

CDM-EB99-AA-A04

Concept note

Changes in the CDM project activity, PoA or CPA to be allowed as post-registration changes (jointly by MP and secretariat)

Version 01.0



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS	Page
1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	3
3. KEY ISSUES AND PROPOSED SOLUTIONS	3
3.1. Analysis	4
3.2. Proposed solutions.....	5
4. IMPACTS.....	6
5. SUBSEQUENT WORK AND TIMELINES.....	6
6. RECOMMENDATIONS TO THE BOARD	7

1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its ninetieth meeting (EB 90 report, para. 61), considered a policy issue arising from a request related to the provisions on post-registration changes (PRCs) in the “CDM project standard” (version 09.0) and an associated request by the Methodologies Panel (MP) to clarify whether the provisions on changes to the project design of a registered project activity or the programme design of a registered programme of activities (PoA) were intended to cover changes to the project/programme design that could result in a significant increase in the issuance of certified emission reductions (CERs) over the original project/programme design. The Board requested the MP and the secretariat to jointly prepare a concept note for its consideration at a future meeting, analysing the design changes to a CDM project activity, PoA or component project activity (CPA) that could be acceptable as PRCs.
2. The Board considered the joint concept note on this matter at EB 96 (Annotated Agenda of EB 96, annex 3) and requested the secretariat to launch a call for public input on the concept note. The Board also requested the MP and the secretariat to further revise the concept note, taking into account input from the public call and guidance from the Board at that meeting, such as:
 - (a) Reconsidering the design capacity limits as mentioned in paragraph 12(b) of the concept note, taking into account the size of the projects/programmes;
 - (b) Considering allowing projects/programmes to continue to use the process of PRCs for making changes in the design capacities without any limits, if it is clearly established that the increase in capacity is due to reasons beyond the control of the project participants or the coordinating/managing entity (CME);
 - (c) Considering other factors of project design such as changes to the project boundaries and their effects on leakages;
 - (d) Further clarifying what constitutes fundamentally different technologies as referred in paragraph 15(b) of the concept note.
3. This work relates to the CDM management plan 2017 (CDM MAP 2017) activity group “Project assessments” under objective 1(a): “Operate efficient project and entity assessment processes”, as referred to in table 2 of the CDM MAP 2017 (EB 92 report, annex 1).

2. Purpose

4. The purpose of this concept note is to prepare a joint recommendation by the MP and the secretariat to the Board on design changes to a registered CDM project activity, PoA or included CPA after their registration/inclusion that should be eligible as PRCs under the relevant process for approval.

3. Key issues and proposed solutions

5. At its 70th meeting, the MP considered a prior-approval PRC request for a landfill gas project activity in which there was a proposal to increase the landfill capacity by more than 100 per cent, leading to a significant increase in the amount of CERs to be issued (by approximately 55 per cent) compared to the original registered project design document

(PDD), even though the change does not have an impact on any of the areas listed in paragraph 243 of the “CDM project standard for project activities” (version 01.0) (i.e. applicability or application of the methodology, compliance of the monitoring plan with the applied methodology, level of accuracy and completeness in the monitoring, additionality and scale). The MP requested the Board to clarify whether the provisions on “changes to the project design of a registered project activity or programme design of a registered programme of activities” were intended for those changes to the project design/programme design that enable significant increases in the amount of CERs to be issued over the original project/programme design.

3.1. Analysis

6. A total of 1,012 PRC requests were finalized by the Board by 31 May 2017. Of these requests, 296 requests are related to the changes to the project or programme design, out of which 286 requests were approved by the Board. Of the 10 rejected requests, one request was rejected because of the addition of technology to the existing project.
7. Table 1 below shows the total number of PRC requests processed every year since 2012 and the percentage of requests that relate to changes in design capacity and/or changes in technologies/measures. As shown in the table, about 14 per cent and 15 per cent of PRCs processed are related to changes in design capacity and 3 per cent and 6 per cent related to changes in technologies/measures in 2015 and 2016 respectively, while no PRC involved changes in technology prior to 2014.

Table 1. Analysis of post-registration change requests processed

Year	Number of PRCs processed	% of PRCs with changes in design capacity	% PRCs with changes in technologies/measures
2012	122	1.6 %	0.0 %
2013	433	7.9 %	0.0 %
2014	185	2.2 %	0.8 %
2015	107	14.0 %	2.8 %
2016	105	15.2 %	5.7 %

8. Allowing changes in design capacity or technologies/measures in the registered CDM project activities, PoAs or included CPAs which results in substantial increase in CERs using PRCs process may provide perverse incentives to project participants (PPs) or coordinating/managing entities (CMEs) to avoid a more rigorous registration process.
9. The registration process requires a designated operational entity (DOE) to (i) confirm the obtaining of the letter of approval (LoA); (ii) confirm the conduct of the local stakeholder consultation process; and (iii) conduct a global stakeholder consultation, in addition to assessing the additionality, baseline determination and application of the methodology. Design changes proposed under the PRC process only require a DOE to assess the impact of the changes on the application and applicability of the methodology, the compliance of the monitoring plan with the applied methodology, and the level of accuracy

and completeness of the monitoring, additionality and scale. The registration process also includes a more rigorous review process by the Board than that conducted under the PRC process.

10. Increasing or adding capacity or technologies/measures of already registered CDM project activities, PoAs or included CPAs beyond certain thresholds may:
 - (a) Render the LoAs issued by the Parties involved invalid, which is not checked during the PRC process;
 - (b) Cause the local stakeholder consultation and the global stakeholder consultation conducted prior to the registration to become irrelevant. Under the current CDM rules and requirements, the PPs/CMEs are not required to re-conduct a local stakeholder consultation and a global stakeholder consultation for any type of PRCs.
11. Allowing PPs/CMEs to use the PRC process to make changes to the technologies/measures after the registration of CDM project activities, or PoAs or the inclusion of CPAs provides flexibility to accommodate issues such as the unavailability of a specific make/size of equipment or specific types of biomass. However, allowing any change to the technologies/measures in the project design after the registration using the PRC process may result in PP/CMEs altering the technologies/measures compared to what were described in the registered PDDs, programme design documents (PoA-DDs) or component project activity design documents (CPA-DDs). Since the requirements for PRCs do not specify reporting on or assessing the impact of such changes on the validity of the LoAs issued and/or the validity of the local stakeholder consultation or global stakeholder consultation conducted, making such changes using the PRC process may raise doubts regarding the integrity of the mechanism.

3.2. Proposed solutions

12. With respect to the changes in the design capacity of a CDM project activity, or PoA after their registration or a CPA after its inclusion, it is proposed that the following changes be allowed to be submitted for a request for approval of PRCs in accordance with the provisions of the process for PRCs in the CDM project cycle procedure:
 - (a) For a large-scale project activity, generic CPA or specific-case CPA:
 - (i) Increase the design capacity defined in a registered/uploaded design document (PDD, PoA-DD, generic CPA-DD or specific-case CPA-DD), but not exceeding the limits used in the sensitivity analysis if an investment comparison or a benchmark analysis is used to demonstrate additionality;
 - (ii) Increase by a maximum of 20 per cent the design capacity defined in a registered design document (PDD, PoA-DD, generic CPA-DD or specific-case CPA-DD), if additionality is demonstrated using simple cost analysis, or barrier analysis;
 - (iii) Increase the design capacity without any limits, if the PPs/CME can clearly establish that the increase in capacity is due to reasons beyond the control of the PPs/CME. The DOE shall provide its assessment on how it concluded that the circumstances are not within the control of the PPs/CME.

- (b) For a small-scale project activity, generic CPA or specific-case CPA:
 - (i) Increase the design capacity without any limits, as long as the increased capacity is still within the threshold for the corresponding project type (Type I, II or III).
- 13. The DOE shall include in its validation opinion an assessment of impacts on the project boundary and any associated leakages due to the increase in the design capacity when submitting a request for approval of such PRC or uploading a revised specific-case CPA-DD.
- 14. It is also proposed that the following changes in the technologies/measures compared to the description in the registered design document (PDD, PoA-DD, generic CPA-DD or specific-case CPA-DD) be allowed to be submitted for a request for approval of PRCs in accordance with the provisions of the process for PRCs in the CDM project cycle procedure:
 - (a) Addition of new technologies/measures contributing to emissions reductions, except those technologies/measures that generate income/revenue from sources or products not described or considered in the registered design document (e.g. addition of electricity-generating equipment to a landfill gas flaring project not described or considered in the registered design document);
 - (b) Changes in the technologies/measures, that (i) provide the same kind of output and use the same kind of equipment and conversion process; or (ii) undertake the same course of action that results in the same kind of effect (e.g. two projects using the same management practice such as fuel switching).
- 15. It is further proposed that requests for approval of the types of PRCs referred to in paragraphs 12 and 14 above must be submitted to the secretariat within two years of:
 - (a) The implementation/commissioning of the emission reductions measures of the project activity, or the first specific-case CPA included in the PoA if the design changes are proposed at the PoA level;
 - (b) The implementation/commissioning of the emission reductions measures of the specific-case CPA, if the design changes are proposed for the specific-case CPA.

4. Impacts

- 16. The proposed solutions presented in section 3.2 above, if agreed by the Board, will bring more clarity to stakeholders regarding the scenarios of project or programme design changes under which the PRC procedures may be followed. The proposed solution will also strengthen the environmental integrity of the CDM by ensuring that only credible design changes are processed using the PRC process.

5. Subsequent work and timelines

- 17. The secretariat will reflect the changes agreed by the Board in the relevant provisions of the CDM project standard, the CDM validation and verification standard and the CDM project cycle procedure when preparing the drafts of these documents for their next revision, planned to be considered by the Board at next meeting.

6. Recommendations to the Board

18. The secretariat recommends that the Board agree to the joint recommendations of the MP and the secretariat as proposed in this concept note.

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	9 April 2018	Published as an annex to the annotated agenda of EB 99.
Decision Class: Regulatory Document Type: Information note Business Function: Methodology, Registration Keywords: component project activity, post-registration change, project activities, programme of activities		