



## Annex 2

### Agenda item 3(e)

#### MATTERS RELATED TO PROGRAMMES OF ACTIVITIES

*This annex is presented in 4 sections:*

- i. An explanatory note;*
- ii. Draft revision of “Procedures for registration of a programme of activities as a single CDM project activity and issuance of certified emission reductions for a programme of activities”;*
- iii. Draft proposal for “Procedures for review of erroneous inclusion of a CPA”;* and
- iv. Draft amendment of the “Guidance on determining the occurrence of debundling”.*

### **I. Background**

The CMP agreed at its first session that a programme of activities could be registered as a single CDM project activity (paragraph 20, Decision 7/CMP1). The CMP, at its second session, requested the Board to develop procedures for the registration of programmes of activities as its utmost priority (paragraph 16(a), Decision 1/CMP.2).

The Board adopted guidance and procedures at its thirty-second meeting and revised the procedures at its 35<sup>th</sup> meeting. Nine programmes of activities have since been published for global stakeholder consultation and are undergoing validation. Two programmes have been submitted for registration.

Project participants in the processes of developing programmes under the CDM, and DOEs validating such programmes have expressed concern to the Executive Board through different channels regarding certain aspects of the current procedures and guidance.

The Board therefore agreed at its 41<sup>st</sup> meeting to launch a public call for inputs to consolidate all concerns with respect to the application of the current rules. The Board considered these inputs in open session at its 43<sup>rd</sup>-45<sup>th</sup> meetings inclusive, and mandated the secretariat to revise the procedures to reflect the discussion and agreements made.

### **II. Summary of issues**

The following main issues were identified in the public inputs:

- The demonstration of additionality;
  - Confusion was expressed regarding whether additionality should be demonstrated at the POA level, the CPA level, or both.
  - Many stakeholders also expressed concern regarding the restriction regarding the start date of CPAs (the current provisions require that the CPA start date be after the date of registration of the POA).



- The application of methodologies;
  - Stakeholders considered that the restrictions of POAs to the use of only one approved methodologies limited the application of the system to certain programme types.
  - Clarity was sort regarding the implications of the revision of the applied methodology.
  - The provisions for debundling were considered to prejudice small scale project at the household level.
- The inclusion and exclusion of CPAs and DOE liability;

### III. Options/Recommendations

In order to provide clarity on the applicable rules the secretariat's draft revision (attached) has merged the existing "guidance" and "procedures" document. The Procedures will now be the primary source of rules application to processing of programmes of activities. Any additional guidance which the Board considers necessary to issue in future meetings will be supplemental to these procedures.

The secretariat, as mandated by EB45, has drafted revised procedures (attached) which:

1. Clarify that additionality shall be demonstrated at the POA level, and that the eligibility criteria for inclusion of CPAs shall include details regarding how additionality is to be demonstrated. The Board may wish to further mandate the secretariat to elaborate additional guidance on the demonstration of additionality for POAs to compliment the procedures.
2. Clarify the rules pertaining to the POA if the applied methodology is revised.
3. Allows the application of more than one approved methodology to a POA in cases where the combination of methodologies is applied in a consistent manner to all CPAs.
4. Provides derogations from the debundling for provisions for POAs involving "micro-scale" applications, i.e. where the implemented units are 1% of the small-scale thresholds.
5. Provides a new and detailed procedure related to the review of erroneous inclusion, which is time bound and which does not result in an automatic "hold" on the entire POA.

With regard to the starting date of CPAs the secretariat has not at this point proposed any revisions, reflecting the discussions by the Executive Board at its forty-fifth meeting. The Board may wish to further discuss this matter to assess the implications of altering the requirements that the start date of each CPA be after the start date of registration of the POA.

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### PROCEDURES FOR REGISTRATION OF A PROGRAMME OF ACTIVITIES AS A SINGLE CDM PROJECT ACTIVITY AND ISSUANCE OF CERTIFIED EMISSION REDUCTIONS FOR A PROGRAMME OF ACTIVITIES

#### A. Background

1. Pursuant to paragraph 20 of decision 7/CMP.1 project activities under a programme of activities (PoA) can be registered as a single clean development mechanism project activity provided that approved baseline and monitoring methodologies are used that, inter alia, define the appropriate boundary, avoid double counting and account for leakage, and ensure that the emission reductions or net anthropogenic removals by sinks are real, measurable and verifiable and additional to any that would occur in the absence of the project activity.
2. These procedures and the procedures for review of erroneous inclusion of a CPA, and future guidance which may be issued by the Executive Board provide the framework by which programmes of activities will be assessed. These procedures also replace the “Guidance on the registration of project activities under a programme of activities as a single CDM project activity (EB32, annex 38).
3. A programme of activities (PoA) is a voluntary coordinated action by a private or public entity which coordinates and implements any policy/measure or stated goal (i.e. incentive schemes and voluntary programmes), which leads to anthropogenic GHG emission reductions or net anthropogenic greenhouse gas removals by sinks that are additional to any that would occur in the absence of the PoA, via an unlimited number of CDM programme activities (CPAs).

#### B. Preparation of a Programme of Activities

##### *Preparation of a CDM-POA-DD*

4. A coordinating/managing entity shall develop a Programme of Activities Design Document (CDM-POA-DD) setting a framework for the implementation of the PoA and unambiguously defining a CDM programme activity (CPA) under the PoA. The CDM-POA-DD shall include the following information:
  - (a) Identification of the coordinating/managing entity, Host Party(ies) and PoA participants;
  - (b) Definition of the boundary for the PoA in terms of a geographical area (e.g., municipality, region within a country, country or several countries) within which all CDM programme activities (CPAs) included in the PoA will be implemented, taking into consideration all applicable national and/or sectoral policies and regulations within that chosen boundary are reflected in the determination of the baseline;
  - (c) Description of the policy/measure or stated goal that the PoA seeks to promote;



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- (d) Confirmation that the proposed PoA is a voluntary action by the coordinating/managing entity;
- (e) Demonstration that in the absence of the CDM either: (i) the proposed voluntary measure would not be implemented, or (ii) the mandatory policy/regulation would be systematically not enforced and that non-compliance with those requirements is widespread in the country/region, or (iii) that the PoA will lead to a greater level of enforcement of the existing mandatory policy /regulation. This shall constitute the demonstration of additionality of the PoA as a whole;
- (f) Description of a typical CPA that will be included in the PoA covering the technology or measures to be used, justification of the choice of an approved baseline and monitoring methodology (or combination of approved methodologies)<sup>1</sup>, application of an approved baseline and monitoring methodology;
- (g) Definition of eligibility criteria for inclusion of a project activity as a CPA under the PoA, which shall include criteria for demonstration of additionality of the CPA, and the type and/or extent of information (e.g. criteria, indicators, variables, parameters or measurements) that shall be provided by each CPA in order to ensure its eligibility;
- (h) Starting date and length of the PoA not exceeding 28 years (60 years for A/R);
- (i) Description of the operational and management arrangements established by the coordinating/managing entity for the implementation of the PoA, including a record keeping system for each CPA under the PoA, a system/procedure to avoid double accounting e.g. to avoid the case of including a new CPA that has been already registered either as CDM project activity or as a CPA of another PoA, the provisions to ensure that those operating the CPA are aware and have agreed that their activity is being subscribed to the PoA;
- (j) Description of a monitoring plan for a CPA, developed in accordance with the approved monitoring methodology, and identification of the monitoring provisions and data parameters a CPA has to apply/monitor;
- (k) Description of the proposed statistically sound sampling method/procedure to be used by DOEs for verification of the amount of reductions of anthropogenic emissions by sources or removals by sinks of greenhouse gases achieved by CPAs under the PoA, noting that the coordinating /managing entity may opt to have all CPAs verified;
- (l) Environmental analysis of the PoA as per requirements of the CDM modalities and procedures. If this analysis is not undertaken for the PoA but is to be done at the CPA level this shall be described and reflected in the CDM-POA-DD and the CDM-CPA-DD;

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<sup>1</sup> If a combination of approved methodologies is being applied this combination must be applied to all CPAs and must be applied in a consistent manner. This shall be included as a specific eligibility criteria for inclusion of the CPA into such PoAs.



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- (m) If comments by local stakeholders were invited with regard to the total PoA, information on how comments by local stakeholders were invited, a summary of the comments received and how due account was taken of any comments received, as applicable. If such comments are to be sought at the CPA level this shall be described and reflected in the CDM-POA-DD and the CDM-CPA-DD;
- (n) In case public funding is used a confirmation that official development assistance is not being diverted to the implementation of the PoA.

### *Preparation of the CDM-CPA-DD*

5. The coordinating/managing entity shall prepare the PoA specific CDM Programme Activity Design Document (CDM-CPA-DD)<sup>2</sup> using the provisions of the proposed PoA. The template CDM-CPA-DD provides for the submission of the following information:

- (a) Geographic reference or other means of identification<sup>3</sup>, Name/contact details of the entity/individual responsible for **the operation of the** CPA;
- (b) The Host Party;
- (c) Starting date, type (fixed or renewable) and duration of the crediting period of the CPA taking into account that the starting date of a crediting period of the CPA shall be the date of its inclusion in the registered PoA or any date thereafter and that the duration of the crediting period shall not exceed the end date of the PoA;
- (d) **Confirmation that the start date of the CPA is not or will not be prior to the date of registration of the PoA;**
- (e) Information stipulated in the PoA for use by each CPA to demonstrate how it meets requirements with respect to:
  - (i) **Fulfilling the eligibility criteria specified in the CDM-POA-CDM, including the demonstration of the additionality of the CPA;**
  - (ii) Calculations of baseline emissions and estimated emission reductions by sources or removal by sinks of greenhouse gases.

<sup>2</sup> The latest version of the template form CDM-CPA-DD is available on the UNFCCC CDM web site in the reference/document section.

<sup>3</sup> E.g. in case of stationary CPA geographic reference, in case of mobile CPAs means such as registration number, GPS devices.



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- (f) Environmental analysis as per requirements of the CDM modalities and procedures, unless the analysis may be undertaken for the whole PoA as reflected in the CDM-POA-DD;
- (g) Information on how comments by local stakeholders were invited, a summary of the comments received and how due account was taken of any comments received, as applicable unless the comments may be sought for the whole PoA as reflected in the CDM-POA-DD;
- (h) Confirmation that the CPA is neither registered as a CDM project activity nor included in another registered PoA.

(Note: The above revision will require changes in CDM-CPA-DD as follows:

Section B.3 should be sub-section of Section B.2 as Section B.2.1. (as demonstration of additionality is part of the eligibility criteria)

Section B.3 (proposed Section B.2.1) should read as “*Demonstration of CPA meeting additionality specific eligibility criteria, as per eligibility criteria listed in the registered PoA*”)

### *Requirements related to participation in the PoA*

6. The operators of individual CPAs are not required to be project participants. Participation is only recorded at the PoA level.

7. The coordinating/managing entity shall obtain letters of approval for the implementation of the PoA from each Host Party and Annex I Party involved in the PoA. Letters of approval shall be issued in accordance with the guidance provided by the CDM Executive Board.

8. The coordinating/managing entity shall obtain letters of authorization of its coordination of the PoA from each Host Party PoA.

9. The latest version of the Procedures for modalities of communication between project participants and the CDM Executive Board shall apply, with the exception that the coordinating/managing entity shall be either sole or joint focal point for each area of communication.

### **C. Validation of a programme of activities**

10. The coordinating/managing entity shall submit to a DOE the following documentation:

- (a) A completed CDM-POA-DD;
- (b) A PoA specific CDM-CPA-DD with generic information relevant to all CPAs;
- (c) A completed CDM-CPA-DD which is to be based on the application of the PoA to one real case.

11. The DOE shall make the above documents publicly available on the UNFCCC CDM website in accordance with the latest version of the Procedures for processing an reporting on validation of CDM project activities.



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12. In addition to the validation requirements arising out of the modalities and procedures for a clean development mechanism, the validation by the DOE shall address the following issues:

- (a) Additionality of the PoA (see 2 e above);
- (b) Eligibility criteria for inclusion of a proposed CPA in the registered PoA, including criteria to be used for demonstration of additionality of a CPA;
- (c) Operational and management arrangements established by the coordinating/managing entity for the implementation of the PoA inter alia the issues identified in paragraph 2 (i) above;
- (d) Consistency between CDM-POA-DD and the PoA specific CDM-CPA-DD to be used for inclusion of a CPA in the registered PoA;
- (e) In cases where more than one approved methodology will be applied each CPA, confirmation that the applied combination of methodologies will be sufficient to address all project emissions and leakages that may occur as a result of the implementation of the CPA. If the DOE has concerns regarding the sufficiency of the combination of applied methodologies a request for clarification shall be submitted to the relevant Panel or Working Group.

### **D. Request for registration of a programme of activities**

13. If the DOE considers that the PoA meets that validation requirements, it shall submit a request for registration of a proposed PoA using the “Programme of Activities registration request form” (F-CDM-POA-REG) along with a validation report and supporting documentation.

14. The procedures for registration of a CDM project activity as referred to in paragraph 40 of Decision 3/CMP.1 and the procedures for review as contained in Annex III to Decision 4/CMP.1 shall apply to a PoA.

### **E. Implications of an approved methodology being put on hold or withdrawn**

15. If the approved methodology is put on hold or withdrawn, for any reason other than for the purpose of inclusion in a consolidated methodology, no new CPAs shall be included to the PoA, in accordance with the timelines indicated in latest version of the “Revised procedures for the revision of an approved baseline and monitoring methodology by the Executive Board”.

16. If the methodology, subsequent to being placed on hold or withdrawn, is revised or replaced by inclusion in a consolidated methodology, the PoA shall be revised accordingly. The changes shall be subsequently documented in a new version of PoA (e.g Version 1.1), validated by a DOE and approved by the Board. The Board’s approval defines a new version of the PoA and the PoA specific CDM-CPA-DD. Such revisions to the PoA are not required in cases where a methodology is revised without being placed on hold or withdrawn.

17. Once changes have been approved by the Board, the inclusion of all new CPAs shall follow the latest version of the PoA specific CDM-CPA-DD.



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18. CPAs that were included before the methodology was put on hold, shall apply the latest version of the PoA specific CDM-CPA-DD at the time of the renewal of the crediting period.

### **F. Renewal of a crediting period of CDM programme activities under a programme of activities**

#### *Determination of the crediting period renewal conditions for a CPA*

19. The latest version of the “Procedures for Renewal of a Crediting Period of a Registered CDM project activity” shall be applied, mutatis mutandis, to a PoA every seven years (every 20 years for A/R project activities) from the start date of the crediting period , with the following exceptions:

- (a) Instead of preparing a revised version of the CDM-PDD the coordinating/managing entity shall prepare:
  - (i) A new completed CDM-POA-DD
  - (ii) A new version of the PoA specific CDM-CPA-DD.
- (b) If the version of the PoA has been revised in accordance with paragraph 16 the renewal shall occur seven years (or 20 years for A/R project activities) after the approval of the revised version.

20. The result of this process defines a new version of the PoA and the PoA specific CDM-CPA-DD.

### **G. Inclusion or renewal of a crediting period of a CDM programme activity under a registered programme of activities**

#### *Inclusion*

21. A CPA can be included in a registered PoA at any time during the duration of the PoA. To include an additional CPA in a registered PoA, the coordinating/managing entity shall forward, after having ensured all the requirements determined in the PoA and its specific CDM-CPA-DD are met, the completed CDM-CPA-DD form to the same DOE that validated the current version of the PoA for consistency checking. The coordinating/managing entity may forward more than one CDM-CPA-DD at one time.

22. To renew the crediting period of a CPA, the coordinating/managing entity shall forward, after having ensured that the CPA meets all the requirements, the completed latest version of the CDM-CPA-DD to the DOE which validated the revised version of the CDM-PoA-DD.

23. This DOE shall scrutinize the information in the CDM-CPA-DD against latest version of the PoA and documentation requirements and, if consistency/integrity is confirmed, include the proposed CPA(s) in the registered PoA/renew the crediting period of the existing CPA by forwarding the CDM-CPA-DD to the CDM Executive Board via uploading it through a dedicated interface on the



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UNFCCC CDM website. Such uploads shall be grouped and not occur more frequently than once per month.

24. The CDM-CPA-DD(s) uploaded by the DOE will be automatically included in the registered PoA/have its crediting periods renewed and displayed on the view page of that PoA. The DOE, the coordinating/managing entity and the Designated National Authority are automatically notified of the change in the status of the PoA.

### *Identification and consequences of erroneous inclusion*

25. If a DNA involved in the PoA or [at least three] [a] Board member[s] identifies any error[, within one year after the inclusion of CPA into a registered PoA or renewal of the crediting period of the CPA, or six (6) months after the issuance of CERs for that CPA, whichever is the later,] that disqualifies a CPA from inclusion in the PoA or renewal of the crediting period, the Secretary of the Board shall be notified, in accordance with the Procedures for review of erroneous inclusion of a CPA. Such a request for review shall be related to issues associated with the compliance of the CPA with the eligibility criteria specified in the CDM-POA-DD

26. The Executive Board shall consider the request for review in accordance with the Procedures for review of erroneous inclusion of a CPA.

### **H. Request for issuance of certified emission reductions for a programme of activities**

27. The procedures for verification, certification and request for issuance of certified emission reductions (CERs) as referred to in paragraphs 62, 63 and 64 of Decision 3/CMP.1 and the procedures for review of requests for issuance of CERs as contained in Annex IV to Decision 4/CMP.1 and subsequent related decisions of the Executive Board shall apply unless modified through the provisions below.

28. The coordinating/managing entity shall:

- (a) Maintain all monitoring reports of all CPAs in accordance with the record keeping system identified in the CDM-POA-DD.
- (b) Make available all monitoring reports requested by a DOE for verification purposes;

29. A DOE who has not performed validation/inclusion activities for the PoA, unless approved by the Board, shall:

- (a) Identify those CPAs that it shall consider for verification in accordance with the method/procedure to be used for verification of the amount of reductions of anthropogenic emissions by sources or removals by sinks of greenhouse gases achieved by CPAs under the PoA and determined in the CDM-POA-DD,
- (b) Taking into account the possible existence of different versions of the PoA and the need to account for this in its sampling approach, to ensure that a statistically sound sample of CPAs from each version of the PoA are being verified.



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- (c) Make all monitoring reports received from the coordinating/managing entity immediately publicly available on the UNFCCC CDM website.
  - (d) Systematically verify and certify the correct implementation and operation of the record keeping system.
30. The DOE conducting the verification shall include in its verification report a description of how it applied the methods/procedures for the purpose of verification stipulated in the registered CDM-PoA-DD. The DOE shall include in its verification report a description/justification of the site visits undertaken.
31. A DOE shall request issuance of CERs for a PoA by submitting the “CDM form to submit verification and certification reports and to request issuance for a PoA”(F-CDM-POA-REQCERS) via a dedicated interface on the UNFCCC CDM website. The request shall [relate to all CPAs included in the PoA during the specified monitoring period] [identify the CPAs covered and the monitoring period verified for each CPA]. [The monitoring periods shall be consecutive.] [The periods verified for each CPA shall be consecutive.] A request for issuance shall relate to the certified emission reductions verified as per above.
32. The period to request review by a Parties involved or three Board members shall be six weeks from the date of receipt of the request for issuance.
33. A DOE shall not request issuance of CERs for a PoA within three months of the previous request for issuance.
34. The coordinating/managing entity shall submit a request for forwarding of CERs issued in accordance with the modalities of communication as agreed between project participants.

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### PROCEDURES FOR REVIEW OF ERRONEOUS INCLUSION OF A CPA

#### A. Background

1. Paragraph xx of the \Procedures for registration of a programme of activities as a single CDM project activity provides for a possibility for members of the CDM Executive Board and the DNAs of Parties involved to request a review of the inclusion of a CPA into a registered programme of activities. These procedures elaborate how such a request for review and any subsequent review will be conducted. .

#### B. Identification and consequences of erroneous inclusion and review request

2. If a DNA involved in the PoA or at least three Board members identifies any error, within one year after the inclusion of CPA into a registered PoA or six (6) months after the issuance of CERs for that CPA, whichever is the later, that disqualifies a CPA from inclusion in the PoA, the Secretary of the Board shall be notified, by means of a request for review form (F-CDM-CPAR)..

3. The secretariat shall place the request for review of the inclusion on the agenda of the next CDM Executive Board meeting. The secretariat shall notify the coordinating/managing entity, the validating DOE and the DNAs of all Parties involved. The coordinating/managing entity and the validating DOE shall be invited to provide initial comments to the request for review.

4. The Board shall decide whether to initiate a review of the inclusion of the CPA and may decide to exclude the CPA from the PoA with immediate effect. .

5. A DOE, that has not performed validation, registration, inclusion or verification functions with regard to this PoA, shall conduct the review referred to in 4, by assessing a random sample of 10% of all CPAs currently included and submitting a report to CDM Executive Board within eight weeks.

6. An assessment team shall be established by the Board to analyse the DOE review report and make a recommendation to the CDM Executive Board within two weeks. The assessment team may discuss the findings of the review report and seek comments from the co-ordinating entity and validating DOE, as appropriate.

7. The Board shall consider the review at the next CDM Executive Board meeting for which the report has been made available within the two week document deadline.

8. The Board shall decide:

- (a) Whether to exclude any of the CPAs from the POA, and if so;
- (b) Whether to extend the review of the inclusion of CPAs to the POA

9. The consequences of the exclusion are that:

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- (a) The CPA that has been excluded shall not be re-included again in that or any other PoA, or qualify as a CDM project activity;
  - (b) The DOE that included the CPA, shall acquire and transfer, within 30 days of the exclusion of the CPA, an amount of reduced tonnes of carbon dioxide equivalent to the amount of CERs issued to the PoA as a result of the CPA having been included, to a cancellation account maintained in the CDM registry by the Executive Board.
10. The consequences of the extension of the review are that:
- (a) The further inclusion of new CPAs and issuance of CERs to that PoA shall be put on hold.
  - (b) A further sample of 15% of included CPAs shall be reviewed in accordance with the modalities contained in paragraphs 5 to 9.
  - (c) If this second review also leads to the exclusion of further CPAs, the Executive Board may decide to extend the review to all included CPAs.
11. Only once the Board has decided not to extend the review and all required cancellations have been confirmed, the hold described in paragraph 10 (a) shall be lifted.

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### GUIDANCE ON THE DE-BUNDLING FOR SSC PROJECT ACTIVITIES

#### II. GUIDANCE FOR DETERMINING THE OCCURRENCE OF DE-BUNDLING UNDER A PROGRAMME OF ACTIVITIES (PoA)

7. For the purposes of registration of a Programme of Activities (PoA), a proposed small-scale CPA of a PoA shall be deemed to be a de-bundled component of a large scale activity if there is already an activity, **which satisfies both conditions (a) and (b) below:**

- (a) Has the same activity implementer as the proposed small scale CPA or has a coordinating or managing entity, which also manages a large scale PoA of the same technology/measure, and;
- (b) The boundary is within 1 km of the boundary of the proposed small-scale CPA, at the closest point.

8. If a proposed small-scale CPA of a PoA is deemed to be a debundled component in accordance with paragraph 2 above, but the total size of such a CPA combined with a registered small-scale CPA of a PoA or a registered CDM project activity does not exceed the limits for small-scale CDM and small-scale A/R project activities as set out in Annex II of the decision 4/CMP.1 and 5/CMP.1 respectively, the CPA of a PoA can qualify to use simplified modalities and procedures for small-scale CDM and small-scale A/R CDM project activities.

9. **If each of the independent subsystems/measures (e.g. biogas digester, solar home system) included in the CPA of a PoA is no greater than 1% of the small scale thresholds defined by the methodology applied, then that CPA of PoA is exempted from performing de-bundling check i.e. considered as being not a de-bundled component of a large scale activity.**

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