

**CDM-EB99-AA-A06**

## Concept note

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# Changes to the process for renewal of crediting period and PoA period

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## **1. Procedural background**

1. In accordance with the relevant decisions<sup>1</sup> of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), a registered clean development mechanism (CDM) project activity has the crediting period of:
  - (a) A maximum of seven years (20 years for an afforestation or reforestation project activity) which may be renewed at most two times; or
  - (b) A maximum of 10 years (30 years for an afforestation or reforestation project activity) with no option of renewal.
2. A registered CDM programme of activities (PoA) has the period of seven years (20 years for an afforestation or reforestation PoA) and can be renewed up to three times (two times for an afforestation or reforestation PoA), while a component project activity (CPA) under a PoA has the same options of crediting period as for a project activity referred to in paragraph 1 above.
3. The process for renewal of crediting period for registered CDM project activities and the process for renewal of PoA period for registered CDM PoAs are contained in the “CDM project cycle procedure for project activities” (PCP-PA) and the “CDM project cycle procedure for programmes of activities” (PCP-PoA), respectively.
4. Based on the experience of the implementation of these processes, the secretariat identified some issues that could be resolved by changing the relevant provisions in the CDM regulatory documents, including the PCP-PA and the PCP-PoA.

## **2. Purpose**

5. The purpose of this concept note is to present the issues identified by the secretariat regarding the current processes for renewal of crediting period and PoA period and to propose possible changes to the processes to address those issues, and that may also simplify the processes and ensure environmental integrity.

## **3. Key issues and proposed solutions**

### **3.1. Renewal of crediting period for project activities**

#### **3.1.1. Identified issues and analysis**

6. For a registered CDM project activity that has chosen a renewable crediting period, the process for renewal of crediting period as contained in the PCP-PA (version 01.0) requires:

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<sup>1</sup> The annex to decision 3/CMP.1 (CDM modalities and procedures), paragraph 49; annex II to decision 4/CMP.1 (CDM modalities and procedures for small-scale project activities); the annex to decision 5/CMP.1 (CDM modalities and procedures for afforestation and reforestation project activities), paragraph 23; and the annex to decision 6/CMP.1 (CDM modalities and procedures for small-scale afforestation and reforestation project activities), paragraph 21.

- (a) The project participants (PPs) to notify the secretariat of the intention to renew the crediting period (hereinafter in section 3.1 referred to as the “renewal intention”) within 270 to 180 days prior to the expiration of the current crediting period; then,
  - (b) A designated operational entity (DOE) to submit a request for renewal of crediting period (hereinafter in section 3.1 referred to as “renewal request”), including an updated project design document (PDD), applying the valid version of the methodology,<sup>2</sup> and updating the baseline, greenhouse gas emission reduction/removal estimation, and monitoring plan.
- 7. If the submission of renewal intention is delayed, or is not provided before the submission of a renewal request, certified emission reductions (CERs) may not be claimed for the CDM project activity from the first day of the new crediting period:<sup>3</sup>
  - (a) By the number of days of delay; or
  - (b) Until the date the crediting period is deemed renewed by the Board, whichever is earlier.
- 8. The submission of renewal intention, which is a step before the submission of a renewal request, appears to give assurance to PPs for the longest possible duration for claiming CERs in the new crediting period, irrespective of when the renewal request is submitted by a DOE and the administrative time required to process the request.
- 9. However, the following should be noted:
  - (a) Once the option of renewable crediting period is chosen by PPs at the time of the registration of a CDM project activity, it is reasonable to assume that PPs have the intention to renew the crediting period for the project activity. Therefore, the submission of renewal intention may be a redundant step, creating administrative burden for both PPs and the secretariat;
  - (b) Other than the assurance to PPs mentioned in paragraph 8 above, the submission of renewal intention does not have any further bearing on the scheduling and processing of the forthcoming renewal request;
  - (c) Currently, there is no time limitation for the submission of a renewal request. Consequently, the requirement for the submission of renewal intention may result in comparatively unfair treatments of two distinctive cases: one case misses the notification deadline but submits a renewal request sufficiently ahead of the expiry of the current crediting period; the other case meets the notification deadline but submits a renewal request after the expiry of the current crediting period. The former case would suffer “unclaimable period”, while the latter case would not.
- 10. In addition, the current CDM information system does not have the capability to track the impact of submissions of renewal intentions on requests for issuance of CERs in the

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<sup>2</sup> Normally “valid version” of a methodology is its latest version, but in some cases the previous version is also valid (240 days after the revision), in accordance with the “Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools”. In such cases, PPs may choose the previous version.

<sup>3</sup> It is possible to claim all emission reductions achieved from the start of the new crediting period if the Board approves the renewal before the start of the new crediting period.

renewed crediting period, particularly where “unclaimable period” is created. About 120 renewal intentions and 80 renewal requests were submitted in the last 12 months. The secretariat is tracking any “unclaimable periods” manually, which is prone to errors.

### **3.1.2. Proposed solutions**

11. To address the issues described in the previous section, the following is proposed:

- (a) Remove the step of submitting renewal intention, effectively abolishing the creation of “unclaimable period”;
- (b) Introduce an earliest possible date of submission of a renewal request, that is [270] [180] days prior to the expiration of the current crediting period, to ensure that the application of the methodology and updating of the baseline are not based on too early a version of the methodology or information for the baseline;
- (c) Clarify that, if the date of approval by the Board of a renewal request is after the start of the new crediting period (“gap period”),<sup>4</sup> and if the monitoring that had already started for the new crediting period does not fully comply with the monitoring plan in the updated PDD as approved by the Board, the PPs may request temporary deviation of monitoring for the gap period, following the existing post-registration change process;<sup>5</sup>
- (d) The CDM information system continues to remind PPs of the approaching end of the crediting period [270] [180] days in advance through an automated message including a clarification of the implications of the timing of Board approval of a renewal request on the monitoring referred to in subparagraph (c) above.

## **3.2. Renewal of PoA period**

### **3.2.1. Identified issues and analysis**

- 12. With regard to PoAs, the PCP-PoA (version 01.0) has provisions for the notification of the intention of renewal of PoA period (hereinafter in section 3.2 referred to as the “renewal intention”) (i.e. within 270 to 180 days prior to the expiration of the current PoA period) and consequences of delay in doing so (i.e. possible CER “unclaimable period”) that mirror the corresponding provisions in the PCP-PA (version 01.0) referred to in paragraphs 6 and 7 above.
- 13. However, since the crediting period is defined for each CPA included in the PoA, not at the PoA level, and the updated PoA design due to the renewal of the PoA period does not affect existing CPAs until the renewal of their (individual) crediting periods, the current

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<sup>4</sup> All submissions of requests for registration, issuance, post-registration changes and renewal of crediting period are processed in a single queue on a first-come-first-served basis. Therefore, if a renewal request is submitted shortly before or after the expiry of the current crediting period, there is a high probability of having a “gap period”. The later the submission is made, the greater the chance of having a longer “gap period”. A long “gap period” may lead to a significant reduction in CERs if the PPs had to apply the most conservative value approach for that period.

<sup>5</sup> In accordance with the “CDM project standard for project activities” (version 01.0), paragraph 232, for the period of temporary deviation from the registered monitoring plan, PPs may choose to propose alternative monitoring arrangements or to apply the most conservative values approach.

provisions are not correct. Non-conformance with the requirement on the submission of renewal intention should not pause the crediting for CPAs already included in the PoA.

14. Furthermore, the issues identified and analysed with regard to project activities in section 3.1.1 above similarly apply to PoAs as follows:
- (a) A PoA is a framework, not an activity itself, and all PoAs are to be renewed every seven years (every 20 years for afforestation/reforestation PoAs). Therefore, the submission of renewal intention may be a redundant step, creating administrative burden for both coordinating/managing entities (CMEs) and the secretariat;
  - (b) Other than the assurance to CMEs similar to that mentioned in paragraph 8 above, the submission of renewal intention does not have any further bearing on the scheduling and processing of the forthcoming renewal request;
  - (c) Currently, there is no time limitation for the submission of a renewal request. Consequently, the requirement for the submission of renewal intention may result in comparatively unfair treatments of two distinctive cases: one case misses the notification deadline but submits a renewal request sufficiently ahead of the expiry of the current PoA period; the other case meets the notification deadline but submits a renewal request after the expiry of the current PoA period. The former case would suffer “unclaimable period”, while the latter case would not.
  - (d) The lack of the capability to track “unclaimable periods” in the current CDM information system forces the secretariat to track such periods manually, which is prone to errors.

### 3.2.2. Proposed solutions

15. To address the issues described in the previous section, the following is proposed:
- (a) Remove the step of submitting renewal intention, effectively abolishing the creation of “unclaimable period”;
  - (b) Introduce an earliest possible date of submission of a renewal request, that is [270] [180] days prior to the end of the current PoA period to ensure that the application of the methodology and updating the modalities to establish the baseline for corresponding CPAs is not based on too early a version of the methodology or the information for the baseline;
  - (c) Clarify that, if the date of approval by the Board of a renewal request is after the start of the new PoA period (the “gap period”),<sup>6</sup> CERs may continue to be issued for already included CPAs, but no new CPA may be included in the gap period. If the timing of renewal of crediting period of already included CPAs falls under the gap period, and if the updated CPA design documents (CPA-DDs) or the consequent monitoring do not fully comply with the updated PoA design document

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<sup>6</sup> See footnote 4 above. Late submission of a renewal request would have similar implications on the issuance of CERs for already included CPAs.

(PoA-DD) as approved by the Board, the CME may request post-registration changes, following the existing post-registration change process;<sup>7</sup>

- (d) The CDM information system continues to remind CMEs of the approaching end of the PoA period [270] [180] days in advance through an automated message including a clarification on the implications of the timing of Board approval of a renewal request on the inclusion of new CPAs and renewal of crediting period of already included CPAs.
16. If the Board should wish to retain the existing requirement on the submission of renewal intention referred to in paragraph 12 above, the issue identified in paragraph 13 above would still need to be addressed (corrected) through the proposed solution in paragraph 15(c) above.

## **4. Impacts**

17. The removal of the requirement for PPs and CMEs to notify the intention of renewal of crediting period or PoA period would simplify the respective renewal processes and would ensure fair treatment of all renewal cases.
18. Introducing the earliest possible date of submitting a renewal request and allowing post-registration changes to the cases that fall under the “gap period” would ensure environmental integrity.

## **5. Subsequent work and timelines**

19. The secretariat will reflect the guidance of the Board on the proposed changes in this concept note in the relevant regulatory documents, including PCP-PA and PCP-PoA, and present them to the Board as part of the revision of key CDM regulatory documents planned at its one-hundredth meeting.

## **6. Recommendations to the Board**

20. The secretariat recommends that the Board request the secretariat to reflect the proposed changes in sections 3.1.2 and 3.2.2 above in the relevant regulatory documents and present them to the Board at its one-hundredth meeting for its consideration.

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<sup>7</sup> In accordance with the “CDM project standard for programmes of activities” (version 01.0), paragraph 228, post-registration changes to an included CPA do not require approval by the Board, but do require notification to the secretariat after duly validated by a DOE.

### Document information

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