

CDM-EB102-AA-A02

Concept note

Simplification of information to be collected from DOEs for DOE annual activity report

Version 01.0



United Nations
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1. Procedural background

1. In accordance with paragraph 27 (g) of the annex to decision 3/CMP.1 (Modalities and procedures for a clean development mechanism) and section 18 of the “CDM accreditation procedure” (ver. 14.0), designated operational entities (DOEs) shall submit an annual activity report to the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) through the secretariat.
2. Paragraphs 20 and 21 of decision 2/CMP.5 require the information to be collected from DOEs to include the number of project activities under validation or verification per qualified auditor, and the time frames and average fees for the validation and verification of CDM project activities by region. The DOE annual activity reporting process provides an opportunity to gather such information.
3. At its ninety-ninth meeting (EB 99), the Board requested the secretariat to prepare a concept note on simplifying the information to be collected from DOEs, in consultation with the CDM Accreditation Panel (CDM-AP) and DOE/accredited independent entity (AIE) Coordination Forum. The concept note is to be presented at the first meeting of the Board in 2019 with a view to finalizing the information to be collected from DOEs in time for the reporting period 1 July 2018 to 30 June 2019.
4. The draft concept note was sent to the DOE/AIE Coordination Forum for consultation during the period 25 October to 24 November 2018. One input was received and is presented in the appendix to this concept note. The input has been taken into account in the concept note.
5. This work relates to the activity “Accreditation system” under objective 1(b): “Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism” with a resource allocation as referred to in table 4 on page 14 of the CDM two-year business and management plan 2018–2019 (EB97, annex 1).

2. Purpose

6. The purpose of this note is to propose a simplification of the information to be collected from DOEs in their future annual activity reports.

3. Key issues and proposed solutions

3.1. Identified issues

7. The information collected from DOEs are submitted using the DOE annual activity report form (CDM-AAR-FORM). The CDM-AAR-FORM was developed with the purpose of ensuring the consistency of the information collected from DOEs, and was initially issued by the Board at EB 61 based on the “Guidelines for the preparation of the annual activity report by a DOE to the Executive Board” (version 02), approved at EB 53.
8. The CDM-AAR-FORM has undergone several revisions as described in the document information table at the end of the form. The latest version of the form (version 04) was developed in response to the mandate from EB 87.

9. The current CDM-AAR-FORM contains one introductory section, one authorization section, and seven sections with questions related to organizational changes, number of personnel, number of validation and verification/certification (VVC) activities, cost and timeframe for DOE services, management-related activities, financial statements, challenges encountered by the DOE, and other business activities. Based on the mandate from EB 99, the questions contained in the form are proposed to be simplified as per section 3.2 below, taking into account the recommendation provided by the CDM Accreditation Panel (CDM-AP) at its 82nd and 83rd meetings.

3.2. Analysis and proposed simplification for each question

3.2.1. Introduction

10. The introduction section identifies which DOE is reporting the information and the reporting period. As it provides basic information on the DOE, it is recommended to keep this section.

3.2.2. Organization – Major changes in organizational structure and personnel

11. The DOE is required to report any major organizational and personnel changes during the reporting period.
12. The DOE shall notify the secretariat of any change in its organizational status in accordance with section 17 of the “CDM accreditation procedure”. The information is collected and retained in the CDM Information System (CDM-IS) in day-to-day operation. Therefore, it is recommended to remove this question from the CDM-AAR-FORM. Although the information is collected in the CDM-IS, this information will not be reflected in the synthesis report since it is difficult to synthesize the organization-related information due to the distinct nature of DOEs.

3.2.3. Organization – List of declared outsourced entities or other offices, other than the central office of the designated operational entity

13. Paragraph 66 of the “CDM accreditation standard” has the provision that a DOE may outsource functions to outsourced entities, and appendix 1 of the same standard further specifies the functions that may be outsourced. Paragraph 16 of the “CDM accreditation procedure” has the provision that an on-site assessment shall take place at the central office of the DOE and may also take place at any other offices of the DOE or outsourced entities where the VVC functions of the DOE are performed.
14. This question aims to obtain the information with regard to the type and location of declared outsourced entities or other offices and their relationship with the DOE’s central office. The secretariat considers that it is useful to continue obtaining this information, given that it can provide an overview of how many DOEs have outsourced their VVC functions to other legal entities a meaningful information on the geographical coverage of DOE operations. It is recommended to keep this question.

3.2.4. Organization – Number of top management

15. Section 8.1 of the “CDM accreditation standard” has a provision for management structure. The CDM Assessment Team (CDM-AT) shall assess this requirement during an on-site assessment taking place at the DOE office, and relevant information will be included in

the on-site assessment report. Due to the variety in the management structures of different DOEs in terms of size and volume of activities, the secretariat considers that information on the number of top management would not provide any added value when the results are compiled. Therefore, it is recommended to remove this question.

3.2.5. Organization – Number of external individuals for each auditor type

16. The question aims to obtain the number of external individuals for each auditor type, that is validator, verifier, technical expert, team leader and technical reviewer.
17. Section 10.1 of the “CDM accreditation standard” has the provision that DOEs shall have sufficient human resources, including internal resources and external individuals if needed. The information from the DOE can be used to provide an estimate of the availability of DOE personnel to perform VVC activities. However, the secretariat considers that information on the number of external individuals alone does not suffice. Therefore, in addition to the recommendation to retain the question, it is also recommended that the DOE report information on the number of internal individuals that perform VVC activities.

3.2.6. Organization – Management system, that is information regarding the conduct of internal audits and management reviews, and regarding complaints, disputes and appeals on CDM-related activities

18. The DOE reports on the conduct of internal audits and management review during the reporting period.
19. Section 13 of the “CDM accreditation standard” requires the conduct of an internal audit and a management review at least once a year. This aspect is verified during the on-site (office) assessment of a DOE.
20. Considering that the only conclusion to be made from the reported information is how many DOEs conduct internal audits and management reviews during the reporting period, and that compliance with the requirement is verified during the on-site assessment, it is recommended to remove the question related to the conduct of internal audits and management reviews.
21. In this section, the DOE also reports any complaints, disputes and appeals on CDM-related activities which it received during the reporting period.
22. It is to be noted that during the on-site assessment, CDM-AT will assess the compliance of the DOE’s handling of complaints, disputes and appeals with the “CDM accreditation standard”, and the assessment includes determining how many complaints, disputes or appeals requests the DOE has received.
23. Even though some information on the complaints, disputes and appeals is available in the report by the CDM-AT, the report only summarizes the CDM-AT assessment instead of detailing each complaint, dispute or appeal, which are reported by the DOE through CDM-AAR-FORM. In addition to this, the on-site assessment occurs only three times during a DOE’s accreditation term, that is two regular surveillances and one reaccreditation. Therefore, the information in the CDM-AT reports may not reflect the actual conditions during the reporting period of the DOE annual activity report.

24. The secretariat considers that the information about how many complaints, disputes and appeals received by the DOE can be used to monitor the performance of the DOE and to ensure the integrity of each DOE in its VVC activities. Hence, it is recommended to keep the question related to number of complaints, disputes and appeals.

3.2.7. Organization – CDM-related trainings undertaken

25. The DOE reports information on CDM-related trainings it conducted during the reporting period.
26. During the on-site assessment, the CDM-AT will also assess the DOE's compliance with the "CDM accreditation standard" with regard to training. However, the report by the CDM-AT does not list all the trainings that the DOE has undertaken, as the CDM-AT focuses on the conduct of the training and monitoring the effectiveness of the training. And in doing so, the CDM-AT only samples some trainings. In addition to this, as the on-site assessment occurs only three times during a DOE's accreditation term, the information in the CDM-AT report may not reflect the actual conditions during the reporting period of the DOE annual activity report.
27. The secretariat considers that the information can be used to monitor how each DOE maintains and upgrades the competencies of its VVC personnel to keep up with CDM rules and requirements; hence it is recommended to keep the question.

3.2.8. Validation and verification/certification activities – Status of CDM validation, verification and certification activities

28. The question intends to obtain information on the number of contracts signed and terminated by the DOE, the number of activities ongoing and not yet submitted to the secretariat, and the number of activities for which a negative opinion has been provided.
29. The information can be used to provide an indication of the volume of VVC activities conducted by DOEs and the situation of the CDM market in general. Therefore, it is recommended to keep the question.

3.2.9. Validation and verification/certification activities – List of project activities and programmes of activities declined, including the reasons

30. The DOE reports the project activities and programmes of activities (PoAs) which it has declined as well as the reasons for declining.
31. A DOE may decline VVC activities for a number of reasons. The reported reasons for declining VVC activities can be used to assess whether there is any common reason and specific trend which may require any actions from the Board. Therefore, it is recommended to keep the question.

3.2.10. Validation and verification/certification activities – Workload per qualified auditor

32. Decision 2/CMP.5 requested the information of the number of activities conducted per qualified auditor of DOEs (i.e. validator, verifier, technical expert, team leader and technical reviewer).

33. The information can be used to see whether the DOE's VVC activities are conducted by different auditors or by the same auditors, as well as to assess the human resource utilization situation of the DOE. Therefore, it is recommended to keep the question.

3.2.11. Validation and verification/certification activities – Timeframes for DOE services

34. Decision 2/CMP.5 requested the information on the average timeframe for conducting VVC services in each region in developing countries. This section obtains such information. The timeframe established is from time of contract signing until the request for registration or issuance is submitted. Time adjustment factors to account for activities conducted in each United Nations regional group (Africa, Asia-Pacific, Eastern Europe, and Latin America and the Caribbean) are also reported by DOEs.
35. The information on how much time it took on average for a DOE to conclude a VVC activity can be used by the project participants (PPs) for planning purposes prior to engaging the DOE. Therefore, it is recommended to keep the question. Furthermore, in order to simplify the process, it is also recommended to modify the question. Instead of requesting the average timeframes for VVC activities and the time adjustment factor for each region, the question could request the average timeframe for VVC activities in each region directly.

3.2.12. Validation and verification/certification activities – Costs of DOE service

36. Decision 2/CMP.5 requested information on the DOE's fees/costs for conducting VV services in each region in developing countries. This section obtains such information. Price adjustment factors to account for activities conducted in each United Nations regional group and the scale of the CDM activities for which VVC activities were provided (large-scale project activity, small-scale project activity and programmes of activities) are also reported.
37. The information on the average fee for a DOE's service can be used by PPs in order to estimate the cost for conducting a validation or verification/certification. Therefore, it is recommended to keep the question. Furthermore, in order to simplify the process, it is also recommended to modify the question. Instead of requesting the average cost of DOE services for VVC activities, the price adjustment factor for each region and the scale of CDM activity, the question could request the average cost of DOE services for VVC activities in each region and each scale of CDM activity directly.

3.2.13. Impartiality – Information regarding the conduct of the Impartiality Committee Meeting

38. The DOE reports when its Impartiality Committee meeting took place in the report and submits the annual synthesis report of the Committee's activities together with the submission of the DOE's annual activity report to the Board.
39. Section 9.3 of the "CDM accreditation standard" requires that the Impartiality Committee Meeting take place at least once a year. This aspect is verified during the on-site (office) assessment of a DOE.
40. Considering that the only conclusion to be made from the reported information is how many DOEs conduct Impartiality Committee Meetings during the reporting period and that compliance with the requirement is verified during the on-site assessment, it is recommended to remove the question.

3.2.14. Information on DOE interactions with interested parties

41. The information to be obtained from the DOE is about its formal interactions with the Board, other DOEs/applicant entities and other interested parties.
42. The secretariat considers that the information obtained from this question cannot be used to establish a comparison among DOEs or draw a conclusion, except to report to the Board what types of interactions that DOEs have had. Therefore, it is recommended to remove the question.

3.2.15. Financial statements – Report on annual income and expenditure relating to CDM related activities

43. The information is used to determine whether a DOE has positive cash flows relating to its CDM business based on the reported income and expenditure from VVC activities.
44. The secretariat considers that it is useful to continue obtaining information on how many DOEs have positive cash flows through CDM activities, given that it can provide meaningful interpretation by establishing a connection between the information from the questions described above, such as number of individuals, status of VVC activities or cost of DOE service. Therefore, it is recommended to keep the question.

3.2.16. Challenges and lessons learnt

45. The information obtained from the DOE is used to give insight to the Board on challenges faced by DOEs in CDM activities. It is recommended to keep this question as it allows the Board to obtain insights regarding the CDM market from the DOE's point of view.

3.2.17. Other business activities

46. The information on the DOE's other business activities that involve the validation or verification of greenhouse gas assertions in other schemes other than the CDM was initially collected for the reporting period 1 July 2015 to 30 June 2016 following the Board's decision to request such information at EB 87.
47. The Board, at EB 87, decided that DOEs shall also report on other business activities (e.g. those which include the validation or verification of greenhouse gas assertions in other schemes). The Board, at EB 92, considered a recommendation from the CDM-AP related to the 2016 performance assessment plans and requested the secretariat to make information available on the United Nations Framework Convention on Climate Change CDM website on the DOEs that have not submitted a request for registration and/or issuance within the last 20 months. The secretariat considers that this question may provide information on how the DOE uses its status as a DOE under the CDM in other schemes and how those inactive DOEs maintain their financial stability without engaging in any CDM business. Therefore, it is recommended to keep the question.

4. Impacts

48. The proposed revision to the CDM-AAR-FORM would enhance the comprehensiveness of the annual activity report to the Board while simplifying and fine-tuning the information being sought from the DOEs.

5. Subsequent work and timelines

49. If the Board approves the recommendations above, the CDM-AAR-FORM will be revised and used for the reporting period 1 July 2018 to 30 June 2019.

6. Recommendations to the Board

50. The secretariat recommends that the Board approve the revised information to be collected through the CDM-AAR-FORM.

Appendix 1. Summary of inputs

Table 1. Summary of inputs

Submitter	Summary of inputs received	Secretariat response
1. Individual DOE 1 input	As many DOEs have very small numbers of validations and verifications, the requested information on timeframes of DOE services and cost per region is not meaningful any more. In any case, time frames and case pricing does not depend on the region but rather on the complexity of the validation/verification task. Therefore, it is suggested to remove this question, and simply ask for average timeframes and average prices globally instead.	Decision 2/CMP.5 requested the information on DOEs' fees/costs and timeframes for conducting validation or verification/certification services in each region in developing countries, hence the recommendation remains to obtain information for each region as it is considered useful. Nevertheless, to simplify the process, the question will be modified so that the DOEs will provide timeframes and cost per region directly. The analysis is described in paragraphs 35 and 37 of this note.

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