



Annex 5

INFORMATION NOTE ON CONCEPTS FOR STREAMLINING THE AUTHORIZATION OF PARTICIPATION IN THE CLEAN DEVELOPMENT MECHANISM

I. Background

1. The term “project participants” is used within the clean development mechanism (CDM) modalities and procedures (M&P) however the term is not defined within that document. The concept of participation within the CDM M&P applies interchangeably to the participation of Parties in the mechanism and to public and private entities authorized by Parties to participate. The term is also used extensively in decisions of the CDM Executive Board (hereinafter referred to as the Board). The definition in the CDM Glossary of Terms focused predominantly on the issue of distribution of certified emission reductions (CERs) resulting from a CDM project activity.
2. This lack of clarity regarding the nature and definition of project participants and their authorization results in an unnecessary bureaucracy in several stages of the CDM project cycle. In particular there has been a lack of clarity regarding which entities may:
 - (a) Request approval or revision of a baseline or monitoring methodology or seek formal clarification of CDM requirements;
 - (b) Contractually engage the services of a designated operational entity (DOE);
 - (c) Notify the UNFCCC secretariat regarding the prior consideration of CDM project activities.
3. In line with ongoing efforts to streamline the CDM project cycle this note outlines an alternative approach to authorization of participation which recognizes the central role of private sector project participants in the successful implementation of the mechanism and removes unnecessary complications.

II. Existing requirements from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)

4. Article 12.9 of the Kyoto Protocol states that “participation under the clean development mechanism, including in activities mentioned in paragraph 3(a) above and in the acquisition of certified emission reductions, may involve private and/or public entities, and is to be subject to whatever guidance may be provided by the Executive Board of the clean development mechanism”.
5. Paragraphs 28-34 of the CDM modalities and procedures address the topic of participation. Interestingly the validation requirements related to participation (CDM M&P paragraph 37 (a)) refers only to the matter of eligibility of a Party to participate. Therefore the validation of the participation of individual entities is not a requirement of the CMP decisions. However paragraph 40 (a) does require a DOE to receive written approval of the voluntary participation from the designated national authority (DNA) of each Party involved prior to submitting a request for registration.

III. Current implementation by the Board

6. At its sixteenth meeting (EB16, annex 6) the Board clarified that approval should be conducted on a project specific basis and merged authorization with this approval. Therefore at present a DOE is



required to submit a letter of approval for each project from the DNA or each Party involved and also a project specific authorization for each entity involved in the project.

7. The Board further clarified at its eighteenth meeting that *“the registration of a project activity can take place without an Annex I Party being involved at the stage of registration. Before an Annex I Party acquires CERs from such a project activity from an account within the CDM registry, it shall submit a letter of approval to the Board in order for the CDM Registry administrator to be able to forward CERs from the CDM registry to the Annex I national registry.”* This clarification implies an assumption that Parties will be involved directly in the acquisition of CERs. It also requires the secretariat to receive individual letters of approval for each participant being added post-registration.

8. The listing of project participants is a requirement in two sections of the project design document (PDD), in a modalities of communication form and as a direct data input in the request for registration form.

IV. Issues encountered in implementation

9. The current status of the authorization process as outlined above has resulted in the following complications:

- (a) There is no adequate definition of which entities can be considered project participants during the pre-registration stage, thereby complicating the matter of which entities may request approval or revision of baseline and monitoring methodologies;
- (b) The online database of notifications of prior consideration of the CDM is overly reliant on physical documentation;
- (c) The requirements related to entities contractually engaged in the validation process are cumbersome to implement;
- (d) The duplication of information at the project activity level and at multiple levels within the project increases the probabilities of inconsistency of information;
- (e) The process of adding project participants is overly complicated and may lead to delays in the transfer of issued CERs.

V. Proposed approach for streamlining

10. It is recommended that the Board reconsider the process of authorization to provide for a single authorization of a public or private entity in the mechanism rather than authorization to participate in individual CDM project activities.

11. The authorization and participation process would therefore follow the steps below:

- (a) Registration of a public or private entity with the UNFCCC secretariat; this entity would then be recorded by the secretariat provided with a unique identifier and authorized focal points for the entity would be managed by the UNFCCC secretariat,
- (b) Authorization of such entities by Parties to participate in the clean development mechanism; this would require a letter of authorization from a DNA
- (c) Addition or removal of entities from CDM project activities in accordance with established modalities of communication for the project activity



12. The involvement of authorized entities within individual project activities would then be purely a contractual issue between the respective entities. General authorization would then allow for a defined set of entities authorized by DNAs to make requests for approval or revision of methodologies.

13. Approval of the projects by host Parties would still be required to confirm the projects contribution to sustainable development. However Annex I Parties would be enabled to give a general approval of their voluntary participation in the mechanism.

VI. Expected of the Board

14. The Board may wish decide whether to reconsider the authorization process and if so may wish to launch a call for inputs requesting DNAs and stakeholders to comment on the following questions:

- (a) Should the requirement for individual approval of CDM project activities by Annex I Parties be maintained or should this be replaced by a general approval of voluntary participation in the mechanism by the DNA;
- (b) Can the authorization of entities by DNAs be provided for the full mechanism rather than for individual project activities.

15. The Board may further wish to request the secretariat to reflect the revised processes and inputs from the public call in the ongoing preparation of a project standard and consolidated project cycle procedures.

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