

# Workshop Report

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## 7th CDM Roundtable

Date of meeting: 20 April 2013

Place of meeting: Bonn, Germany

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# **1. Introduction**

## **1.1. Background**

1. The 7<sup>th</sup> CDM Roundtable took place on Saturday, 20 April 2013 at Langer Eugen, UN Campus in Bonn, Germany. Participants representing the Clean Development Mechanism (CDM ) regulatory bodies and expert support, designated national authorities (DNAs), multilateral institutions, non-governmental organizations, designated operational entities (DOEs), project participants/developers (PPs), and the secretariat's support team took part in this one-day event.

## **1.2. Mandate and objective**

2. The roundtable consultation was organized as part of the Sustainable Development Mechanism (SDM) programme's continuing core support activities to facilitate the interactions between the CDM Executive Board (the Board), the secretariat and stakeholders. The roundtable platform provides opportunity for gathering key stakeholder inputs in a direct, interactive manner on specific work areas defined in the Board's ongoing business plan. As such, these interactions directly support the mandate for the Board to enhance communications with project participants and other stakeholders.
3. The agenda was developed to enable stakeholder consultation on issues set out in the Board's 2013-14 business and management plan (MAP). The roundtable objective is thus to facilitate a timely and structured opportunity for gathering direct stakeholder feedback on the development and implementation of policy- and technical-related work products and processes for forthcoming consideration by the Board. The two main technical issues featured work undertaken under the MAP project 127, *Implementation of the Programme of Activity (PoA) standards and procedures*, and project 163 *Improve the performance and role definition of operational entities within the mechanism, including through revised standards and procedures*.

# **2. Meeting format and featured topics**

## **2.1. Meeting format**

4. The meeting opened with a briefing by the Chair of the Board on the work programme envisaged surrounding the forthcoming recommendations of the Board to the Subsidiary Body for Implementation (SBI) on the review of the modalities and procedures for the CDM. Two parallel break-out streams focussed on i) improvements to the standard on sampling and surveys, including best practice examples, and ii) revisions to the accreditation procedure and accreditation standard. Draft notes for each session as well as issues highlighted and focus questions were circulated to participants prior to the consultations.
5. Each topic was introduced in the opening plenary session, including secretariat presentations on the current work and issues for consultation, as well as external stakeholders presenting their respective views. Break-out sessions for both streams took place throughout the morning and early afternoon, followed by a wrap-up session featuring an overview of issues and proposals by the session moderators. A group

discussion to exchange views on the future architecture of the CDM followed the wrap-up session.

## **2.2. Featured topics**

### **2.2.1. Board recommendations on the review of the CDM modalities and procedures**

#### **2.2.1.1. Remarks by the Chair of the CDM Executive Board**

6. The Chair of the Board welcomed the participants and acknowledged the inputs submitted by stakeholders on the recommendations for the review of the CDM modalities and procedures. He recognized the limited time available to discuss the issues and indicated that the workshop mandated by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) was the next step in moving the work forward and that the Subsidiary Body for Implementation (SBI) would not revert directly to the Board but rather likely request further work by the secretariat in preparation for the talks at the next CMP in Warsaw. It was clarified that recommendations did not include revisions to specific text or paragraphs but rather highlighted areas that the SBI was recommended to review and changes seen as needed based on the Board's experience.

### **2.2.2. *PoA stream*: Improvements to the standard on sampling and surveys including best practice examples and further improvements to the PoA regulatory framework.**

#### **2.2.2.1. Issues presented**

7. The secretariat provided an overview of status of PoAs in the pipeline and an update that many of the recommendations submitted in the previous 6<sup>th</sup> CDM roundtable had been addressed in the related work leading up to the EB 70th meeting. The latest issues for discussion regarding sampling included: options for a single sampling plan for a group of CPAs, approaches for reliability targets in sample survey results, application of the sampling standard to "early mover" PoAs, sampling approaches for DOE validation and verification, and innovative methods for sample based monitoring . Further issues regarding implementation and improvements to PoA-related rules focussed on the use of generic CPA-DDs per CPA type and how to define CPA type, and implications of updating the PDD form to registered PoAs.
8. A presentation from the PoA Working Group highlighted the importance of sampling in general in the CDM. While recognizing the logical approach of statistical methods, the practical implementation of sampling has been very difficult. Monitoring and verification of a sample of households, for example, becomes complex when considering large sizes, differences in geography, culture, and accessibility issues. While improvements were noted in the newest draft revisions, practical guidance (e.g., when to use which approaches, how to define homogeneity) still remains needed, as well as a simplification of the regulatory framework. More concrete guidance and practical approaches are required for example in the application of statistical concepts and complex formulae.
9. A DOE presentation provided examples of practical challenges faced by DOEs in relation to sampling, in particular in defining what is meant by "field/onsite check" and determining the appropriate sample size. Both practical challenges and time investments pose difficulties in carrying out verifications. It was illustrated that relevant models

produce a typically minimum sample size of 30 in order to meet the requirements; while this can be done based on documentary evidence, it is not feasible to carry an on-site visit of a random sample of households, which would incur very high transactions costs and time investment. Proposals included that the actual verification of a small sample of sites would be conducted (a sub-sample drawn from the PP's sample), based on a more pragmatic approach taking into account the constraints and the objective of field verification. A need for common acceptance and clarity on how DOEs would be expected to carry out requirements was noted.

#### **2.2.2.2. Break-out discussion and inputs received**

10. Several issues involving the sampling standard and challenges with best practice examples were elaborated. Regarding options for a single sampling plan for a group of SSC CPAs, clearer criteria was required for defining homogeneity of strata, with a recommendation to merge the two proposed options and provide practical examples of homogeneity and step-wise guidance on statistical approaches. On pragmatic options for dealing with situations when precision requirements are not met, applying discounting or default values from the methodology were proposed. For early mover PoAs, options for application of the sampling standard were discussed, incorporating flexibility where possible to updating the sampling plan. A grace period was recommended, applying the interpretation of absolute precision. Regarding pragmatic approaches to sampling for DOE validation and verification, options discussed included the practical interpretation of provisions to be applied (e.g., requirements for onsite visits and practical definition of "site"), with various criteria proposed which could be established to trigger onsite visits. Innovative options for monitoring for distributed unit projects such as basing it on component returned ( e.g. end of life battery units in a solar lamp) as a proxy for field monitoring of retention rates were generally endorsed by participants.
11. Further issues regarding the implementation of PoA-related requirements were also discussed. Regarding approaches to the requirement of using a generic CPA-DD per CPA type, cross-referencing in the new CPA-DD for inclusion was proposed to avoid repetition of all sections of the original generic CPA-DD. Regarding PoAs registered under the VVM track, clarification was requested on which (parts) of forms were to be submitted, and the secretariat interpretation was reiterated and accepted by the group. Participants also discussed options for dealing with a deviation to one (or a limited number of ) CPA(s) which may hold up issuance of other CPAs of the same PoA. Overlapping monitoring reports were proposed with the condition that the issuance requests for the same period would be limited to two issuance requests as compared to the currently allowed single request. Introduction of a simple procedure for inclusion of additional measures/technologies to an already-included CPA, which would be separate from the Post-registration Changes procedure was also proposed. Issues encountered in defining a CPA for dispersed technologies/units was also discussed and it was recommended that methodological work in this area should be conducted.

#### **2.2.3. Accreditation stream: Revisions of the accreditation standard and accreditation procedure**

##### **2.2.3.1. Issues presented**

12. The secretariat briefed participants on the background and status of the work programme concerning the revisions to the accreditation standard and the accreditation procedure. It was clarified that the "zero draft" of both documents circulated for discussion to DOEs and roundtable participants was a starting point for further

development, and that additional comments at the forthcoming AP-64 meeting would also be considered all together in the further development of both documents into first draft documents for the consideration of the Board.

13. Regarding the standard, the main component for discussion was the competence requirements, which had been well elaborated based on analysis of all CDM methodologies, featuring knowledge-based criteria and technical competence requirements. Regarding use of external resources/outsourcing, requirements had been revised in primarily in format rather than substantially, while requirements were streamlined regarding the contract review and technical review processes. The overall work aimed at avoiding duplications and ensuring clarity and consistency, and also proposed transitional measures for implementation and compliance with the revised standard.
14. Regarding the procedure, the main areas for consultation included a review of the modalities to determine the number of performance assessments, general principles for decision-making on non-conformities, introduction of a new element of “under observation” and revisions of the conditions for suspension, significant changes proposed to the complaint and independent review processes, and measures to streamline assessment processes to avoid unnecessary elements and ensure clarity and consistency.
15. DOE’s perspectives on the revisions was presented by the Designated Operational Entities and Independent Entities Association. The secretariat’s work was acknowledged while the timeline for approval of the documents was seen to be too ambitious. Following a learning-by-doing phase, it was felt that the current period is one of “fine tuning” with a view to set the standards and procedures for some time to come, possibly 2020 and beyond. Regarding the standard, the competency requirements and associations with sectoral scopes raised concerns about transaction costs and possible result of withdrawal of accreditation in some sectoral scopes, as maintenance of accreditation in certain scopes may be more costly than the business generated through those scopes. It was recommended that the implementation period should not cause any additional assessment loops/cycles for DOEs, but rather aligned with the coming assessment period, with a recommended transition period of at least 12 months.
16. Regarding the procedure, concerns were raised regarding the independence of the review panel if nominations were made by the secretariat or the Board, with a proposal to include representation of other constituencies (e.g., DNA or PAD Forum, International Accreditation Forum). Further elaboration on the scopes of spot-checks and conditions for initiating spot-checks was requested, as well as further definition of some concepts (e.g., critical systematic failure). The request for review concept for assessment reports was welcomed and concerns on possible conflict of interest for assessment teams was expressed. Regarding performance assessment, the current difficulties in scheduling and overlapping assessments were described as problematic, with a proposal to implement early scheduling of potential assessment periods. The question of application to small or lesser-active entities was also raised.

#### **2.2.3.2. Break-out discussion and inputs received**

##### ***Accreditation Procedure***

17. Participants supported a hybrid approach to determine the number of performance assessments, which would include taking into account a mandatory basis of project

activities, volume of work, and outcomes of performance monitoring; options for enabling capacity-building to improve performance was likewise encouraged. There was also broad agreement of the general approach proposed for the decision-making process for non-conformities, with a view that not every failure to follow the procedure should necessarily lead to “under observation” status.

18. Introduction of the concept of "under observation" was very welcome, with some reservations on the impact of conditions for both under observation and suspension; public notification was seen as a potentially sufficient measure, and not allowing DOEs to continue working on other assessments while under suspension was viewed as not reasonable. Positive measures (e.g., "praise is the best incentive for good performance") were welcomed. The prospect of preventing a DOE to progress work on other projects while under suspension/observation was also seen as a severe penalty by project developers.
19. Regarding the independent review process of Accreditation Panel recommendations, participants emphasized the maintenance of independence as key to the process, with a proposal that the independent panel should recommend whether recommendations are to be upheld, with final Board decisions following the assumption that the independent recommendation is upheld. No major objections were received to either the process for complaints against a DOE nor review of final assessments. Related DOE recommendations included rotation and calibration of CDM accreditation teams and revisions to the fees structure.

### ***Accreditation Standard***

20. There was broad agreement that there is no rush in revising the standard and recognition that the issues would be assessed with a view to streamlining the work in conjunction with the related work on the review of the CDM modalities and procedures. Regarding the main component of the competence requirements, the sectoral knowledge framework was felt to be too prescriptive, and that the reclassification according to methodologies would result in the requirement of more expertise than is required under the current standard. It was pointed out that two qualifications systems should not be running in parallel (individuals qualified under the current standard should also be considered qualified under the new standard) and that the necessity of having all the sectoral scope expertise for on-site visits should be reviewed. Good practice guidelines were recommended to be provided to aid experts. Regarding the use of external resources, it was proposed to remove technical expertise outsourcing. No major comments were made on the technical review process.

### **2.2.4. Fit for the future: CDM in the post-2012 Carbon Market**

21. The afternoon session featured a plenary group discussion on the future of the CDM in the context of emerging markets. A joint presentation by Adelphi research and Wuppertal Institute gave an overview of comparative research on domestic offset systems in Australia, California and Japan and potential implications on CDM reform. The importance of standardization initiatives currently undertaken within the CDM was highlighted, as a way to integrate the mechanism and increase its “acceptability” into new systems. Potential costs and challenges of standardization were discussed, with domestic host country support seen as crucial.
22. The secretariat presented the outcomes and status of commitments from Parties following the Doha conference, a summary of the process leading up to the review of the

modalities and procedures for the CDM, the context of the current market conditions and emerging offset markets and new sectors relevant to CDM. New sectors and emerging markets with complementary offsetting systems were also highlighted, noting that without ambition, demand could not be sustained to drive CDM or any other markets. Elements of recently-emerged instruments (New Market Mechanism, Framework for Various Approaches, NAMAs, Green Climate Fund) were described, highlighting their common objective of results-based financing for achieving mitigation targets. The timeline and estimated roadmap for the negotiations under the Durban Platform were also presented. The possibility of use and integration of the CDM into the emerging markets and developing instruments was acknowledged, along with the likelihood of continuation of the mechanism until 202, albeit at a reduced scale.

23. The Project Developer Forum presented its perspective on how it views the CDM in the post-2020 market. Emission profiles of OECD and non-OECD countries illustrated differences between needs and incentives for green and sustainable growth. The need for a global carbon market was highlighted, along with essential elements or “building blocks” of various approaches, with many such building blocks recognized to have already been developed within the current CDM system. It is thus seen as important that new approaches build upon the current mechanism, including provision of services from the CDM’s global infrastructure. Elements of a proposed Net Mitigation Share for less developed countries was presented along with considerations for the further development of NAMAs and renewable energy promotion policies, acknowledging that advanced mitigation actions were already taking place in many countries. The cost-effectiveness of GHG mitigation approaches on a global scale and the best use of the various tools available were emphasized as priorities for an effective future scheme.

### **3. Next Steps**

24. The list of participants, agenda, and presentations have been published on the CDM Stakeholder Interaction website (<http://cdm.unfccc.int/stakeholder/index.html>) .
25. Inputs from participants on the respective topics will be tracked, and their status reported back to the subsequent roundtable and made publicly available on the CDM Stakeholder Interaction website. These will also be accounted for (how and where incorporated in the ongoing work product(s); justification if not incorporated) in presenting the further work to the Board, in accordance with the modalities and procedures for direct communication with stakeholders.

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