



Designated Operational Entities
& Independent Entities Association

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Subject **Views on proposed changes to the modalities and procedures for the clean development mechanism**

-Submission in response to the invitation by the CMP9

At its ninth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) invited Parties and admitted observer organizations to submit to the Secretariat, by 30 Apr 2014, their views on suggested changes to the modalities and procedures for the clean development mechanism for consideration by the Subsidiary Body for Implementation, taking into account a technical paper to be issued by the secretariat by 19 Mar 2014.

The D.I.A. strongly supports the continued efforts of the international community to improve the effectiveness of its flexible mechanisms, here in this context especially of the CDM.

In our capacity as the voice of engaged Designated Operational Entities and Independent Entities we would like to direct attention to those issues within the technical paper which are of special relevance for our member organisations who can refer to more than a decade of direct involvement in the registration process of CDM activities. Furthermore we would like to re-emphasize the views we submitted a year ago regarding possible changes to the modalities and procedures of the CDM for the following aspects:

- Accreditation
- Significant Deficiencies
- Materiality
- Contractual Relationship
- Programme of Activities
- Appeals Process
- Direct Communication

In terms of those issues that have been picked out as central themes within the technical paper we would like to provide the following comments:

Liability of Designated Operational Entities

The technical paper discusses a variety of proposals that have been made for changing paragraphs 22 – 24 of the CDM modalities and procedure, showing that all of them have considerable pros and cons, while neither the original paragraphs nor any derived procedures have ever been implemented. The discussed proposals encompass the following measures

- Limiting the scope of liability
- Changing the threshold of designated operational entity behaviour that triggers liability
- Creating a reserve of certified emission reductions
- Deducting certified emission reductions from later issuance
- Deleting paragraphs 22–24 of the modalities and procedures for the clean development mechanism



In consideration of the fact that after almost a decade of registrations and issuances nobody expressed complaints on the missing implementation of these three paragraphs the D.I.A. is unanimously in favour of the last option, i.e. the deletion of these paragraphs without replacement. The CDM has operated and will continue to operate without such a regulation and the integrity is protected by the underlying standards and principles.

Nonetheless we support all activities which support the protection of the integrity of the CDM. This may include modalities and procedures for excess issuance caused by various reasons including those falling under the terms of professional negligence as proposed by the technical paper and leading to fines and other consequences in case a DOE is guilty of or accessory to any excess issuance. The proposed measures deliver valuable initial approaches which deserve further elaboration.

Provisions for programmes of activities

When adding provisions for program of activities to the modalities and procedures of the CDM it should be recognized that the issue of liability is also addressed within the recent provisions for erroneous inclusion of CPAs. The D.I.A. supports a consistent approach also excluding DOE liability in the context of programmes of activities. Nonetheless this attitude does not imply any objection towards reasonable solutions on the ex-post elimination of erroneously included CPAs.

Allowing designated national authorities to validate clean development mechanism project activities and programmes of activities

The D.I.A. fully supports the statements made under paragraph 116 of the technical paper regarding the (negative) implications resulting from validation activities by DNAs.

We trust that our views expressed will help to continue and further expand CDM as a credible and effective market based instrument. We are looking forward to contributing further on this matter.

The Designated Operational Entities and Independent Entities Association (D.I.A.) is registered as an association in Geneva, Switzerland, creating a collective voice to represent the interests of companies auditing greenhouse gas (GHG) emission reduction projects in international carbon markets. The purpose of D.I.A. is to be an independent, not-for-profit organization dedicated to the development and establishment of effective processes and criteria for, and related to, the determination, validation and verification of emission reduction and sequestration projects and to represent the members at relevant bodies that administer the various GHG programmes that accept UNFCCC accredited bodies to carry out determination and validation or verification services.

Please note that opinions, ideas and recommendations contained within this document are the views of D.I.A., and do not necessarily represent those of its individual member organisations.