

CDM-EB78-AA-A11

Concept note

Further work on batched issuance requests for PoAs

Version 01.0



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1. Procedural background

1. The Executive Board of the clean development mechanism (the Board), at its seventy-fifth meeting (EB 75), requested the secretariat to continue working on the issue of batched issuance requests for a monitoring period of a programme of activities (PoA), to explore whether and under what conditions a request for issuance for the subsequent monitoring period can be permitted before all the requests for issuance for the previous monitoring period have been submitted.
2. With regard to the above task, the Board requested that the secretariat should:
 - (a) Assess the impacts of any negative emission reductions accruing to component project activities (CPAs); and
 - (b) Provide an analysis on the applicability of the requirements for verification indicated in paragraph 64 of CDM modalities and procedures (M&P).
3. In relation to the Board's adoption, at EB 75, of amendments to regulatory documents to allow the publication of up to two monitoring reports and/or up to two requests for issuance for the same monitoring period of a PoA, the Board, at EB 77, took note that the publication of a second monitoring report in a monitoring period, and the possibility to request issuance for the same, would be possible via the UNFCCC CDM website as of **3 March 2014**.

2. Purpose

4. The purpose of this document is to explore solutions to simplify and improve existing regulations related to PoAs for greater applicability, taking into account guidance from the Board and inputs from panels, working groups and stakeholders besides the experience gained by the secretariat. In particular, options for and implications of simplifying requirements related to multiple issuance requests for a particular monitoring period of PoAs are discussed.

3. Key issues and proposed solutions

3.1. Key issues/mandate

5. Prior to EB 75, the rules for PoAs required one issuance request per monitoring period covering all included CPAs, which was seen as a key barrier to PoA implementation by some stakeholders. In a significant step towards simplifying and streamlining PoA regulations, the Board, at EB 75, among other things agreed to allow the publication of a maximum of two monitoring reports and/or two requests for issuance for the same monitoring period.
6. The Project Cycle Procedure (PCP), paragraph 186, states the following:

“The following applies to the requests for issuance for a PoA:

 - (a) *The request for issuance for a specified monitoring period shall either:*
 - (i) *Relate to all CPAs included in the PoA; or*

- (ii) *In the case of two separate monitoring reports for a monitoring period, relate to all CPAs included in the batch of CPAs that the request covers, out of the two batches of CPAs in the PoA. In this case the same DOE shall submit the request for the two batches;*
 - (b) *In the case of two separate monitoring reports for a specified monitoring period, a request for issuance for the subsequent monitoring period shall not be submitted before the CERs, tCERs or ICERs were issued for both requests for issuance for the specified monitoring period;*
 - (c) *The monitoring periods shall be consecutive. A request for issuance shall relate to the CERs verified as per above.”*
- 7. With reference to paragraph 186 (b) of the PCP, stakeholders have commented that the measure would only offer a temporary solution and would not resolve the issue of counterparty risks associated with the dependency of a CPA implementer on other CPA implementers of the PoA to get issued.
- 8. In that context, the Board at EB 75 requested the secretariat to continue working on the issue of batched issuance requests for a monitoring period of a PoA, to explore whether and under what conditions a request for issuance for the subsequent monitoring period can be permitted before all the requests for issuance for the previous monitoring period have been issued. In that regard, the Board also requested the secretariat to assess the impacts of any negative emission reductions accruing to CPAs and provide an analysis on the applicability of the requirements for verification indicated in paragraph 64¹ of CDM M&P. The Board requested the secretariat to present the findings and a proposal at a future meeting of the Board.

3.2. Analysis

- 9. With regard to the issue in paragraph 2 (a) an analysis of the impacts of any potential negative emission reductions accruing to some CPAs is presented in the paragraphs below while the issue in paragraph 2 (b) is discussed in paragraphs 14.

The Board at EB 21 provided the following guidance regarding negative emission reductions (EB 21 meeting report, paragraph 18):

“The Board noted that, in some cases and for some methodologies, project activities may temporarily result in “negative emission reductions” in a particular year, for example due to poor performance or due to leakage effects outweighing emission reductions. In these cases, proposed new methodologies should stipulate that if a project activity temporarily results in “negative emission reductions”, i.e. baseline emissions minus project emissions minus leakage effects are negative; any further CERs will only be issued when the emissions increase has been compensated by subsequent emission reductions by the project activity.”

- 10. Taking into account the above guidance, specific provisions have been included in some methodologies (see table 1 below), while there is no explicit guidance in other

¹ Paragraph 64 states that the certification report shall constitute a request for issuance to the Executive Board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

methodologies owing to the relatively low likelihood of the occurrence of negative emission reductions.

Table 1 Methodologies with specific provisions for negative emission reductions

	Large scale methodologies
ACM0005	Increasing the blend in cement production
ACM0017	Production of biodiesel for use as fuel
ACM0006	Consolidated methodology for electricity and heat generation from biomass
ACM0018	Electricity generation from biomass residues in power-only plants
ACM0020	Co-firing of biomass residues for heat generation and/or electricity generation in grid connected power plants
AM0036	Fuel switch from fossil fuels to biomass residues in heat generation equipment
AM0061	Methodology for rehabilitation and/or energy efficiency improvement in existing power plants
AM0094	Distribution of biomass based stove and/or heater for household or institutional use
ACM0022	Alternative waste treatment processes
AM0057	Avoided emissions from biomass wastes through use as feed stock in pulp and paper, cardboard, fibreboard or bio-oil production
AM0108	Interconnection between electricity systems for energy exchange

11. A cursory analysis of the above methodologies reveals that the following methodological reasons may be the likely cause of negative emission reductions:

- (a) Leakage emissions from diversion of biomass residues from other uses. Such a leakage source is pertinent to project activities utilizing biomass (e.g. ACM0006);
- (b) Leakage emissions from further treatment of organic matter that is outside the project boundary, e.g. re-landfilling of produced compost (e.g. ACM0022);
- (c) Leakage due to an inadequate reserve margin in the exporting electricity system (e.g. AM0108);
- (d) High project emissions due to poor operation of the facility (e.g. AM0061) and/or reduced baseline emissions due to autonomous improvement in performance in baseline emissions (e.g. ACM0005).

3.3. Proposed solutions

12. In light of the above, the following options may be considered for a solution:

- (a) Option 1: Under this option further flexibility with regard to issuance requests shall be limited to those methodologies where negative emission reductions cannot occur or the risk of occurrence of negative emission reductions is very low. The methodologies where the chance of negative emission reductions may be significant are excluded from requesting issuance in batches through specific provisions included in respective methodologies. Under this option, the Methodologies Panel or the Small-Scale Working Group will analyse the

methodologies and identify those with a high risk of negative emission reductions and their treatment. For the rest of the methodologies, additional flexibility shall be allowed for the submission of issuance requests in batches as long as they cover only one monitoring period and are consecutive, i.e. an issuance request for a subsequent monitoring period of the CPA shall be submitted only after all issuance requests for the previous monitoring periods have been submitted. Under this option, it is proposed that paragraph 186 (b) of the PCP be deleted.

- (b) Option 2: This option limits the condition of issuance dependency of batches in the PoAs to those CPAs that have been submitted for issuance at least once. This implies that if a CPA has never been submitted for issuance, it does not block the issuance of CPAs that have been submitted for issuance. In this way, non-performing CPAs which are not yet mature would not affect the progress of other CPAs that are mature and performing. Under this option, paragraph 186 (b) of PCP would be applicable only to CPAs in the PoA that have been submitted for issuance at least once.
13. The options above were developed in consultation with the Methodologies Panel at its 62nd meeting.
14. Paragraph 64 of M&P requires that “the certification report shall constitute a request for issuance to the Executive Board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases”. As per the PCP provisions, the same DOE will be publishing the monitoring reports for the two batches and will be under the obligation to demonstrate that the certification report constitutes a request for issuance equal to the verified amount of reductions.
15. In relation to option 2, for this option, some CPAs may remain dormant for multiple monitoring periods before the first issuance is requested for them. The current procedures allow submission of issuance request corresponding to one monitoring period. How to treat the emission reductions from multiple monitoring periods under this option may therefore need further analysis.

4. Impacts

16. More flexibility will streamline and facilitate the issuance process of PoAs and facilitate PoA implementation.

5. Proposed work and timelines

17. Based on the guidance from the Board, the secretariat will propose amendments to the PCP and other regulatory documents. If option 1 above is agreed by the Board, Methodologies Panel or the Small-Scale Working Group will make recommendations on methodologies with a high risk of negative emission reductions and their treatment.

6. Recommendations to the Board

18. The Board may wish to provide feedback to the secretariat on its preferred option, and request the secretariat to prepare a draft revised PCP for consideration at a future meeting of the Board. Depending on the option chosen, the Board may also wish to

mandate the Methodologies Panel and Small-Scale Working Group to make recommendations on methodologies with a high risk of negative emission reductions.

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Document information

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