs.

4.3. Overall processes

37. The proposal for the steps and time frames in various processes (i.e. streamlining the registration process; expansion of issuance track cases; streamlining the methodology development, revision and clarification process; allowing pre-approval use of proposed new or revised methodology; and allowing debundling and flexible verification schedules for bundled project activities) would reduce the steps and shorten the time frame required to complete the processes, helping project participants and DOEs reduce costs for all cases that have to go through these processes.
38. In particular, the proposal on simplifying the registration process for automatically additional project types, which the CMP requested the Board to look into, could have a significant impact on the use of the CDM, motivating investors to opt for automatically additional project types for overall time and cost reduction benefits. Simplification and streamlining of the processes not only benefit project participants and DOEs, but also save resources for the operation of the processes by the Board and the secretariat.

4.4. Validation and verification requirements

39. The proposals for validation and verification requirements on the necessity of on-site inspection, the modalities of receipt of a letter of approval from Parties involved and the application of the materiality concept) would reduce costs and time for DOEs, and ultimately for project participants.
40. The proposals for rules relating to the role of DOEs (i.e. allowing a DOE to perform both validation and verification for the same project activity and allowing change of DOE at verification) could help DOEs better manage their business without undermining the integrity of their roles in the CDM, provided that their competence and impartiality are ensured through the rigorous accreditation process.

4.5. Possible impacts on other uses of the CDM

41. Such measures to simplify and streamline the CDM could also increase the use of the CDM infrastructure for purposes other than traditional generation of CERs and their use for compliance purposes. These include: the delivery of climate finance interventions more broadly and of results-based finance more specifically, such as those managed by multilateral fund operators;¹⁸ national compliance purposes emerging in some

¹⁸ Carbon Initiative for Development (Ci-Dev), Pilot Auction Facility for Methane and Climate Change Mitigation (PAF), both administered by the World Bank are some examples that are already using the CDM.

countries;¹⁹ and voluntary uses.²⁰ As the proposals in this paper would reduce transaction costs of using the CDM without undermining environmental integrity, these solutions should generally appeal to all three of these potential uses of the CDM.

42. For results-based finance in particular, the CDM may be used either in its entirety up to the issuance of CERs or in part as a MRV tool. As institutions and programmes delivering results-based finance value the fact that emission reductions have demonstratively taken place and can be verified in a cost-effective manner, the level of rigour of the MRV required may be different compared to that which results in the generation of tradable credits, as the latter may be traded and used to justify increases in emissions elsewhere.
43. The ongoing work on simplifying methodological requirements of the CDM could increase the attractiveness of using the CDM methodological infrastructure for results-based finance. Also, considering the general preference of results-based finance initiatives towards scaling-up and paradigm-shift effects, the proposals for PoA rules could have a positive impact on the use of the CDM for these purposes. On the other hand, the current scope of simplification and streamlining of the CDM would not enhance the monitoring and reporting of the co-benefits of project activities, which is an important element for institutions and programmes delivering results-based finance.

5. Subsequent work and timelines

44. All the proposals set out in section 3.3 above can be implemented once the relevant regulatory documents have been revised and adopted by the Board, primarily the PS, the VVS and the PCP. As part of the work on this project, and following the guidance of the Board at EB 82, full revisions of these documents are to be undertaken in 2016. It is therefore proposed that the revisions to the relevant regulatory documents needed to implement all agreed proposals be completed by mid-2016 in order that they may be made effective at the start of 2017 (subject to the corresponding modifications to the relevant IT workflows).
45. The secretariat also proposes that a programme of work on the streamlining of the CDM be established via the CDM Management Plan for 2016. This programme of work should incorporate all aspects of the work contributing to this goal, including those areas not addressed in detail through this concept note (see paragraph 13 above), and would:
 - (a) Identify areas of the CDM that need further streamlining, based on regular consultations with stakeholders and the experience gained by the Board and the secretariat;
 - (b) Develop proposed changes to regulations and practices;

¹⁹ The Republic of Korea emissions trading systems (K-ETS) is already allowing the use of CERs, while the South African carbon tax and Mexican carbon tax systems are expected to also accept CERs to cover part of carbon tax payments. For all cases, certain conditions apply (e.g. eligible CERs are from the CDM project activities hosted in the respective countries).

²⁰ Examples include corporations' offset initiatives such as DHL's GoGreen services and the use by individuals or institutions of the Online Platform for Voluntary Cancellation of CERs operated by the UNFCCC secretariat.

- (c) Implement the changes agreed by the Board;
- (d) Monitor and analyse the impact of changes.

6. Recommendations to the Board

46. The secretariat recommends that the Board:

- (a) Agree on the proposals for simplification and streamlining of the CDM, as presented in section 3.3 above;
- (b) Request the secretariat to prepare the revisions of the relevant regulatory documents, for consideration and adoption by mid-2016, as set out in paragraph 44 above;
- (c) Provide any feedback at this stage on the proposal of continuing this work through a programme of work, as set out in paragraph 45 above.

Appendix 1. Requests from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol relating to simplification and streamlining of the CDM

1. The proposed solutions presented in this concept note address the following specific requests from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol:
 - (a) “Requests the Executive Board, based on the experience gained through the application of materiality, as defined in decision 9/CMP.7, and in consultation with the Designated Operational Entities/Accredited Independent Entities Coordination Forum, to review the concept of materiality in the verification process and, if applicable, how it can be further applied in the clean development mechanism” (**decision 3/CMP.9, para. 21**);
 - (b) Requests the Executive Board to further consider the implications of allowing requests for revision of a baseline and monitoring methodology without a draft project design document in cases where the Executive Board considers that the assessment of such a request can be conducted without project-specific information, in order to provide flexibility in the provisions contained in decision 3/CMP.1, annex, paragraph 38, and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration (**decision 4/CMP.10, para. 5**);
 - (c) “Further requests the Executive Board to further analyse options to allow the simplified registration of project activities and programmes of activities that qualify as automatically additional and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration: the options would include, inter alia, that registration is approved on the basis of a standardized pre-approved registration template using objective criteria without prior validation through a designated operational entity, combined with ex post confirmation by a designated operational entity during the first verification of the compliance with the registered template of the implemented project activity or programme of activities” (**decision 4/CMP.10, para. 13**);
 - (d) “Requests the Executive Board to analyse the implications, and possible provisions for ensuring environmental integrity, of allowing the same designated operational entity to carry out validation and verification for the same project activity or programme of activities of all scales and report back on this matter to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration” (**decision 4/CMP.10, para. 14**);
 - (e) “Requests the Executive Board to streamline provisions relating to programmes of activities in the “CDM project standard”, “CDM validation and verification standard”, “CDM project cycle procedure” and other relevant documents, with a

view to achieving consistency in a consolidated set of rules (**decision 4/CMP.10, para. 17**);

- (f) “Also requests the Executive Board to consider adjusting, and if appropriate implement, the rules governing programmes of activities to reflect the special features of programmes of activities in order to facilitate effective implementation and reduce associated transaction costs while ensuring environmental integrity, taking into account the implications for liability with regard to the issuance of certified emission reductions resulting from significant deficiencies in validation, verification and certification reports, including rules that:

...

- (ii) Allow, as an option, a simplified validation and registration process for activities that satisfy microscale thresholds and are considered automatically additional; this option shall allow for:
- (iii) Validation of a programme of activities without the submission of a specific-case component project activity;
- (iv) Inclusion on the basis of a pre-approved standardized inclusion template of component project activities carried out directly by the coordinating/managing entity without prior validation through a designated operational entity” (**decision 4/CMP.10, para. 18**).

Appendix 2. Elaboration of proposed solutions

1. This appendix elaborates proposed solutions listed in section 3.1 of this concept note.

1. Stage I: PDD development and validation

1.1. Streamlining the methodology development, revision and clarification processes

Issue summary

2. The development of a new methodology or the revision of an existing one is a lengthy process. While indicative timelines are set for consideration by the relevant methodological panel or working group, there are no clear deadlines for the approval of a new or revised methodology. Currently, the approval of a new or revised methodology based on a proposal submitted by the proponent (the bottom-up process)¹ could take at least six months, and typically 12 months or more. This, in some cases, significantly delays the registration of a project activity that plans to use the new or revised methodology.

Proposed solution

3. Review each step and timeline in the bottom-up process for approval of a new and revised methodology in the current procedure with a view to simplifying the steps and shortening the timelines as appropriate. Efficiency may be gained in the approval cycle with the following measures.
4. As per the current practice, clarifications of methodologies are approved through an electronic decision-making process. Recently, the Methodologies Panel and the Small-Scale Working Group have started considering revisions to methodologies electronically.² Extending this approach to proposed new methodologies in a similar manner would improve the efficiency of the process by facilitating panel or working group members to familiarize themselves with the issues in the proposals.
5. For a proposed new or revised methodology in the bottom-up process, the relevant methodological panel or working group, after receipt of the draft recommendation by the secretariat and prior to the first in-person meeting, would organize electronic meetings to consider the recommendation and formulate specific issues they wish to discuss at the in-person meeting. Panel or working group members should request any clarifications from the proponent or modifications to the draft recommendation during these electronic meetings so that they could consider responses from the proponent during the in-person meeting. After the in-person meeting, the chair of the panel or working group may decide to consider the proposed new or revised methodology one more time at an electronic meeting if feasible or at the next in-person meeting. Hence, the total number of meetings

¹ Since 2012, 17 bottom-up large-scale and 31 small-scale methodologies have been processed.

² The revisions considered were top-down regarding inclusion of non-binding best practices that enhance the understanding of the methodology.

needed to prepare the final recommendation to the Board on the proposed new or revised methodology would be reduced to a maximum of two in-person meetings.

6. If the Board requests the panel or working group to further review the recommendation, the follow-up consultations would be conducted electronically and the chair would make every effort to conclude them without a maximum of one additional in-person meeting.
7. The CMP, at its tenth session, requested the Board to further consider the implications of allowing requests for revision of a methodology without a draft PDD if the assessment of such a request can be conducted without project-specific information.³ Responding to this request, the Board, at EB 84, considered the analysis of the implications and agreed to request the CMP to allow the processing of a request for revision of a methodology without a draft PDD where it is deemed feasible.⁴ Based on this, the submission of a PDD at the time of submission of a proposed revised methodology could be made optional, while allowing the secretariat to request the proponent to provide additional project information at any step after the submission of the request and before the final decision by the Board, only when necessary.

1.2. Allowing pre-approval use of proposed new or revised methodology

Issue summary

8. Currently, only a methodology that has been approved by the Board may be used for requesting the registration of a project activity. Due to the lengthy approval process for a proposed new or revised methodology, a project participant may face considerable delay before it can proceed with the preparation of a PDD, followed by its validation by a DOE, and a request for registration of the project activity. Providing an option for the methodology development and approval process to run in parallel with the registration process in an integrated and controlled way would reduce such delay without compromising environmental integrity. This ultimately would result in an earlier start of the monitoring of emission reductions, which would otherwise be foregone.

Proposed solution

9. Allow the use of a proposed new or revised methodology prior to its approval by the Board in a request for registration, so that the process of approval of the proposed new or revised methodology would run parallel to the process of registration of the project activity applying it. If the relevant panel or working group considers positively the proposed new or revised methodology after one in-person meeting, it will be communicated to the proponent, who may proceed with validation and a request for registration based on the proposed new or revised methodology.
10. The final decision by the Board to register the project activity would be subject to the approval of the proposed new or revised methodology. In this case, the approval of the proposed new or revised methodology would effect the project activity registered with an effective date of registration that is in accordance with the current rules for complete submissions of request for registration. If the Board approves the proposed new or

³ Decision 4/CMP.10, paragraph 5.

⁴ EB 84 meeting report, paragraph 28.

revised methodology with modifications,⁵ the registration would reflect these modifications and their implementation would have to be validated by a DOE as a post-registration change. If the Board rejects the proposed new or revised methodology, the project activity would not be registered.

1.3. Simplifying validation requirements

1.3.1. Clarifying conditions for exemption from on-site inspection at validation and introducing delayed on-site inspection

Issue summary

11. An on-site inspection by a DOE constitutes a significant share of validation costs and, in some circumstances, may also affect the length of the validation process depending on the DOE workload and the availability of the DOE validation team members.
12. The current VVS clarifies the project types for which an on-site inspection is mandatory, but it lacks clarity on the situations where DOEs are exempted from conducting an on-site inspection and on the justification that they should provide in support of their decision not to conduct an on-site inspection. This lack of clarity makes the acceptability of a validation outcome unpredictable with the associated risk of subsequent rejection by the Board of the request for registration.
13. Furthermore, if a project activity is in the planning or early implementation phase, regardless of the project size and type, an on-site inspection cannot ensure a complete visual check of the technology and facilities and is limited to a review of available designs and feasibility studies and interviews with the project participants and other stakeholders.

Proposed solution

14. Further clarify the conditions for the exemption from an on-site inspection at validation (e.g. force majeure, or planning or early implementation phase of the project activity), and introduce provisions for such exemption cases to require a DOE to validate the description of the project activity by alternative means (e.g. reviewing available designs and feasibility studies and conduct a comparative analysis with equivalent project activities) and also require a delayed on-site inspection at the latest by the first verification.
15. This proposal increases clarity on the conditions for the delayed on-site inspection and reduces the validation cost for the project activities or CPAs that fall under the conditions.

⁵ Bottom-up methodologies commonly undergo modifications before final approval. Some may even be consolidated into existing or new methodologies.

1.3.2. Providing options to submit letter of approval

Issue summary

16. Currently, the determination of whether the project participants have received a letter of approval (LoA) from the designated national authority (DNA) of each Party involved in the project activity is the responsibility of the DOE as part of the validation process, and the DOE has to include the LoA in the documentation of a request for registration. The validation cannot be considered concluded until the DOE receives an LoA through the project participants.
17. Stakeholders have reported that the issuance of an LoA could take a long time in some countries (it is reported up to two years in some countries), and consequently some validation processes are being or have been stalled for a long time, incurring negative financial implications for the project activities.

Proposed solution

18. An option may be provided to a DOE to conclude the validation and submit a request for registration in the absence of an LoA, and in this case the LoA should be submitted by the DNA directly to the secretariat any time thereafter. In the meantime, the secretariat can initiate the processing of the request for registration and proceed with the Board review stage, and once an LoA is received, directly by the DNA or the project participant, the secretariat would also check the validity of the LoA. The submission of a valid LoA would effect the project activity registered with an effective date of registration in accordance with the current rules for complete submission of a request for registration.
19. For the countries where the issuance of an LoA is a lengthy process, the introduction of this option could save significant time for the validation process and allow the relatively fast conclusion of contractual obligations between DOEs and project participants, which could also reduce transaction costs. Moreover, successful completion of the secretariat and Board assessment stages for the project activity may enhance the predictability of investment for project participants as well as boost the confidence of DNAs to issue LoAs. At the same time, shifting the responsibility of checking the validity of the LoA from DOEs to the secretariat would not greatly increase the regulatory burden for the secretariat, which is already doing some checking of LoAs as part of the completeness check of the submission.

1.3.3. Expanding the application of the concept of materiality to validation

Issue summary

20. Checking the information and data that have no material impact on environmental integrity needlessly increases the efforts by DOEs for validation and/or verification, which leads to higher transaction costs and longer lead time for a project activity to be registered under the CDM. Based on the decision by the CMP at its seventh session,⁶ the Board has introduced provisions on materiality for verification of project activities (not for validation, and also not for PoAs). Following the request by the CMP at its ninth

⁶ Decision 9/CMP.7.

session,⁷ the Board will consider expanding the application of the materiality concept to the validation of both project activities and PoAs.

Proposed solution

21. It is proposed to further analyse the application of the concept of materiality to validation of CDM project activities, in particular to validation of additionality where an investment analysis is carried out to demonstrate additionality. The sensitivity analysis of the input values could be taken as the materiality thresholds. Other areas of validation which can benefit from materiality can be identified such as estimation of emission reductions. As a way forward, a comprehensive impact analysis is required to ascertain benefits and potential risks of applying materiality to additionality and expanding the concept to relevant parts of validation.

1.4. Streamlining specific requirements for PoAs

1.4.1. Revising rules for generic CPAs and specific-case CPAs

Issue summary

22. A “generic CPA-DD” is a section of the PoA design document (PoA-DD) form, in which the common features of CPAs that will be included in the PoA are described. With this, a generic CPA-DD serves as the “template” for specific CPAs to be included in the PoA. If a PoA applies more than one technology/measure or more than one methodology, the current rules require the preparation of a generic CPA-DD for each technology/measure, each methodology and each combination thereof. In some cases, it would necessitate creating a large number of generic CPA-DDs.⁸ Also, the current rules require the submission of at least one specific-case CPA for each generic CPA at the time of the request for registration of the PoA or through the post-registration change process, by which the first specific-case CPA is assessed by the secretariat and the Board. Subsequent inclusion of CPAs of the same project type in the PoA does not go through such assessment. The latter requirement appears to see how the PoA framework could work in reality and to obtain the confidence for the Board to allow a DOE to include unlimited number of CPAs without the involvement of the Board. However, combining these requirements, it is possible for some PoAs that many specific-case CPAs are subject to assessment by the secretariat and the Board. This could increase the cost for validation as well as for the operation of the regulations.

Proposed solution

23. The requirement for submission of specific-case CPAs for the assessment by the secretariat and the Board at the registration and post-registration change stages could

⁷ Decision 3/CMP.9, paragraph 21.

⁸ For example, the application of the methodology AMC0002 may result in the creation of at least 30 different generic CPA-DDs if the project participants and/or the coordinating/managing entity wish to develop a PoA for grid-connected electricity generation making use of all renewable energy technologies under the methodology (hydro, wind, solar, geothermal, tidal, wave), for different activity types (greenfield, capacity addition, retrofit, rehabilitation or replacement) and under different legal and regulatory frameworks (legal regulations or promotional policies).

be entirely removed. This would mean that the registration of a PoA would be done based solely on the concept, and the inclusion of all specific-case CPAs in the PoA would not involve the secretariat and the Board.

24. Also, the requirement to prepare a generic CPA-DD for each technology/measure, each methodology and each combination thereof could be made more flexible so that one generic CPA may contain more than one project type defined by these factors, provided that the applicability of the information provided in the generic CPA-DD to each project type is clearly identifiable.

1.4.2. Consolidating provisions applicable to PoAs

Issue summary

25. Currently, provisions that are applicable to PoAs are primarily found in the PS, VVS, PCP and “Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities” (PoA standard). In the PS, VVS and PCP, some provisions are applicable only to project activities, others are applicable only to PoAs, and the rest are applicable to both. Although the section titles and paragraphs indicate the applicability to PoAs, project participants or coordinating/managing entities who wish to develop a PoA, or DOEs who wish to validate or verify a PoA, need to carefully read all provisions in these documents to have a clear understanding of all requirements for PoAs and not to miss any of the applicable requirements. Furthermore, some provisions in the PS, VVS and PCP and other regulatory documents do not clearly indicate their applicability to PoAs.

Proposed solution

26. Extract requirements applicable to PoAs in the PS and VVS and consolidate them with the PoA standard into one document. This would create two standard documents: one for PoAs and the other for project activities.
27. A clear separation of regulatory provisions by activity type (PoA or project activity) would prevent readers from misunderstanding the applicability of provisions to a specific activity type. This clarity would consequently reduce the time and transaction cost to develop, validate, implement, monitor and verify the activity.
28. Since validation and verification are the activities for DOEs to check whether project participants have complied with the project design, implementation and monitoring requirements, most requirements in the VVS mirror those in the PS. Any change to a provision in the PS has to be reflected in the VVS. Therefore, on the occasion of consolidating provisions for PoAs, also consolidating the corresponding requirements currently separated into the PS and VVS would streamline the number of provisions, ensure regulatory consistency, and reduce the risk of misunderstanding of the intent of provisions. Possible confusion that may arise from consolidating the provisions in the PS and VVS on who is responsible for a particular provision (i.e. project participant or DOE) could be prevented by always clarifying it within each provision (e.g. “The project participant shall...”, “The DOE shall...”).
29. Extracting the procedural requirements for PoAs from the PCP and adding them to the consolidated document mentioned above would make the document a comprehensive regulatory rule book for PoAs. This would also simultaneously create a comprehensive

rulebook for project activities. This may be handy for users only interested in one activity type (PoA or project activity). In fact, some stakeholders support this option.⁹ The Board has also expressed a general preference for having fewer regulatory documents.¹⁰ However, currently there exist only a few PoA-specific procedural requirements (e.g. inclusion and exclusion of CPAs, batched issuance) and the rest is common with those for project activities. Therefore, most procedural requirements in the two “comprehensive rulebooks” would be a repetition of the same rules, and separating procedural requirements into two documents would increase the risk of inconsistency. Furthermore, such level of consolidation would increase the frequency of revision of these documents, since the required timings for changing procedural requirements do not always coincide with those for changing project design, implementation and monitoring requirements. Taking all implications including these pros and cons into account, further consideration would be required before deciding on the best configuration of regulatory provisions for PoAs (and project activities).

2. Stage II: Registration

2.1. Streamlining the registration process

Issue summary

30. Currently, a request for registration has to go through the steps of basic checks of the submission by the secretariat (completeness check, information and reporting check, and summary note preparation), request for review period, preparation of independent assessment reports by the secretariat and the Registration and Issuance Team for the cases placed under review, and possible review by the Board, before the project activity is registered under the CDM. According to the timeline defined in the procedure, the minimum time required for registration is around two months. If an issue is identified in the documentation of the request for registration during the basic checks by the secretariat, or the request is placed under review by the Board, the timeline will become longer. The average time in the last 12 months was 2.9 months.¹¹

Proposed solution

31. The steps and timeline for the basic checks by the secretariat could be streamlined and shortened in the following manner: upon positive conclusion of the completeness check stage, the information and reporting check and the summary note preparation stages will be merged and the request will be published within 14 days instead of 23 days, together with the completed summary note. This date of publication will trigger the start of the request for review period, which will continue for a period of 14 days instead of 28

⁹ Inputs from the call for public input conducted from 27 August to 16 September 2015, available at <https://cdm.unfccc.int/public_inputs/2015/mr_08/index.html>.

¹⁰ EB 84 report, paragraph 8.

¹¹ Measured as the time between the submission of a request for registration and the decision by the Board. The historical average time is 3.3 months. See the statistics in more detail at <<http://cdm.unfccc.int/Statistics/Public/CDMinsights/index.html#val>>.

days.¹² Overall, the proposal would reduce current registration timelines between the start of completeness check and the end of the request for review period by 40 per cent.

32. It should be noted that since the current registration process is endorsed by the CMP,¹³ significantly changing the steps and timeline may necessitate a new endorsement by the CMP.

2.2. Simplifying the registration process for automatically additional project types

Issue summary

33. Currently, the majority of time in processing a request for registration is spent on the assessment of additionality and baseline of the project activity in the request, and the reasons for review and rejections of most requests have been on these issues. In comparison, when a project activity implements a technology that is deemed automatically additional, the assessment timeline is largely reduced and, if used in combination with a pre-approved baseline, it can drop further. Moreover, such project activity has a low risk of compromising environmental integrity and therefore could be subject to simplified validation checks.
34. The Board has identified technologies and conditions with which a project activity can be deemed automatically additional, in so-called “positive lists”.¹⁴ It also introduced a procedure for proposing and approving a microscale renewable energy technology that confers automatic additionality to a project activity that applies the technology.¹⁵ The Board further developed a procedure for developing and approving a standardized baseline.

Proposed solution

35. Further to the proposal of general streamlining of the registration process presented in section 2.1 above, an even simpler and faster process for registration of project activities that are deemed automatically additional and apply an approved standardized baseline may be introduced. Under such a process, a project activity will benefit from both simplified validation and registration processes. Validation requirements can be minimized to confirming the eligibility of the project activity for the faster process and optional on-site inspection. Comments received from the global stakeholder consultation (if any) will be addressed at the time of first verification. Once the request for registration is submitted, after a successful completeness check and information and reporting check by the secretariat, the project activity will be automatically registered without opening the window for a request for review and subsequent review by the Board. The timeline of information and reporting check can also be shortened due to reduced checking needs.

¹² Currently, the DNAs of the Parties involved and Board members have 28 days to raise a request for review and the secretariat summary note is made available only 14 days before the closing of the review period.

¹³ Decision 3/CMP.6, paragraph 54.

¹⁴ See the “Methodological tool: Demonstrating additionality of small-scale project activities” and the “Methodological tool: Demonstrating additionality of microscale project activities”.

¹⁵ “Procedure: Submission and consideration of microscale renewable energy technologies for automatic additionality”.

Such a process would significantly reduce the procedural steps and time between the submission of a request for registration and registration by the Board.

36. The conditions for deeming a project activity eligible for the simplified registration process would be the following (the conditions can be further elaborated and expanded as appropriate):
- (a) The technology/measure qualifies for automatic additionality as it is included in the positive list of technologies for additionality specified in:
 - (i) Tool for demonstration of additionality of small-scale and/or microscale project activities;
 - (ii) Technology as approved by the Board;
 - (iii) Applied methodology; or
 - (iv) Standardized baseline; and
 - (b) The applied methodology or the standardized baseline or combination of both provides a specific baseline and baseline emission factor for the project technology/measure.

2.3. Simplifying inclusion and re-inclusion of CPAs into a PoA

2.3.1. Simplifying inclusion of CPAs

Issue summary

37. Currently, the inclusion of CPAs in a registered PoA has to be done by a DOE. To do this, the DOE has to check whether the CPAs meet the eligibility criteria for inclusion and apply the features (e.g. monitoring plan) predetermined in the PoA-DD and the corresponding generic CPA-DD. The inclusion of CPAs is automatic without assessment by the secretariat or the Board.¹⁶

Proposed solution

38. For inclusion of the first specific-case CPA corresponding to each generic CPA, it is already proposed to remove the current requirement that such specific-case CPA has to be submitted for assessment and possible review by the secretariat and the Board at the registration of the PoA or through the post-registration change (see section 1.4.1 above).
39. In addition, the idea of allowing the coordinating/managing entity of a PoA to include CPAs without involving a DOE, in particular for CPAs that are deemed automatically additional, can be considered. Such a measure would certainly reduce the transaction cost and time for inclusion of CPAs, and the risk of compromising environmental integrity would be low. However, for CPA inclusion, the scrutiny is already low due to the lack of the assessment and possible review by the secretariat and the Board, respectively.

¹⁶ After inclusion, a CPA may be identified ex post as erroneously included by the DOE. In this case, a process to determine erroneous inclusion and compensation by the DOE for erroneously issued CERs will be triggered.

Therefore, it is arguable whether no independent check by a DOE could ensure the integrity of the process. Also, if a CPA is found to be erroneously included, pursuing liability should be targeted to the coordinating/managing entity, which would entail significant difficulty in the enforcement.

2.3.2. Simplifying re-inclusion of excluded CPAs or qualifying as single CDM project activities

Issue summary

40. A CPA can be excluded from a PoA in two ways: voluntary exclusion by the coordinating/managing entity; or exclusion as a result of review of erroneous inclusion. For both cases, currently, an excluded CPA cannot be re-included in the same or any other PoA or qualify as a stand-alone CDM project activity. This may be too restrictive as it shuts the door for the activities to come back to the CDM. There may be numerous reasons for exclusion. Even for exclusion of an erroneously included CPA, the CPA may meet all CDM requirements that are important from the perspective of environmental integrity (e.g. baseline determination, additionality), while it does not meet all the eligibility criteria for inclusion in the PoA.

Proposed solution

41. Allow a CPA that has been voluntarily excluded by the coordinating/managing entity to regain the CDM status using one of the following options: (a) being re-included in the same PoA by a DOE following the procedure for CPA inclusion; (b) being included in another PoA by a DOE following the procedure for CPA inclusion; or (c) applying as a single CDM project activity following the full validation and registration process. The project activity/PoA documentation and the DOE validation report shall transparently declare whether the activity has been voluntarily excluded before from a registered PoA. In terms of the crediting period, regardless of the option selected, the length of the period that the activity has been credited in the original PoA will be discounted from the new crediting period. However, monitoring of the activity should still be continuous in accordance with the CDM modalities and procedures, and be reported as part of the next request for issuance under the PoA or new project activity, as appropriate.
42. Allow a CPA that has been excluded as a result of erroneous inclusion to regain the CDM status using one of the following options: (a) being included in another PoA by a DOE following the procedure for CPA inclusion; or (b) applying as a single CDM project activity following the full validation and registration process. The project activity/PoA documentation and the DOE validation report should transparently declare the activity history. In terms of the crediting period, regardless of the option selected, no discounting would apply as all CERs erroneously issued previously would have been compensated in an equivalent amount of Kyoto credits by the DOE that erroneously included the CPA in the initial PoA to the CDM registry. The requirement of continuous monitoring would nonetheless apply under both options.
43. The proposals could provide excluded CPAs with a second chance to be part of the CDM depending on the circumstances of exclusion.

2.4. Extending the validity of methodologies for resubmissions

Issue summary

44. A request for registration has to apply the version of a baseline and monitoring methodology and methodological tools that are valid at the time of the submission of the request. Unless the previous version of the methodology has been put on hold (normally due to a significant environmental integrity issue), the grace period of 240 days is given for the application of the revised version of the methodology or methodological tool.
45. If a request for registration is concluded as incomplete at the completeness check stage, the resubmission of a request for registration for the same project activity is deemed a new submission, hence it has to comply with the latest version of the methodology and methodological tools at the time of resubmission. If there is a revision of the applied methodology or methodological tools since the initial submission of the request for registration, and the timing of the resubmission is after the grace period, this forces the project participants to revise the PDD and the DOE to revise the validation report for the purpose of resubmission, which could increase the transaction cost.
46. To alleviate the impact of revision of methodologies and methodological tools on resubmissions of requests for registration, the PCP has already introduced the extension of the grace period as follows:
 - (a) For resubmission of a request for registration after the completeness check as a new submission, an extension is granted by the number of days in excess of the 22 days elapsed before the notification on incompleteness is made;
 - (b) For resubmission of a request for registration after the information and reporting check, an extension is granted for 28 days from the date of notification that the submission cannot be processed any further.

Proposed solution

47. Abolish the current rules on extension of the grace period and apply one rule applicable at both the completeness check and information and reporting check stages, for example a 90-day extension to the grace period of a methodology for resubmission of the request, from the date of the secretariat's notification of incompleteness or that the request cannot be process further, respectively. The rules on effective date of registration and the application of valid versions of other regulatory documents (e.g. PCP, PS, VVS) would, however, be independent and remain unchanged.
48. Widely used methodologies are revised very frequently, sometimes every few months. This becomes a heavy burden on the project participants and DOEs in case the submission of a request for registration is concluded as incomplete. By allowing retaining the version of the methodology applied at the time of initial submission of the request beyond the usual grace period, time spent on revising project documentation as well as any additional validation cost will be saved. Moreover, recently methodologies have been revised mainly with the objective of simplifying the aspects of baseline determination, additionality and monitoring rather than increasing the conservativeness, hence an extension of the grace period of previous versions of methodologies would not impact environmental integrity in most cases (if there is a serious environmental integrity

issue in the previous version of a methodology, the application of it will be put on hold with immediate effect anyway).

3. Stage III: Post-registration changes

3.1. Expanding post-registration change types that do not require prior approval by the Board

Issue summary

49. In principle, post-registration changes have to be approved by the Board prior to proceeding with a request for issuance (prior-approval track). However, for minor post-registration changes, the request for approval of changes may be submitted together with the request for issuance (issuance track). The types of changes that may follow the issuance track are clearly defined and listed in appendix 1 to the PS.
50. However, the above-mentioned appendix 1 does not include revisions to the monitoring plan (except for changes to calibration practice, accuracy class and location of the meters), nor temporary deviations that apply alternative monitoring arrangements despite the fact that the vast majority (approximately 95%) of requests for revisions of the monitoring plan and temporary deviations that propose alternative monitoring arrangements have been approved by the Board without any issues. On the other hand, appendix 1 includes any changes to project or programme design, provided certain conditions are met.

Proposed solution

51. The list of types of post-registration changes that may follow the issuance track may be expanded to any permanent changes to the monitoring plan and temporary deviation that propose alternative monitoring arrangements under the following conditions:
- (a) For the cases of permanent changes to the monitoring plan, there is no impact on the applicability of the methodology and accuracy and completeness of the monitoring;
 - (b) For the cases of temporary deviations from the monitoring plan, the alternative monitoring arrangements produce a conservative estimate of emission reductions.
52. This proposal would remove an additional approval step for many post-registration change cases, and reduce the time and transaction cost for proceeding with the next issuance request.

3.2. Allowing voluntary update and change of methodology after registration

Issue summary

53. Currently, switching the version of the applied methodology to a later version is allowed only if there is a permanent change to the monitoring plan or a change to the project design. Similarly, the change to another applicable methodology is possible only if there is a change to the project design. These conditions prevent project activities from making use of simplified monitoring approaches, including the use of default values, which are

often introduced in a later version of the applied methodology or in another applicable methodology that was not available at the time of registration.

Proposed solution

54. Introduce an option for project activities, after their registration, of voluntarily updating the version of the applied methodology to a later version that is valid at the time of updating, or voluntarily changing the applied methodology to another applicable methodology that is valid at the time of changing, even if there are no permanent changes to the monitoring plan or project design.
55. The condition for applying this option would be that all requirements in the valid version of the methodology or another applicable methodology that the project activity is switching to shall be followed. This option shall be processed under the prior-approval track, as it is necessary and important to check the compliance with all requirements of the methodology.
56. The introduction of such an option would allow project participants to take advantage of the latest requirements of the applicable methodologies that are often more cost-efficient or less cumbersome without compromising environmental integrity.

3.3. Increasing flexibility in changes to the start date of the crediting period

Issue summary

57. Currently, after the registration, the start date of the crediting period for the project activity may be changed by up to two years (up to four years for project activities in least developed countries (LDCs)). A change to the start date of the crediting period longer than this time frame is not permitted. The change of the start date by up to one year (up to two years for LDCs) can be done by simply notifying to the secretariat, while a change by between one and two years (between two and four years for LDCs) requires the prior-approval track referred to in paragraph 49 above to be followed.
58. Many registered project activities are dormant in the CDM pipeline, where the project participants have either not completed the implementation or not initiated monitoring and/or verification for various reasons. The primary reason for inaction and inability to implement project activities appears to be the prevailing carbon market conditions, where project participants have stalled the activities as they are waiting for the carbon price to recover. Also there could be cases where the implementation of the registered project activities cannot be started due to an unavoidable or force majeure situation. Under these circumstances, the current requirements may be preventing some project activities from proceeding with implementation when the situation improves.

Proposed solution

59. Remove the limitation on the number of years for a change of the start date and allow any request for a change of the start date of more than two years (more than four years for LDCs) through the prior approval track. For such cases, the additionality of the project activities would need to be re-demonstrated in addition to the existing requirement of re-evaluation of baseline, to ensure environmental integrity.
60. By removing the cap of possible delay in the start date of the crediting periods, project participants who could not implement the project activities or initiate monitoring activities,

would gain additional time and reduce the risk of losing a portion of crediting period. This flexibility would benefit in particular those who wish to return to the CDM market if the CER price recovers in the future and there is more certainty in the market.

4. Stage IV: Monitoring, verification and issuance

4.1. Allowing a DOE to perform both validation and verification for the same project activity

Issue summary

61. Currently it is not allowed for a DOE to conduct both validation and verification functions for the same project activity unless it is a small-scale project activity or the Board allows the DOE to do so based on individual requests. In the latest revision of the PCP, the Board made this process more transparent, by clarifying the steps and the information to be provided for permission requests and decisions. Also, while “validation functions” include validations for registration, post-registration changes, renewal of crediting period, and inclusion of CPAs in a PoA, the Board has already exempted validation for post-registration changes from this restriction (i.e. the Board’s permission is not required to conduct verification for the project activity for which it has conducted validation for post-registration change).
62. While this restriction, derived from a CMP decision,¹⁷ appears to mitigate the risk of partiality of DOEs in their validation and verification activities, it is still not clear under what circumstances such risk could be regarded minimal, and hence permission should be granted. Also, the current regulations do not explicitly refer to all cases under various possible scenarios whether the permission process also applies to those cases (e.g. the opposite sequence cases where a DOE has performed verification first, then wishes to perform validation, or the cases where a DOE wishing to perform verification has not performed validation for the latest renewal of crediting period, but has performed initial validation or validation for previous renewal of crediting period). In the case of PoAs, the existence of different CPAs under a PoA makes this issue even more complicated.
63. At the same time, the CDM accreditation standard has placed various requirements upon DOEs to safeguard impartiality in their validation and verification activities in general, without which an entity cannot be accredited to perform as a DOE under the CDM. The requirements to safeguard impartiality and prevent conflict of interest are extensive and the key requirements in the CDM accreditation standard. DOEs are scrutinized in this aspect not only before but also after accreditation through various accreditation assessments.
64. Based on the above, it is apparent that there is a need to clarify and, if appropriate, simplify or streamline this rule.

Proposed solution

65. Automatically allow (i.e. without the necessity of receiving permission from the Board) a DOE to perform both validation and verification functions for the same project activity of

¹⁷ CDM modalities and procedures, paragraph 27(e).

any scale or for the same PoA, regardless of the past validation or verification history for the project activity or PoA.

4.2. Allowing change of DOE at verification

Issue summary

66. Sometimes changing the DOE that has started validation or verification may be necessary for various reasons. Currently the process for changing the DOE at the validation stage (i.e. after the publication of the PDD and before submission of the request for registration) is described in the regulations, whereby the change is effected by the project participants' notification of the change to the secretariat via e-mail. This process may put the outgoing DOE in a difficult situation if such move by the project participants is not known by the DOE. Also, currently it is not clear which (outgoing or incoming) DOE is responsible for requesting the withdrawal of the PDD if the project participants wish to change the PDD during the validation stage. Furthermore, the process for changing the DOE at the verification stage (i.e. after the publication of the monitoring report and before submission of the request for issuance) is not described in the current regulations in the first place.

Proposed solution

67. Introduce a process for changing the DOE at the verification stage, similar to the one at the validation stage (i.e. notification by the project participants). At the same time, for both processes for changing the DOE at the validation and verification stages, elaborate the due diligence check, such as obtaining the confirmation from both outgoing and incoming DOEs, before making the change effective. Also clarify that, after the effective date of the change, the incoming DOE is responsible for all the roles of DOE in the validation or verification, including requesting the withdrawal of a published PDD or monitoring report. Further clarify that the incoming DOE has the full responsibility of the validation or verification outcome that will be submitted when requesting registration or issuance.
68. The proposal would provide consistency in the process for changing the DOE between the validation and verification stages while ensuring the fair treatment of DOEs for particular cases. It would also clarify the responsibility of various roles of DOE after the change is effected.

4.3. Providing unlimited flexibility to verification schedules for PoAs

Issue summary

69. The main advantage of grouping individual activities and placing them under a PoA is reduced administrative steps and transaction costs, and the inclusion of individual activities (CPAs) is a much simpler process and unlimited number of CPAs can be included. The simpler process from the CPAs' perspective hinges on the basic principle of a PoA that CPAs follow the same pattern as defined in the PoA-DD, hence can be treated as a package at various stages of the CDM project cycle. This package concept has, however, created a barrier for proceeding with verification and issuance for the cases where not all CPAs are at the same readiness due to delayed implementation or for other reasons. To accommodate such cases, the Board introduced the concept of "batched issuance" whereby requests for issuance for a PoA may be done in batches of

CPAs that have been included in the PoA. The Board previously limited the number of batches to two for one monitoring period, but recently increased it to 10 to provide more flexibility in verification and issuance for PoAs. Still, it may not be flexible enough for some cases, in particular for PoAs that include many CPAs with many project participants, cover many technologies/measures, or are hosted in multiple countries.

Proposed solution

- 70. Allow an unlimited number of batches for verification and issuance for a monitoring period. It should be noted that this would require tracking of the verification and issuance history for each CPA to prevent double counting, which in practice is only possible with appropriate IT support.
- 71. The proposed change would provide further flexibility in the management of CPAs under a PoA with regard to monitoring, verification and issuance without compromising environmental integrity.

4.4. Allowing de-bundling and flexible verification schedules for bundled project activities

Issue summary

- 72. Multiple small-scale project activities may be bundled and registered as a single small-scale CDM project activity, provided that the accumulated scale does not exceed the threshold for each small-scale project type (renewable energy project activities, energy efficiency improvement project activities, and other emission reduction project activities). Currently, once a bundled small-scale project activity is registered, the composition of the bundle cannot be changed thereafter (no removal of an activity, nor addition of a new activity). The Board “may consider de-bundling in exceptional situations”, but it is not clear under what exceptional situations removing a component activity from a bundle is allowed. This may be forcing some bundled small-scale project activities to stall in the CDM project cycle if one or more components in the bundle are not implemented or monitored for various reasons. It may also be limiting the expansion of the CDM even if the project participants find a new activity of the same type, which could have been included in the bundle.
- 73. Also, if bundled small-scale project activities comprise more than one small-scale project type, methodology or technology/measure, a separate monitoring plan and monitoring report for each type, methodology or technology/measure is required, but a request for issuance should always cover all monitoring results, implying that batched requests for issuance are not allowed for bundled small-scale project activities. This may be posing challenges to project participants to manage the monitoring and verification schedules, as not all project types in the bundle may be able to proceed with monitoring and verification at the same pace.
- 74. Furthermore, the concept of bundling is currently applicable only for small-scale project activities. This may be unnecessarily preventing large-scale project activities to also take advantage of the economics of bundling.

Proposed solution

- 75. Expand the concept of bundling to cover also large-scale project activities.

76. Allow the change of the composition of bundled project activities either by removing a project activity from the bundle, or adding a new project activity to the bundle, any time after the registration of the bundled project activities. Removing a project activity from the bundle might follow a similar process as for voluntary exclusion of CPAs from a PoA, while adding a new project activity to the bundle would need to follow the post-registration change process. It should not be allowed for a removed project activity to be added to a different bundle. To register the removed project activity as a single CDM project activity, it should go through the full validation and registration process, and if registered, its crediting period should be discounted by the length of the period that has been consumed already when it was in the bundle.
77. Also allow batched issuance for bundled project activities if the bundle comprises more than one small-scale project type, methodology or technology/measure, and consequently generates separate monitoring reports.
78. The proposed change would provide similar flexibility as for PoAs in terms of the composition of activities within, and monitoring and verification schedules. It should be noted that this proposal would need appropriate IT support to track each bundled component individually.

4.5. Simplifying verification requirements

4.5.1. Clarifying conditions for exemption from on-site inspection at verification

Issue summary

79. The VVS makes it mandatory for a DOE to conduct an on-site inspection to verify the compliance of the project implementation with the registered PDD. If the DOE does not conduct an on-site inspection, it has to provide justification for not doing so.

Proposed solution

80. Clarify under what conditions an on-site inspection may be optional – for example, in the event of a high security risk in conducting on-site inspections due to force majeure such as natural disasters or conflicts.

4.5.2. Reducing sample size for geographically scattered project activities

Issue summary

81. Since verification involves visiting the sites (on-site inspection) where emission reduction activities are taking place, the cost and time required for verification largely depend on the geographical distribution and accessibility of the sites. While it is allowed to opt for sampling of sites for the purpose of verification, for geographically scattered project activities with a small amount of emission reductions at each site (e.g. project activities using compact fluorescent lights, cookstoves or biodigesters), the sample size under the current rule on sample size often makes the verification cost much higher than the revenues from the CER sale.

Proposed solution

82. Introduce a new condition and modalities for determining the sample sizes for geographically scattered project activities with a small amount of emission reductions at each site with a view to reducing the sample size.

4.5.3. Expanding the application of the concept of materiality to PoAs**Issue summary**

83. The concept of materiality can be analysed in terms of the current application of the “Guideline on the application of materiality in verifications” (the Guideline) as well as its possible expansion to PoA verification and validation processes of CDM project activities and PoAs. The CMP at its ninth session, through decision 3/CMP.9, requested the Board to consult with the Designated Operational Entity/Accredited Independent Entities Coordination Forum (DOE/AIE Coordination Forum), to further review the concept of materiality.
84. As part of the analysis, the secretariat reviewed 2,534 verification reports prepared by 36 DOEs that had successfully completed the request for issuance of CERs from 1 January 2013 to 19 November 2014. The conclusions of the analysis can be summarized as:
- (a) Only 50 per cent of the DOEs referred to the Guideline (version 01.0) and provided information related to the application of materiality in their verification reports;
 - (b) Reporting of the application of materiality in the verification process was not consistent and presented significant divergences among the DOEs in terms of the nature of the issue where materiality was applied, the details of materiality assessment and the procedure for risk control;
 - (c) Materiality was applied to project activities that had large volumes of data.
85. In addition to the above, an anonymous online survey was conducted (28 April–15 May 2015) to obtain the DOEs' views and inputs on the current approaches to materiality and its expansion, and an informal consultation with six DOEs was conducted (8–29 May 2015) to obtain further information on practical difficulties in applying the Guideline. Inputs were also received from the DOE/AIE Coordination Forum in August 2014.
86. Based on the above study and inputs, the expansion of materiality to PoA verification and validation to both project activities and PoAs was examined.

Proposed solution

87. The current requirements on materiality in the VVS can be further revised to: i) allow the verification of PoAs for the application of materiality since there would be no potential risks; ii) allow more flexibility in addressing immaterial errors to reduce transaction costs; and iii) provide clearer reporting requirements on the application of materiality including the calculation of the materiality thresholds.
88. The Guideline can further be revised to include more examples on the calculation of materiality thresholds, risk assessment and good practices to apply materiality.

89. To expand the concept of materiality to the validation of project activities and PoAs would require a comprehensive impact analysis of the levels of potential risks, benefits and the applicable aspects of validation.

Appendix 3. Linkage of proposed solutions to requests from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

1. The table below shows the linkage between requests from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the proposed solutions presented in this concept note.

CMP Mandate	Proposal in Appendix 1
Decision 3/CMP.9, para. 21 Review the concept of materiality in the verification process and, if applicable, how it can be further applied in the clean development mechanism.	Section 1.4.3, 'Expanding the application of the concept of materiality to validation' Section 4.5.3 'Expanding the application of the concept of materiality to PoAs'
Decision 4/CMP.10, para. 5 Consider implications of allowing requests for revision of a baseline and monitoring methodology without a draft project design document.	Section 1.1, 'Streamlining the methodology development, revision and clarification processes'
Decision 4/CMP.10, para. 13 Analyze options to allow simplified registration of project activities and programmes of activities that qualify as automatically additional.	Section 2.2, 'Simplifying the registration process for automatically additional project types'
Decision 4/CMP.10, para. 14 Analyze implications of allowing the same designated operational entity to carry out validation and verification for the same project activity or programme of activities of all scales.	Section 4.1, 'Allowing a DOE to perform both validation and verification for the same project activity'
Decision 4/CMP.10, para. 17 Streamline provisions relating to PoAs with a view to achieving consistency in a consolidated set of rules.	Section 1.4.2 'Consolidating provisions applicable to PoAs'

CMP Mandate	Proposal in Appendix 1
<p>Decision 4/CMP.10, para. 18 Implement rules governing programmes of activities;</p> <ul style="list-style-type: none"> - Allow a simplified validation and registration process for activities that satisfy microscale thresholds and are considered automatically additional. - Validation of a programme of activities without the submission of a specific-case component project activity. - Inclusion on the basis of a pre-approved standardized inclusion template of component project activities carried out directly by the coordinating/managing entity without prior validation through a designated operational entity. 	<ul style="list-style-type: none"> - Section 2.2, 'Simplifying the registration process for automatically additional project types' - Section 1.5.1, 'Revising rules for generic CPAs and specific-case CPAs' - Section 2.3.1, 'Simplifying inclusion of CPAs'

Appendix 4. Proposed recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

1. The Executive Board of the clean development mechanism (hereinafter referred to as the Board) may wish to include in its annual report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its eleventh session the following invitations on the modalities and procedures for the clean development mechanism (CDM) based on the proposed solutions presented in this paper:
 - (a) The Board invites the CMP to endorse its recommendation that a request for registration may be submitted based on a proposed new or revised baseline and monitoring methodology prior to its approval by the Board;
 - (b) The Board invites the CMP to endorse its recommendation to allow a designated operational entity (DOE) to conclude validation and submit a validation opinion to the Board without the written approval from the designated national authority (DNA) of the host Party and other Parties involved. The written approval (letter of approval) may be submitted to the secretariat directly by the DNA or the project participants at any time thereafter for the registration process to be completed;
 - (c) The Board invites the CMP to endorse its recommendation to further revise and implement streamlined registration procedures including those for project activities and programmes of activities (PoAs) implementing automatically additional technologies and pre-approved baselines;
 - (d) The Board invites the CMP to endorse its recommendation to allow a DOE to perform both validation and verification functions for the same project activity of any scale or for the same PoA.

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