

CDM-EB96-AA-A05

Draft Procedure

Amendments to version 01.0 of the CDM project cycle procedure for project activities and version 01.0 of the CDM project cycle procedure for programmes of activities

Version 01.0

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United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. There has been a growing trend of accumulating certified emission reductions (CERs) in the pending account of the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) in the CDM registry and pending share of proceeds (SOP) payment. Given this trend, the Board, at its ninety-fifth meeting (EB 95), agreed to introduce changes in the collection of the SOP, taking into account the relevant decision of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) on SOP¹ and the current practice of requiring the payment of the SOP prior to the forwarding of CERs rather than prior to the issuance of CERs. The following changes were introduced:
 - (a) For upcoming requests for issuance, collect the SOP prior to commencing the completeness check by the secretariat of the requests for issuance. The Board agreed to make this change effective one year after the adoption of the amendment to the relevant provisions of the “CDM project cycle procedure for project activities” and the “CDM project cycle procedure for programmes of activities” (PCPs);
 - (b) For approved requests for issuance with pending SOP, allow partial payments of the SOP to enable project participants to access the corresponding proportion of CERs for forwarding or voluntary cancellation. Project participants would be allowed to make up to three SOP payments per request for issuance, with a minimum of USD 1,500 for each of the first two payments and no less than USD 500 for the last payment. Project participants would have to request for issuing a payment instruction from the secretariat for each partial payment prior to making the payment. Where the request for issuance covers a monitoring period that straddles the Kyoto first and second commitment periods, project participants would be able to state a preference for the commitment period for which CERs are to be released for forwarding or voluntary cancellation. The Board agreed to make this change effective as soon as the administrative arrangements and necessary changes to the CDM information system are ready.
2. The Board requested the secretariat to prepare draft revised PCPs reflecting this agreement for its consideration at EB 96.

2. Purpose

3. The purpose of the amendments to the PCPs is to reflect the Board's agreement at EB 95 to:
 - (a) Allow partial payments of the SOP and specifying the commitment period for which CERs to be issued for approved requests for issuance with pending SOP;
 - (b) Change the timing of the payment of the SOP for upcoming requests for issuance.

¹ Decision 7/CMP.1, paragraph 37.

3. Key issues and proposed solutions

4. On the change referred to in paragraph 3(a) above, the section entitled “Finalization and implementation of ruling” in the PCPs has been modified as contained in appendices 1 and 3 to this document, and proposes that the amendments be made effective on 1 January 2018 assuming the adoption of the amendments at EB 96, to allow sufficient time to prepare for the change to the existing administrative arrangements and information system.
5. On the change referred to in paragraph 3(b) above, the sections entitled “Submission of request for issuance”, “Processing of request for issuance” and “Finalization and implementation of ruling” in the PCPs have been modified as contained in appendices 2 and 4 to this document, and propose that the amendments be made effective on 1 October 2018, assuming the adoption of the amendments at EB 96, to allow sufficient time for stakeholders to become aware of the change and to prepare for the change to the existing administrative arrangements and information system.
6. Also on the change referred to in paragraph 3(b) above, detailed provisions are proposed in appendix 1 “Fee schedule” of the PCPs to address the cases where requests for issuance are withdrawn by the designated operational entity (DOE), or eventually rejected by the Board, and where there is a difference between the SOP paid before the start of the completeness check and the SOP due based on the final approval of the Board.

4. Impacts

7. The proposed amendments to the PCPs would make the payment and choice of the commitment period for releasing CERs in the pending account flexible for project participants and coordinating/managing entities to meet their business needs, would fully align with the process defined in the CMP decision referred to in paragraph 1 above, and would generally improve the collection of SOP.

5. Subsequent work and timelines

8. Upon the adoption of the amendments to the PCPs by the Board, the secretariat will begin to change the existing administrative arrangements and information system, completing its work by the proposed two sets of effective dates referred to in paragraphs 4 and 5 above.
9. At the same time, the secretariat will start disseminating the information on the amendments to stakeholders on the UNFCCC CDM website and other communication channels.

6. Budget and costs

10. The secretariat would require the following resources:
 - (a) One-time effort of two staff-months and USD 36,000 would be required to implement the amendments contained in appendices 1 and 3 to this document (allowing partial payments of the SOP for already approved requests for issuance);
 - (b) One-time effort of four staff-months and USD 48,000 would be required to implement the amendments contained in appendices 2 and 4 to this document (changing the timing of the payment of the SOP).

11. These costs are not envisaged in CDM management plan 2017.

7. Recommendations to the Board

12. The secretariat recommends that the Board adopt the proposed amendments to the PCPs as contained in appendices 1–4 to this document with the proposed effective dates.

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1. Amendment to “CDM project cycle procedure for project activities” (version 01.0)

1. This document contains the amendments adopted by the Executive Board of the clean development mechanism (CDM) (hereafter referred to as the Board) at its [ninety-sixth] meeting, to the “CDM project cycle procedure for project activities” (PCP-PA) (version 01.0) (CDM-EB93-A06-PROC).
2. The amendment contained in appendix 1 enters into force on [1 January 2018]. It will be consolidated into the PCP-PA in its next revision.
3. The amendment contained in appendix 2 enters into force on [1 October 2018]. It will be consolidated into the PCP-PA in its next revision if the effective date of the next revision is on or after [1 October 2018].

2. Amendment to “CDM project cycle procedure for programmes of activities” (version 01.0)

4. This document contains the amendments adopted by the Board at its [ninety-sixth] meeting, to the “CDM project cycle procedure for programmes of activities” (PCP-PoA) (version 01.0) (CDM-EB93-A09-PROC). This document will be consolidated in the PCP-PoA at its next revision.
5. The amendment contained in appendix 3 enters into force on [1 January 2018]. It will be consolidated into the PCP-PoA in its next revision.
6. The amendment contained in appendix 4 enters into force on [1 October 2018]. It will be consolidated into the PCP-PoA in its next revision if the effective date of the next revision is on or after [1 October 2018].

Appendix 1. Amendment to “CDM project cycle procedure for project activities” (version 01.0) on the payment of issuance fee for certified emission reductions in the pending account

1. Changes to section 8.2.4 Finalization and implementation of ruling

1. The existing paragraphs 238 and 240 shall read as follows:

8.2.4 Finalization and implementation of ruling

238. If the Board's final decision made in accordance with paragraph 233 or 237 above is to issue the CERs, the Board shall instruct the CDM registry administrator to issue the specified quantity of CERs into the pending account of the Board in the CDM registry in the following manner:
 - (a) For registered CDM project activities other than CCS **project activities**: in accordance with decision 3/CMP.1, annex, paragraph 66;
 - (b) For registered CCS CDM project activities: in accordance with decision 10/CMP.7, annex, paragraph 21, which requires that for a registered CCS CDM project activity upon such issuance, the CDM registry administrator shall promptly:
 - (i) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting the costs of adaptation, respectively, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
 - (ii) Forward 5 per cent of the CERs issued to a reserve account of the CDM registry, established for the project activity for the purpose of accounting for any net reversal of storage;
 - (iii) Forward the remaining CERs to the registry accounts of the Parties and project participants involved, in accordance with their request.
239. The secretariat shall inform the project participants of the Board's instruction to the CDM registry administrator and of any share of proceeds payable by the project participants to cover administrative expenses of the CDM. The secretariat shall update the status of the request for issuance on the UNFCCC CDM website accordingly.
240. The project participants shall pay the share of proceeds and instruct the CDM registry administrator on the distribution of the CERs using the “Certified emission reductions forwarding request form” (CDM-FWD-FORM). **In doing so, the project participants may divide the payment of the share of proceeds in up to three instalments per approved request for issuance, with a minimum of USD 1,500 for each of the first two instalments, and no less than USD 500 for the last instalment. In such case, the project participants shall, for each instalment, request the secretariat to issue a payment instruction for the instalment, specifying the quantity**

of CERs to be released, prior to making the payment. Also in such case, if the monitoring period straddles the first and second commitment periods of the Kyoto Protocol, the project participants may specify the commitment period for which the CERs are to be released. After receiving the ~~share of proceeds payment~~ and the ~~instruction~~ CDM-FWD-FORM from the project participants, the secretariat shall forward the corresponding quantity of CERs to the project participants specified in the CDM-FWD-FORM.

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Appendix 2. Amendment to “CDM project cycle procedure for project activities” (version 01.0) on the timing of payment of issuance fee

1. Changes to sections 8.1.1 Submission of request for issuance and 8.1.2 Processing of request for issuance

1. New paragraphs shall be inserted after the existing paragraph 196 and the existing paragraph 200 shall read as follows:

8.1.1. Submission of request for issuance

196. The DOE, after verifying that the monitored GHG emission reductions or net anthropogenic GHG removals were determined in accordance with all applicable requirements for implementation and monitoring in the “CDM project standard for project activities”, and certifying the quantity of CERs claimed in the monitoring report, by following the applicable provisions of the “CDM validation and verification standard for project activities” and other applicable CDM rules and requirements, shall submit, through a dedicated interface on the UNFCCC CDM website, a request for issuance of CERs by using the “CDM project activity issuance request form” (CDM-ISS-FORM) and all the required documents listed in the completeness check checklist for requests for issuance.

196^{bis}. The secretariat shall issue a statement of the share of proceeds due, or confirmation that no share of proceeds is due, determined in accordance with the provisions on the share of proceeds, as contained in appendix 1, and shall communicate this to the DOE.

196^{ter}. The DOE shall communicate to the project participants the share of proceeds due or a confirmation that no share of proceeds is due.

196^{quater}. The project participants shall pay the share of proceeds by bank transfer, quoting the unique reference number of the project activity referred to in paragraph 71 or 73 above.

8.1.2. Processing of request for issuance

200. The secretariat shall maintain on the UNFCCC CDM website a publicly available list of all submitted requests for issuance for which the applicable share of proceeds has been received by the secretariat. The secretariat shall make publicly available the schedule of processing the requests for issuance, including the expected date of commencement. The secretariat shall schedule the commencement of the processing of the requests for issuance in accordance with the secretariat’s operational plans, that is, monthly quotas, which shall also incorporate any relevant instructions from the Board.

2. Changes to section 8.2.4 Finalization and implementation of ruling

2. A new paragraph shall be inserted after the existing paragraph 240 and the existing paragraphs 238–240 shall read as follows:

8.2.4 Finalization and implementation of ruling

238. If the Board's final decision made in accordance with paragraph 233 or 237 above is to issue the CERs, the Board shall instruct the CDM registry administrator to issue the specified quantity of CERs into the pending account of the Board in the CDM registry in the following manner:
- (a) For registered CDM project activities other than CCS **project activities**: in accordance with decision 3/CMP.1, annex, paragraph 66;
 - (b) For registered CCS CDM project activities: in accordance with decision 10/CMP.7, annex, paragraph 21, which requires that for a registered CCS CDM project activity upon such issuance, the CDM registry administrator shall promptly:
 - (i) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting the costs of adaptation, respectively, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
 - (ii) Forward 5 per cent of the CERs issued to a reserve account of the CDM registry, established for the project activity for the purpose of accounting for any net reversal of storage;
 - (iii) Forward the remaining CERs to the registry accounts of the Parties and project participants involved, in accordance with their request.
239. The secretariat shall inform the project participants of the Board's instruction to the CDM registry administrator ~~and of any share of proceeds payable by the project participants to cover administrative expenses of the CDM~~. The secretariat shall update the status of the request for issuance on the UNFCCC CDM website accordingly.
240. The project participants shall ~~pay the share of proceeds and~~ instruct the CDM registry administrator on the distribution of the CERs using the "Certified emission reductions forwarding request form" (CDM-FWD-FORM). After receiving ~~the share of proceeds and~~ the instruction from the project participants, the secretariat shall forward the CERs to the project participants **specified in the CDM-FWD-FORM**.
- 240_{bis}.** For an approved request for issuance for which the share of proceeds has not been paid prior to the start of the completeness check of the request in accordance with this procedure valid at the time of the submission of the request, the project participants shall pay the share of proceeds and instruct the CDM registry administrator on the distribution of the CERs using the "Certified emission reductions forwarding request form" (CDM-FWD-FORM). In doing so, the project participants may divide the payment of the share of proceeds in up to three instalments per approved request for issuance, with a minimum of USD 1,500 for each of the first two instalments, and no less than USD 500 for the last instalment. In such case, the project participants shall, for each instalment, request the secretariat to issue a payment instruction for the instalment, specifying the quantity of CERs to be released, prior to making the payment. Also in such case, if the monitoring period straddles the first and second commitment periods of the Kyoto Protocol, the project participants may specify the commitment period for which the

CERs are to be released. After receiving the payment and the CDM-FWD-FORM from the project participants, the secretariat shall forward the corresponding quantity of CERs to the project participants specified in the CDM-FWD-FORM.

3. Changes to appendix 1 Fee schedule

3. New paragraphs shall be inserted after the existing paragraph 11 as follows:

11_{bis}. The share of proceeds for a request for issuance paid prior to the start of the completeness check of the request shall be reimbursed in full if the DOE withdraws the request prior to the date when the secretariat publishes the request on the UNFCCC CDM website.

11_{ter}. Any portion in excess of USD 30,000 of the share of proceeds for a request for issuance paid prior to the start of the completeness check of the request shall be reimbursed if the DOE withdraws the request subsequent to the date when the secretariat publishes the request on the UNFCCC CDM website, or if the Board rejects the request. Should the share of proceeds paid be USD 30,000 or less, no reimbursement shall be made. No reimbursement of the share of proceeds shall be made in any other circumstances.

11_{quater}. Upon re-submission of a request for issuance directly following a determination by the secretariat that the submission is incomplete, no new share of proceeds shall be payable unless the re-submission results in an increase in the quantity of CERs claimed in the monitoring report. If the re-submission results in an increase in the quantity of CERs, then the share of proceeds due shall be re-calculated upon re-submission. The share of proceeds due upon re-submission shall be the difference between the re-calculated share of proceeds and the share of proceeds previously paid.

11_{quinquies}. If the quantity of CERs specified by the Board for issuance is different from the quantity claimed in a request for issuance based on which the project participants paid the share of proceeds prior to the start of the completeness check of the request, and the difference corresponds to more than USD 200 of the share of proceeds, the difference shall be settled between the secretariat and the project participants. In such case, if more than USD 200 is additionally payable by the project participants, it shall be settled before the CDM registry administrator issues the specified quantity of CERs into the pending account of the Board in the CDM registry in accordance with paragraph 238 of the main part of this procedure.

Appendix 3. Amendment to “CDM project cycle procedure for programmes of activities” (version 01.0) on the payment of issuance fee for certified emission reductions in the pending account

1. Changes to section 8.2.4 Finalization and implementation of ruling

1. The existing paragraphs 262 shall read as follows:

8.2.4 Finalization and implementation of ruling

260. If the Board's final decision made in accordance with paragraph 255 or 259 above is to issue the CERs, the Board shall instruct the CDM registry administrator to issue the specified quantity of CERs into the pending account of the Board in the CDM registry in accordance with decision 3/CMP.1, annex, paragraph 66.
261. The secretariat shall inform the coordinating/managing entity of the Board's instruction to the CDM registry administrator and of any share of proceeds payable by the coordinating/managing entity to cover administrative expenses of the CDM. The secretariat shall update the status of the request for issuance on the UNFCCC CDM website accordingly.
262. The coordinating/managing entity shall pay the share of proceeds and instruct the CDM registry administrator on the distribution of the CERs using the “Certified emission reductions forwarding request form” (CDM-FWD-FORM). In doing so, the coordinating/managing entity may divide the payment of the share of proceeds in up to three instalments per approved request for issuance, with a minimum of USD 1,500 for each of the first two instalments, and no less than USD 500 for the last instalment. In such case, the coordinating/managing entity shall, for each instalment, request the secretariat to issue a payment instruction for the instalment, specifying the quantity of CERs to be released, prior to making the payment. Also in such case, if the monitoring period straddles the first and second commitment periods of the Kyoto Protocol, the coordinating/managing entity may specify the commitment period for which the CERs are to be released. After receiving the share of proceeds payment and the instruction CDM-FWD-FORM from the coordinating/managing entity, the secretariat shall forward the corresponding quantity of CERs to the coordinating/managing entity project participants specified in the CDM-FWD-FORM.

Appendix 4. Amendment to “CDM project cycle procedure for programmes of activities” (version 01.0) on the timing of payment of issuance fee

1. Changes to sections 8.1.1 Submission of request for issuance and 8.1.2 Processing of request for issuance

1. New paragraphs shall be inserted after the existing paragraph 217 and the existing paragraph 221 shall read as follows:

8.1.1. Submission of request for issuance

217. The DOE, after verifying that the monitored GHG emission reductions or net anthropogenic GHG removals were determined in accordance with all applicable requirements for implementation and monitoring in the “CDM project standard for programmes of activities”, and certifying the quantity of CERs claimed in the monitoring report, by following the applicable provisions of the “CDM validation and verification standard for programmes of activities” and other applicable CDM rules and requirements, shall submit, through a dedicated interface on the UNFCCC CDM website, a request for issuance of CERs by using the “CDM programme of activities issuance request form” (CDM-PoA-ISS-FORM) and all the required documents listed in the completeness check checklist for requests for issuance.

217^{bis}. The secretariat shall issue a statement of the share of proceeds due, or confirmation that no share of proceeds is due, determined in accordance with the provisions on the share of proceeds, as contained in appendix 1, and shall communicate this to the DOE.

217^{ter}. The DOE shall communicate the share of proceeds due or a confirmation that no share of proceeds is due, to the coordinating/managing entity.

217^{quater}. The coordinating/managing entity shall pay the share of proceeds by bank transfer, quoting the unique reference number of the PoA referred to in paragraph 65 above.

8.1.2. Processing of request for issuance

221. The secretariat shall maintain on the UNFCCC CDM website a publicly available list of all submitted requests for issuance for which the applicable share of proceeds has been received by the secretariat. The secretariat shall make publicly available the schedule of processing the requests for issuance, including the expected date of commencement. The secretariat shall schedule the commencement of the processing of the requests for issuance in accordance with the secretariat’s operational plans, that is, monthly quotas, which shall also incorporate any relevant instructions from the Board.

2. Changes to section 8.2.4 Finalization and implementation of ruling

2. A new paragraph shall be inserted after the existing paragraph 262 and the existing paragraphs 261 and 262 shall read as follows:

8.2.4 Finalization and implementation of ruling

260. If the Board's final decision made in accordance with paragraph 255 or 259 above is to issue the CERs, the Board shall instruct the CDM registry administrator to issue the specified quantity of CERs into the pending account of the Board in the CDM registry in accordance with decision 3/CMP.1, annex, paragraph 66.
261. The secretariat shall inform the coordinating/managing entity of the Board's instruction to the CDM registry administrator ~~and of any share of proceeds payable by the coordinating/managing entity to cover administrative expenses of the CDM.~~ The secretariat shall update the status of the request for issuance on the UNFCCC CDM website accordingly.
262. The coordinating/managing entity shall ~~pay the share of proceeds and~~ instruct the CDM registry administrator on the distribution of the CERs using the "Certified emission reductions forwarding request form" (CDM-FWD-FORM). After receiving ~~the share of proceeds and~~ the instruction from the coordinating/managing entity, the secretariat shall forward the CERs to the ~~coordinating/managing entity project participants specified in the CDM-FWD-FORM.~~
- 262^{bis}. For an approved request for issuance for which the share of proceeds has not been paid prior to the start of the completeness check of the request in accordance with a past version of this procedure valid at the time of the submission of the request, the coordinating/managing entity shall pay the share of proceeds and instruct the CDM registry administrator on the distribution of the CERs using the "Certified emission reductions forwarding request form" (CDM-FWD-FORM). In doing so, the coordinating/managing entity may divide the payment of the share of proceeds in up to three instalments per approved request for issuance, with a minimum of USD 1,500 for each of the first two instalments, and no less than USD 500 for the last instalment. In such case, the coordinating/managing entity shall, for each instalment, request the secretariat to issue a payment instruction for the instalment, specifying the quantity of CERs to be released, prior to making the payment. Also in such case, if the monitoring period straddles the first and second commitment periods of the Kyoto Protocol, the coordinating/managing entity may specify the commitment period for which the CERs are to be released. After receiving the payment and the CDM-FWD-FORM from the coordinating/managing entity, the secretariat shall forward the corresponding quantity of CERs to the project participants specified in the CDM-FWD-FORM.

3. Changes to appendix 1 Fee schedule

3. New paragraphs shall be inserted after the existing paragraph 9 as follows:

- 9^{bis}. The share of proceeds for a request for issuance paid prior to the start of the completeness check of the request shall be reimbursed in full if the DOE withdraws the request for issuance prior to the date when the secretariat publishes the request on the UNFCCC CDM website.
- 9^{ter}. Any portion in excess of USD 30,000 of the share of proceeds for a request for issuance paid prior to the start of the completeness check of the request shall be reimbursed if the DOE withdraws the request subsequent to the date when the secretariat publishes the request on the UNFCCC CDM website, or if the Board

rejects the request. Should the share of proceeds paid be USD 30,000 or less, no reimbursement shall be made. No reimbursement of the share of proceeds shall be made in any other circumstances.

9^{quater}. Upon re-submission of a request for issuance directly following a determination by the secretariat that the submission is incomplete, no new share of proceeds shall be payable unless the re-submission results in an increase in the quantity of CERs claimed in the monitoring report. If the re-submission results in an increase in the quantity of CERs, then the share of proceeds due shall be re-calculated upon re-submission. The share of proceeds due upon re-submission shall be the difference between the re-calculated share of proceeds and the share of proceeds previously paid.

9^{quinquies}. If the quantity of CERs specified by the Board for issuance is different from the quantity claimed in a request for issuance based on which the coordinating/managing entity paid the share of proceeds prior to the start of the completeness check of the request, and the difference corresponds to more than USD 200 of the share of proceeds, the difference shall be settled between the secretariat and the coordinating/managing entity. In such case, if more than USD 200 is additionally payable by the coordinating/managing entity, it shall be settled before the CDM registry administrator issues the specified quantity of CERs into the pending account of the Board in the CDM registry in accordance with paragraph 260 of the main part of this procedure.

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Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	4 September 2017	Published as an annex to the annotated agenda of EB 96.

Decision Class: Regulatory
Document Type: Amendment
Business Function: Issuance
Keywords: project cycle procedure, project activities, programme of activities, share of proceeds
