Session 02
CDM overview: Basics of the CDM Modalities and procedures, project cycle and recent regulatory updates

CDM Training Workshop for DNAs and Stakeholders in Pakistan
Islamabad, Pakistan, 21+22 August 2017
OUTLINE

- CDM Modalities and Procedures
- CDM governance structure
- CDM project cycle
- CDM rules & regulations
- CDM concepts
- PoAs
- Recent developments
CDM Modalities and Procedures

• The first meeting of the Parties to the Kyoto Protocol (CMP 1, Nov 28 - Dec 9, 2005) adopted the modalities and procedures for a clean development mechanism (CDM modalities and procedures)

  \[\rightarrow 3/{\text{CMP.1}}\text{ Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto Protocol}\]

• Since 2013 again under review

• At SBI 45 (November 2016), Parties considered draft provisions on programmes of activities and roles of designated national authorities prepared by the secretariat, but could not come to conclusions on this agenda item.
  (provisions to supplement, but not revise or replace, the existing set of CDM modalities and procedures)
The Marrakesh Accords

A set of agreements reached at the 7th Conference of the Parties (COP7) to the United Nations Framework Convention on Climate Change, held in 2001, on the rules of meeting the targets set out in the Kyoto Protocol

- Principles, nature and scope of the mechanisms of the Kyoto Protocol
- Guidelines for the implementation of Article 6 and 17 of the Kyoto Protocol
- Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol
The M&P describe the general rules for the CDM project cycle, and the Executive Board have developed more detailed rules in their decisions and recommendations to the CMP.

Special M&Ps for small-scale CDM M&P and for afforestation & reforestation projects were adopted.
Modalities and Procedures (M&P) for the CDM

• **host Party’s prerogative** to confirm whether a clean development mechanism project activity assists it in achieving sustainable development

• need to **promote equitable geographic distribution** of clean development mechanism project activities at regional and subregional levels

• clean development mechanism project activities should lead to the **transfer** of environmentally safe and sound technology and know-how
Modalities and Procedures (M&P) for the CDM

- Need for establishing **reliable, transparent and conservative baselines**, to assess whether clean development mechanism project activities are in accordance with the **additionality criterion** in Article 12, paragraph 5(c), of the Kyoto Protocol

- CDM quick start rule for projects started as of the year 2000

- Technical issues such as small scale project limits, scope of afforestation and reforestation project,
Further elements of the CDM M&P:

- Definition of units (CERs is equal to one metric tonne of carbon dioxide equivalent)
- Role of the CMP
- Establishment and role of the Executive Board (EB)
- Rule for accreditation and designation of operational entities (DoEs)
- Participation requirements (voluntary, Parties to designate a national authority for the CDM)
- Project Cycle
CDM SUPPORT STRUCTURE

- Designated Operational Entity
- CDM supervised by
- CDM EB

Supported by:
- Methodologies Panel
- Accreditation Panel
- Registration and Issuance Team
- Small-Scale Working Group
- Afforestation and Reforestation Working Group
- Carbon Dioxide Capture and Storage WG

UNFCCC Secretariat

Designated National Authority
The CDM Executive Board (EB)

The responsibilities of EB include:

a) to supervise the CDM, under the authority and guidance of the COP/MOP;

b) to make recommendation to the CMP on further modalities & procedures for the CDM, as appropriate;

c) to review and approve new methodologies related to baseline and monitoring plan;

d) accreditation of operational entities;

e) to develop and maintain the CDM registry;

f) to establish Panels (Accreditation & Methodology) and rosters of experts.
Designated National Authorities (DNA)

- Parties participating in the CDM must designate a national DNA
- The DNA issues statements on voluntary participation and confirmation that a CDM project contribute to sustainable development in the host country
- The DNA establish national rules, criteria's for eligibility, sustainability and approval
Accreditation of Designated Operational Entities (DOEs)

What is a designated operational entity?

• A designated operational entity (DOE) is an independent auditor accredited by the CDM Executive Board (CDM EB) to validate project proposals or verify whether implemented projects have achieved planned greenhouse gas emission reductions.

• 2 Key functions of DOEs are:

  • **Validation**: assessing whether a project proposal meets the eligibility requirements and subsequently request registration of the project by the CDM EB.

  • **Verification/certification**: verifying emission reductions from a project, certify as appropriate, and recommend to the CDM EB the amount of Certified Emission Reductions (CERs) that should be issued.
CDM PROJECT TYPES (6)

Each project type has different requirements, timelines and applicable methodologies

• Large Scale
• Small Scale (simplified procedures)
• Afforestation/Reforestation (A/R)
• Small scale A/R (simplified procedures)
• CCS
• Programmes of Activities (PoA)
CDM PROJECT CYCLE

- CER Issuance (EB)
- Verification & Certification (DOE)
- Monitoring (Project Participant)
- Registration (EB)
- Validation (DOE)
- Approval (DNA)
- PDD Development (Project Participant)
1) Project Design – Project Participant

- Project participant prepares **project design document (CDM-PDD)**, making use of **approved emissions baseline and monitoring methodology**.

- Project design step in detail
  a) **CDM-PDD**: Project participants shall submit information on their proposed CDM project using the CDM-PDD form.

  a) Application of baseline and monitoring **methodology**
     - Proposal of a new baseline and/or monitoring methodology: submitted by the DoE to the Executive Board for review and approval prior to validation
     - Use of an approved methodology: An approved methodology is a methodology previously approved by the Executive Board and made publicly available along with any relevant guidance.
2) National approval - Handled by Designated National Authority

- Project participant secures letter of approval from Party.

- The Designated National Authority (DNA) of a Party involved in a proposed CDM project activity shall submit a letter indicating the following:
  - That the country has **ratified** the Kyoto Protocol.
  - That participation is **voluntary**.
  - And, from host parties, a statement that the proposed CDM project activity contributes to **sustainable development** (EB 16, Annex 6, paragraph 1).
3) Validation - Handled by Designated Operational Entity

- Project design document is validated by accredited designated operational entity, private third-party certifier.

- Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in CDM modalities and procedures and relevant decisions of the Kyoto Protocol Parties and the CDM Executive Board, on the basis of the project design document.
4) Registration - Handled by Executive Board

- Valid project submitted by DOE to CDM Executive Board with request for registration.

- Registration is the formal acceptance by the Executive Board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

- Registration step in detail
  a) Completeness check by secretariat
  b) Vetting by secretariat
  c) Vetting by Executive Board
  d) If a Party or three members of Executive Board request review, project undergoes review, otherwise proceeds to registration
5) Monitoring - Handled by Project Participant

- Project participant responsible for monitoring actual emissions according to approved methodology.
6) Verification - Handled by Designated Operational Entity

- Designated operational entity verifies that emission reductions took place, in the amount claimed, according to approved monitoring plan.

- Verification is the independent review and ex post determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period.

- Certification is the written assurance by the designated operational entity that, during the specified period, the project activity achieved the emission reductions as verified.
7) CER issuance - Handled by Executive Board

- Designated operational entity submits verification report with request for issuance to CDM Executive Board.
- CER issuance step in detail

- Completeness check by secretariat
- Vetting by secretariat
- Vetting by Executive Board
- If a Party or three members of Executive Board request review, issuance request undergoes review, otherwise proceeds to issuance
Accreditation process:
Enabling DOEs

Verification & Certification
(DOE)

CER Issuance
(EB)

Registration
(EB)

Monitoring
(Project Participant)

Monitoring
(Project Participant)

PDD Development
(Project Participant)

Methodology process:
providing tools to develop projects

Approval
(DNA)

Validation
(DOE)

CDM PROJECT CYCLE
CDM Methodologies

- Over 200 approved project methodologies & 26 methodological tools
Designated Operational Entities (DOEs)

- Currently 30 listed DOEs
- **Project Standard**
  - provides project participants with [minimum requirements](#) for designing and implementing a CDM project activity and seeking issuance of certified emission reductions (CERs).
CDM Rules and Regulations

- **Procedure: CDM project cycle procedure**
  - describes the administrative steps to follow for project participants, designated operational entities (DOEs), other stakeholders, the Board and the UNFCCC secretariat for registration of a CDM project activity, issuance of CERs and related actions

- **Methodologies & methodological tools**

- **Guidelines**
Key CDM concepts

• Baseline and additionality
• Emission reductions
• Sustainable development
• CER price and demand
Concept of additionality and baseline

“A project is eligible for CDM if greenhouse gas emissions are reduced below those that would have occurred in the absence of the CDM project.”

1. Validation of project design, baseline and monitoring plan
2. Verification / Certification of emission reductions
PoA concept and benefits

- Scalability: Unlimited number of component project activities (CPA) can be included under a single programme over time.
- Reduced transaction costs
  - Shorter time to market
  - Streamlined monitoring and verification
- Reduced regulatory risks and uncertainties
- Initial set of rules in 2007

CME – coordinating or managing entity
CPA – CDM programme activity
<table>
<thead>
<tr>
<th>Single Project</th>
<th>Bundle of projects</th>
<th>PoA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single location</td>
<td>Multiple locations within a country</td>
<td>Multiple locations, across countries</td>
</tr>
<tr>
<td>Single PP</td>
<td>Multiple PP</td>
<td>Multiple PP</td>
</tr>
<tr>
<td>1 project at a time</td>
<td>A number of activities submitted as 1 project activity at a time</td>
<td>Activities submitted over the life-time of the POA</td>
</tr>
<tr>
<td>One crediting period</td>
<td>One crediting period for all activities</td>
<td>Each activity has own crediting period</td>
</tr>
<tr>
<td>PP known ex-ante</td>
<td>All PP known ex-ante</td>
<td>At least one PP known ex-ante, rest join later</td>
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Recent development – Continuous improvements

- Digitization of methodology-specific design document forms, and development of the web-based methodological digitization tool
- Simplified additionality: Development of methodology-specific simplified additionality (positive list) for certain technologies, and possibly tools where there is a wider applicability of the positive list in many methodologies.
- Simplified monitoring: revised "Standard: Sampling and surveys for CDM project activities and programmes of activities" to include an option to undertake a common survey for a group of PoAs
- Beginning of 2017: CDM Board Adopts Full Package of Simplified Procedures to Increase Efficiency; Revision of PS, PCP, VVS (eff. June 2017)
- Adoption of new methodologies, top-down revisions for improvements
- update on the sustainable development co-benefits tool
Thank you!

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