

**Annex 6**POLICY ISSUES ON THE
DRAFT PROCEDURES RELATING TO THE CDM REGISTRY

Account management (see section B of the technical paper on the draft procedures relating to the CDM registry)	
Issue requiring Board input	Background notes
1. Is the approach for associating accounts of project participants with Parties appropriate?	<p>All holding accounts of project participants (Parties involved and entities authorized by Parties to participate in CDM project activities) need to be associated with a specific Party in order to:</p> <ul style="list-style-type: none"> - Reflect which Party has authorized the private/public entity to participate in CDM project activities - Provide for DNAs to view reports on accounts associated only with their Party - Provide the possibility for DNAs of non-Annex I Parties to give approval when units are forwarded to national registries from accounts associated with those Parties - Indicate the national registry to which units from temporary Annex I accounts are to be forwarded when the appropriate national registry becomes operational. <p>This association between accounts and Parties is established on the basis of letters of approval provided by DNAs for specific projects. A letter of approval from a Party is sufficient to allow an account to be established for a project participant. No further approval step is foreseen for the Party to give specific approval for the establishment of an account or the receipt in the account of units generated by projects for which approval has been given.</p> <p>This account would receive units generated by all projects in which the project participant is involved through approval by that Party. However, entities may have accounts associated with other Parties, where such Parties have provided letters of approval for its participation in projects.</p> <p>In terms of timing, accounts are established at the point when a request to forward units from the pending account to project participant accounts is received (in order to not set up accounts which subsequently do not receive units).</p> <p>It is noted that, under current COP decisions and Board guidance:</p> <ul style="list-style-type: none"> - A private/public entity may receive approval from multiple Parties for a single project - A private/public entity may receive approval from a non-Annex I Party which is not the host Party to the project activity.

**Unit forwarding to accounts for the share of proceeds**
(see section D, part 1, of the technical paper)

Issue requiring Board input	Background notes
2. What is the appropriate rate for the share of proceeds for administrative costs?	Decision 17/CP.7 states that the level of the share of proceeds to cover administrative expenses of the CDM shall be determined by the COP upon the recommendation of the Board. No timeframe is specified for when this share of proceeds is to be established. A stable stream of resources for the administration of the CDM would only be possible on the basis of a stable level of unit issuance.

Unit forwarding to accounts of project participants
(see section D, part 2, of the technical paper)

Issue requiring Board input	Background notes
3. To which account should a unit be forwarded which remains undistributed to accounts of project participants due to the rounding of the shares?	<p>The representatives of project participants provide their requests for the forwarding of units from the pending account to the accounts of project participants in percentage shares. The rounding up or down of these shares in calculating the quantities to be forwarded to individual accounts can result in a single unit remaining undistributed.</p> <p>This remaining unit could be forwarded to an account for:</p> <ul style="list-style-type: none"> - The share of proceeds to assist with adaptation costs - Cancelling units - The project participant which received the lowest share.
4. Should requests for forwarding cover 100% of the issued units or can partial requests be made?	Partial requests could lead to a substantial quantity of units being held in the pending account for an unspecified time. Project participants may wish to delay the forwarding where portions of the distribution are still being negotiated.
5. Should a time limit be specified, from the date of issuance, within which a request for forwarding is to be submitted? Where partial forwarding requests may be submitted, should a time limit be specified within which requests totalling 100% of the issued units are to be submitted?	A timeframe may encourage project participants to quickly negotiate the distribution of units and avoid an accumulation of units in the pending account.

**Unit forwarding from non-Annex I accounts to national registries
(see section D, part 4, of the technical paper)**

Issue requiring Board input	Background notes
<p>6. Does this provision also apply to units from a project activity in which an Annex I Party was involved at the stage of registration?</p>	<p>At its fifteenth meeting, the Board agreed that “the development and operation of the CDM registry should enable non-Annex I Parties, and project participants from non-Annex I Parties, to transfer CERs, tCERs and ICERs from their holding accounts in the CDM registry to national registries of Annex I Parties”.</p> <p>Paragraph 57 of the report of the Board at its eighteenth meeting states that “the registration of a project activity can take place without an Annex I Party being involved at the stage of registration. Before an Annex I Party acquires CERs from such a project activity from an account within the CDM registry, it shall submit a letter of approval to the Board in order for the CDM registry administrator to be able to forward CERs from the CDM registry to the Annex I national registry”.</p> <p>This letter of approval from the Annex I Party allows the private or public entity to have an account associated with that Party in its national registry which may receive units from the project in which the participation of the entity is approved in the letter. The letter therefore only establishes a basis for forwarding units to the accounts, in a single national registry, of project participants listed in the letter. Forwarding units to other accounts or other national registries requires additional letters of approval.</p> <p>There is currently no equivalent guidance by the Board for projects which involved an Annex I Party at the registration stage of the project, resulting in a disparity in the treatment of projects.</p>
<p>7. Should the procedures provide an option for non-Annex I Parties to approve the forwarding of units to national registries from accounts of project participants they have approved?</p>	<p>The association of a Party with each account provides the technical possibility of establishing procedures in relation to the forwarding of units to national registries.</p>

**Cancellation for reversal in removals and failure to submit certification reports**
(see section F of the technical paper)

Issue requiring Board input	Background notes
<p>8. Is the identification of ICERs, to be replaced in national registries and cancelled in the CDM registry, consistent with decision 19/CP.9, paras 49 (a) and 50 (a)?</p>	<p>Project participants may decide to have long-term certified emission reductions (ICERs) issued for an afforestation or reforestation CDM project activity. Such ICERs are subject to replacement and cancellation requirements where:</p> <ul style="list-style-type: none"> - A certification report reveals a reversal in earlier removals from the project, or - No certification report has been submitted for the project within 5 years of its last certification. <p>Replacement in a national registry is the process of transferring units (not necessarily the ICERs from the project) to a replacement account in that registry. Cancellation in the CDM registry is the process of transferring ICERs from the relevant project to a specific cancellation account established in the CDM registry for this purpose. These transactions are to be undertaken by the representatives of the relevant holding accounts.</p> <p>In the reversal case, the quantity by which removals were reversed must be replaced in national registries or cancelled in the CDM registry. The international transaction log (ITL) identifies the set of ICERs <i>from which</i> such replacement or cancellation is to occur, notifies each national registry concerned of the quantity of units to be replaced in it, and notifies the CDM registry of the quantity of units to be cancelled in it.</p> <p>In the non-certification case, <i>all</i> ICERs from the relevant project must be replaced in national registries or cancelled in the CDM registry. The ITL identifies the set of ICERs to be replaced or cancelled, notifies each national registry concerned of the quantity of units to be replaced in it, and notifies the CDM registry of the quantity of units to be cancelled in it.</p> <p>In accordance with decision 19/CP.9, such actions by the ITL are carried out on behalf of the Executive Board.</p> <p>The set of ICERs applicable to these requirements is stated in paras 49 and 50 of decision 19CP.7 as “the quantity of ICERs issued for the project activity held in each registry not yet replaced or transferred to the ICER replacement account, distinguishing those held in retirement accounts for the current and previous commitment periods and in holding accounts”.</p> <p>The draft procedures relating to the CDM registry state the set of ICERs, <i>from which</i> such replacement or cancellation is to occur, as the quantity of ICERs issued for the project which:</p> <ul style="list-style-type: none"> - Are in holding and retirements accounts of national registries



	<ul style="list-style-type: none"> - Are in holding accounts of the CDM registry - Have <i>not</i> been replaced for an earlier replacement requirement - Are in the pending account of the CDM registry. <p>Units held in replacement accounts and cancellation accounts are therefore not included in the set of ICERs.</p> <p>In the reversal of removals case, the proportion of ICERs from the project to be replaced or cancelled is calculated by dividing the quantity of reversal in removals by the number of ICERs in this set defined above. In the non-certification case, all ICERs identified in the set are to be replaced or cancelled.</p>
<p>9. Where the ITL has notified the CDM registry that all ICERs from a project activity are to be cancelled as a result of a certification report not being submitted after 5 years, and where account holders have not undertaken sufficient action after 30 days, should the registry administrator cancel all such ICERs in the CDM registry?</p>	<p>In this case, representatives of the relevant holding accounts in the CDM registry have not fulfilled the requirement to cancel ICERs, as notified by the ITL, within the required 30 day period. The ITL calculates the extent to which the requirement has not been fulfilled in the CDM registry and informs the administrator.</p> <p>As the responsibility for the CDM registry lies with the Board, it may wish to request the registry administrator to cancel all ICERs from the relevant project in the CDM registry.</p> <p>It should be noted that information on holdings and transactions of accounts in the CDM registry is not included in the reporting by Parties under Article 7 of the Kyoto Protocol and are therefore not included under the review process specified in Article 8.</p>
<p>10. Where the ITL has notified the CDM registry of a quantity of ICERs from a project activity to be cancelled as a result of a reversal in removals, and where account holders have not undertaken sufficient action after 30 days, should the registry administrator cancel the quantity of ICERs in the CDM registry?</p> <p>If so, should the registry administrator select the specific units to be cancelled on a pro rata basis, taking into account any quantities of ICERs that an account holder has cancelled?</p>	<p>As in the point above, the requirement to cancel ICERs has not been fulfilled by account representatives within the required 30 day period. The ITL informs the CDM registry administrator of the extent to which the requirement has not been fulfilled.</p> <p>In contrast to non-certification, the reversal of removals case requires the cancellation of only a subset of the ICERs from the relevant project in the CDM registry. If the Board wishes to request the registry administrator to cancel sufficient ICERs from the relevant project in order to fulfil the cancellation requirement, a selection needs to be made of which ICERs are to be cancelled.</p> <p>Such a selection could be made on a pro rata basis under which a proportion is applied equally to ICERs held in each holding account and in the pending account. This calculation would need to be adjusted on the basis of any ICER cancellation undertaken by account representatives within the 30 day period.</p>



Reports to be generated by the CDM registry (see section H of the technical paper)	
Issue requiring Board input	Background notes
11. Should the reports for DNAs, containing aggregate information on holdings and transactions relating to accounts of project participants it has approved, be sent on a monthly basis?	<p>The draft procedures relating to the CDM registry provide for reports to be sent to a DNA which contain information on unit holdings and transactions aggregated over the accounts of all project participants the DNA has approved. The report would be sent by email to the DNA at monthly intervals, or at any other interval preferred by the Board, on an automatic basis.</p> <p>In addition, ad hoc reports with such aggregated information could be requested by a DNA at any time.</p>
12. Where a DNA requests reports containing information on individual accounts of project participants it has approved, should the representatives of those accounts be informed? Does the Board wish to provide further guidance on this issue?	<p>Information on holdings or transactions for individual accounts may be considered confidential. The regular reports to DNAs referred to above therefore contain only aggregated information.</p> <p>Where a DNA submits a request for information on an individual account of a project participant approved by the DNA, and where the Board considers such requests to be warranted, the registry administrator could provide such information to the DNA.</p> <p>The CDM registry administrator could inform the primary and alternative representatives of the accounts concerned when such information is provided to a DNA. The Board may wish to give further guidance on how the registry administrator should provide such information and how DNAs are to treat the information.</p>