

Session 02

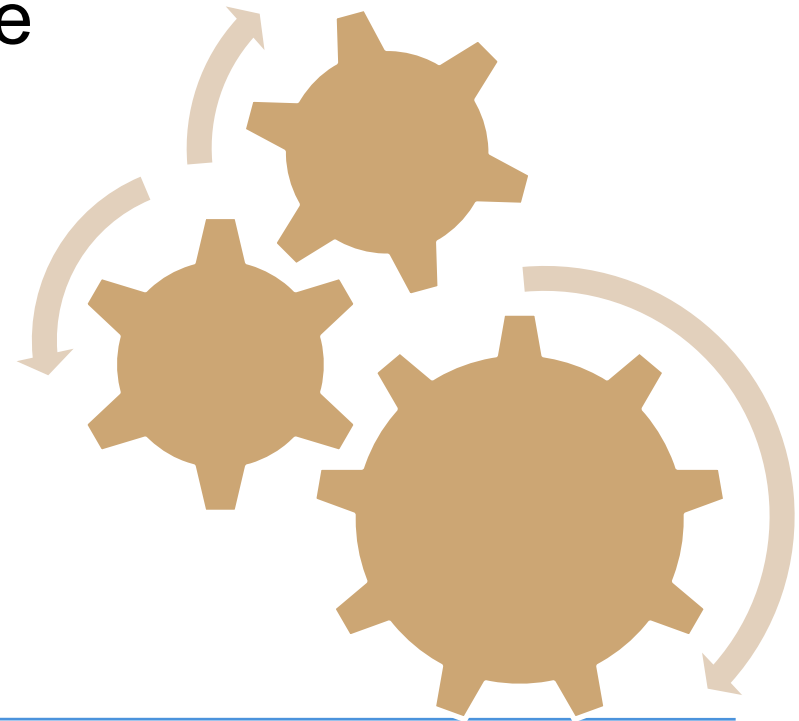
CDM overview: Basics of the CDM Modalities and procedures, project cycle and recent regulatory updates

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

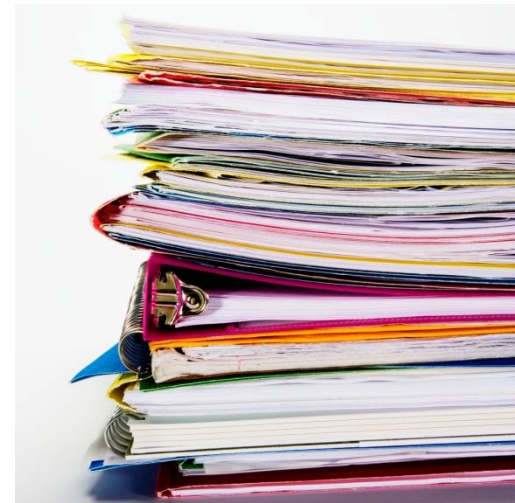
- The first meeting of the Parties to the Kyoto Protocol (CMP 1, Nov 28 - Dec 9, 2005) adopted the modalities and procedures for a clean development mechanism (CDM modalities and procedures)
 - **3/CMP.1 Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto 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

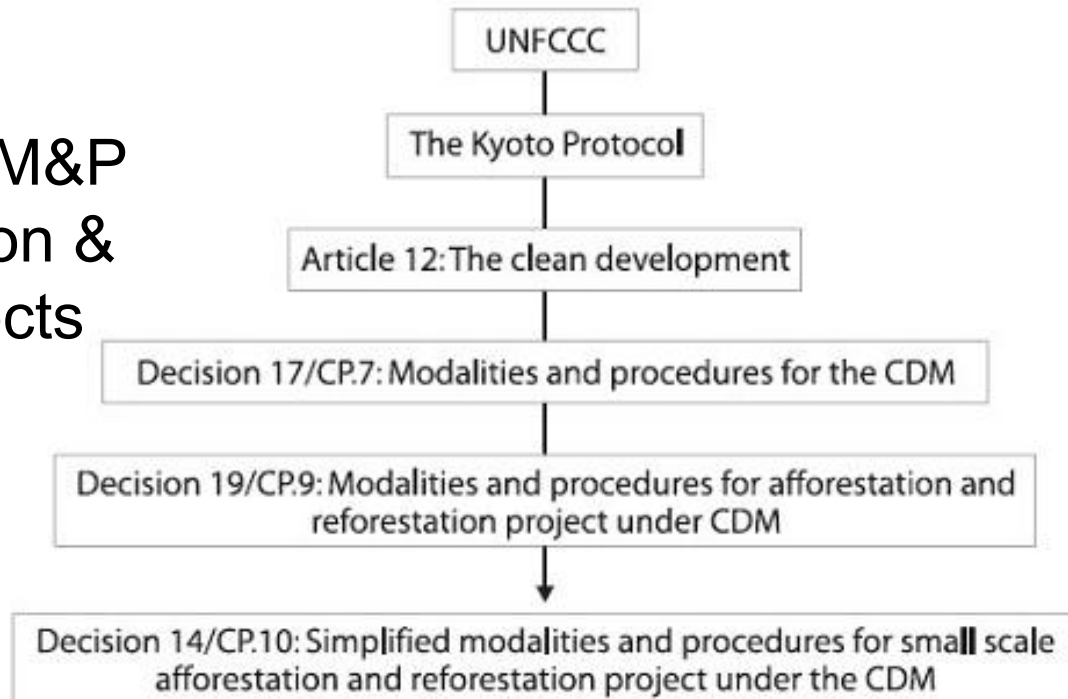
- **Principles, nature and scope** of the mechanisms of the Kyoto Protocol
- Guidelines for the implementation of Article 6 and 17 of the Kyoto Protocol
- Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol



Modalities and Procedures (M&P) for the CDM

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,

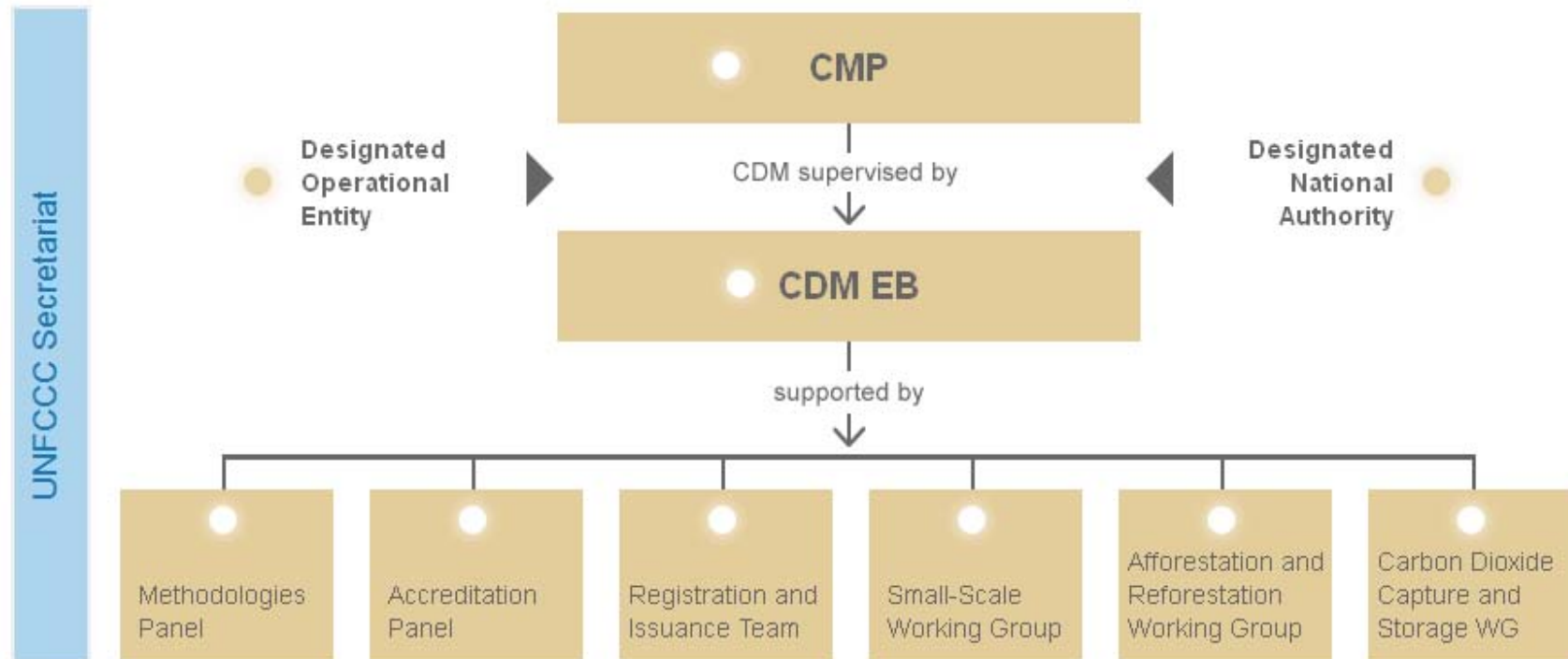


Further elements of the CDM M&P:

- 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



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

Designated national authorities in over 125 developing countries



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.



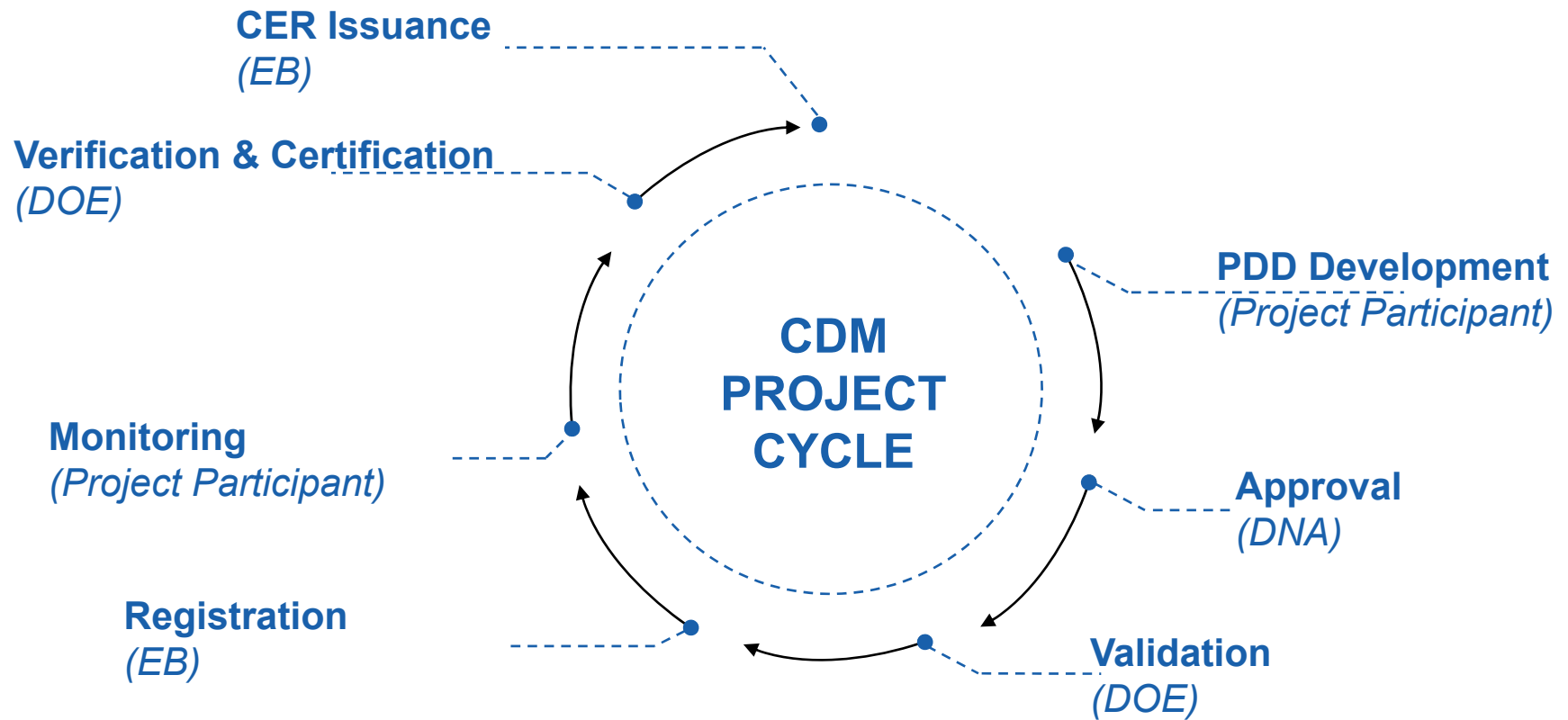
CDM PROJECT TYPES (6)

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



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.

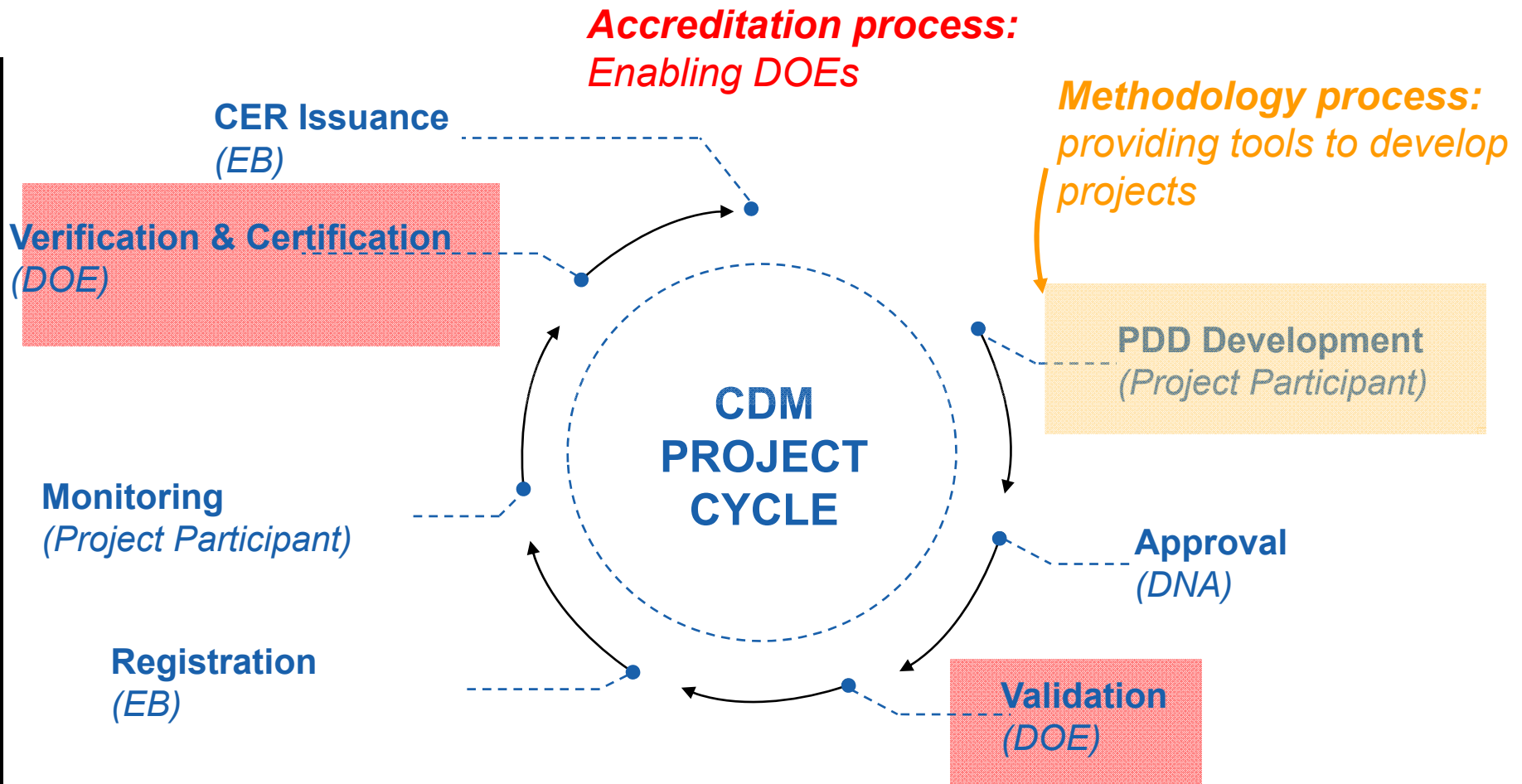


7) CER issuance - Handled by Executive Board

- 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



EB DUTIES OUTSIDE THE PROJECT CYCLE



CDM Methodologies

- Over 200 approved project methodologies & 26 methodological tools

The screenshot displays the 'CDM Methodologies' page on the UNFCCC website. The page is organized into several sections:

- CDM Methodologies Booklet:** A section explaining the function of methodologies and providing a link to download the booklet.
- For all types of methodologies:** A central section with links for proposing new methodologies, requesting revisions, and clarification.
- Large scale methodologies:** A section listing approved, withdrawn, and proposed large-scale methodologies, along with requests for clarification and revision.
- Large scale afforestation and reforestation methodologies:** A section listing approved and proposed afforestation and reforestation methodologies, along with requests for clarification and revision.
- Small scale methodologies:** A section listing approved and proposed small-scale methodologies, along with requests for clarification and revision.

The website also features a navigation menu on the left, a search bar, and a footer with the UNFCCC logo and contact information.



Designated Operational Entities (DOEs)

- Currently 30 listed DOEs

Your location: Home > Governance > Validators and Verifiers

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List of DOEs

The Executive Board, in accordance with paragraph 20 of the CDM modalities and procedures, shall maintain a publicly available list of designated operational entities. The table below provides the list of accredited and provisionally designated operational entities for validation functions. These entities are accredited for the sectoral scopes shown below in the table and qualify to submit requests for project registration in these sectoral scopes.

Methodologies linked to sectoral scopes

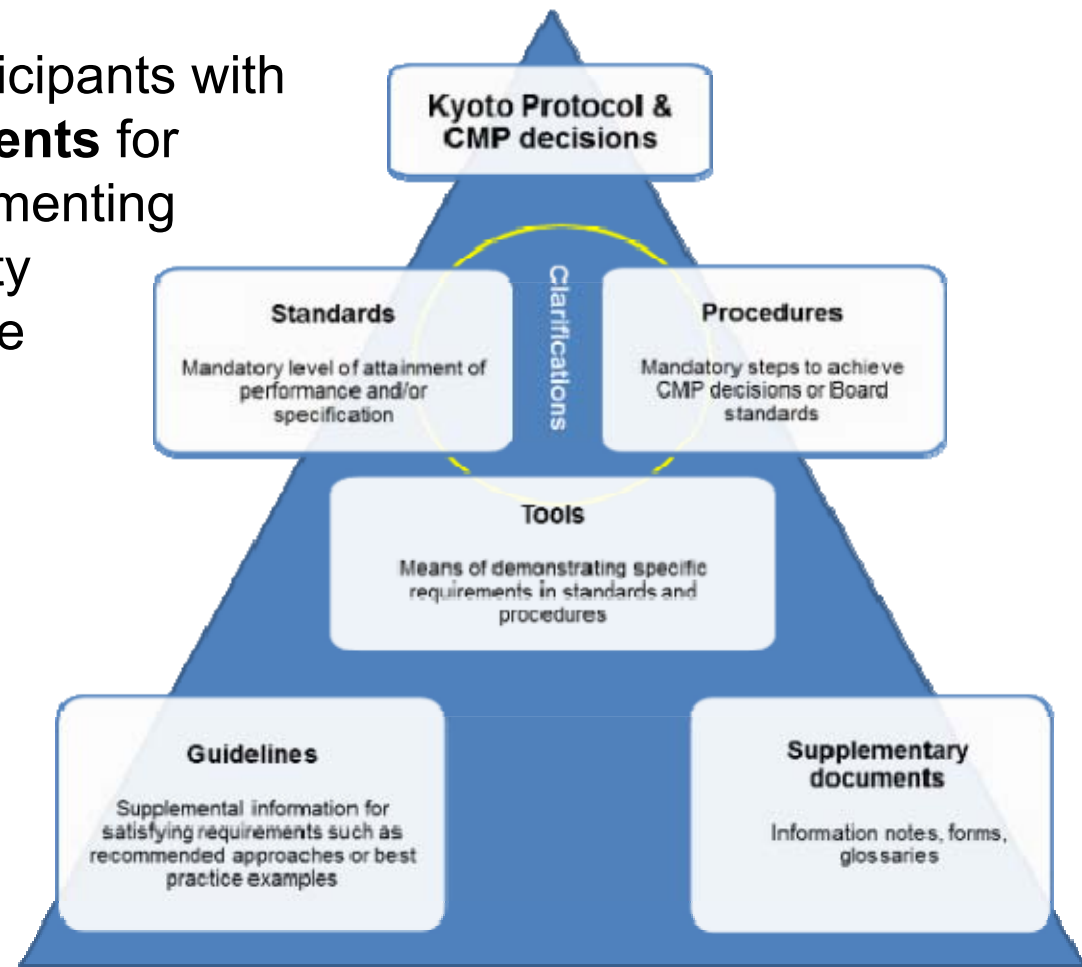
Ref. Number	Entity	Sectoral scopes for validation	Sectoral scopes for verification and certification
E-0001	Japan Quality Assurance Organisation (JQA)	1, 3-5, 10, 13, 14	1, 3-5, 10, 13, 14
E-0006	Deloitte Tohmatsu Sustainability Co., Ltd. (DTSUS)	1-3, 5, 10, 12, 13, 15	1-3, 5, 10, 12, 13, 15
E-0009	Bureau Veritas Certification Holding SAS (BVCH)	1-15	1-15
E-0011	Korea Energy Agency (KEA)	1, 3-5, 7, 9, 11-15	1, 3-5, 7, 9, 11-15
E-0016	ERM Certification and Verification Services Limited (ERM CVS)	1, 3-5, 8-10, 13	1, 3-5, 8-10, 13
E-0020	GHD Limited (GHD)	1, 4, 5, 8-10, 12, 13	1, 4, 5, 8-10, 12, 13
E-0021	AENOR INTERNACIONAL, S.A.U. (AENOR)	1-15	1-15
E-0022	TÜV NORD CERT GmbH (TÜV NORD)	1-16	1-16
E-0023	Lloyd's Register Quality Assurance Ltd. (LRQA)	1-13	1-13
E-0024	Colombian Institute for Technical Standards and Certification (ICONTEC)	1-3, 7, 13, 14	1-3, 7, 13, 14
E-0025	Korean Foundation for Quality (KFQ)	1-5, 9, 11, 13, 15	1-5, 9, 11, 13, 15
E-0031	Perry Johnson Registrars Carbon Emissions Services (PJRCS)	1-3, 9, 13 Suspended: 4, 7, 10, 12, 15	1-3, 9, 13 Suspended: 4, 7, 10, 12, 15



CDM Rules and Regulations

□ Project Standard

- provides project participants with **minimum requirements** for designing and implementing a CDM project activity and seeking issuance of certified emission reductions (CERs).

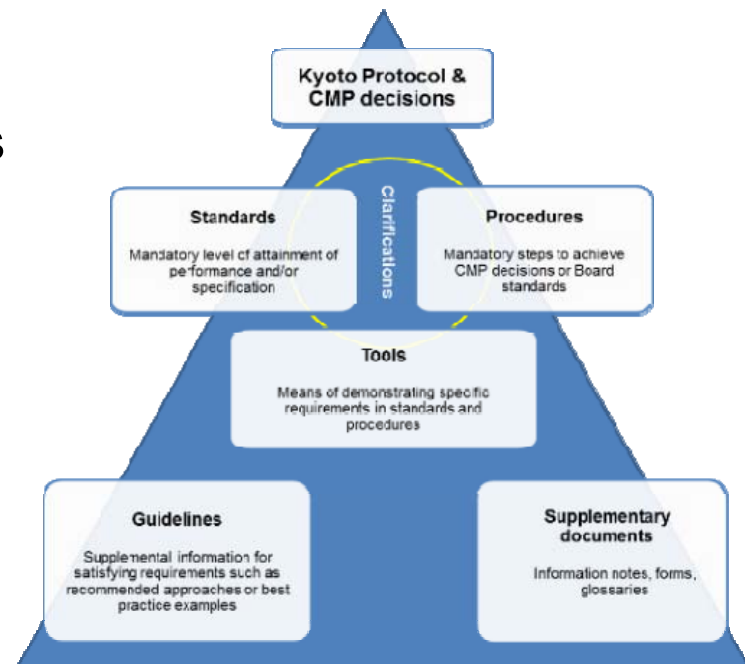


CDM Rules and Regulations

- ❑ 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



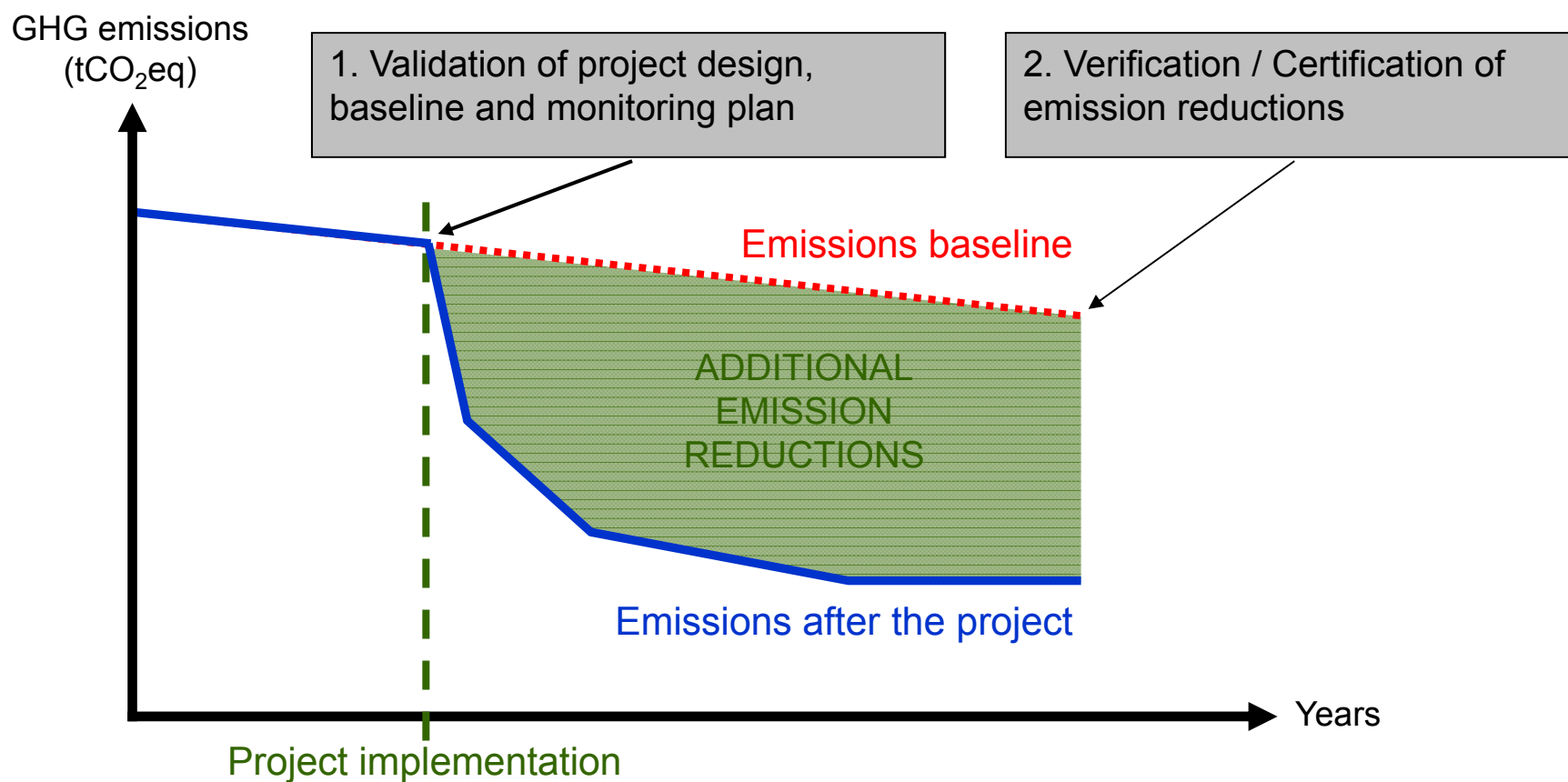
Key CDM concepts

- **Baseline and additionality**
- Emission reductions
- Sustainable development
- CER price and demand



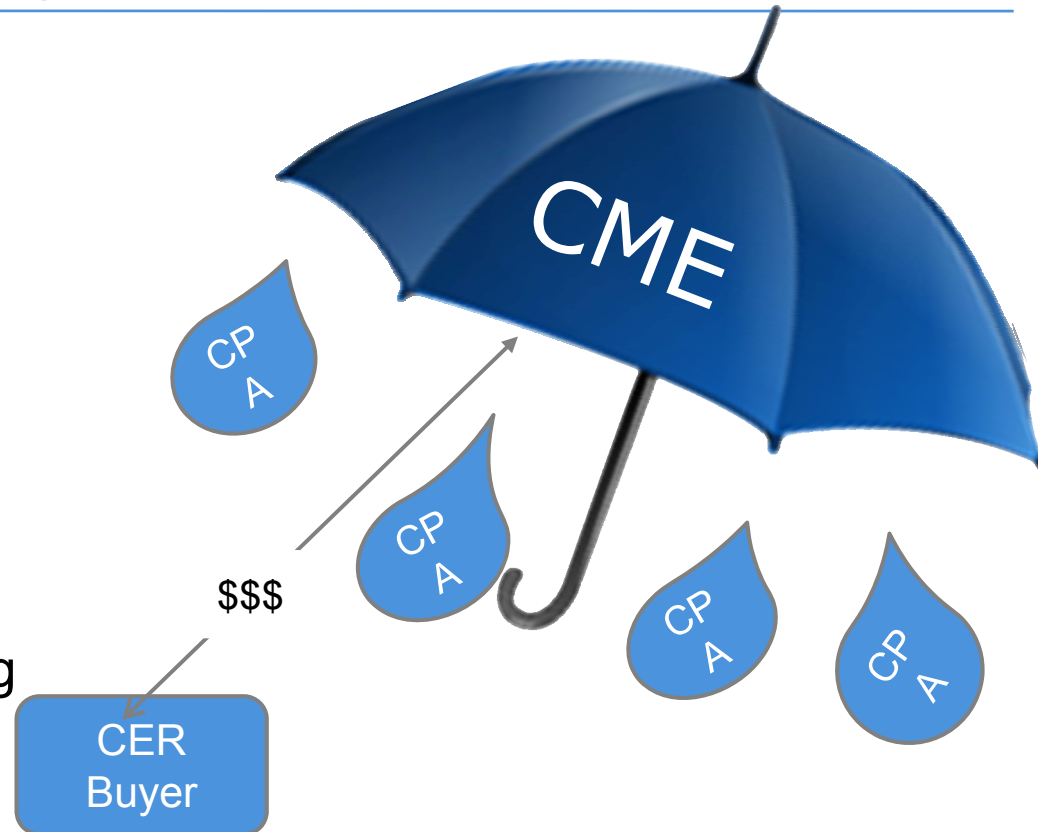
Concept of additionality and baseline

“**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.”



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

CDM PoA – difference between project and PoA

Single Project	Bundle of projects	PoA
Single location	Multiple locations within a country	Multiple locations, across countries
Single PP	Multiple PP	Multiple PP
1 project at a time	A number of activities submitted as 1 project activity at a time	Activities submitted over the life-time of the POA
One crediting period	One crediting period for all activities	Each activity has own crediting period
PP known ex-ante	All PP known ex-ante	At least one PP known ex-ante, rest join later



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



United Nations Framework Convention on Climate Change



Thank you!

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