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Item 7(a) of the provisional agenda

Matters relating to the mechanisms under the Kyoto Protocol

**Review of the modalities and procedures for the
clean development mechanism**

Draft provisions on programmes of activities and roles of designated national authorities to supplement the clean development mechanism modalities and procedures

Note by the secretariat

Summary

This document contains draft provisions for programmes of activities and for the roles of designated national authorities to supplement the current modalities and procedures for the clean development mechanism (CDM), based on the existing rules adopted by the CDM Executive Board, as requested by the Subsidiary Body for Implementation at its forty-fourth session.

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I. Introduction

A. Mandate

1. In accordance with decision 4/CMP.9, the Subsidiary Body for Implementation (SBI) is considering possible changes to the modalities and procedures for the clean development mechanism (CDM).
2. SBI 44 requested¹ the secretariat to prepare draft provisions containing definitions and/or requirements at a principle level on programmes of activities and roles of designated national authorities to supplement the current CDM modalities and procedures, based on the existing rules adopted by the CDM Executive Board.

B. Background

3. To date, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) has developed, and the CDM Executive Board has operationalized through its decisions, the following set of CDM modalities and procedures:
 - (a) Modalities and procedures for a CDM (decision 3/CMP.1, annex);
 - (b) Simplified modalities and procedures for small-scale CDM project activities (decision 4/CMP.1, annex II);
 - (c) Modalities and procedures for afforestation and reforestation project activities under the CDM in the first commitment period of the Kyoto Protocol (decision 5/CMP.1, annex), as applied mutatis mutandis to the second commitment period of the Kyoto Protocol by decision 2/CMP.7, annex, paragraph 18;
 - (d) Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM in the first commitment period of the Kyoto Protocol and measures to facilitate their implementation (decision 6/CMP.1, annex), as applied mutatis mutandis to the second commitment period of the Kyoto Protocol by decision 2/CMP.7, annex, paragraph 18.
4. The draft provisions contained in chapter II below are applicable to the set of CDM modalities and procedures referred to in paragraph 3(a–d) above.
5. In addition, the CMP has adopted modalities and procedures for carbon dioxide capture and storage in geological formations (CCS) as CDM project activities (decision 10/CMP.7). As at September 2016, no CCS project activity had been submitted for registration to the CDM Executive Board. Moreover, the CDM Executive Board has not developed rules for CCS programmes of activities. It should also be noted that the modalities and procedures for CCS as CDM project activities contain specific obligations for designated national authorities that apply only to CCS project activities. For these reasons, the proposed provisions in this document are not applicable to the modalities and procedures for CCS project activities.
6. Given the request for the secretariat to prepare the draft provisions on the basis of the existing rules adopted by the CDM Executive Board, references² to the relevant existing rules of the Board have been provided.

¹ FCCC/SBI/2016/L.13, paragraph 2.

² Due to the multiple rules adopted by the CDM Executive Board, the references are not exhaustive.

C. Possible action by the Subsidiary Body for Implementation

7. The SBI may wish to take into account these draft provisions when considering possible changes to the CDM modalities and procedures.

II. Draft provisions

8. The following provisions for CDM programmes of activities and designated national authorities contain requirements at a principle level and are based on existing rules adopted by the CMP and the CDM Executive Board. The provisions would supplement, but not revise or replace, the existing set of CDM modalities and procedures referred to in paragraph 3 above.

A. Clean development mechanism programmes of activities

9. A programme of activities is a framework for voluntary actions taken by a private or public entity through multiple activities (referred to as component project activities in the context of a programme of activities).³

10. Component project activities under a programme of activities shall each apply approved baseline and monitoring methodologies, that, inter alia, define an appropriate boundary, avoid double counting and account for leakage, in order to ensure that the emission reductions or net anthropogenic removals are real, measurable and verifiable and additional to any that would occur in the absence of the programme of activities.⁴

11. A programme of activities may be hosted by more than one Party, whereas a component project activity may only be hosted by one Party.⁵

12. A programme of activities shall be coordinated by a coordinating/managing entity. The coordinating/managing entity shall be authorized for the coordination by all host Parties involved in the programme of activities. The coordinating/managing entity shall be responsible for establishing, implementing and providing a description of the operational and managerial arrangements for the implementation of the programme of activities.⁶

13. An unlimited number of component project activities may be included in a programme of activities after its registration, over the duration of the programme of activities.⁷

14. The coordinating/managing entity shall develop a set of eligibility criteria, in accordance with the minimum criteria elaborated by the CDM Executive Board, for the inclusion of component project activities in a programme of activities.⁸

³ Based on decision 7/CMP.1, paragraph 20; see also the glossary of CDM terms at <http://cdm.unfccc.int/Reference/Guidclarif/glos_CDM.pdf>.

⁴ Based on decision 7/CMP.1, paragraph 20.

⁵ Based on the CDM project standard, paragraphs 290(a) and 293 (all standards available at <<http://cdm.unfccc.int/Reference/Standards/index.html>>) and the CDM project cycle procedure, paragraph 150(a) (all procedures available at <<http://cdm.unfccc.int/Reference/Procedures/index.html>>).

⁶ Based on the CDM project standard, paragraph 210.

⁷ Based on the glossary of CDM terms.

⁸ Based on the CDM standard for demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programmes of activities, chapter 4.2.1; the CDM project standard, paragraph 214; the CDM validation and verification standard, paragraphs 184, 276 and 273; and the CDM project cycle procedure, paragraph 128.

15. A component project activity may be excluded from a programme of activities by the CDM Executive Board if found to be erroneously included, or be excluded voluntarily by the coordinating/managing entity.⁹

16. A programme of activities shall have a duration of seven years, renewable at most three times, or in the case of an afforestation and reforestation programme of activities a duration of 20 years, renewable at most twice. A programme of activities shall be renewed by updating the eligibility criteria for the inclusion of component project activities, applying the valid version of the baseline and monitoring methodology at the time of renewal and confirming that the original baseline is still valid or has been updated taking into account new data, where applicable.¹⁰

17. A component project activity shall have a crediting period selected from the following alternative approaches, except as set out in paragraph 19 below:¹¹

- (a) A maximum of seven years, renewable at most twice;
- (b) A maximum of 10 years, with no option of renewal.

18. A component project activity under an afforestation and reforestation programme of activities shall have a crediting period of a maximum of 20 years, which may be renewed at most twice, or a maximum of 30 years with no option of renewal.¹²

19. The crediting period of a component project activity shall not exceed the duration of the programme of activities that it is included in.¹³

B. Designated national authorities

20. Parties participating in the CDM shall appoint a designated national authority for the CDM.

21. Where a Party wishes to approve a CDM project activity or programme of activities, the designated national authority of that Party shall:

(a) Issue a written letter of approval for the a CDM project activity or programme of activities, confirming that:¹⁴

- (i) The Party is a Party to the Kyoto Protocol;
- (ii) Participation in the CDM project activity or programme of activities is voluntary;
- (iii) Where it is the host Party, that the CDM project activity or programme of activities assists the host Party in achieving sustainable development;

(b) Authorize the participation of private and/or public entities in CDM project activities and programmes of activities, in accordance with decision 3/CMP.1, annex, paragraph 33;

(c) Authorize the coordination of programmes of activities by coordinating/managing entities.¹⁵

⁹ Based on the CDM project cycle procedure, chapters 6.1.2 and 6.2.

¹⁰ Based on the CDM project standard, paragraphs 223 and 227.

¹¹ Based on the CDM project standard, paragraph 68.

¹² Based on the CDM project standard, paragraph 145.

¹³ Based on the CDM project standard, paragraph 228(d).

¹⁴ Based on decision 3/CMP.1, annex, paragraph 40(a).

¹⁵ Based on decision 3/CMP.1, annex, paragraph 33, as applied to programmes of activities.

22. A Party that authorizes private and/or public entities to participate in project activities or programmes of activities related to Article 12 shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the annex to decision 3/CMP.1, annex II to decision 4/CMP.1, the annex to decision 5/CMP.1 and the annex to decision 6/CMP.1, as appropriate.

23. A designated national authority may:

(a) Withdraw or suspend a letter of approval issued by it for a CDM project activity or programme of activities;¹⁶

(b) Withdraw its authorization of private and/or public entities to participate in CDM project activities or programmes of activities;¹⁷

(c) Withdraw its authorization of coordinating/managing entities for a programme of activities;¹⁸

(d) Request a review of the following actions with regard to a CDM project activity or programme of activities in which it is a Party involved:

(i) A request for registration;¹⁹

(ii) A request for issuance of certified emission reductions;²⁰

(iii) Inclusion of a component project activity in a programme of activities;²¹

(iv) A request for renewal of the crediting period of a CDM project activity or component project activity;²²

(v) A request for renewal of a programme of activities;²³

(e) Propose to the CDM Executive Board methodological factors and other criteria applicable to CDM project activities and programmes of activities hosted in that Party;²⁴

(i) Standardized baselines;

(ii) Other methodological factors;

(iii) Sustainable development criteria;

(f) Issue a written no-objection for voluntary deregistration of a CDM project activity.²⁵

¹⁶ Based on the procedure: process for dealing with letters from designated national authorities that withdraw approval/authorization.

¹⁷ As footnote 16 above.

¹⁸ As footnote 16 above.

¹⁹ Based on decision 3/CMP.1, annex, paragraph 41; and the CDM project cycle procedure, paragraph 90.

²⁰ Based on decision 3/CMP.1, annex, paragraph 65; and the CDM project cycle procedure, paragraph 237.

²¹ Based on the CDM project cycle procedure, paragraph 135.

²² Based on the CDM project cycle procedure, paragraph 304.

²³ As footnote 22 above.

²⁴ Based on decision 3/CMP.6, paragraph 45; decision 5/CMP.1, annex, paragraph 8(a-c); the procedure: development, revision, clarification and update of standardized baselines, paragraph 10; and the procedure: submission and consideration of microscale renewable energy technologies for automatic additionality, paragraph 7.

²⁵ Based on the CDM project cycle procedure, paragraph 319.