

CDM-EB89-AA-A03

Concept note

Simplified inclusion process for automatically additional microscale CPAs

Version 01.0



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1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its tenth session (CMP 10), requested the Executive Board of the Clean Development Mechanism (CDM) (hereinafter referred to as the Board) to consider adjusting, and if appropriate implement, the rules governing programmes of activities (PoAs) to reflect the special features of PoAs in order to facilitate effective implementation and reduce associated transaction costs while ensuring environmental integrity. The Board was also requested to take into account the implications for liability with regard to the issuance of certified emission reductions (CERs) resulting from significant deficiencies in validation, verification and certification reports, including rules that:
 - (a) Apply microscale thresholds at the unit level rather than at the component project activity (CPA) level;
 - (b) Allow, as an option, a simplified validation and registration process for activities that satisfy microscale thresholds and are considered automatically additional. This option shall allow for:
 - (i) Validation of a PoA without the submission of a specific-case CPA;
 - (ii) Inclusion on the basis of a pre-approved standardized inclusion template of CPAs carried out directly by the coordinating/managing entity (CME) without prior validation through a designated operational entity (DOE).¹
2. In response to the request in paragraph 1(a), the Board has approved provisions to allow application of microscale thresholds at unit level. With regard to request in paragraph 1(b)(i), the Board considered all issues and agreed to maintain the requirements for a specific-case CPA.
3. With regard to paragraph 1(b) above, the Board at its 86th meeting (EB 86) considered the concept note on proposals for simplification and streamlining of the CDM. Section 2.3.1 of the concept note included in annex 1 to the annotated agenda of EB 86 noted as follows “In addition, the idea of allowing the coordinating/managing entity of a PoA to include CPAs without involving a DOE, in particular for CPAs that are deemed automatically additional, can be considered. Such a measure would certainly reduce the transaction cost and time for inclusion of CPAs, and the risk of compromising environmental integrity would be low. However, for CPA inclusion, the scrutiny is already low due to the lack of the assessment and possible review by the secretariat and the Board, respectively. Therefore, it is arguable whether no independent check by a DOE could ensure the integrity of the process. Also, if a CPA is found to be erroneously included, pursuing liability should be targeted to the coordinating/managing entity, which would entail significant difficulty in the enforcement”. EB 86 agreed on the direction in the proposal on the issue. In addition, the Board members pointed out that using the results of the sampling survey may be an issue if during the verification it is determined that a CPA was erroneously included by a CME and the sampling conducted by the CME covered that CPA in the population.

¹ Decision 4/CMP.10, paragraph 18.

4. CMP 11 reiterated its request to the Board, as contained in decision 4/CMP.10, to consider allowing, as an option, a simplified inclusion process for activities that satisfy microscale thresholds and are considered automatically additional; this option will allow for inclusion on the basis of a pre-approved standardized inclusion template of CPAs carried out directly by the CME without prior validation through a DOE.²
5. The work carried out for this concept note relates to the activity '223 Simplification of methodologies including digitization to reduce transaction costs' under objective 1(c): 'Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity' with a resource allocation as referred to in table 4 on page 15 of the CDM two-year business plan 2016–2017 and management plan 2016 (EB87, annex 1).

2. Purpose

6. The purpose of this concept note is to analyse the feasibility to allow, as an option, a simplified inclusion process for CPAs in a registered PoA that satisfy microscale thresholds and are considered automatically additional, on the basis of a pre-approved standardized inclusion template of CPAs carried out directly by the CME without prior validation through a DOE.

3. Key issues and proposed solutions

3.1. Description of the issue

3.1.1. Current process for inclusion of CPAs

7. Currently, the inclusion of CPAs in a registered PoA is performed by a DOE. The DOE checks whether the CPA meets the eligibility criteria for inclusion and whether it corresponds to a generic CPA pre-defined in the registered PoA. This check is classified as a validation activity. Unlike the registration of a stand-alone project activity or PoA, the inclusion of CPAs is automatic, i.e. without an assessment by the secretariat and the Board. The related procedural elements and documentation requirements are contained in Appendix 1.
8. The "Standard: Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programmes of activities" (PoA standard) specifies the eligibility criteria for inclusion of CPAs (e.g. boundary, unique marking of equipment, debundling check). The "General guidelines for SSC CDM methodologies" provide default eligibility criteria for distributed unit type of PoAs, with some differentiation for renewable energy, biogas and cookstove technologies. Possible means for demonstrating compliance with the eligibility criteria are also included. These are contained in Appendix 2.

² Decision 6/CMP.11, paragraph 19.

3.1.2. Specific features of PoAs and microscale CPAs

9. The CMP 10 and CMP 11 requests to the Board refer to the following factors when considering rules governing PoAs:
 - (a) Activities that satisfy microscale thresholds;
 - (b) PoAs have special features and measures are needed to facilitate effective implementation and reduce associated transaction costs while ensuring environmental integrity;
 - (c) Implications of liability with regard to significant deficiency in validation, verification and certification reports;
 - (d) Pre-approved standardized inclusion templates.
10. Activities that satisfy the microscale thresholds (microscale units) are defined in the “Methodological Tool: Demonstration of additionality of microscale project activities” (the microscale additionality tool). Microscale units are the units (≤ 5 megawatts capacity or ≤ 20 gigawatt hours annual energy savings or ≤ 20 kilo tonnes of annual emission reductions) that are:
 - (a) Located in least developed countries, small island developing States or special underdeveloped zones of other non-Annex I countries; or
 - (b) Composed of off-grid renewable energy technologies (≤ 5 MW capacity); or
 - (c) Grid-connected renewable energy technologies that are recommended by the designated national authorities (DNAs) and approved by the Board (≤ 5 MW capacity); or
 - (d) Distributed technologies for households, communities or small and medium-sized enterprises (SMEs) of unit sizes that are 1 per cent or below of small-scale (SSC) threshold.
11. Table 1 provides a snapshot of PoAs that have included CPAs comprised of activities that satisfy microscale thresholds (hereafter referred to as microscale CPAs) in the CDM PoA pipeline. Over 60 PoAs for residential applications (e.g. cookstoves, solar water heaters, solar cookers, water purification, energy-efficient lighting, biogas digesters) and for grid/off-grid renewable energy technologies have been registered.

Table 1. Technology and end-user types in registered microscale PoAs

Technology types	Number of PoAs
End-use type: Households	
Household biogas digesters	4
Energy efficiency – household	1
Energy-efficient lighting (LED and compact fluorescent light)	4
Improved cookstoves	5
Solar water heaters	6

Technology types	Number of PoAs
Water purifiers	2
Renewable-based rural electrification	3
End-use type: Others	
Energy efficiency – industrial	1
Fuel switch	3
Grid/off-grid connected renewable energy technologies (e.g. wind, solar photovoltaic, geothermal)	24
Waste treatment (e.g. wastewater, animal waste)	9
Total	62

Source: based on UNFCCC and Institute for Global Environmental Strategies (IGES) database.

12. A literature review showed that many PoAs have reported transaction costs related to CDM procedures and requirements and access to up front finance as relevant barriers significantly more than standalone CDM projects. For example microscale PoAs report up to five times the transaction costs of a grid-connected renewable energy project per tonne of emission reduction. In addition significant underperformance in terms of issued CERs in comparison to emission reduction projections in the project design documents has also been reported. There could be many factors that lead to this situation of higher costs, CPA inclusion by a DOE may be just one such factor. Reports also note the opportunities presented by the PoA framework. For example it is stated “there is a great potential impact from targeting international support to the continuation and expansion of activities under the umbrellas of existing PoAs. The PoA modality has successfully played a role in the development of projects in underrepresented regions”³.
13. More details about the above barriers are in Appendix 3.

3.1.3. Erroneous inclusion of CPAs

14. The current CDM project cycle procedure (PCP) allows a member of the Board or the DNA of a Party involved in the PoA to request a review of a CPA included in the PoA by the DOE in order to determine if it was erroneously included in relation to compliance with the eligibility criteria set out in the registered PoA. A review may be requested within one year of inclusion of the CPA or within 180 days of the first issuance of CERs to the CPA.
15. The PCP requires the DOE to compensate for any CERs issued for the erroneously included CPA if the due process results in a Board decision to exclude the CPA. Details are in Appendix 4. To date there has been no real case where the exclusion of a CPA has taken place.

³ Ecofys (2015), Analysing the status quo of CDM projects- status and prospects (available at <<http://www.ecofys.com/files/files/ecofys-new-climate-2015-analysing-the-status-quo-of-cdm-projects.pdf>>).

3.1.4. Significant deficiency in validation, verification or certification reports

16. Currently, there is no operational provision to address significant deficiencies in validation, verification or certification reports prepared by DOEs. The Board recommendation⁴ on the draft procedure for addressing significant deficiencies in validation, verification and certification reports was not adopted by CMP 8.

3.1.5. Status of inclusion of CPAs

17. As seen in Table 2 below, the majority of the registered microscale PoAs have included only one CPA in the PoA so far; only 12 out of 62 have included more than one CPA. This situation could be for various reasons not necessarily due to the costs associated with the inclusion of a CPA by a DOE.

Table 2. The number of specific-case CPAs in microscale PoAs

Number of specific-case CPAs included in a PoA	Number of PoAs
1	50
2	3
3	2
4	1
5	2
6-20	3
Equal to or more than 21	1
Total	62

Source: UNFCCC database.

3.1.6. Sample analysis of CPAs

18. As the focus of this concept note is to assess the feasibility of inclusion of CPAs by the CME instead of a DOE, an analysis was carried out of sample of DOE validation reports from the 12 PoAs that included more than one CPA. This was done with a view to identify the value addition from the validation during the inclusion process so that the feasibility of alternative means to accomplish the required quality check could be explored. As the first specific-case CPA design document (CPA-DD) is validated by the DOE and assessed by the secretariat at the time of the registration of PoAs, 50 PoAs including only one CPA were not considered. Of the remaining 12, the validation reports of the second specific-case CPA included in 11 PoAs were analysed.⁵
19. Table 3 lists the actions taken by the DOE at the time of inclusion of CPAs via clarification requests (CLs), corrective action requests (CARs) and forward action requests (FARs) to the CMEs. The text in *italic* relates to eligibility criteria for inclusion.

⁴ Recommendation of the Executive Board of the CDM on a procedure for addressing significant deficiencies in validation, verification or certification reports (FCCC/KP/CMP/2012/11) (available at <http://cdm.unfccc.int/Reference/EB_CMP_rep/index.html >).

⁵ For one of the PoAs, the validation report for the second specific case CPA was not available.

Table 3. CLs, CARs and FARs in validation reports categorised into different areas

Area of issue	Reference in PoA standard	No. of CL/CAR/FAR	Share (%)
General description (title, description of CPA)		23	24%
Sources and GHGs		2	2%
Baseline scenario		7	7%
<i>Geographical boundary</i>	<i>Para 18 (a)</i>	5	5%
<i>Double accounting</i>	<i>Para 18 (b)</i>	5	5%
<i>Specifications of technology/measure</i>	<i>Para 18 (c)</i>	9	9%
<i>Start date and crediting period, lifetime</i>	<i>Para 18 (d)</i>	14	14%
<i>Applicability of methodologies</i>	<i>Para 18 (e)</i>	3	3%
Demonstration of additionality	<i>Para 18 (f)</i>	0	0%
<i>Environmental analysis and local stakeholder consultation</i>	<i>Para 18 (g)</i>	5	5%
<i>Official Development Assistance (ODA) (affirmation that funding from Annex 1 Parties does not result in a diversion of ODA)</i>	<i>Para 18 (h)</i>	4	4%
<i>Target group and distribution mechanism</i>	<i>Para 18 (i)</i>	0	0%
<i>Sampling</i>	<i>Para 18 (j)</i>	1	1%
<i>Small-scale thresholds</i>	<i>Para 18 (k)</i>	0	0%
<i>De-bundling</i>	<i>Para 18 (l)</i>	1	1%
Calculation of emission reductions		10	10%
Monitoring		8	8%
Total		97	100%

20. The issues that were raised are summarized in Table 4 below. The more frequently raised issues were: general description of the CPA; clarity on start date of crediting period and lifetime of technology implemented; clarity on specifications of technology/measure and emission reduction calculations; and monitoring aspects in the project documentation.

Table 4. Issues raised by DOEs during validation for inclusion of CPAs

Category	No. of CL/CAR/FAR	Summary of issues (CL/CAR/FAR)
General description (title, description of CPA)	23	<ul style="list-style-type: none"> Editorial issues, incorrect template/version of the CPA-DD forms used, lack of consistency between registered PoA-DD and specific CPA-DD, missing documentation (e.g. letter of approval, signature of legal representative), lack of precise geographic co-ordinates, missing clarity on technology options
Sources and GHGs	2	<ul style="list-style-type: none"> Inadequate information on some parameters (e.g. fuel utilization rate) Leakage due to auxiliary electricity consumption is not addressed

Category	No. of CL/CAR/FAR	Summary of issues (CL/CAR/FAR)
Baseline scenario	7	<ul style="list-style-type: none"> Description of baseline scenario in CPA-DD is not in line with the PoA-DD Lack of detailed information on the baseline survey Baseline parameter is not clearly provided
<i>Geographical boundary</i>	5	<ul style="list-style-type: none"> Project boundary is not shown in a map, or precise geographic co-ordinates are not provided
<i>Double accounting</i>	5	<ul style="list-style-type: none"> Lack of project logo or uniquely identifiable product ID on devices distributed to end-user locations Lack of provision of proof such as emission reduction purchase agreement to show that the CPA is not included in another project/programme
<i>Specifications of technology/measure</i>	9	<ul style="list-style-type: none"> Specifications of technology/measure are not precise and location of meters is not specified in one case.
<i>Start date and crediting period, lifetime</i>	14	<ul style="list-style-type: none"> Documentary evidence such as contracts signed and proof for the operational lifetime of the equipment is not provided
<i>Applicability of methodologies</i>	3	<ul style="list-style-type: none"> Missing monitoring parameters, missing reference to general guidelines to SSC methodologies
<i>Demonstration of additionality</i>	0	
<i>Environmental analysis and local stakeholder consultation</i>	5	<ul style="list-style-type: none"> Missing evidence of the stakeholder consultation meeting (newspaper clippings or proof of direct communication), missing evidence with reference to national laws regarding exemption from environmental impact assessment, missing environment impact assessment report (where required as per the law in the country)
<i>ODA (affirmation that funding from Annex 1 Parties does not result in a diversion of ODA)</i>	4	<ul style="list-style-type: none"> Missing declaration on the lack of diversion of ODA
<i>Target group and distribution mechanism</i>	0	
<i>Sampling</i>	1	<ul style="list-style-type: none"> Insufficient information on sampling plan and Quality Assurance/Quality Control (QA/QC)
<i>Small-scale thresholds</i>	0	
<i>De-bundling</i>	1	<ul style="list-style-type: none"> Missing declaration to confirm that the proposed CPA is not a de-bundled component of a large-scale project.

Category	No. of CL/CAR/FAR	Summary of issues (CL/CAR/FAR)
Calculation of emission reductions	10	<ul style="list-style-type: none"> Missing information on precise number of pieces of equipment used in the calculation, adjustments due to confirmed start date, more clarity on sources of project emissions
Monitoring	8	<ul style="list-style-type: none"> Missing monitoring parameters and arrangements for calibration, missing reports on product testing
Total	97	

3.1.7. Simplified approaches to validation within other carbon standards

21. Table 5 summarizes simplified options for validation available in other carbon standards. However, the context in which those standards are applied may be different as compared to circumstances of CDM project.

Table 5. Simplified approaches in other carbon standards

Other carbon standards	Simplified options
California Cap-and-Trade Program	No third- party registration: for 'registration' (termed 'listing') of a project with the Californian scheme, the need to hire an accredited third party is waived. Instead, either the California air resources board or the offset project registry reviews the project information for completeness.
Japanese Crediting Mechanism	Simultaneous validation and verification: validation and verification can be conducted either simultaneously or separately.
The Gold Standard	Gold Standard internal validation: microscale programmes/projects (i.e. <10,000 tCO ₂ equivalent reductions per year) are eligible for internal validation, in which the project participant contracts the Gold Standard to validate the project, rather than a DOE. Costs involved range between USD 5,000 and 22,500, depending on the scale of the project/programme. It is intended to reduce transaction costs for microscale projects.

3.1.8. Stakeholder inputs

22. A study⁶ conducted by the Carbon Initiative for Development⁷ in 2015 which included interviews with relevant experts and stakeholders, , stated that "Creating a standardized registration process and, for CPAs, a standardized inclusion process for activities considered automatically additional under the current rules would allow many energy access programmes to generate CERs more quickly and with lower transaction costs. The simplified process would eliminate the detailed validation step by a DOE prior to registration, and substitute a simple checklist for determining eligibility, which the UNFCCC secretariat would review as part of the standard completeness check. The projects would be registered on this basis, and all of the project characteristics and

⁶ World Bank (2015): Promoting energy access through Results-Based Finance within the framework of the CDM: Assessing business models.

⁷ An initiative of the World Bank (<http://www.ci-dev.org/>).

performance would be confirmed by a DOE during the first verification. Because no CERs would be issued until after first verification, such a change would not compromise the environmental integrity of the CDM. It would, however, dramatically reduce the transaction costs and time required to get to registration (e.g. 6 months instead of 2 years or more) – so that projects could start generating CERs earlier. The early registration would also reduce uncertainty for investors and funders of Result-based funding, and could increase the total revenue that projects can earn. The registration of the overall PoA would remain the same, with a full validation by a DOE.”

3.2. Conclusions

23. PoAs comprising microscale activities such as solar home systems, cookstoves and biogas digesters appear to face considerable hurdles to access upfront finance, implement activities and request issuance, as evidenced by low success with issuance of CERs. This situation could arise for many reasons not necessarily due to costs of CPA inclusion alone. Further simplification of the rules for such types of PoAs will nevertheless facilitate the implementation of PoAs in the pipeline. Such measures will also facilitate the application of the PoA framework for other uses (e.g. Results-based finance).
24. By definition, microscale CPAs are automatically additional. Moreover recent measures implemented by the Board have resulted in highly standardized methodologies being available for application in the area (e.g. inclusion of globally applicable default factors, simplified monitoring approaches). Therefore, on a relative basis, there are fewer elements to scrutinize for these activities at the inclusion as compared to other types of CDM PoAs.
25. As seen in tables 3 and 4 above, the inclusion of CPAs by a validating DOE adds value and assures quality. However, based on this analysis, it appeared that there may be alternative means to the validation by a DOE for inclusion of a microscale CPA. A number of issues raised at validation are description related and are editorial. While issues related to start date of the crediting period are also raised, major issues related to baseline, additionality and eligibility criteria do not seem to have been identified very frequently. Currently liability of the including DOE is limited to deficiencies in checking eligibility of CPAs against registered eligibility criteria. Considering the above issues, alternate measures to DOE inclusion could include those described below (in combination):
 - (a) *Clarifying the scope for the first verification by the DOE after inclusion by the CME* (e.g. confirmation of compliance with the eligibility criteria in the registered PoA). Since the confirmation of compliance with the eligibility criteria will be shifted from a validating DOE to a verifying DOE under this proposal, liability for lapses in detecting CPA inclusion related issues should shift to the verifying DOE. Often the detailed and specific information on survey design, data collection and processing methods would be available only at verification, since at validation the population for survey (sampling frame) is not yet well defined. Considering these issues, the Board has already allowed the monitoring plan or survey design to be elaborated at the first verification at the latest as an option. Under this measure the monitoring plan is checked by the DOE at the first verification only; and
 - (b) *Inclusion of the CPA by using a pre-approved standardized inclusion template.* The Board has approved default eligibility criteria and means of compliance for

the eligibility criteria in three specific areas (see Appendix 2). These could be further expanded into standardized inclusion templates. PoA-DD and generic CPA-DD and an inclusion template may be prepared by a CME, then validated by a DOE and assessed by the secretariat before it is considered and approved by the Board at registration.

26. The above measures will ensure that the requirements currently in place to ensure environmental integrity are not diluted, but CME will gain valuable time for engaging the services of a DOE to check the inclusion and implementation of the CPA.
27. With regard to a sample survey, there is a potential scenario in which during the verification it is found that a CPA was erroneously included and the sampling conducted by the CME covered that CPA in the population. However, provisions in the “Standard: Sampling and surveys for CDM project activities and programmes of activities” and “Guideline: Sampling and surveys for CDM project activities and programmes of activities” address this issue, and recourse has been provided – i.e. the results of the survey can be adjusted through ex-post stratification or through additional data collection.
28. The CMP has placed considerable priority on the simplified inclusion of CPAs by reiterating its requests to the Board to explore simplifications at two consecutive CMP sessions.
29. The Board took a cautious approach at EB 86, considering that it may be difficult to pursue liability to the CME in case of erroneous inclusion. Under the current procedures, the DOE that included the CPAs is liable for erroneous inclusion in cases where it is established that the CPAs added did not meet the eligibility criteria included in the registered PoA (see Appendix 4 for more details). To address the issue, as proposed above, the responsibility to check the included CPAs together with the corresponding liability for erroneous inclusion may be shifted to the verifying DOE. Furthermore it is noted that the CME stands to lose the issuance of CERs in the event of erroneous inclusion of CPAs even if an investment was made for CPA implementation and monitoring which may deter the CME from erroneous inclusion. However, the Board may also consider including additional measures such as withdrawing the option of simplified inclusion from the CME that wrongly added the CPA (in such cases the PoA reverts to inclusion of further CPAs by a validating DOE)⁸.
30. In addition the Board may also consider whether to pilot test the approach in one specific sector. In other words, the Board may wish to consider the following options:
 - (a) Take a step-wise approach to a simplified inclusion process for CPAs that satisfy microscale thresholds. The Board may consider choosing one of the three areas where default eligibility criteria have been approved (i.e. renewable energy/energy access, biogas and cookstoves) to pilot the approach to allow the CME to include microscale CPAs as an option. Based on the experience gained, the measure can be subsequently expanded to other areas, including further development of default eligibility criteria for other areas; or
 - (b) Allow a simplified inclusion process for all types of microscale CPAs.⁹

⁸ This measure is based on Meth Panel inputs.

⁹ Option 30 (b) is based on Meth Panel inputs.

31. If the Board were to approve the simplified options for inclusion of CPAs, there will be a need to assess the implications on the web based work flow to process the PoA documentation before implementation can begin (e.g. effort level required for creating the work flow systems for CMEs for including microscale CPAs, if necessary limiting it to specific methodologies.)
32. Finally it is noted that under the proposal above, the simplified inclusion process is only an option to the CME, i.e. the decision to engage DOE for including microscale CPAs or opt for simplified inclusion is left to the CME.

4. Impacts

33. The proposed option of a simplified inclusion process for CPAs will provide more flexibility to PoA implementers, and result in reduced time required to implement PoAs for distributed microscale activities (e.g. cookstoves, solar home systems, efficient lighting, distributed energy generation). It may offset upfront finance barriers related to regulatory requirements to some extent.
34. The proposed work does not foresee any cost implications for third-parties/stakeholders. However, it should be noted that the cost for the first verification for the CME is likely to increase under this option.

5. Proposed work and timelines

35. The proposed work plan is as follows:
 - (a) Guidance on concept note: EB 89;
 - (b) Draft revised regulatory documents: EB 91, in conjunction with the draft revised “CDM project standard” (PS), “CDM validation and verification standard” (VVS) and the PCP, also planned for consideration at that Board meeting;
 - (c) Assessment of efforts required to modify the web based workflow;
 - (d) Final adoption of revised regulatory documents: EB 92 in conjunction with the revised PS, VVS and PCP, also planned for adoption at that Board meeting.

6. Recommendations to the Board

36. The secretariat recommends that the Board approve the simplified inclusion process for CPAs that satisfy microscale thresholds as an option for CMEs , and provide guidance to the secretariat to propose changes to the relevant regulatory documents. The Board may wish to choose one of the following options:
 - (a) Take a step-wise approach, i.e. choosing one of the three areas where default eligibility criteria for PoAs have been approved (i.e. renewable energy/energy access, biogas and cookstoves) to pilot the approach to simplified inclusion of CPAs; or
 - (b) Allow a simplified inclusion process for all types of microscale CPAs.

Appendix 1. Currently applicable procedures and documentation requirements for CPA inclusion

1. The following procedures and forms apply currently:
 - (a) CDM-CPA-DD-FORM – CPA design document form, or CDM-SSC-CPA-DD-FORM – Small-scale CPA design document form: To include a CPA in a registered CDM PoA, the CME shall forward a completed specific-case CPA-DD to a DOE, after having ensured that the CPA and the specific-case CPA-DD meet the eligibility criteria for inclusion in the PoA defined in the registered PoA-DD and its generic CPA-DD part. The CME may forward more than one specific-case CPA-DD at one time. Only upon the approval of the first specific-case CPA-DD corresponding to a generic CPA-DD by the Board, CPAs corresponding to that generic CPA-DD may be included in the registered CDM PoA. (para. 128 of PCP ver. 4.0);
 - (b) CDM-CPA-VAL-FORM - Validation report form for CPA: The DOE shall assess whether the proposed specific-case CDM CPA complies with the registered CDM PoA (with its generic CPA-DD part), including the eligibility criteria for inclusion of the CPA in the PoA. (para. 340 of VVS ver. 4.0), and in most cases the DOE prepares a validation report. However, the preparation of a validation report is not mandatory, and it is only optional as a means to confirm the compliance with the eligibility criteria.
 - (c) CDM-CPA-INC-FORM - CPA inclusion request form: If the DOE confirms that the CPA meets the eligibility criteria for inclusion in the PoA, it shall include the CPA in the PoA by uploading the corresponding specific-case CPA-DD on the UNFCCC CDM website. Such uploads shall be grouped and not occur more frequently than once per month. (para. 129 of PCP ver. 4.0).

Appendix 2. Eligibility criteria for distributed unit-type of PoAs (Extracted from SSC General Guidelines)

Table 1. Common eligibility criteria for distributed unit-type of PoAs

No	Requirements in PoA standard ¹⁰	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
1	Geographical boundary	All distributed units/systems in each CPA are located within the geographical boundaries of [location]	<input type="checkbox"/> GPS coordinates <input type="checkbox"/> Map or address	
2	Start date	CPA start date shall not before start date of PoA [specify start date of PoA]	The start date of the CPA is [specify the date], the date at which the real action started: <input type="checkbox"/> It is the date at which the order for the first project unit/system in the CPA is placed <input type="checkbox"/> It is the date at which the first project unit/system in the CPA is installed	
3	Life time	CPA crediting period shall be within the life time of PoA [specify life time]	CPA start date is [specify the date], with <input type="checkbox"/> Fixed crediting period [specify the period] <input type="checkbox"/> Renewable crediting period [specify the period]	
4	ODA	For all CPAs, funding from Annex I Parties, if any, does not result in a diversion of official development assistance (ODA);	<input type="checkbox"/> ODA not involved <input type="checkbox"/> ODA involved but not leading to diversion	

¹⁰ Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities.

No	Requirements in PoA standard ¹⁰	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
5	De-bundling	Debundling will not occur for any CPA	It is demonstrated through: <ul style="list-style-type: none"> <input type="checkbox"/> Installed capacity of each project unit is [value], less than 1 per cent of SSC threshold (e.g.150 kW for type I) 	
6	Double accounting	The CPAs of PoA [specify title or identification number] shall not result in double counting of emission reductions	For CPA [specify title or identification number], all the following are fulfilled: <ul style="list-style-type: none"> <input type="checkbox"/> Contractual agreements between CME and CPA implementer on CER transferring <input type="checkbox"/> End user details (i.e. name, address) And, individual project system/unit is identifiable by: <ul style="list-style-type: none"> <input type="checkbox"/> Serial numbers of system/unit recorded in a database <input type="checkbox"/> Stamp or logo used on the system in the database <input type="checkbox"/> Its precise location recorded in the database <input type="checkbox"/> Using mobile phone networks (e.g. pay-as-you-go) 	

No	Requirements in PoA standard ¹⁰	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
7	Local stakeholder consultations and environmental impact	The PoA or CPA shall undergo local stakeholder consultations and environmental impact assessment (EIA), where required	Local stakeholder consultation is undertaken at: <ul style="list-style-type: none"> <input type="checkbox"/> PoA level <input type="checkbox"/> CPA level The EIA is required by the host country? <ul style="list-style-type: none"> <input type="checkbox"/> Yes <input type="checkbox"/> No If EIA is required by the host country, the EIA is undertaken at: <ul style="list-style-type: none"> <input type="checkbox"/> PoA level <input type="checkbox"/> CPA level 	
8	Target group and distribution mechanism	The CPA specifies the target group of the project unit/system and distribution mechanisms	<ul style="list-style-type: none"> <input type="checkbox"/> CPA specifies the distribution mechanism, e.g. direct installation <input type="checkbox"/> CPA specifies the target group, i.e. households or SME; and if applicable at least [number] per cent of the end users in the CPA 	
9	Sampling	Sampling design and calculation shall meet the requirement in the sampling standard ¹¹	<ul style="list-style-type: none"> <input type="checkbox"/> Parameter [specify the parameter] is determined through sampling at [PoA or CPA] level <input type="checkbox"/> [specify sampling method, e.g. simple random sampling] sampling is designed <input type="checkbox"/> Sampling size is [number], which gives a result of [specify the confidence/precision] 	

¹¹ Sampling and surveys for CDM project activities and programme of activities.

No	Requirements in PoA standard ¹⁰	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
10	SSC threshold	The SSC threshold shall be met. Equivalent to maximum [number] project unit/system units that can be covered under one CPA	<input type="checkbox"/> CPA [specify title or reference number] distributes [number] project units/systems	

Table 2. Eligibility criteria for individual renewable energy system covered in AMS-I.L

No	Requirements in PoA standard	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
1	Additionality	CPA shall be additional	<p>Additionality is demonstrated in accordance with:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Guidelines on the demonstration of additionality of small scale project activities either by demonstrating the barrier [specify barrier] or using the below provisions for automatic additionality: <input type="checkbox"/> The technology is included in the positive list <input type="checkbox"/> The technology is isolated units and the end users are households, or SME and its size is no larger than 5 per cent of the small-scale threshold (i.e. 750kW for type I) <input type="checkbox"/> The technology is implemented in countries with rural electrification rate less than 20 per cent <input type="checkbox"/> Guidelines on the demonstration of additionality of microscale project activities 	
2	Technology	<p>CPA will distribute new renewable energy generating systems for electrification of a community(ies), and specifications of the systems are provided.</p> <p>The renewable energy generating systems in the CPA comply with international or comparable national/regional/local standards/guidelines</p>	<ul style="list-style-type: none"> <input type="checkbox"/> [Specify renewable technology used and key features of the design of the systems] is intended for permanent installation only <input type="checkbox"/> All renewable energy generating systems in CPA comply with [specify applicable standard] 	

Table 3. Eligibility criteria for high efficient cookstove covered in AMS-II.G

No	Requirements in PoA standard	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
1	Additionality	CPA shall be additional	<input type="checkbox"/> End users are households, or communities or SMEs <input type="checkbox"/> Total annual energy savings per cook stove is [number] no larger than 5 per cent of the small-scale threshold (i.e, 9 GWh _{th} per year)	
2	Technology	CPA will distribute energy efficiency (>20 per cent) biomass cook stoves and specifications of the efficient cook stoves are provided	<input type="checkbox"/> Biomass cook stove [specify model/type], with an efficiency of [fraction] through [specify testing method] <input type="checkbox"/> Baseline cook stove [specify model/type], with a efficiency of [fraction] <input type="checkbox"/> Specification of efficient cook stoves [specify key specifications] <input type="checkbox"/> To ensure its quality, cook stove in CPA comply with [specify applicable standard]	
3	Use of NRB	The CPA demonstrates that non-renewable biomass has been used since 31 December 1989, using survey methods or referring to published literature, official reports or statistics	The use of NRB is demonstrated by: <input type="checkbox"/> Survey report <input type="checkbox"/> Published literature <input type="checkbox"/> Official reports and/or statistics <input type="checkbox"/> Other means [...] It is demonstrated at: <input type="checkbox"/> CPA level <input type="checkbox"/> PoA level	

Table 4. Eligibility criteria for household biogas digester covers in AMS-III.R

No	Requirements in PoA standard	Eligibility criteria	Evidence used by CPA for demonstrating compliance	Section/page number of CPA-DD where detailed information is provided, if applicable
1	Additionality	CPA shall be additional	<input type="checkbox"/> End users are households, or small farms <input type="checkbox"/> Annual emission reductions per system are estimated to be value [value], no larger than 5 per cent of the small-scale threshold (i.e. 3 kt CO ₂ per year)	
2	Technology	CPA will install biogas digester at individual households or small farms	<input type="checkbox"/> Biogas digester [specify type], with a volume of [cubic meter] <input type="checkbox"/> Annual emission reductions per system are estimated to be [specify value], less than 5 t CO ₂ per year	

Appendix 3. Barriers and transaction costs of PoAs for household technologies

1. A study by Ecofys in 2013 notes that household energy efficiency projects are often located at remote and scattered locations and would incur higher validation/verification related transaction costs. The monitoring, verification and issuance costs for typical renewable electricity generation project are estimated at around € 0.30 to 0.41/tCO₂e in case of an annual verification. In comparison for an average household energy project, these costs can amount up to € 1.68/tCO₂e in case of an annual verification. Furthermore, CDM performance of projects (i.e. the ratio of the number of actually issued CERs to the number of CERs expected in the PDDs) in the case of household energy projects is under 60% resulting in CER revenues lower than expected inflating transaction cost.
2. Another study conducted by Nexus in 2013 that assessed the validation and verification of household CDM project activities noted that “efficiency in the development of carbon projects is a major concern for small-scale project developers; this is especially true when development practitioners act as both project developer and project participant for a given activity. High transaction costs (Fees of Standard Bodies, DOE fees, surveys and equipment) and long lead times to complete the projects’ validation and verification often represent a major barrier to the development of household energy projects in Least Developed Countries (LDCs)”.
3. A study conducted by Ecofys in 2015 surveyed 1,045 project participants and CMEs and noted that “PoAs also report uncertainty around CDM procedures and requirement, costs related to CDM procedures and requirements and access to up front finance as relevant barriers significantly more than normal CDM projects” while also noting the opportunities as “there is a great potential impact from targeting international support to the continuation and expansion of activities under the umbrellas of existing PoAs. The PoA modality has successfully played a role in the development of projects in underrepresented regions”.

Appendix 4. Procedures on erroneous inclusion of CPAs

1. After inclusion, a CPA may be identified ex post as erroneously included by the DOE. In this case, a process to determine erroneous inclusion and compensation by the DOE for erroneously issued CERs will be triggered as detailed below:
 - (a) Under the current rules on review of erroneous inclusion of CPAs, a review shall be requested by a DNA involved in the PoA or a Board member within one year after the inclusion of the CPA into the PoA or renewal of the crediting period of the CPA, or within 180 days after the first issuance of CERs for that CPA, by submitting a completed “CPA inclusion review form” (CDM-CPA-IR-FORM). Such request for review shall be related to issues associated with the compliance of the CPA with the eligibility criteria for inclusion in the PoA as specified in the PoA-DD. (para. 135 of PCP ver. 4.0);
 - (b) If the request for review is added to the agenda of the next Board meeting, the Board shall, at that meeting, taking into account any comments received from the coordinating/managing entity and the including DOE:
 - (i) Exclude the CPA from the PoA with immediate effect if it determines that the CPA was erroneously included in the PoA; and
 - (ii) Initiate a full review if it determines that the consideration of the request for review raises concerns regarding the processes used to include CPAs in the PoA. (para. 139 of PCP ver. 4.0);
 - (c) If the Board initiates the full review, the Board shall establish an assessment team to analyse the DOE’s review report and provide findings and recommendations to the Board. (para. 141 of PCP ver. 4.0);
 - (d) Then, taking into account DOE’s review report and the assessment team’s findings, the Board will decide to exclude any of the CPAs from the PoA if the Board concludes that CPAs have been erroneously included. (para. 139(a) or 143 of PCP ver. 4.0);
 - (e) Where, for any of the CPAs excluded, the Board determines that the including DOE failed to adequately assess their compliance with the eligibility criteria for inclusion in the PoA, the DOE shall acquire and transfer, within 30 days of the exclusion of the CPAs, an amount of emission reduction units (ERUs), CERs, assigned amount units (AAUs) and/or removal units (RMUs) equivalent to the amount of CERs issued for the CPAs as a result of the CPAs having been included, to a cancellation account in the CDM registry maintained by the Board. (para. 145 of PCP ver. 4.0).
2. In order to cope with any potential liability, the CDM Accreditation Standard requires a DOE to have adequate arrangements to cover potential financial risks through (a) Liability insurance; and/or (b) Financial resource reserves, such as bank savings and/or short/long term liquidities.

Appendix 5. Feedback from MP69 and SSC WG50

1. The Methodologies Panel (Meth Panel) at its 69th meeting and the Small Scale Working Group (SSC WG) at its 50th meeting provided feedback on the draft concept note on simplified inclusion process for automatically additional microscale CPAs:

Table 1. Comments from the Meth Panel and the SSC WG on the draft concept note on simplified inclusion process for automatically additional microscale CPAs

Nº	Issue	Feedback at Meth Panel and SSC WG	How they have been addressed
1	Alternative means to the validation by a DOE for inclusion of a microscale CPA (paragraph 22 of the version considered by the MP/SSC WG, paragraph 25 in this document)	<ul style="list-style-type: none"> - The proposed alternative means to the validation by a DOE for inclusion of a microscale CPA, i.e. para 22 (a) expanded scope for the first verification by the DOE and (b) use of pre-approved standardised inclusion template, are complementary to each other (paragraphs 25(a) and 25(b) in this document). - The CME can use the template for inclusion and then the DOE can check the included CPAs at verification. This would ensure environmental integrity and at the same time remove the burden of validation of each CPA 	<ul style="list-style-type: none"> - It is clarified that the two measures go together, i.e. para 22 (a) and 22 (b) both apply (paragraphs 25(a) and 25 (b) in this document).
2	Liability for erroneous inclusion (paragraph 24 of the version considered by the MP/SSC WG, paragraph 29 in this document)	<ul style="list-style-type: none"> - If this simplified inclusion option without hiring a DOE is chosen by a CME, the CME should bear some penalties (e.g. not allowing addition of further CPAs by the CME itself) in case of erroneous inclusion of CPAs 	<ul style="list-style-type: none"> - It is proposed to clarify that if this simplified inclusion option without hiring a DOE is chosen by a CME, the CME should bear some penalties (e.g. not allowing addition of further CPAs by the CME itself) in case of erroneous inclusion of CPAs.
3	A step wise approach to simplified inclusion process for CPAs that satisfy microscale thresholds (paragraph 25 of the version considered by the MP/SSC WG, paragraph 30 in this document)	<ul style="list-style-type: none"> - It is not necessary to limit to three types mentioned in the concept note, and this option can be applied to all types of microscale CPAs 	<ul style="list-style-type: none"> - The 2nd option (i.e. to allow simplified inclusion process for all types of microscale CPAs) is added, for consideration by the Board
4	Top down development of inclusion template (paragraphs 22 and 25 of the version considered by the MP/SSC WG, paragraphs 25 and 30 in this document)	<ul style="list-style-type: none"> - A more elegant and simpler approach is to ask the PoA developer to develop the inclusion template (for any project type) at the PoA development stage. - The CME then uses the template to include the CPA and then the DOE makes the check at verification. - This would simplify the procedures while ensuring environmental integrity 	<ul style="list-style-type: none"> - PoA-DD and generic CPA-DD including an inclusion template may be prepared by a CME and then validated by a DOE and approved by EB at registration

Nº	Issue	Feedback at Meth Panel and SSC WG	How they have been addressed
5	Requirement that environmental analysis and local stakeholder consultations be undertaken both at the PoA level and at each CPA level (paragraph 25 of the version considered by the MP/SSC WG, which has been deleted in this document)	- This is adding more burden to the PoA developers which is not consistent with the request of the CMP to simplify. The current approach that allows the CME to conduct at PoA or CPA level should be adequate. These are project types with co-benefit	- Modified to retain the current flexibility

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Document information

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