

**CDM-EB84-AA-A01**

## Concept note

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# Direction for simplification and streamlining of the CDM

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## 1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its eighty-second meeting (EB 82), considered the concept note on “Simplification of the project submission, registration and issuance processes and further opportunities for streamlining of the CDM”. The concept note included the following products as deliverables under this project:
  - (a) Proposal for simplification and streamlining of the CDM;
  - (b) Recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) on simplification and streamlining of the CDM;
  - (c) Use of the CDM infrastructure in other fields;
  - (d) Consolidated and streamlined set of provisions for programmes of activities (PoAs).
2. The Board agreed to the proposal contained in it, subject to the following guidance:
  - (a) The Board confirmed that a holistic approach, with a priority on the project cycle, is needed in this work and requested the secretariat to launch a call for public input after that meeting (EB 82) on issues in the regulations and operation of the CDM that need to be addressed;
  - (b) The Board requested the secretariat to prepare a concept note, for consideration by the Board at EB 84, proposing issues to be addressed and ideas for possible changes;
  - (c) The Board further agreed to decide, at EB 84, on the necessity of a workshop to consult with stakeholders on the proposed simplification and streamlining of the CDM;
  - (d) The Board also noted that, while amendments to some specific regulations could be considered by the Board this year, others will need to be considered in 2016, for example, any full revisions to the CDM project standard (PS), CDM validation and verification standard (VVS) and CDM project cycle procedure (PCP).
3. In accordance with the guidance from the Board as referred to in paragraph 1(a) above, the secretariat launched a call for public input on 26 February 2015 on issues in the regulations and operation of the CDM that need to be addressed. The call was closed on 26 March 2015, and received 12 submissions. All inputs in the submissions are contained in the appendix.

## 2. Purpose

4. The project aims to simplify and streamline the CDM, while maintaining or improving environmental integrity, in order that:
  - (a) Transaction costs incurred through participation in the CDM are reduced;
  - (b) The cost efficiency in the regulation of the CDM is increased;

- (c) The uptake of the CDM is increased and preserved over the long term;
  - (d) The use of the CDM infrastructure in other fields is increased, in particular for result-based finance.
5. This concept note is intended for the preparation of the product referred to in paragraph 1(a) above (“proposal for simplification and streamlining of the CDM”). The concept notes for the preparation of the products referred to in paragraphs 1(c) (“use of the CDM infrastructure in other fields”) and 1(d) above (“consolidated and streamlined set of provisions for PoAs”) are developed separately as annexes 3 and 2 respectively to the annotated agenda of EB 84.

### 3. Key issues and proposed solutions

#### 3.1. Approach

6. Based on the approach proposed in the concept note referred to in paragraph 1 above, the secretariat commenced a value-added and cost-benefit analysis of the following key requirements and processes that form the current CDM regulatory framework:
- (a) The requirements for the development and implementation of project activities and programmes to be registered as CDM project activities and PoAs, by analysing the **PS (version 09.0)**, “**Standard: Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities**” (version 03.0) and the “**Standard: Sampling and surveys for CDM project activities and programme of activities**” (version 04.1);
  - (b) The requirements for validation of project activities and PoAs and for verification of monitored emission reductions or removal enhancements, by analysing the **VVS (version 09.0)**;
  - (c) The process of handling requests for registration, issuance, post-registration changes, renewal of crediting period and other steps in the CDM project cycle, by analysing the **PCP (version 09.0)**;
  - (d) The process of developing, revising and clarifying baseline and monitoring methodologies and methodological tools, by analysing the “**Procedure: Development, revision and clarification of baseline and monitoring methodologies and methodological tools**” (version 01.1) and “**Procedure: Development, revision, clarification and update of standardized baselines**” (version 03.1);
  - (e) The process of acknowledging third-party independent validation/verification bodies, including their initial accreditation, regular surveillance and reaccreditation, by analysing the “**CDM accreditation standard**” (version 06.0) and the “**CDM accreditation procedure**” (version 11.0).
7. The analysis commenced by the secretariat is developing a non-exhaustive list of areas whose simplification and streamlining may be worth considering. The list will also cover those areas that would address the following specific requests from the CMP:

- (a) “Requests the Executive Board, based on the experience gained through the application of materiality, as defined in decision 9/CMP.7, and in consultation with the Designated Operational Entities/Accredited Independent Entities Coordination Forum, to review the concept of materiality in the verification process and, if applicable, how it can be further applied in the clean development mechanism” (**decision 3/CMP.9, para. 21**);
- (b) “Further requests the Executive Board to further analyse options to allow the simplified registration of project activities and programmes of activities that qualify as automatically additional and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration: the options would include, inter alia, that registration is approved on the basis of a standardized pre-approved registration template using objective criteria without prior validation through a designated operational entity, combined with ex post confirmation by a designated operational entity during the first verification of the compliance with the registered template of the implemented project activity or programme of activities” (**decision 4/CMP.10, para. 13**);
- (c) “Requests the Executive Board to analyse the implications, and possible provisions for ensuring environmental integrity, of allowing the same designated operational entity to carry out validation and verification for the same project activity or programme of activities of all scales and report back on this matter to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration” (**decision 4/CMP.10, para. 14**);
- (d) “Also requests the Executive Board to consider adjusting, and if appropriate implement, the rules governing programmes of activities to reflect the special features of programmes of activities in order to facilitate effective implementation and reduce associated transaction costs while ensuring environmental integrity, taking into account the implications for liability with regard to the issuance of certified emission reductions resulting from significant deficiencies in validation, verification and certification reports, including rules that:
  - (i) Apply microscale thresholds at the unit level rather than at the component project activity level;
  - (ii) 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:
  - (iii) Validation of a programme of activities without the submission of a specific-case component project activity;
  - (iv) Inclusion on the basis of a pre-approved standardized inclusion template of component project activities carried out directly by the coordinating/managing entity without prior validation through a designated operational entity” (**decision 4/CMP.10, para. 18**);

- (e) “Requests the Executive Board to explore and analyse options to improve accreditation of operational entities in regions underrepresented in the clean development mechanism, and report back on this matter to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session for its consideration” (**decision 4/CMP.10, para. 19**).

### 3.2. General direction for simplification and streamlining

- 8. To identify specific requirements or processes that could be simplified or streamlined, it is important to first consider the general direction and main focus of simplification and streamlining in order to maintain coherence and focus when identifying specific changes. The possible general direction and main focus for each area of key requirements and processes referred to in paragraph 6 above are discussed below, which are based on initial results of the value-added and cost-benefit analysis and inputs received during the call for public input referred to in paragraph 3 above:

- (a) **The requirements for the development and implementation of project activities and programmes to be registered as CDM project activities and PoAs:**

- (i) Before registration of a project activity or PoA under the CDM, there are many requirements that the project participants or the coordinating/managing entity have to demonstrate compliance with and the specifications they have to elaborate or fix. For some cases, this contributes to a long lead time before registration or to frequent post-registration changes. Therefore, it is worth reviewing current ex ante registration requirements to determine which of them could be postponed until after registration, made simpler, or more flexible. Some considerations in this regard include the following:
  - a. Letter of approval (LoA). Currently, at least an LoA from the host Party needs to be obtained and validated before the submission of a request for registration. The process and conditions for obtaining an LoA are set by the designated national authority (DNA) of a Party involved, which often results in a lengthy process and significant delay in the submission of a request for registration. Allowing a later submission of an LoA, for example any time before registration, or any time up to the first request for issuance, may be considered. Alternatively, an LoA may be replaced by a simple consent or no objection from the Parties involved, which can be part of the process of handling by the Board and the secretariat of a request for registration;
  - b. Crediting period. Currently, there are only two types of crediting period for a project activity or component project activity (CPA) (seven years renewable twice or ten years fixed) and this needs to be fixed ex ante. Only the change to its start date by a limited maximum period is allowed post-registration. As the crediting period significantly affects the certified emission reduction (CER) crediting potential, rules on crediting periods could be changed to be more flexible while ensuring environmental integrity, for example by

introducing a flexible length of crediting period with regular updates of methodology, baseline, etc., extending the period for adjusting the start date, or changing the type of crediting period after registration;

- c. Baseline and additionality. One of the complexities in developing a CDM project activity or PoA is setting an appropriate baseline, calculating emission reductions or removal enhancements correctly and demonstrating additionality. As these aspects are based on a hypothetical scenario, and hence there is no “absolute accuracy”, it is worth investigating how to better balance the accuracy and the time and cost efficiency without compromising environmental integrity. Some approaches are already implemented to pursue standardization of baselines and additionality demonstration, for example by developing more standardized baselines and expanding “positive lists” of project types that are automatically deemed additional, both with conservative assumptions;
- d. Monitoring. Currently, monitoring parameters and modalities have to be detailed in the monitoring plan, and they have to be implemented exactly as per the monitoring plan after registration. This does not allow the project participants or the coordinating/managing entity to address various issues that prevent the correct implementation of the approved monitoring plan, which may arise at the implementation stage, unless a revised monitoring plan is approved through the post-registration change process. Such issues include problems of measuring specific parameters, changes or malfunction of equipment, problems with the monitoring frequency, problems archiving the information, etc. Although the Board recently changed the rule on the timing of submission and validation of a monitoring plan,<sup>1</sup> monitoring requirements may be further simplified to allow a higher degree of flexibility and to provide the project participants or the coordinating/managing entity with cost-effective and simpler options that they may choose ex post according to each specific monitoring issue (e.g. use of default values, default adjustment factors, indirect methods to derive a parameter, etc.);

**(b) The requirements for validation of project activities and PoAs and for verification of monitored emission reductions or removal enhancements:**

- (i) Currently the minimum requirements for a designated operational entity (DOE) to follow when performing validation or verification are contained in the VVS, in the form of “validation (verification) requirement”, “means of validation (verification)” and “reporting requirement”. Most validation and verification requirements are a mirror of requirements in the PS to ensure that a DOE checks whether a proposed project activity or PoA, or monitored emission reductions or removal enhancements, meet all the

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<sup>1</sup> Based on the decision of the CMP at its tenth session, the Board changed the rule on the timing of submission and validation of monitoring plan to make it more flexible (at any time up to the first request for issuance).

relevant requirements placed on the project participants or the coordinating/managing entity. While this comprehensiveness of the VVS helps DOEs in conducting validations and verifications for various cases in a consistent manner, it also creates some inflexibility. For example, some “means of validation (verification)” may not be the most efficient ways or could have been left to the professional judgement of DOEs. Therefore, it is worth reviewing the requirements in the VVS and simplifying them, as appropriate;

- (ii) Checking the information and data that have no material impact on environmental integrity needlessly increases the efforts required by a DOE for validation or verification, which ends up in higher transaction costs and longer lead time for the project participants or the coordinating/managing entity. Based on the decision by the CMP at its seventh session, the Board has introduced materiality provisions for verification of project activities. Following the request by the CMP at its ninth session, it should be considered to expand the application of the materiality concept to verification of PoAs and to validation of both project activities and PoAs;
- (iii) The value of validation or verification is to obtain an independent assessment opinion on whether the proposed project activity or PoA, or monitored emission reductions or removal enhancements, meet the relevant requirements for the development and implementation of CDM project activities or PoAs. As long as the assessment is conducted in an objective and impartial manner they should serve the purpose. Therefore, it is worth reviewing the restrictions placed on DOEs to remove or simplify those that will not have much impact on the impartiality and objectivity of DOEs’ validation and verification, or can be replaced by other means to ensure impartiality and objectivity, for example by automatically allowing a DOE to perform both validation and verification functions for the same project activity or PoA regardless of the scale under certain conditions;

**(c) The process of handling requests for registration, issuance, post-registration changes, renewal of crediting period and other steps in the CDM project cycle:**

- (i) The current processes of handling requests for registration, issuance, post-registration changes, renewal of crediting period and other steps in the PCP (hereinafter referred to as the project cycle) reflect the practical experience gained by the Board, the secretariat and stakeholders over the years. However, some of the steps may not be effectively serving the intended purposes and hence could be removed or merged with the adjacent steps to reduce the number of steps. Also, electronic means could be further utilized for the steps involving the Board’s consideration on specific requests. Furthermore, some of the timelines for the steps may be unnecessarily long. Therefore, it is worth reviewing the steps and timelines with a view to reducing the steps and timelines;
- (ii) Currently, all project activities and PoAs have to follow the same project cycle regardless of the project type, with a few exceptions for PoAs due to their specific nature (e.g. inclusion of CPAs). However, for the project



activities and PoAs that have a low environmental integrity risk (e.g. project activities and PoAs that qualify as automatically additional), a facilitated process may be introduced, such as automatic registration after the completeness check, postponement of validation by a DOE until the first issuance, etc.;

- (iii) The conditions and the process for post-registration changes is one of the areas on which the secretariat receives many enquiries from project participants, coordinating/managing entities and DOEs, indicating that the current conditions or the process is not clear or unreasonable considering the gravity of changes. Therefore, there is an urgent need to review, clarify and streamline them, for example by clearly defining and expanding the types of post-registration changes that would not require prior approval by the Board;
- (iv) The level of registration and issuance fees for covering the administrative expenses for operational functions of the CDM have remained unchanged since the beginning of the operation of the CDM. The timing of payment of fees, and the amount levied as compared to regulatory and administrative efforts required, including costs incurred, may need to be reviewed;

**(d) The process of developing, revising and clarifying baseline and monitoring methodologies and methodological tools:**

- (i) Technical accuracy is of utmost importance for methodologies and methodological tools, as it affects the eligibility of projects/programmes to be registered under the CDM and the number of CERs they are entitled to be issued. To increase the user-friendliness and understanding of methodologies, the Board developed a “CDM methodology booklet” in recent years. Nevertheless, further efforts could be made to make methodologies and methodological tools more user-friendly, for example by enhancing their clarity and simplifying the language, to improve compliance and decrease the need of clarifications;
- (ii) Currently, a request for registration of a project activity or PoA has to apply a methodology that has been approved by the Board. If no applicable approved methodology exists, a new methodology has to be proposed and approved prior to its application to a proposed CDM project activity or PoA in a request for registration. This possible two-step process inevitably takes time. As streamlining measures, firstly, the current process for approving a new or revised methodology could be reviewed with a view to reducing the time required to complete the process for each case. Also, it is worth investigating a “hybrid approach” whereby a request for registration or post-registration changes can be combined with the proposal of a new or revised methodology. Such process and conditions could be drafted with possible implications on the cost, time, environmental integrity and operational complexity;

**(e) The process of acknowledging third-party independent validation/verification bodies, including their initial accreditation, regular surveillance and reaccreditation:**

- (i) Currently, the system and the competence of DOEs for performing validations and verifications are checked prior to their accreditation and are monitored through various means (performance assessments, regular surveillance and reaccreditation) under the CDM accreditation framework, as well as the DOE performance monitoring based on the submissions of requests for registration, issuance and other requests in the CDM project cycle. Furthermore, the quality of the submissions is checked by the secretariat, and for review cases, also by external experts on the Registration and Issuance Team roster. While these multiple checks contribute to ensuring environmental integrity of the project activities and PoAs registered under the CDM and the issuance of CERs, they could be reviewed, and if necessary adjusted, to ensure that the quality assurance process as a whole remains appropriate and proportional to the risk being mitigated;
- (ii) At the outset, the CDM accreditation standard and procedure were influenced after comparison to international practices of accreditation of environmental management system certification bodies, but have now evolved separately over the years as the Board gained experience. In the meantime, other international standards in the areas of climate change including requirements for accreditation of greenhouse gas (GHG) validation and verification bodies have also been developed (e.g. ISO 14064/65). Therefore, it may be opportune to check compatibility with such international standards and, if appropriate, to explore options for synergies with them;
- (iii) One of the key changes made in the CDM accreditation standard when it was revised to version 05.0 in 2013 was the significant move from qualification-based to competence-based assessor qualification, following similar movements in other international standards, in order to be more effective in ensuring the quality of products. However, demonstrating competence through this approach has been found to be a challenge for DOEs as it is less quantifiable and requires continuous effort. Based on this, a standardized approach for demonstrating the competence of DOEs could be developed.

9. Some inputs received during the call for public input proposed measures to increase the support provided to certain countries. These included facilitated access to CDM regulatory documents and decisions, increased technical and financial support, and capacity-building for increasing locally-based DOEs, in the countries underrepresented in the CDM.

## **4. Impacts**

10. The project can be expected to benefit all stakeholders in the CDM, particularly project proponents and DOEs, due to increased efficiency and hence lower transaction costs in registration/issuance, validation/verification and accreditation. The project can also be expected to reduce costs for the Board and the secretariat due to the simplified/streamlined operation of the CDM processes.

11. The project can also be expected to provide a basis for increased uptake of the CDM and to provide a strong basis for its continued operation.
12. The project contains many activities requested by the CMP as indicated in paragraph 7 above. For most of these activities, the CMP requested the Board to make recommendations or report back on their implementation to the CMP. Additionally, the work under this project is expected to highlight other aspects of past CMP decisions that would need to be modified to simplify and streamline the CDM, for which the Board may wish to make further recommendations to the CMP.

## 5. Subsequent work and timelines

13. Based on the general direction and focus agreed by the Board in each area listed in section 3.2 above, the secretariat will elaborate concrete ideas of changes for each area in the final product (options for simplification and streamlining of the CDM).
14. The table below lists the products related to the work presented in this concept note. In preparing the final product on the options for simplification and streamlining of the CDM (product (1)), draft recommendations to the CMP referred to in paragraph 12 above (product (2)) will also be prepared.
15. Based on the agreement by the Board at EB 82, the Board will reflect some of the agreed changes into the Board's regulations and operations later this year and in 2016.

Product	EB 84	EB 85	EB 86	EB 87	2016
(1) Options for simplification and streamlining of the CDM	Concept		Final	To be reflected in regulations	To be reflected in regulations
(2) Recommendations to the CMP on simplification/streamlining of the CDM			Final	To be reflected in regulations	To be reflected in regulations

## 6. Recommendations to the Board

16. The secretariat recommends that the Board consider and endorse the general direction and focus for simplification and streamlining of the CDM proposed in section 3.2 above and provide further feedback as appropriate.
17. The secretariat also recommends that, based on the agreement at EB 82, the Board decide on the necessity of organizing a stakeholder workshop on this subject.

## Appendix . Inputs received from the call for public input on the simplification and streamlining of the CDM

**Table. Inputs received from the call for public input on the simplification and streamlining of the CDM**

#	Issue	Proposed change	Submitter
<b>(a) The requirements for the development and implementation of project activities and programmes to be registered as CDM project activities and PoAs</b>			
1	<p>1) The Project Cycle Procedure (PCP), Project Standard (PS) and Validation and Verification Standard (VVS) documents have several issues in common and whenever an issue is revised, usually all 3 documents have to be updated to ensure compatibility. In addition, whenever a reader needs to search for a specific topic in order to clarify a particular doubt, it is never clear where (which document) the referred information could be found, thus, making the reader to assess all 3 documents (PCP, PS and VVS) in order to make sure s/he is covering all necessary aspects. Therefore, it doesn't make sense to keep PCP, PS and VVS separated.</p> <p>2) In addition to the identified redundancies, the PCP, PS and VVS frequently refer to each other (e.g. the PS stating that a determined rule shall be in accordance with another process as defined in the PCP or vice-versa). One example of this is the renewal of the crediting period, where complementary information can be found among PCP, PS and VVS.</p> <p>3) The fact that "Amendments" to these documents are often published in separate documents, (e.g. "CDM-EB80-A06-AMEN"), PS (e.g "CDM-EB80-A05-AMEN") and VVS (e.g. "CDM-EB80- A05-AMEN") leads to further confusion and implies</p>	<p>1) It is proposed to merge the PCP, PS and VVS into one/single document that could be divided in different sections to address different issues. Proposed name: "Guidelines for CDM Activities". Text repetitions and redundancies would be eliminated to create a single reference document. Such a document can still offer specific information where necessary and applicable for different processes, i.e. for stand-alone CDM project activities and for PoAs/CPAs, for instance.</p> <p>2) All the information related to the same topics should be the simplified, consistent and found centralized in a single document.</p> <p>3) All "Amendments" of each PCP, PS and VVS should be incorporated in the same document rather than in a separate document. In case any such amendments are subject to a grace period, versions and validity dates of the document can be defined. In addition, differences between versions can be highlighted as already applicable for CDM methodologies.</p> <p>We believe that the presented proposal will ensure common understanding of applicable CDM rules for project participants,</p>	PD Forum Ltd.

#	Issue	Proposed change	Submitter
	the risk that crucial information is being missed or misinterpreted.	project developers, stakeholders, reduce risk for misinterpretation and disputes and this increase the efficiency of the process.	
2	PoAs are in many ways different from single CDM project. To recognize differences and enable simplifications, PoAs should have their own standard and project cycle.	Consolidate sections relevant to PoAs in the CDM Project Standard, the CDM Validation and Verification Standard and the CDM Project Cycle Procedure into a single standard for PoAs.	African DNA Forum
3	The existing rules have emerged bottom-up through project-based approaches and thus have not been designed to take into account the specific features of PoAs, including their dynamic and diverse nature and consequent need for flexibility (besides manageable transaction costs) in design and implementation. A fresh look at the existing rules from the perspective of PoAs can identify opportunities to develop streamlined, consolidated and consistent rules and procedures specifically customised for PoAs	<p>Prepare separate PoA standards and procedures (rather than PoA sections in the CDM standards and procedures); this option is preferred to reflect PoAs as opposed to projects</p> <ul style="list-style-type: none"> <li>• Implementation of CMP guidance by Q 2 2015 with regards to application of micro-scale thresholds at the unit level rather than at the CPA level.</li> <li>• Develop criteria (possibly at methodology level) for applying small-scale thresholds at the unit level rather than the CPA level, as appropriate.</li> <li>• Allow for the option for simplified validation and registration for micro-scale, automatically additional activities without specific-case CPA using standardised inclusion by CME without prior validation by DOE.</li> <li>• Allow for unlimited flexibility for verification schedules for individual CPAs within a PoA.</li> <li>• Conduct a systematic analysis to identify unnecessary barriers (restrictions, costs, uncertainties, timelines) to post-registration changes of PoAs and options to address them. This assessment should include a systematic analysis of the PoA rules and procedures.</li> </ul>	PoA Working Group
4	Letter of approval for POA The CDM requires a CME or project participant to obtain a LOA from each Party involved in the proposed CDM project activity or	In order to simplify this process, we would like to request the CDM to consider allowing (in the case of multi country PoAs), the CME to only provide a LoA for the Party where the Specific	Carbon Africa Limited

#	Issue	Proposed change	Submitter
	POA. Obtaining LOAs from multiple parties is a time consuming effort that could also result in project delays especially where the DNA is not corporative, available or has a clear process through which the LOA can be obtained.	CPA is located pre registration. The other LOAs could be provided post registration. Alternatively and as mentioned above, the CDM could also allow the CME to provide all the LOAs post registration.	
5	Requirement for a Host Country Letter of Approval. This is a time consuming and difficult process that is contributing to corruption.	Request for LoA should be issued to the UNFCCC secretariat based on a Standard PIN. The UNFCCC secretariat should then forward the request for LoA to the relevant host country DNA. DNA should be given 10 days to issue an objection to the requested project to be approved, and failure to provide such an objection should result in automatic approval of the proposed project. It should be clarified that a LoA is not an approval to implement the project, it is simply an approval that the project might generate carbon credits as part of the Clean Development Mechanism if it is implemented.	Havard Norstebo (Consultant)
6	DNA approval of projects can take up to 2 years; UNFCCC has no ability to influence DNAs to make a decision. Implications: DNAs can effectively hold PPs to ransom.	DNAs are required to report on what projects they are reviewing and reasons for indecision to UNFCCC/COP/RCC regularly.	co2balance UK Ltd
7	Post registration validation LOA The CDM requires the project participants or CMEs to obtain a LOA from the DNA of Parties involved in the proposed CDM project activity. This LOA is submitted prior to project validation. If the LOA is not provided then a project cannot be registered. In cases where the Parties involved in the proposed CDM project activity are not able to (due to reasons beyond the project developers control e.g. revision of LOA procedural steps, or lack of capacity at the DNA office) issue an LOA then the project developer is stranded, as the project cannot be registered and the validator cannot issue a positive validation opinion.	We would like to request the CDM to look into this issue and allow for the delayed validation of LOA. Just like the requirements for validation of the monitoring plan were revised to allow the project developer have to have the monitoring plan validated either pre or post registration, we propose that a similar approach be used in the validation of the LOA.	Carbon Africa Limited -

#	Issue	Proposed change	Submitter
	At such a point the project developer has already incurred huge costs e.g. consultancy fees as well as DOE fees. In such cases, the DOE might wish to terminate their validation contract with the project developer. This termination would result in the project developer having to contract another DOE to perform and complete the validation services once the LOA is obtained.		
8	ODA proof and validation CDM requires that in cases where public funding from Parties included in Annex I to the United Nations Framework Convention on Climate Change is involved for projects, the project participants or the coordinating/managing entity shall provide an affirmation obtained from Parties included in Annex I that such funding does not result in a diversion of official development assistance, and is not counted towards the financial obligations of those Parties. It really can take a very long time to get this letter from the party involved in the project. This can lead to delays in the project development and high costs as a result of delayed registration and longer contracting period with the DOE and consultancy firms.	The CDM should consider designing a template that will be used by all projects for declaration of non-diversion of ODA as is done by the Gold Standard. The project developer would sign the letter. Alternatively CDM could consider allowing the project developer to submit the ODA letter post registration. This would allow for more time to follow up on the letter from the necessary parties and not jeopardize the project by extending validation contracts and delaying registration.	Carbon Africa Limited
9	Determine if a project activity is receiving ODA. This simply increases the transaction cost associated with the Clean Development Mechanism, and it increases the cost of the donor to determine where their funding is allocated. This provides no value to the clean development mechanism or to the projects.	This requirement should be removed altogether. Alternatively an independent 3rd party should determine if projects receive ODA as part of the process to determine if projects are additional. If projects to receive ODA, stricter requirements should be required before a project is perceived as additional.	Havard Norstebo (Consultant)
10	If the project contributes to development. This is an objective statement and it is not quantified how substantial the development value has to be. As such all projects can justify that they contribute to development value, and as such this simply adds to the cost of applying for CDM approval and increases the transaction cost	UNFCCC should specify how much development value that should be required for project to be approved as a CDM project. This value should be relative to the expected number of carbon credits to be issued from the proposed project activity. UNFCCC could rule that project has to have a net development	Havard Norstebo (Consultant)

#	Issue	Proposed change	Submitter
	without providing any value to the program. The fact that all projects can justify that they contribute to development reduce the faith in the Clean Development Mechanism and is the main reason why alternative carbon programs have been developed.	value in addition to reduction of GHG emission of no less than \$xx for each CER to be expected to be issued from the program. UNFCCC should engage an independent 3rd party consultant to carry out evaluations to determine the development value of the proposed project. This should be done independently from project participant and should be paid in full by UNFCCC.	
11	Determine if there are any legal barrier to the proposed project activity. This constitutes an unnecessarily burden and increase transaction cost and provide no value to the project or the Clean Development Mechanism. If a project activity is not allowed to be implemented, host countries should prevent the project from being implemented and this should be done irrespectively of any carbon credit program.	The request for proving that there is no legal barriers to the project activity should be removed. DNA should however be allowed to report to UNFCCC if any project activity that is generating carbon credits is illegal. The DNA would then have to prove why the project activity is illegal, and they have to provide reference to the law that specify that the project activity is illegal. It must them be documented that the project activity was perceived as illegal at the time of CDM registration and at the time that DNA report this to UNFCCC.	Havard Norstebo (Consultant)
12	Retroactive crediting Currently crediting under the CDM can only start after registration. Projects are losing credits due to delayed registration caused by various reasons (e.g. LOA delays, or delays by the DOE etc.), which at times are beyond the project developer's control. This is especially true for project with shorter lifetimes e.g. lamps or cook stoves with less than 7 year lifetime.	The CDM should consider allowing for the retroactive crediting of CERs generated from the project start date until the project achieves registration. (Similar to the Gold Standard).	Carbon Africa Limited
13	Crediting period vs. project lifetime Currently the CDM allows for 2 types of crediting period, the 10 year fixed period and 7 year twice renewable crediting period. Projects with longer lifetimes e.g. electricity-generating projects loose out on credits as a result of this requirement. The CDM should consider allowing projects to have crediting periods that are commensurate with lifetime of the project.	The CDM should allow RE projects with a lifetime longer than the maximum allowable crediting period (21 years) to claim emission reductions in line with their technical lifetime. The baseline scenario would still be assessed after every 7 years line with the CDM guidance. At any given point, if the project becomes part of the baseline, it will not be eligible to claim emission reductions.	Carbon Africa Limited



#	Issue	Proposed change	Submitter
14	Currently CPAs can only claim emission reductions from the date of inclusion in to the registered POA. This leads to significant loss of emission reductions from eligible CPAs that have already started implementation, in particular for implementation of distributed systems such as solar home systems, cookstoves, LEDs, biodigesters etc.	Crediting period for all eligible CPAs needs to start from their day of implementation as long as the date of implementation is after the start date of the POA, or after the start date of the PoA crediting period at the minimum.	The World Bank Group
15	<p>In the case of PoAs, the current applicable rules require that where more than one technology/measure or more than one methodology is applied, a generic CPA-DD shall be completed for each technology/measure, each methodology and each combination thereof.</p> <p>Taking the methodology ACM0002 (version 16.0) as an example, the following is stated:</p> <p>“CPAs shall not be regarded to be of the same type if one of the following conditions is different:</p> <p>(a) The project activity with regard to any of the following aspects</p> <p>(i) Renewable energy power generation technology;</p> <p>a. Hydro-power plant/unit;</p> <p>i. Hydropower plant/unit with reservoir;</p> <p>ii. Hydropower plant/unit without reservoir;</p> <p>b. Wind power plant/unit;</p> <p>c. Geothermal power plant/unit;</p> <p>d. Solar power plant/unit;</p> <p>i. Photovoltaic;</p> <p>ii. Heat concentration;</p> <p>e. Wave power plant/unit;</p> <p>f. Tidal power plant/unit;</p> <p>g. Combination of any of the above;</p> <p>(ii) Project activity type:</p> <p>a. Greenfield;</p>	<p>It is recommended to revise the referred documents and related paragraphs in order to allow PPs to have the option to merge, group and/or simplify generic CPAs according to methodologies limitations or applicability restrictions, resulting in one single generic CPA containing all possible combinations, at least as long as it refers to the same methodology.</p> <p>In the case of the methodology ACM0002 (version 16.0), which was used just as an example, the referred methodology already clearly describes which are the applicability conditions, baseline scenarios, formulas and equations to be used for determining baseline emissions, project emissions, leakages and emission reductions for each specific case, as well as it defines which and how all parameters need to be fixed ex-ante at validation and monitored ex-post during the verification, among other particularities.</p> <p>Therefore, it is reasonable and it makes sense to revise, simplify and waive such restrictions originated by the current applicable rules for generic CPAs.</p> <p>Hence, in order to reduce costs and enhance on efficiency for PoAs, we propose the possibility to use one single generic CPA per methodology.</p>	PD Forum Ltd

#	Issue	Proposed change	Submitter
	<p>b. Capacity addition; c. Retrofit of existing operating plant/unit; d. Rehabilitation of existing plant/unit; e. Replacement of existing plant/unit; (b) The legal and regulatory framework; (i) Legal regulations; (ii) Promotional policies.”</p> <p>As a consequence of the applicable rules, if PPs desire to develop a PoA for grid-connected electricity generation from renewable sources, using the methodology ACM0002 for example, making use of all technologies (hydro, wind, solar, geothermal, tidal, wave) and applying for all types of project activities such as greenfield, capacity addition, retrofit, rehabilitation or replacement, then PPs will have to create at least 30 different generic CPAs or even more, depending on the objectives of the PoA besides the legal and regulatory framework, which will result in a PoA-DD with a unreasonably large amount of pages. This would directly reflect in additional costs for PPs due to the additional time spent for the creation/elaboration of the PoA and dozens of generic CPAs and for DOEs and UNFCCC for their additional time spent assessing all these documents and generic CPAs.</p> <p>It is not reasonable or acceptable to have to create so many “generic CPAs” just in order to change the content of a few sections and/or paragraphs and keep all remaining text unaltered over and over again among generic CPAs.</p> <p>The methodology ACM0002 was used just as an example, but this approach is not effective, not efficient and unnecessary.</p>		
16	<p>Small scale threshold limit</p> <p>The small-scale threshold limit for distributed units for PoAs should be based on the individual units capacity and not on the cumulative capacity i.e. 15 the cumulative emission reductions or Me. I.e. 60kt</p>	CDM team should consider allowing PoAs which focus on distribution of units and which are automatically additional to include as many units as possible. This will reduce the cost incurred by inclusion of many CPAs.	Carbon Africa Limited

#	Issue	Proposed change	Submitter
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17	The necessity to specify the start and end dates of the monitoring period covered by the monitoring report should be waived.	Project participants should have the option to update and therefore extend or alter the monitoring period under verification after the publication of the Monitoring Report and prior to the conclusion of the Verification Report. This will allow PPs to adjust its issuance strategy in relation to market conditions.	PD Forum Ltd
18	At present, in many countries that currently lack technical capacity and/or the availability of accredited laboratories, the calibration of equipment is either delayed or not done at all. In such cases, project developers either resort to permanent changes to the monitoring plan with increased calibration frequency or propose alternative ways of estimating the value concerned.	Propose default adjustment rates for values that require measurement and calibration at regular frequency for countries/projects that fail to meet calibration requirements due to costs, capacity and country specific constraints. The default adjustment rates can be on the basis of maximum permissible error allowed for the meter under consideration as per manufacturer specifications and the number of years the meter missed the calibration.	The World Bank Group
19	Though batched issuance is now allowed and has resulted in an increase in the frequency of issuance requests for POAs, the current rules still do not fully accommodate the practical implementation requirements of individual CPAs.	Recognizing that the POA is different to single CDM project activities, permit CPAs to have different monitoring periods, verification and issuance schedules in order to align the monitoring, verification and issuance procedures to the practical implementation realities of individual CPAs. The monitoring period of included CPAs can be adjusted without prior approval as long as there is no overlap between two monitoring periods.	The World Bank Group
<b>(b) The requirements for validation of project activities and PoAs and for verification of monitored emission reductions or removal enhancements</b>			
20	Under current sampling rules and guidelines, for programs with CPAs implemented in several locations, DoE has to conduct extensive site visits to satisfy the requirement of representativeness of monitored sample.	DOEs should be allowed to perform the verification as a desk review if a site visit has already taken place before and there is acceptable evidence that supports that 1) the project is still in existence, 2) the data monitoring and management systems of the project are sound and robust, 3) there is a reliable quality control mechanism in place to check and improve quality and	The World Bank Group

#	Issue	Proposed change	Submitter
		correct any negligence and misconduct.	
21	Field visits costs: implicitly required on-site inspections of monitoring surveyors and visits of DOE auditors at validation and/or verification stage result in significant travel costs than can be deterrent especially for multiple, scattered devices activities (e.g. improved cook stoves) and unstable countries/areas.	<ul style="list-style-type: none"> <li>On-site visits exemptions at validation stage and at recurrent verification stage should be clarified and simplified depending on status of project, safety issues and means of distance validation/verification of critical parameters.</li> <li>Field surveys at monitoring stage should be left optional (or only partially required) in case of drastically distant appliances/users and/or unsafe areas, where phone/SMS monitoring procedures could conveniently make up for physical inspections' complexity and cost.</li> </ul>	<p>African DNA Forum</p> <p>ENEA Consulting</p> <p>Ecosur Afrique</p> <p>Hysacam</p>
22	Many CDM projects and PoAs have experienced costs, barriers and resulting delays relating to issues that are non-material in nature. The risks, costs, uncertainties and timelines relating to these activities are therefore increased unnecessarily and their effective implementation is undermined due to issues that have no material impact on environmental integrity.	Application of the materiality principle in all aspects of the CDM, including validation and post-registration changes.	PoA Working Group
23	Many CDM projects and PoAs have experienced costs and delays relating to issues that are non-material in nature. The risks, costs, uncertainties and timelines relating to these activities are therefore increased unnecessarily and their effective implementation is undermined due to issues that have no material impact on environmental integrity.	Further application of materiality principles in the CDM is needed. The materiality principle should be applied in all aspects of the CDM, including validation and post-registration changes.	<p>The Worldbank Group</p> <p>PD Forum Ltd</p>
24	The requirement to engage different DOEs for validation and verification increases costs to project developers (search and contracting costs) and foregoes the possibility for cost savings in the financial offers of DOEs. With a shrinking number of DOEs active in the market, CDM project implementers face increasing difficulties in finding suitable DOEs that are accredited for their relevant scopes. At the same time the added value of employing a	Allow for the same DOE to carry out validation and verification of the same project or PoA for all project sizes.	African DNA Forum

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	second DOE has to be questioned. The CDM Accreditation Standard contains rigorous requirements for the work of the DOEs including on human resources, impartiality safeguards and quality management to ensure good performance.		
25	The requirement to have a different DOE for validation and verification of projects and PoAs that exceed small-scale thresholds can increase transaction costs and cause delays in validation and verification and limits the business opportunities of regional DOEs.	Develop criteria to allow the same DOE to validate and verify the same project or PoA for all scales while safeguarding environmental integrity. This criteria could be based on, but not limited to, (i) location in LDCs (ii) measures/technologies are automatic additional or part of positive lists; (iii) uses default baseline emission factors; (iv) requires monitoring of few parameters etc.	The World Bank Group
26	Environmental Assessment of proposed project activity. As this is produced by the project participant they project participant can make any report they want. This hence has little value in avoiding environmentally damaging projects to be approved. Also some projects have clearly no negative impact on the environment and spending resources on environmental assessment for such project activities is contributing to an unnecessary high burden and transaction cost.	UNFCCC should engage an independent 3rd party consultant to carry out Environmental Assessments of proposed projects. This should be done independently from project participant and should be paid in full by UNFCCC. The consultant and UNFCCC should jointly agree on how comprehensive such an Environmental Assessment needs to be.	Havard Norstebo (Consultant)
27	Stakeholder consultation. When this is done by project participant, the project participant can decide whom they want to invite for stakeholder consultations. As such they can avoid any negative feedback from those that might be opposing the proposed project activity. Also some project activities are of such a nature that a stakeholder consultation can not be perceived as important.	UNFCCC should engage an independent 3rd party consultant to carry out the stakeholder consultation of proposed projects. This should be done independently from project participant and should be paid in full by UNFCCC. The consultant and UNFCCC should jointly agree on how comprehensive such an Stakeholder Consultation needs to be.	Havard Norstebo (Consultant)
28	Determination if a project activity is additional. Currently the project participant has to justify that the project is additional and they almost always succeed in this as they can manipulate values. This results in too many projects being approved and an oversupply of credits in the market. This also damage the reputation of the Clean	UNFCCC should engage an independent 3rd party consultant to carry out evaluations to determine if a proposed projects is determined as additional. This should be done independently from project participant and should be paid in full by UNFCCC. If the project participant disagree with the recommendation of	Havard Norstebo (Consultant)

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	Development Mechanism, as it is not perceived as true that none of the projects registered as CDM project activities would not have been implemented anyway even without the additional income from carbon credits.	the consultant, then they shall have the right to have a new consultant do a new and independent evaluation, and if so, they should pay UNFCCC for the cost of having a new consultant conducting the evaluation on behalf of UNFCCC.	
<b>(c) The process of handling requests for registration, issuance, post-registration changes, renewal of crediting period and other steps in the CDM project cycle</b>			
29	Steps of the single project cycle should be reduced where feasible to reduce costs to project participants.	<p>Allow as an option the simplified registration of CDM project activities that qualify as automatically additional so that;</p> <ul style="list-style-type: none"> <li>• Registration is approved on the basis of a standardized pre-approved registration template using objective criteria without prior validation through a DOE; and</li> <li>• Ex-post confirmation of the compliance to the registered template of the implemented project activity is undertaken by the DOE during first verification.</li> </ul>	African DNA Forum
30	Steps of the PoA cycle should be reduced where feasible to reduce costs to CMEs.	<p>Allow as an option a simplified validation and registration process for activities that satisfy micro-scale thresholds and are considered automatically additional. This option to include:</p> <ul style="list-style-type: none"> <li>• Validation of PoAs without the submission of a specific CDM programme activity (CPA);</li> <li>• Inclusion on the basis of a pre-approved standardized inclusion template of CDM Component Project Activity (CPAs) directly by the Coordinating and Managing Entity (CME) without prior validation through a DOE.</li> </ul>	African DNA Forum
31	UNFCCC processes is too time consuming. Almost all the process conducted by UNFCCC is done at the MAXIMUM time allowed according to guidelines.	UNFCCC should aim to reply to DOE, PP and make decisions as quickly as possible. The UNFCCC Secretariat and the UNFCCC Executive Board should be measured on how fast they respond and make decisions, relative to the maximum time they are allowed to use on responding and making decisions.	Havard Norstebo (Consultant)
32	The requests for registration and issuance processes are too long,	In order to reduce costs and enhance its efficiency, we propose	PD Forum Ltd

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	complex and costly.	that the registration and issuance processes should be simplified and streamlined in the following way: By eliminating the “completeness check” and “information and reporting check” phases or replacing them by a single “preassessment” phase, but which shall be incorporated in the already existing “request for registration” or “request for issuance” period, respectively. Therefore, the whole request for registration or issuance process, including the suggested “pre-assessment” phase should not take more than 28 days after its commencement.	
33	The timelines for Scheduling are inconsistent and in any case are not communicated clearly. This step in the project development cycle has in our experience been the longest, yet no formal limit is imposed on it. Implications: PP cannot inform investors of realistic timelines.	Scheduling become a consistent timeline under various conditions of demand for Secretariat project review. (red – high demand, long wait e.g. 2 weeks; orange – medium demand; etc).	co2balance UK Ltd
34	Excessive additional/redundant reviews at the UNFCCC (CC, I&RC and summary note) take too long and increase costs.	Review stages at the secretariat (CC, I&RC and summary note, taking today around 8 weeks) shall be condensed in a single process to be performed in a much shorter period than today period of no more than 4 weeks. Incompletes (at CC and I&RC) if answered in a short period, for example, one week, will not be kicked out (re-started) of the process.	PD Forum Ltd
35	One source of redundant efforts is within the relation between EB and the secretariat. At times, this relation seems to be coloured by distrust, second-guessing and strategic behaviour. EB’s political oversight is on occasion contradictory because EB members’ views of operational aspects differ and vacillate and, in the opposite direction, the secretariat can fall onto bureaucratic inertia and limited capacity among management. Despite these profound causes, much of the friction is avoidable. On rare occasions, the instability of EB members and the defensiveness of the secretariat	Rather than all reviews being assigned to two RIT members, the normal procedure for reviews could be for the secretariat to produce one assessment report only. It could be optional for the EB members to call for an expanded review involving RIT members and only such an expanded review would involve a RIT member who is specifically qualified for a narrow industrial field, i.e. fertiliser production or a type agricultural produce etc. Thereby the RIT might become more a source of technical expertise and less an arbiter of CDM rule orthodoxy.	Thomas Grammig (Independent)

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	<p>can even feed on each other and on both sides the full depth of professional judgment is not used (“the combination is less than the sum”). One possible improvement is reducing the control dimension between the two by introducing more division of work where tasks periodically shift between EB and secretariat.</p> <p>This is relevant for the reviews of a request for registration and the reviews of a request for issuance. Few reviews have clarified relevant operational issues, while more reviews have only resulted in elevating a detail to a matter of principle even so it has little material implications. Perhaps some reviews’ outcomes contain more internal concerns between EB and secretariat rather than operational substance. Reducing the number of reviews might have an overall ‘softening’ impact.</p>		
36	<p>The validation and registration process, including additionality assessment, is a costly and time-consuming step in the CDM cycle. Since activities that qualify as automatically additional do not require additionality assessment during validation, it is possible to reduce transaction costs and timelines by simplifying the validation and registration process for such activities without compromising environmental integrity of these activities, provided that such simplified procedures include sufficient safeguards to ensure appropriate stakeholder consultations and environmental integrity.</p>	<p>Allow simplified registration as an option for activities that are automatically additional and qualify either as micro-scale or are eligible to apply standardised baselines, including (1) allowing for validation of PoAs without specific CPA-DDs for CPAs where the individual unit size qualifies as micro-scale; and (2) inclusion of the basis of pre-approved standardised inclusion template CPAs involving certain types of activities with individual unit size that satisfies the micro-scale activities thresholds directly by the CME without prior validation by a DOE. This would only apply provided that the global and local stakeholder consultations are appropriately carried out.</p>	PoA Working Group
37	<p>Recognising that standardisation will promote simplification, predictability, improve consistency, efficiency and transparency, it is recommended that automatic registration of projects that qualify as automatically additional (without validation) and which can apply a standardized template is permitted as an option (i.e. not mandatory).</p> <p>The procedure ensures environmental integrity, as the projects shall</p>	<p>In order to reduce transaction costs and to promote efficiency and predictability, establish simplified and optional modalities and procedures for small-scale CDM project activities using standardized baselines.</p> <p>The project cycle procedures could be simplified as follows:</p> <ol style="list-style-type: none"> <li>1) a project cycle is simplified to enable automatic registration of projects that qualify as automatically additional and can</li> </ol>	The World Bank Group



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	use the standardized baselines guidance approved by the UNFCCC and conform to the modalities and procedures of verification and certification defined for the CDM project activities.	use the standardized project design document (check list); and 2) a verification and certification of a registered CDM project activity combines (simultaneous) ex post assessment by the DOE of a project's compliance with the requirements of the registered standardized project design document (check list) and of the monitored emission reductions.	
38	Recognising that simplification will promote predictability, efficiency and transparency and improve the attractiveness of applying Program of Activity (PoA) approach to micro-scale activities, it is recommended that the simplified modalities and procedures allow for the option of automatic inclusion of micro-scale activities under a PoA (without validation by a DOE). Application of the micro-scale threshold at the level of individual activity will avoid inefficient stratification between an individual activity and a CPA. Environmental integrity is ensured since the simplified modalities and procedures do not modify the modalities and procedures of verification and certification defined to the CDM project activities. Such a procedure will be optional, i.e. not compulsory.	In order to reduce transaction costs, promote efficiency, predictability, and to improve attractiveness of the PoA concept for micro-scale activities, simplified modalities and procedures for micro-scale PoAs need to be established. The project cycle procedures for micro-scale PoAs are simplified as follows: 1) micro-scale thresholds are applied at the level of each individual activity; 2) a micro-scale PoA is validated and registered without a specific CPA. 3) a project cycle is simplified to enable the option of using an automatic inclusion procedure for micro-scale activities in a PoA that is eligible to use a pre-approved standardized inclusion template; 4) monitoring approaches are simplified and streamlined; and 5) a verification and certification of a registered PoAs combines (simultaneous) ex post assessment by the DOE of PoA' micro-activities compliance with the eligibility requirements of the registered PoA and of the monitored emission reductions.	The World Bank Group
39	Continued use of a version of a methodology used in the registration of a project or programme of activity should be permitted in cases where the methodology expires during the period of completeness check and information and reporting check.	A project or programme of activity that fails during completeness/information and reporting check can continue to use the version of methodology applied at the time of submission of request for registration but expired during the	The World Bank Group

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		period of completeness check and information and reporting check.	
40	<p>Inclusions of excluded CPA in another POA</p> <p>While we welcome the fact that the CDM now allows for the voluntary exclusion of component project activities from a programme of activities it seems that the excluded CPA cannot be included in another POA (par 322).</p> <p>There are a number of reasons that would warrant an exclusion from a POA. Some of the reasons could come as a result of the CMEs incompetence.</p> <p>A CPA implementer should be allowed to join another POA once excluded from a POA where they were not happy with the CMEs performance.</p>	The CDM should have provisions to allow a CPA to not only be excluded from a POA s but to also be re included in another POA.	Carbon Africa Limited
41	<p>Minor changes in the project design (after its implementation) compared to the registered PDD (e.g. small differences in the nominal installed capacities) result in significant delays in the verification and issuance processes, besides additional costs. Those small changes are beyond PPs control and may happen due to suppliers' manufacturing process or limitations, but not originated by the project owners.</p> <p>Due to such small differences, DOEs and PPs spend a disproportionately large amount of time and resources to address these small changes that will not affect baseline emissions, project emissions, emission reductions or even the additionality. For those cases, the post-registration changes should be not necessary. Therefore, revision in the PCP, PS and VVS are required in order to enhance efficiency of the verification process, but it should be also in line with the materiality concept.</p>	<p>To establish that minor changes or changes that do not affect baseline emissions, project emissions and/or emission reductions up to 3% should be neglected (i.e. if the installed capacity verified in a power generation unit of a power plant is not higher or lower than 3%, this should not result in a request for changes in the PDD). This issue should be simply identified and reported in the verification report without requesting an approval by the CDM-EB.</p> <p>The recommendation suggested above would definitely reduce costs due to the current time and resources spent by project participants, developers, DOEs, UNFCCC Secretariat, RIT and CDM-EB to solve these requests for approval.</p>	PD Forum Ltd
42	<p>Changes to the start date of the crediting period.</p> <p>Due to the low prices of CERs in the carbon market, the</p>	Project participants of a registered CDM project activity, PoA or CPAs, should be allowed and given the option to request	PD Forum Ltd

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	<p>implementation of several CDM projects have been delayed and/or postponed in many Non-Annex I countries. Similar behaviour has been noticed for monitoring and verification activities. Both are a result of uncertainty of future income from the CERs revenues and financial constraints. These projects need the CER prices to become higher in order to overcome financial constraints, as well as to be implemented and to engage monitoring and verification activities. As a result of such circumstances, many registered CDM project activities are delaying and postponing their verification audits, being therefore prejudiced due to the fact that they are “loosing” part of their crediting period as they are not being able to generate and/or quantify their emission reductions.</p> <p>This situation becomes even worse when considering the fact that the EU ETS, which still is one or perhaps the major buyer of CERs, is not accepting CERs from the monitoring periods before 31/12/2012 (KP CP1) anymore.</p> <p>Therefore, the current applicable rule which states that “Project participants of a registered CDM project activity may not request any changes to the start date of the crediting period of more than two years – not more than four years for project activities hosted by a Least Developed Country” should be revised in order to properly address:</p> <ol style="list-style-type: none"> <li>1) Delays in the projects’ implementation and/or MRV (Monitoring, Reporting and Verification) activities. It is known that many projects registered under the CDM did not start construction yet, while other face financial difficulties in order to implement a proper monitoring plan and/or to start MRV activities;</li> <li>2) Adjusts the start date of the crediting period of each project in line with each project activity implementation chronogram and its commencement of operation date (COD). Thus, the monitoring period will not cover a period without emission reductions generation;</li> </ol>	<p>changes to the start date of the crediting period for more than two years, upon proper justification, which could be confirmed and validated or verified by an accredited DOE. Therefore, Project Standard (PS) Version 07.0, paragraphs 274 – 276 should be revised accordingly in order to reflect the proposed change.</p> <p>By changing this rule, this would significantly help PPs and their registered projects to properly adjust the start date of the crediting period of each project and, therefore, wait for a price recovery of the CERs in the carbon markets in order to overcome financial constraints for their implementation as well as for engaging MRV activities.</p> <p>In addition, by postponing or “moving” forward the start dates of the crediting period, this would in some cases (where CDM project activities become operational before the new crediting period start date) grant an additional environmental, social and voluntarily cobenefit, as emission reductions would occur as a “surplus” without extra costs, contributing therefore for mitigation and adaptation measures of the whole society against climate change.</p>	

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	3) The option to postpone the crediting period start date in order to allow PPs to wait for a price recovery of the CERs in the carbon markets.		
43	At present, any permanent changes to the monitoring plan needs to get prior approval before proceeding with request for verification, even the change proposed has no impact on project baseline, additionality and the way emission reductions are calculated. The recent ruling on allowing validation of monitoring plan during verification does not help for the projects that are already registered.	For projects that registered using the Project Standard (PS) version 7.0 and earlier, DOEs should be able to approve changes to the monitoring plan at the point of verification that do not have any impact on the validation decision (i.e. do not impact the baseline, the additionality determination, etc.) considering that the practical implementation of monitoring requirements may not be fully anticipated by project proponents at the registration. This avoids time delays with need for prior approval of the EB.	The World Bank Group
44	As per the PCP, Ver 9.0, the requirement for the DOE to make the Monitoring Report publicly available has increased to at least 21 days prior to undertaking the site visit from earlier requirement of 14 days. This increases the issuance timeline for project activities that need faster issuance of credits and results in an unnecessary high burden to the project owner and increases the transaction costs of obtaining the credits.	Leave the time line to 14 days as it is on the PCP v 07.0. This should be enough time for making the travel arrangements for the CDM assessment team members in case the verification is chosen for a performance assessment in accordance with the CDM accreditation procedure.	The World Bank Group
45	For some highly complex project activities (methodologies), the issuance process can become an overly lengthy and cumbersome process. In such cases, it becomes very hard for the Project Proponent / Project Participant to efficiently and effectively explain to the UNFCCC project reviewer the details and technicalities associated to the emission reduction calculations. This situation becomes particularly serious in issuances in which there have been methodology deviations and / or project modifications in the past.	To overcome this problem, it should be possible and / or easier for the Project Proponent to directly address the UN project reviewer in order to explain the subtleties and particularities of the project activity and the corresponding emission reduction calculation without having to do so through the DOE. Note that in this case, the DOE should not be excluded from the review process, but a more direct contact between the Project Participant and the UN project reviewer would certainly simplify and shorten the issuance process in these complex cases.	PD Forum Ltd
46	UNFCCC take at least 3 months to issue carbon credits after emission has been verified DOE. In some cases it will take	UNFCCC should simplify their processes. <ul style="list-style-type: none"> <li>UNFCCC should aim at reducing the time from receiving a</li> </ul>	Havard Norstebo (Consultant)

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	substantially longer. This is an unnecessary burden to projects, particularly projects in which income from carbon credits is a substantial part of the income for the project.	<p>verification report to the carbon credits is issued. The average time should not be more than 30 days.</p> <ul style="list-style-type: none"> <li>• UNFCCC should aim at NEVER using the maximum time allowed according to guidelines.</li> <li>• UNFCCC should have simplified approval processes for prioritized projects. For such projects the UNFCCC should guarantee that the time from receiving a verification report from DOE until the carbon credits is issued should not take more than 30 days. Such project could include: <ul style="list-style-type: none"> <li>○ Projects in Least Developed Countries;</li> <li>○ Small and micro scale projects;</li> <li>○ Projects with very high development value.</li> </ul> </li> </ul>	
47	<p>VVM to VCS change</p> <p>VVM to VVS conversion of registered project documents increases the time and cost of project development.</p> <p>The CDM does not provide any guidelines for when and how the conversion of documents from VVM to VVS is required or needs to be done leaving the consultant and project developer at the mercy of the DOE and their interpretation.</p>	<p>Provisions should be put in place by the CDM that allows a project, if once was registered under the VVM to continue with the same documentation standard until the renewal of crediting period or during inclusion of subsequent CPAs.</p> <p>Alternatively the CDM should specify the degree of alteration on the project documentation that would warrant the change of a project that was registered under VVM to VVS.</p> <p>Otherwise, there should be some guidelines on the minimum required sections that need to be revised when one is required to revise a PDD that had used from the VVM to VVS.</p>	Carbon Africa Limited -
48	<p>Waving registration fee</p> <p>We believe that the EB should consider waiving or at least lowering the registration fees for non-LDCs, as this is becoming an increasing burden to project developers especially considering today's carbon market status.</p> <p>Whilst other development costs have considerably gone down (DOE fees, consultancy fees etc.) the registration fees have not been revised or lowered to account for the lower returns expected as a result of much lower CER price.</p>	Waive registration fee.	Carbon Africa Limited -

#	Issue	Proposed change	Submitter
49	<p>Transaction costs have to be reduced to account for the new market situation and to ensure that the CDM can play its role as a domestic carbon market instrument in Non Annex I parties. High registration and issuance fees are not in proportion to the effective administrative costs of the CDM and under current market circumstances prohibitive, especially for developing countries:</p> <ol style="list-style-type: none"> <li>1) For most projects, registration and issuance costs exceed the cost of validation and it seems unreasonable that the UNFCCC Secretariat and the CDM Executive Board would spend more time and resources for project assessment than the DOE.</li> <li>2) We understand and recognize that the valuable work that the UNFCCC undertakes to warrant the reform and the future of the CDM will also need to be financed, but we also recognize that past revenues have generated financial reserves that will allow to sustain the operations of the CDM for another 4 years, without taking additional revenues into account (2014 Annual Report of the CDM-EB to the CMP).</li> <li>3) Though many project developers are preparing for increasing carbon prices in the future, the current price depression makes it difficult to justify such early action; especially of the transaction costs surpass the current market value of the expected CERs.</li> <li>4) Many developing countries are interested in using the CDM as domestic offset mechanism, but due to high transaction costs they tend to develop alternative schemes or use the CDM without the UNFCCC infrastructure. Both options compromise comparability and fungibility of the mitigation results and prevent the development of a global carbon market.</li> </ol>	<p>To address the problem of disproportional transaction costs and ensure the use of the CDM also for domestic mitigation policies we propose reduced and differentiated registration and issuance fees.</p> <ol style="list-style-type: none"> <li>1) Registration and issuance fees for all kind of projects in Least Developed Countries (LDCs) shall be waived.</li> <li>2) For all other countries registration fee and issuance fees (Administration Share of Proceeds) shall be reduced, at least for a transitional until 2020 as follows: <ol style="list-style-type: none"> <li>(a) For small scale projects a general fee of USD 0.05 (five dollar cents) shall apply.</li> <li>(b) For large scale projects a general fee of USD 0.10 (ten dollar cents) shall apply.</li> <li>(c) In relation to the registration fee we propose to cap the fee at 30.000 USD maximum as very high values at this stage are impeditive to project registration.</li> <li>(d) In relation to the issuance fee we propose a unique fee for all CERs issue, regardless of the volume being above or below 15.000 CERs.</li> </ol> </li> <li>3) The issuance fee should not be applicable or required to be paid for the 2% of the CERs that goes to the UNFCCC, which is the current practice. To pay for a CER that will not be owned by the PPs of a CDM project activity, this sounds neither reasonable nor appropriate.</li> <li>4) For issuance of CERs where project participants indicate that CERs will be used to facilitate mitigation in Non-Annex I countries no issuance fees (Administration Share of Proceeds ) shall be charged to promote the use of the CDM to facilitate domestic mitigation, as well as South South cooperation.</li> </ol> <p>Therefore, only CERs to be used for compliance by UNFCCC Annex I countries shall be subject to the Administration Share</p>	PD Forum Ltd

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		<p>of Proceeds.</p> <p>The effective destination of CERs can be controlled by the UNFCCC based on the procedures of forwarding CERs from the pending account of the CDM Registry to a holding account in the respective national registry. In response to this incentive it is expected that NON-Annex I countries that are interested to use the CDM as domestic flexibility mechanism will put the adequate registry infrastructure in place.</p> <p>We believe that the proposed measures will allow project participants to continue the use of the CDM to support and document their early actions based on the CDMs unique capability to ensure MRV and fungibility. Moreover Non Annex I countries will be attracted to use the CDM as a domestic flexibility tool, thus ensuring global comparability of their mitigation results. Moreover, the increased usage of the CDM will lead to increased revenues and financial sustainability of the CDM Executive board and its infrastructure, in spite of lower fees.</p>	
<b>(d) The process of developing, revising and clarifying baseline and monitoring methodologies and methodological tools</b>			
50	Requests for clarification, revision, deviation, etc. are taking long and uncertain time to be responded and responses are often vague and inconclusive. One example is the request for clarification sent on 27- Oct-2014, which may receive an answer after MP66, i.e., end of March 2015, almost 5 months (if not postponed), which is not reasonable.	All clarification, revision and deviation requests to the CDM Board, Secretariat or Panels should be subject to a maximum response period of 60 calendar days. In case of additional information or clarification is required by the CDM Executive Board or the Secretariat, applicable requests shall be issued within maximum 30 calendar days of the date of the original request as submitted by the PPs. Once such a request was received by the PP, he shall deliver the additional information or clarification within 15 calendar days (up to day 45 of the process), which allows more 15 days (up to the 60th day) to the CDM Board, the Secretariat or Panels to prepare and submit a final response.	PD Forum Ltd

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51	The simplification of monitoring procedures for project emissions from recent versions of small scale methodologies related to composting, and waste management/treatment have been welcome; however there are still too many parameters to be reported by the small project owner, which then need to be verified by the DOE, along with methodological choices and tools to be explained. In the end all this effort on explanations of project emissions represent a small portion of monitored baseline emissions. Small project owners end up requiring support from consultants/experts who help them answer all queries at the verification stage. We consider the monitoring of these parameters, which are outside of the primary activity of the project owner's activity, to be unnecessary high burdens on small project owners which increase transaction costs especially on smaller projects.	In order to decrease transaction costs on project owners from small scale waste management /treatment projects we suggest a further simplification of its methodologies for the calculation of project emissions, by simply assuming one conservative discount, as an option, instead of monitoring some parameters from baseline emissions that could be differentiated by project type.	The World Bank Group
52	Methodology grace period The CDM currently allows a project developer whose project has been submitted for GSC and uses a previous version of an approved methodology or standardised baseline to continue using the same methodology (regardless of the fact that the methodology was revised) unless the methodology grace period for the use of the old methodology has been reached. If the grace period is reached then the project developer must revise the PDD to take into account these changes, a not very time and cost efficient process.	The CDM team should consider providing a longer grace period for the use of previous methodologies. Alternatively, the CDM could fix the applicable version of the methodology for the project to the time of validation start, rather than achievement of registration.	Carbon Africa Limited
53	If any methodology undergoes revision and introduces simplifications mainly for the calculation of emission reductions, the projects registered with earlier versions of the methodology need to undergo post registration changes and seek prior approval of the EB. This causes unnecessary delays and increase transaction costs.	Any simplifications or changes introduced in advanced versions of the methodology should be allowed to use by the projects that used earlier versions without any need for prior approval of the EB as long as these changes are validated by the DOE and submitted as part of the issuance request. This can be made an optional.	The World Bank Group



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54	Consistent clarify in guidelines and methodologies The referred to guideline document has been referred to in a number of methodologies including AMS I.I version 04.0 par 4(b). The guidelines do not provide the method to be used to calculate the leakage emissions. Such lack of clarity jeopardises the development of projects by causing unnecessary delays in the development process.	The CDM team should ensure that all documents including guidelines have clear instructions to the project developer on approach to use.	Carbon Africa Limited
55	Lack of participation/inputs: only 12 DNAs have proposed specific renewable technologies/measures for consideration by the Board for automatic additionality among which none in Sub-Saharan African countries.	<ul style="list-style-type: none"> <li>The current “Procedure for DNA Submission of Microscale Renewable Energy Technologies for Automatic Additionality” should be modified to allow not only DNAs but also any other entity to propose specific renewable technologies/measures for consideration by the Board for automatic additionality.</li> <li>Additional budget provisions should be reserved to non LDCs Sub-Saharan African countries to identify Special Underdeveloped Zones.</li> </ul>	African DNA Forum PD Forum Ltd ENEA Consulting Ecosur Afrique Hysacam
<b>(e) The process of acknowledging third party independent validation/verification bodies, including their initial accreditation, regular surveillance and reaccreditation</b>			
56	We have been noticing that many DOEs have been requesting the withdrawal of their accreditation under the CDM. This represents a significant loss for the CDM in term of qualified personnel and also reduces competitiveness among DOEs. These have been happening mainly because two key reasons: 1) due to the low CER prices, which makes CDM registration and issuances activities less attractive for project participants and developers, consequently diminishing the market demand for validations and verifications services and making DOEs to dismiss their professionals due to the lack of work; and 2) the increasing and excessive level of scrutiny, requirements and bureaucracy inappropriately created and	To revise, diminish, reduce and simplify the Accreditation Panel requirements on DOEs in order to grant more flexibility for DOEs to define on their internal processes in a more efficient and less costly way, but without losing on quality of validation and verification services to be provided. A closer approach with all DOEs is strongly recommended in order to get their feedback about what could be done or changed in the Accreditation Standard in order to alleviate unnecessarily high burdens and/or operational costs on DOEs.	PD Forum Ltd.

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	requested by the Accreditation Panel to the DOEs, which makes the whole accreditation process, their internal procedures and control, as well as their qualification standards of their personnel undeniably more complex and expensive. In other words, it just doesn't make sense to create more rules and generate more bureaucracy for DOEs if the demand for validation and verification services is drastically reduced. Otherwise, by keeping and/or increasing the current level of requirements for DOEs, which increases their costs, this will be in some way an "invitation" to the existing DOEs to also withdraw their CDM accreditation status.		
57	DOEs are currently restricted to validating and verifying reports from project participants. DOEs are not allowed to provide consultancy services, and this prevents projects to utilize available expertise. Due to the crises in the market for carbon credits, a number of DOEs has back out and the cost of compliance with the UNFCCC requirement for DOEs is becoming a big transaction cost to DOE and this cost then have to be forwarded to Project Participant adding transaction cost for projects.	<p>A number of changes should be made to DOEs roles and responsibilities.</p> <ul style="list-style-type: none"> <li>• The requirements on DOEs should be reduced. The UNFCCC should be required to justify all requirements on DOE with a cost / benefit justification on all requirements on DOEs.</li> <li>• DOEs should get new roles and responsibilities, including acting as consultants for project participants. DOE should however be require to report to UNFCCC on which projects they are providing CDM related consulting, and they should not be allowed to engage as a DOE for the projects which they are also providing consulting services.</li> <li>• DOE should also be engaged by UNFCCC to carry out consultancy work for UNFCCC, including doing stakeholder consultations, environmental assessment etc. for projects on behalf of UNFCCC. This should be done separate from their roles as DOEs, and they should not do such consultancy work for UNFCCC for projects which they have been private consultant or a DOE.</li> </ul>	Havard Norstebo (Consultant)
58	DOE Reporting Whilst the CDM provides a channel through which DOEs can	A channel should be created through which the project developer can get in touch with the CDM in case he/she is not	Carbon Africa Limited

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	<p>update them on the validation status of projects, the project developer does not have a platform where he/she can report on rouge DOEs.</p> <p>Due to the current status of the carbon market, a number of DOE have exited the market. Most of these DOEs were reputable firms with a lot of experience in the carbon market. With this taking place, the project developer is left with little choice for credible DOEs and as a result could end up contracting a DOE whose professional methods in dealing with the project validation is questionable leading to the impediment of the CDM project development.</p>	satisfied with the working relations and output of the DOE.	
<b>(e) Others</b>			
59	<p>Language barrier: French speaking Africa (31 countries) is the least represented region under the CDM to date, due to the complexity and cost associated with English written procedures, methodological documents and submission process, although French is an official language of the CoP. Project promoters and DNAs are confronted with constant difficulties in familiarizing themselves with existing and new procedural and methodological frameworks, as well as complying with English-written expectations for submissions and communications, hampering their participation in CDM.</p>	<ul style="list-style-type: none"> <li>• PDDs, LoAs, Monitoring Report, Post Registration Changes and methodological clarifications or deviation requests, etc. should be allowed to be submitted in French language</li> <li>• DNAs should be entitled to claim official French translation of any existing or new piece of CDM regulatory document</li> <li>• The UNFCCC staff sent from Bonn to the Lomé Regional Collaboration Center should be fluent in French (French language should be mother tongue or staff should be certified with the French LPE of the United Nations) should be fluent in French (French language should be mother tongue or staff should be certified with the French LPE of the United Nations)</li> </ul>	<p>ENEA Consulting</p> <p>Ecosur Afrique</p> <p>Hysacam</p>
60	<p>Capacity gap: Potential stakeholders in under-represented countries such as Sub-Saharan African countries, especially LDCs, are chronically under-equipped to fully master and apply the stringent administrative and regulatory framework established by the CDM. Project proponents often lack the internal expertise, awareness and resources to comply with all steps and requirements of the CDM project cycle in parallel to their challenging business</p>	<p>The existing CDM loan scheme mechanism should be reinforced as follows:</p> <ul style="list-style-type: none"> <li>• The threshold of 10 registered project activities as of beginning of submission year should be turned into 10 issued project activities</li> <li>• Bi-annual call for projects frequency should be increased to quarterly calls</li> </ul>	<p>African DNA Forum</p> <p>PD Forum Ltd.</p> <p>ENEA Consulting</p>

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	environment, while DNAs also face frequent under-staffing and unavailability of resources to promote the CDM, evaluate project proposals and properly monitor Sustainable Development indicators.		Ecosur Afrique Hysacam
61	Validation still too long, capacity building to promote in African countries.	Training and accrediting assistance companies in Africa.	SOCOCIM Industries Senegal
62	Projects holders need support and it is very expensive. Need financial to process monitoring; verification an certification of CER.	Find founds to help as CER price is so low.	SOCOCIM Industries Senegal
63	The current situation of CDM acts as a hinder for project developer in order to register projects or even issue CERs due to the modest prices of CERs, while the CDM is the most credible MRV system and the concrete mechanism up to now. Thus, there is an urgent need to find unconventional solution for this problem.	Allow the use of CERs by non-annex I parties that are parties to Kyoto protocol, that are achieved nationally and owned by the non-annex I party for fulfilling any mitigation actions whether domestically or under any future regime.	African DNA Forum

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### Document information

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<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	11 May 2015	Initial publication as an annex to the annotated agenda of EB 84.

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Decision Class: Regulatory

Document Type: Information note

Business Function: Issuance, Registration

Keywords: data collection and analysis, transaction costs, validation, verification, work programme

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