

CDM-EB79-AA-A17

Concept note

Flexibility in the timing of the verification of afforestation and reforestation project activities

Version 01.0



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS	Page
1. PROCEDURAL BACKGROUND.....	3
2. PURPOSE	3
3. KEY ISSUES AND PROPOSED SOLUTIONS	4
3.1. Possible flexibility in the timing of the verification of A/R CDM project activities.....	4
3.2. Applicability of a pro rata approach to issuance of tCERs and ICERs for an A/R CDM project activity	5
3.3. Implications of the work being undertaken on related issues by the SBI and the SBSTA.....	5
4. IMPACTS.....	6
5. SUBSEQUENT WORK AND TIMELINES.....	6
6. RECOMMENDATIONS TO THE BOARD	6
APPENDIX. RECOMMENDATION ON DRAFT AMENDMENT TO THE MODALITIES AND PROCEDURES FOR A/R CDM PROJECT ACTIVITIES WITH A VIEW TO PROVIDING FLEXIBILITY IN THE TIMING OF THE VERIFICATION OF AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES.....	7
ATTACHMENT. DRAFT AMENDMENTS TO THE ANNEX TO DECISION 5/CMP.1, “MODALITIES AND PROCEDURES FOR AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM IN THE FIRST COMMITMENT PERIOD OF THE KYOTO PROTOCOL”	8

1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its eighth session, requested the Executive Board of the clean development mechanism (the Board) to consider possible flexibility in the timing of the verification of afforestation and reforestation (A/R) project activities under the clean development mechanism (CDM) during a crediting period while ensuring consistency with the principles of temporary certified emission reductions, and to report back on this matter at CMP 9.¹
2. The approved CDM management plan for 2013 (CDM MAP 2013) included Project 204 “Enhancing cost-effectiveness of A/R CDM projects” under which the work relating to the above CMP request was undertaken.
3. The secretariat prepared a draft recommendation by the Board to the CMP for providing flexibility in timing of the verification of A/R CDM project activities. The proposed draft recommendation included draft amendments to the “Modalities and procedures for A/R CDM project activities”.²
4. The Board considered the draft recommendation to the CMP at its seventy-fifth meeting (EB 75) and agreed to work further on this issue.³ The Board requested the secretariat to prepare a concept note on this issue, for its consideration at a later meeting, including consideration of whether the provisions contained in paragraph 71 of the report of the sixty-second meeting⁴ of the Board can be applied to the issuance of temporary and long-term CERs and taking account of work being undertaken on related issues by the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA).

2. Purpose

5. This concept note aims to provide an analysis of issues involved in creating possible flexibility in the timing of the verification of A/R CDM project activities, including the specific issues mentioned in the report of EB 62, paragraph 71.

¹ FCCC/KP/CMP/2012/13/Add.2, paragraph 37.

² Annex to decision 5/CMP.1. The CMP has agreed that the modalities and procedures contained in the annex to decision 5/CMP.1 and the annex to decision 6/CMP.1 shall apply, *mutatis mutandis*, to the second commitment period of the Kyoto Protocol (decision 2/CMP.7, annex, paragraph 18).

³ Report of EB 75, paragraph 48.

⁴ In this report, the Board clarified that project participants may choose to adjust monitoring periods to coincide with the end of the first commitment period. In the instances where requests for issuance cover monitoring periods that start before 31 December 2012 and end anytime thereafter, a *pro rata* approach shall be used to overall emission reductions. That is, CERs achieved in a monitoring period would be allocated proportionally to the duration of the period up to 31 December 2012 and the period from 1 January 2013 onwards.

3. Key issues and proposed solutions

6. This concept note explores:

- (a) Possible flexibility in the timing of the verification of A/R CDM project activities;
- (b) Applicability of a pro rata approach to issuance of tCERs and ICERs for an A/R CDM project activity;
- (c) Implications of the work being undertaken on related issues by the SBI and the SBSTA.

3.1. Possible flexibility in the timing of the verification of A/R CDM project activities

- 7. The “Modalities and procedures for A/R CDM project activities” provide that all A/R CDM project activities, whether opting for issuance of tCERs or ICERs, shall carry out verification and certification every five years after the initial verification and certification until the end of the crediting period.⁵
- 8. In the case of A/R CDM project activities opting for ICERs, the “Modalities and procedures for A/R CDM project activities” provide for follow-up action by the Board when a certification report is not received within the required interval of time. In the case of projects opting for issuance of tCERs, although there are no provisions for follow-up action where a certification report is not received within the required interval of time, the requirement of periodic verification at a 5-year interval ensures that verification and certification happens only once in a commitment period, assuming each commitment period lasts for 5 years.
- 9. In view of these considerations, it is possible to provide flexibility in the timing of the verification of A/R CDM project activities as long as it is ensured that:
 - (a) A minimum period of five years has elapsed between two successive verifications for issuance of tCERs;
 - (b) A maximum period of five years has not been exceeded between two successive verifications for issuance of ICERs.
- 10. To allow flexibility in the timing of the verification within the above time limits, paragraph 32 of the “Modalities and procedures for A/R CDM project activities” can be amended as proposed in the appendix to this concept note.
- 11. In order to remove any ambiguity regarding the commitment period to which the issued tCERs and ICERs should relate, it would also be appropriate to amend paragraph 37 of the “Modalities and procedures for A/R CDM project activities”, as proposed in the appendix to this concept note.

⁵ Annex to decision 5/CMP.1, paragraph 32.

3.2. Applicability of a pro rata approach to issuance of tCERs and ICERs for an A/R CDM project activity

12. The “Modalities and procedures for A/R CDM project activities” provide that tCERs shall be issued “equal to the verified amount of net anthropogenic greenhouse gas removals by sinks achieved by the afforestation or reforestation project activity under the CDM since the start of the project activity” (paragraph 36a) and that ICERs shall be issued “equal to the verified amount of net anthropogenic greenhouse gas removals by sinks achieved by the afforestation or reforestation project activity under the CDM since the previous certification” (paragraph 36b). Thus, issuance of tCERs and ICERs is linked to the time of verification of the net anthropogenic greenhouse gas (GHG) removals and not to the actual time period during which the net anthropogenic GHG removals were achieved.
13. There are only two requirements to be met for crediting of the net anthropogenic GHG removals achieved by A/R project activities under the CDM:
 - (a) The removals must have been achieved after 1 January 2001;
 - (b) The issuance must take place after the removals have been verified (ex post crediting).
14. The “Modalities and procedures for A/R CDM project activities” allow net anthropogenic GHG removals achieved before the start of the first commitment period, during the first commitment period, and during the second commitment period to be cumulatively issued as tCERs or ICERs in the second commitment period.
15. In view of the above considerations, the pro rata approach of issuance should not be applied to issuance of tCERs and ICERs.

3.3. Implications of the work being undertaken on related issues by the SBI and the SBSTA

16. The SBSTA is not currently considering any issue related to flexibility in the timing of the verification of A/R CDM project activities.
17. The SBI started its consideration of the review of the CDM modalities and procedures at its thirty-ninth session (SBI 39, November 2013). The CMP, by decision 4/CMP.9, requested the secretariat to prepare a technical paper on specified issues relating to possible changes to the CDM modalities and procedures for consideration by SBI 40 (June 2014). The technical paper prepared by the secretariat identifies possible changes in the requirements for periodic verifications and certifications for A/R CDM project activities and their implications.⁶ The identified possible changes are consistent with the changes being proposed in this concept note.
18. The Board had earlier agreed on recommendations to the SBI on possible changes to the CDM modalities and procedures, including the suggestion that paragraph 32 of the annex to decision 5/CMP.1 be reviewed to consider whether the timing of the verification of A/R projects over the crediting period could be more flexible.⁷ However, this

⁶ FCCC/TP/2014/1, paragraphs 149–153.

⁷ FCCC/SBI/2013/INF.1, paragraphs 36 and 37.

recommendation by the Board was made in the broader context of the review of the “Modalities and procedures for the CDM”⁸, whereas the request contained in report of CMP 8, paragraph 32, provides a specific mandate to the Board.

19. In view of the specific mandate provided by the CMP to the Board, the Board may wish to make a recommendation to the CMP on possible flexibility in the timing of the verification of A/R CDM project activities.

4. Impacts

20. If the draft amendments to the “Modalities and procedures for A/R CDM project activities” are recommended by the Board to the CMP and are adopted by the CMP as in the draft form proposed in this document, this will provide flexibility to the project participants in the timing of the verification of A/R CDM project activities.

5. Subsequent work and timelines

21. If the Board agrees to recommend the draft amendments to the “Modalities and procedures for A/R CDM project activities”, the recommendation should be included in its annual report to the CMP.

6. Recommendations to the Board

22. The secretariat recommends that the provisions contained in the report of EB 62, paragraph 71 (i.e. the pro rata approach of issuance) should not be applied to the issuance of tCERs and ICERs.
23. The secretariat recommends that the Board agree to recommend to the CMP the draft amendments to the “Modalities and procedures for A/R CDM project activities”, as contained in the appendix to this concept note.

⁸ Including the four decisions relating to the modalities and procedures for the CDM, namely, annex to decision 3/CMP.1, annex II to decision 4/CMP.1, annex to decision 5/CMP.1 and annex to decision 6/CMP.1.

Appendix. Recommendation on draft amendment to the modalities and procedures for A/R CDM project activities with a view to providing flexibility in the timing of the verification of afforestation and reforestation project activities

1. Following the request contained in paragraph 37 of decision 5/CMP.8, “Guidance relating to the clean development mechanism”, the Executive Board of the clean development mechanism (hereinafter referred to as the Board), considered possible flexibility in the timing of the verification of afforestation and reforestation (A/R) projects under the clean development mechanism during a crediting period while ensuring consistency with the principles of temporary certified emission reductions.
2. The Board agreed that flexibility in the timing of the verification of A/R projects during a crediting period could be allowed, while ensuring consistency with the principles of temporary certified emission reductions, by amending paragraph 32 of the annex to decision 5/CMP.1, “Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol”, as provided in the attachment to this appendix.
3. The Board further agreed that in order to remove any ambiguity regarding the commitment period to which the issued temporary certified emission reductions (tCERs) and long-term certified emission reductions (lCERs) relate, paragraph 37 of the annex to decision 5/CMP.1, “Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol” should be amended as provided in the attachment to this appendix.
4. The Board also agreed that if the amendments provided below were to be adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), it would be necessary to allow project participants to revise their monitoring plans for registered project activities in order to change the timing of the verification.
5. The Board further agreed to recommend that the CMP adopt a draft decision amending the provisions of the annex to decision 5/CMP.1, “Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol”, as described above.

Attachment. Draft amendments to the annex to decision 5/CMP.1, “Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol”

1. Replace the text of paragraph 32 with the following text:

The initial verification and certification of an afforestation or reforestation project activity under the CDM may be undertaken at a time selected by the project participants. In the case of afforestation or reforestation project activities for which tCERs are issued, subsequent verification and certification can be carried out only once in each subsequent commitment period, but not earlier than five years from the previous certification report date. In the case of afforestation or reforestation project activities for which ICERs are issued, subsequent verification and certification shall be carried out within five years of the previous certification report date.

2. At the end of paragraph 37, add the following text:

The commitment period for which tCERs and ICERs are issued shall be that in which the end date of the relevant monitoring period falls.

- - - - -

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.0	14 May 2014	Initial publication as an annex to the annotated agenda of EB 79.
Decision Class: Regulatory		
Document Type: Information note		
Business Function: Issuance		
Keywords: afforestation reforestation, issuance of ICERs, issuance of tCERs, project activities, verification		