

CDM-EB92-AA-A04

Revision of CDM project standard, validation and verification standard and project cycle procedure

Version 02.0



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its sixty-fifth meeting, adopted the “CDM project standard” (PS), “CDM validation and verification standard” (VVS) and “CDM project cycle procedure” (PCP), consolidating, and modifying as appropriate, the existing regulatory documents at that time. To date, the Board has revised each of these documents several times, mainly reflecting the evolving rules for programmes of activities (PoAs) and introducing the rules for carbon dioxide capture and storage project activities, and project activities and PoAs applying standardized baselines.
2. Since its eighty-sixth meeting (EB 86), the Board has been considering various concrete proposals prepared by the secretariat to simplify and streamline the CDM. By EB 90, the Board had agreed on the directions for most of those proposals, and requested the secretariat to prepare revised regulatory documents reflecting the agreed directions.
3. Based on a request from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its eleventh session, the Board, at EB 88, considered options for developing standalone PoA guidance, and requested the secretariat to start developing two sets of regulatory documents, one applicable only for PoAs and the other only for project activities, taking as a basis the provisions of the existing PS, VVS and PCP, and reflecting all new directions and changes agreed by the Board since the last revision of these documents.
4. At EB 91, the Board considered a set of draft PS, VVS and PCP applicable only for PoAs and provided guidance on the areas for revising the drafts.

2. Purpose

5. The purpose of the revision of the PS, VVS and PCP is to generally simplify and streamline the CDM regulations, as well as to accommodate the request from the CMP at its eleventh session with regard to the development of standalone PoA guidance.

3. Key issues and proposed solutions

3.1. General

6. The draft revised PS, VVS and PCP contained in appendices 3–5 are the set of these documents applicable only for project activities and those in appendices 6–8 are the set applicable only for PoAs. The latter set is a revised version of that had been presented at EB 91, reflecting the guidance of the Board provided at that meeting. The former set also reflects the Board’s guidance at EB 91 where applicable.
7. In conjunction with the revision of the PS, VVS and PCP, two other regulatory documents, namely the “Standard: Sampling and surveys for CDM project activities and programmes

of activities” and the “Glossary: CDM terms” have also been revised to accommodate the changes made to the PS, VVS and PCP. The drafts of these revised documents are published as annexes 5 and 6 respectively to the annotated agenda of EB 92.

8. The draft revised PS, VVS and PCP reflect or incorporate the following:

- (a) The directions of changes for the simplification and streamlining of the CDM agreed by the Board based on the considerations of:
 - (i) “Concept note: Proposals for simplification and streamlining of the CDM” (presented at EB 86);
 - (ii) “Concept note: Revised proposals for simplification and streamlining of the CDM (first batch)” (presented at EB 87);
 - (iii) “Concept note: Revised proposals for simplification and streamlining of the CDM (second batch)” (presented at EB 88);
 - (iv) “Concept note: Revised proposals for simplification and streamlining of the CDM (third batch)” (presented at EB 89);
 - (v) “Concept note: Progress of the work on the simplification and streamlining of the CDM” (presented at EB 90);
 - (vi) “Revision of CDM project standard, validation and verification standard, and project cycle procedure” (presented at EB 91);
- (b) The structure of revised PS, VVS and PCP agreed by the Board based on the consideration of the “Concept note: Options for developing programme of activities guidance” (presented at EB 87);
- (c) Other changes agreed by the Board with regard to:
 - (i) Voluntary monitoring of sustainable development co-benefits (EB 82 report, para. 43);
 - (ii) Timing of local stakeholder consultation (EB 85 report, para. 69(a));
 - (iii) Improving stakeholder consultation processes (EB 86 report, annex 12);
 - (iv) Updating the status of validation and verification (EB 89 report, para. 13);
 - (v) Applicability of pro rata approach to issuance of temporary certified emission reductions (tCERs) and long-term certified emission reductions (ICERs) (EB 89 report, para. 49);
 - (vi) Reducing the risk of disputes and irregularities in the modalities of communication processes (presented as part of the concept note referred to in subparagraph (a)(v));
- (d) Relevant existing regulatory documents:
 - (i) “Standard: Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities” (version 04.0);

- (ii) “Standard: General principles for bundling” (version 03.0);
 - (iii) “Amendment to version 09.0 of the CDM project standard” (issued at EB 86);
 - (iv) “Amendment to version 09.0 of the CDM project cycle procedure” (issued at EB 86);
 - (v) “Clarification: Renewal of crediting period of registered CDM project activity that has not been implemented in the first crediting period” (issued at EB 82);
 - (vi) “Clarification: New project activity in the same physical or geographical location at which a project activity whose crediting period has expired existed” (issued at EB 83);
 - (e) General editorial and consistency improvement.
9. In the draft revised PS, VVS and PCP, the parts that include substantive changes to the currently effective versions are highlighted in yellow. Obvious changes that are necessary to create separate versions for project activities and for PoAs, such as removing “coordinating/managing entity”, “PoA” and “CPA” for the project activity version, or removing “project participants” and “project activity” from the PoA version, and general editorial improvement are not highlighted. Section, paragraph and subparagraph numbers have been renumbered after the deletion, addition and reposition of them.
10. The tables in appendix 2 show the sources of all paragraphs in the draft revised PS, VVS and PCP.

3.2. Remaining specific issues

3.2.1. Timing of local stakeholder consultation

3.2.1.1. Background

11. The current requirement regarding the timing of local stakeholder consultation is: “Project participants or the coordinating/managing entity shall complete the local stakeholder consultation process before the start date of the project activity, PoA or CPA, as defined in the “Glossary of CDM terms” and submitting the PDD or PoA-DD of the proposed CDM project activity or PoA to a DOE for validation”.
12. The condition “before the start date of the project activity, PoA or CPA, as defined in the “Glossary of CDM terms”” was introduced in the latest version of the PS (version 09.0, para. 78), which became mandatory on 27 November 2015. This change was based on the Board’s consideration on improving global and local stakeholder consultation processes at EB 69 and EB 70. The intent of introducing such condition appears to be to ensure that comments received from local stakeholders can be appropriately reflected during the “design phase” of the project activity or PoA/CPA.
13. However, for the project activities, PoAs or CPAs, for which the project participants or the coordinating/managing entities (CMEs) had already completed local stakeholder consultation after the “start date” of the project activities, PoAs, or CPAs when this condition was introduced, the condition is posing unresolvable situation, since for these cases, the “start date” is already in the past, hence cannot go back in time to redo local stakeholder consultation. Also, due to some degree of ambiguity of the definition of “start

date”, it appears that this condition makes it difficult for DOEs to assess whether the timing of the local stakeholder consultation meets this condition, making it difficult for DOEs to make an objective judgement.

14. Recognizing the situation referred to in paragraph 13 above, the Board, at EB 85, agreed to reconsider this requirement at the next revision of the PS, and in the meantime to allow project participants and CMEs of the project activities and PoAs where the local stakeholder consultation had not been carried out before the start date to request for an exemption from this requirement on a case-per-case basis until the revision of the PS becomes effective. For this, project participants or CMEs may submit a communication to the Board with such requests following the “Procedure: Direct communication with stakeholders” (version 02.0).
15. The Board, at EB 91, requested the secretariat to further analyse the feasibility of the current requirement that the project participants or the coordinating/managing entity shall complete local stakeholder consultation before the “start date” of the CDM project activity, PoA or CPA, and, if appropriate, propose an alternative to this requirement.

3.2.1.2. Conceptual conflict

16. There is an apparent conceptual conflict between this requirement, domestic rules and objectives of local stakeholder consultation and the definition of “start date”. According to the “Glossary: CDM terms”, for a CDM project activity or CPA, “start date” is the earliest date at which either the implementation or construction or real action of the CDM project activity or CPA begins. For a PoA, “start date” is the date on which the coordinating/managing entity officially notifies the secretariat and the DNA of the host Party its intention to seek the CDM status or the date of publication of the PoA-DD for global stakeholder consultation. This definition implies that the “start date” is quite an early stage of the project or programme development, and in some cases, sufficient information about the project activity or PoA/CPA, including their detailed design is not available at that stage, making the local stakeholder consultation not being meaningful.
17. According to the PS, the project participants or the coordinating/managing entity shall conduct the local stakeholder consultation in accordance with applicable national regulations, if any. Many jurisdictions have also defined rules for CDM specific local stakeholder consultation processes to ensure that local communities can express their views of the proposed CDM project activity or PoA/CPA. These domestic regulations commonly require adequate information and documentation, such as draft PDDs, PoA-DDs or CPA-DDs. Developing such documents requires detailed project studies that are often not available before the “start date”.

3.2.1.3. Recommendation to the Board

18. With regard to the condition ““before the start date of the project activity, PoA or CPA, as defined in the “Glossary of CDM terms”, the Board may wish to consider the following three options and decide on one from them:
 - (a) Option 1: Replace it with “before the implementation of the proposed CDM project activity, PoA or CPA when it is still possible to accommodate comments from local stakeholders”;

- (b) Option 2: Replace it with “at the design phase of the proposed CDM project activity, PoA or CPA when it is still possible to accommodate comments from local stakeholders”;
- (c) Option 3: Remove this condition (and keep only “before submitting the PDD/PoA-DD/CPA-DD of the proposed CDM project activity/PoA/CPA to a DOE for validation”).

3.3. Deregistration of programme of activities

3.3.1. Background

- 19. The process for voluntary deregistration of a CDM project activity was introduced in the latest version of the PCP (version 09.0, section 10), which became effective on 1 April 2015. However, currently there is no comparable process for deregistration of a CDM PoA.
- 20. The Board, at EB 91, requested the secretariat to analyse the feasibility of, and if feasible, to propose possible provisions for a process of deregistration of a CDM PoA.

3.3.2. Implications of deregistration of programme of activities

- 21. Participation in the CDM is voluntary, hence moving out of the CDM should also be allowed. However, it should be noted that a PoA is a framework, on which all included CPAs are based to generate actual emission reductions or removal enhancements, and consequently certified emission reductions (CERs). If a PoA is deregistered, the included CPAs will also lose the CDM status, hence no more CERs could be generated thereafter.
- 22. At the CPA level, there currently exist processes for excluding erroneously included CPAs and for voluntarily excluding CPAs from a PoA in the PCP (version 09.0, sections 6.1.2 and 6.2 respectively). Therefore, if the CME and the project participants of a PoA wish to stop generating CERs under the CDM, they can already do so by voluntarily excluding all CPAs from the PoA. It would have the same effect as deregistration of the PoA in terms of CER generation.
- 23. Deregistering a PoA without voluntarily excluding all included CPAs beforehand would allow all the CPAs to move out from the CDM in one go, hence may be seen as a simple process if those involved in the PoA (the CME, project participants and other implementers of CPAs) wish to drop the CDM status as soon as possible. However, it could pose more risk of infringing the rights and interests of all project participants and implementers of CPAs due to potential lack of understanding of the implications of deregistration of the PoA for their CPAs. The risk would become high if a PoA includes a large number of CPAs, as it could involve a large number of project participants and implementers of the CPAs.

3.3.3. Recommendation to the Board

- 24. The Board may wish to introduce a process for deregistration of a CDM PoA with the following conditions:
 - (a) All CPAs included in the PoA have been voluntarily excluded before the request for deregistration;
 - (b) There is no objection of the DNA(s) of the host Party(ies) of the PoA to the deregistration;

- (c) The PoA will be deregistered upon the complete submission of a request for deregistration. The Board will be notified accordingly;
- (d) Monitoring reports and requests for issuance for the PoA cannot include emission reductions or removal enhancements achieved by voluntarily excluded CPAs for the period after their exclusion;
- (e) Three years of administration period will be provided after the deregistration, in which the secretariat, the Board and the CME may communicate to settle any outstanding issues, including the issuance of CERs that is based on the emission reductions or removal enhancements achieved before the effective date of voluntary exclusion of CPAs from the PoA.

4. Impacts

- 25. Revised PS, VVS and PCP would benefit all stakeholders, as well as the Board and the secretariat, due to simplified and streamlined CDM regulations and improved consistency, clarity and comprehensiveness.

5. Proposed work and timeline

- 26. Upon the adoption by the Board of the two sets of revised PS, VVS and PCP and other affected regulatory documents, the secretariat will prepare for the implementation of the revised regulatory framework as elaborated in appendix 1.

6. Recommendations to the Board

- 27. The Board may wish to adopt the two sets of revised PS, VVS and PCP and other affected regulatory documents referred to in paragraphs 6 and 7 above.
- 28. The Board may wish to agree on the transitional arrangement of regulations referred to in section 4 of the implementation plan as contained in appendix 1, and request the secretariat to prepare for the implementation referred to in section 3 of the implementation plan.

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The above-mentioned appendices are available at

<https://cdm.unfccc.int/Meetings/MeetingInfo/DB/K6W5GEI2SMV7LOR/view>.