CLEAN DEVELOPMENT MECHANISM

CDM-EB88-AA-A07

Concept note

Options for developing the programme of activities guidance

Version 01.0

United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. Pursuant to the request from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) by its decision 4/CMP.10, paragraph 17, the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its eighty-fourth and eighty-sixth meetings (EB 84 and EB 86), considered the options for streamlining provisions relating to programmes of activities (PoAs) and agreed to maintain the current separation of the CDM project standard (PS), CDM validation and verification standard (VVS) and CDM project cycle procedure (PCP), which are applicable to both project activities and programmes of activities (PoAs). However, the Board also agreed to prepare a handbook for stakeholders wishing to develop and implement a PoA to help them identify and correctly apply the provisions in the existing regulatory documents that are applicable to PoAs.

2. By its decision 6/CMP.11, paragraph 18, the CMP gave a renewed mandate to the Board on this matter by requesting the Board to develop stand-alone PoA guidance consisting, inter alia, of a “CDM PoA standard”, a “CDM PoA validation and verification standard” and a “CDM PoA cycle procedure”.

3. This work relates to the activity ”Simplification and streamlining of the CDM” under objective 1(b) ”Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism” with a resource allocation indicated in table 3 of the Management Plan 2016 (EB 87 report, annex 1).

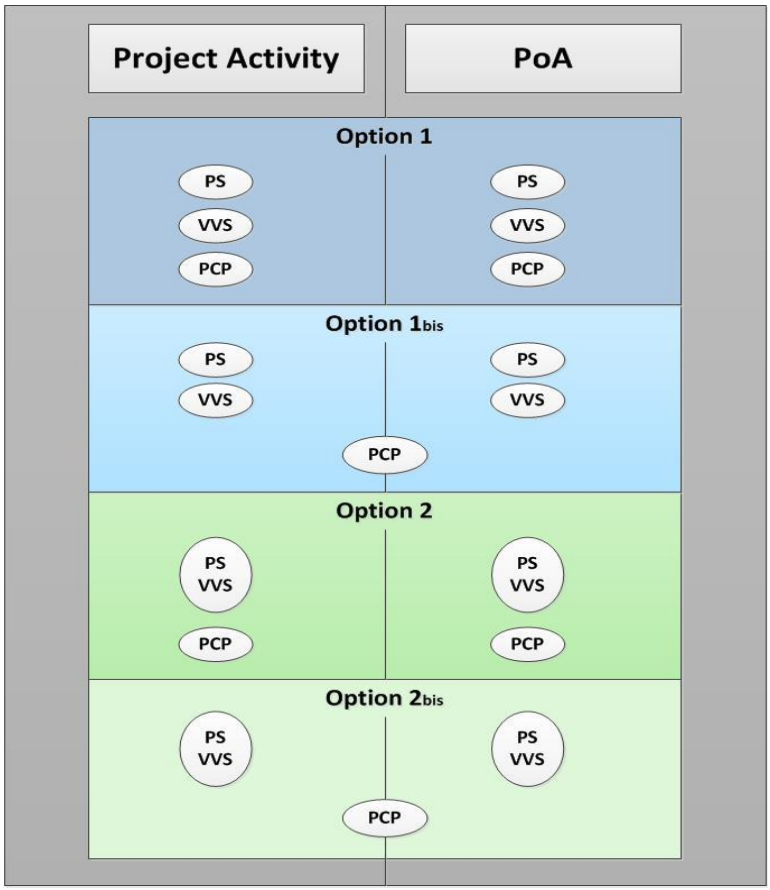
2. Purpose

4. This concept note intends to provide the Board with options to develop documents that can meet the mandate given by the CMP referred to in paragraph 2 above, taking into account the general preference for having fewer regulatory documents while enhancing their clarity for users, as expressed by the Board when it considered this matter at its previous meetings.

3. Key issues and proposed solutions

5. Based on the nature of provisions contained in the PS, VVS and PCP,[1] the secretariat envisages the following possible options for the development of the documents requested by the CMP:

Figure 1. Options for structuring key clean development mechanism (CDM) regulatory documents



(a) **Option 1:** Develop a PoA-specific version of the PS, VVS and PCP. The "Standard: Demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programmes of activities" (hereinafter referred to as the PoA standard) would be incorporated into the PoA-specific version of the PS:

[1] The PS specifies what project participants shall do in preparing a CDM project activity and developing its project design document (PDD), or in the case of a PoA, what the coordinating/managing entity shall do in preparing the PoA and developing its programme design document (PoA-DD). The VVS specifies the activities that a designated operational entity shall carry out in validating a PDD or PoA-DD or verifying a monitoring report of a project activity or PoA. The PCP defines the procedural steps to be followed for a project activity or PoA to be registered and to remain under the CDM, and to have certified emission reductions issued for a registered project activity or PoA.

(i) This option would increase the number of the main regulatory documents for the CDM to six (a set of three for project activities and a set of three for PoAs);

(ii) A clear separation of regulatory provisions by category of activity (PoA or project activity) would prevent readers from misunderstanding the applicability of provisions to a specific activity type. Therefore, this option would increase user-friendliness and consequently reduce the time and transaction cost to develop, validate, implement, monitor and verify the activity;

(iii) Traditionally, rules for PoAs have been developed based on the established rules for project activities. This option would allow rules for PoAs to evolve more freely and independently from those for project activities in the future, taking fully into account the distinctive characteristics of PoAs;

(iv) Since there are many common requirements applicable to both project activities and PoAs, this option would result in numerous repetitions of the same or corresponding requirements in different documents;

(v) Of all the options presented in this concept note, this option would be the least resource-intensive for the initial development of the documents, but would require the most resources for the maintenance of them. In fact, under this option, any change to a provision applicable to both project activities and PoAs would need to be reflected in multiple documents. This implies a higher risk of inconsistencies due to the number of documents that need to be managed. Therefore, from the regulatory management point of view, this option would be also most risky in terms of maintenance;

(b) **Option 1bis:** An alternative within this option could be to keep the PCP as a single document covering the two categories of activities, since most of the procedural steps for registration and issuance are, at least at the moment, common to both project activities and PoAs. This option would not be exactly in line with the mandate given by the CMP, which requested to develop three separate documents; however taking into account that most of the provisions of the PCP are common to project activities and PoAs, there might be merit in trying to avoid the generation of two different regulatory documents (PCP for project activities and PCP for PoAs) that might be almost identical;

(c) **Option 2:** Merge the requirements applicable to PoAs in the PS and VVS and consolidate them with the PoA standard into one document, and develop the PCP applicable only to PoAs (the same exercise would be done for project activities). This would create two standard documents (one including all the design, implementation, validation and verification requirements for PoAs and the other for project activities) and two procedural documents (one including all procedural steps for PoAs and the other for project activities):

(i) This option would keep the number of main regulatory documents at four, while separating the provisions applicable to PoAs from those applicable to project activities, as the CMP and stakeholders have been requesting;

(ii) Since validation and verification are the auditing activities by designated operational entities (DOEs) to check whether project participants or

coordinating/managing entities have complied with the project design, implementation and monitoring requirements, most requirements in the VVS mirror those in the PS. Any change to a provision in the PS has to be reflected in the VVS. Therefore, this option would reduce the number of provisions, ensure regulatory consistency and reduce the risk of misunderstanding the intent of the provisions;

(iii) Like Option 1, a clear separation of regulatory provisions by category of activity (PoA or project activity) would prevent readers from misunderstanding the applicability of provisions to a specific activity type. Therefore, this option would increase user-friendliness. This clarity would consequently reduce the time and transaction cost to develop, validate, implement, monitor and verify the activity. However, compared to Option 1, the applicability of regulatory provisions by category of user (e.g. coordinating/managing entities versus DOEs) would become less clear;

(iv) Like Option 1, this option would allow rules for PoAs to evolve more freely and independently from those for project activities in the future, taking fully into account the distinctive nature of PoAs;

(v) Compared to Option 1, any change to a provision in one document would result in fewer documents needing revision;

(vi) Compared to Option 1, this option would be more resource-intensive for the initial development of the documents, but would require fewer resources for the maintenance of them.

(d) **Option 2bis:** An alternative within this option could be to keep the PCP as a single document covering the two categories of activities, since most of the procedural steps for registration and issuance are, at least at the moment, common to both project activities and PoAs.

4. Impacts

6. Compared to the current regulatory documents relating to PoAs, any of the options presented in this concept note would increase clarity on the applicability of requirements to PoAs, while the clarity on the applicability of requirements by user type would differ by option. Consequently, the proposed options would generally lead to the reduction of the time and cost for project participants and coordinating/managing entities in developing CDM project activities and PoAs, and for DOEs in validating and verifying for them.

7. Separating a set of rules for PoAs from those for project activities would facilitate the former to evolve more freely and independently, recognizing the specific characteristics of PoAs.

8. Within a set of rules for PoAs (and a set of rules for project activities), the level of consolidation of the elements of the PS, VVS and PCP would have trade-offs between the reduced total number of regulatory documents and provisions for the CDM, increased consistency and less required resources for maintenance versus increased revision frequency and more required resources for initial development.

5. Subsequent work and timelines

9. The work to develop a stand-alone set of regulatory document(s) for PoAs needs to be undertaken in conjunction with the work already underway for the simplification and streamlining of the CDM (Management plan 2016, project 246).

10. Therefore, it is expected that initial draft will be presented at EB 90 and the final draft for adoption at EB 92.

6. Recommendations to the Board

11. The secretariat recommends that the Board: (i) provide feedback on the options presented in this concept note; (ii) agree on which one should be pursued; and (iii) agree on the further work and timelines proposed.

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Document information

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