



## Annex 1

**Definitions of policy and programme of activities*****Policy*****Background:**

The COP/MOP decision states “a local/regional/national policy or standard cannot be considered as a clean development mechanism project activity..”. Therefore, an agreed definition of the word “Policy” is required in order to provide more clarity to project participants on the types of project activities eligible to be registered as CDM project. The Meth Panel had proposed two options for the definition of a policy, viz., an action to achieve a goal by either “adopts a means to achieve ” or “adopts, implementing, and/or enforces” the means.

The Board’s guidance on National Policy (EB22, Annex 3) uses the term “policy is implemented” thereby, it would seem that there is already an implied difference between a “policy” and whether it is implemented and / or enforced. Also the Board agreed to the following:

- E- Policy/regulation: National and/or sectoral policies or regulations that give comparative advantages to less emissions-intensive technologies over more emissions-intensive technologies (e.g. public subsidies to promote the diffusion of renewable energy or to finance energy efficiency programs).
- Guidance on Policy: E-policies that have been implemented since the adoption by the COP of the CDM M&P (decision 17/CP.7, 11 November 2001) need not be taken into account in developing a baseline scenario (i.e. the baseline scenario could refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place).

Furthermore, the Board has also clarified through various guidance that if a law or regulation is not implemented then any activity required by that law could be still considered additional and eligible under the CDM.

*Note: The discussions at the twenty fifth Board meeting clearly identified three distinct stages in which a policy is translated into results. These are: (i) the statement of goal or objective (e.g. 13% renewable mix in electricity generation); (ii) translation of the stated intent into law and creation of necessary institutional structure for implementation to achieve the policy goal (e.g. regulation for utilities to buy renewable electricity and a system to monitor implementation and enforce penalties); and (iii) actions by actors to achieve the goal (e.g. creation of renewable power generation capacity by private/public sector). Another issue raised in the context of definition of policy was that of enforcement of the policy. It was pointed out that though a legal basis of enforcing a policy might exist, it may not be strictly enforced. In such circumstances activities that encourage achieving the policy goal should be permissible as CDM project activities. For example, if policy to achieve efficiency norms in industry is not enforced then the means, such as concessional loans for installation of efficient boilers, may be considered as a CDM project activity.*

**Proposed definition:** A “policy” is a statement of intent to achieve certain goal(s) by a local, regional or national governments of a country. A policy could be documented in a legislation or other official documents. Institutional setup (enforcement agency, incentive/penalties schemes, setting up the infrastructure to certify efficiency of equipments etc.) to achieve the goals of a policy is implementation/enforcement of a policy. Therefore, a policy itself cannot be considered as CDM project. Furthermore, except for type E- policies that



decrease GHG emissions and were implemented since the adoption of decision 17/CP.7, a policy that can be demonstrated as being enforced for example by demonstration of the achievement of a certain level of the intended goal implementation/enforcement, cannot be considered as CDM project. But if policy is not enforced, the intended goal is not being achieved to a certain level then the means to encourage the achievement of the policy goal may be considered as a CDM project activity, these could be single activities registering as CDM project activities or a programme of activities.

Actions by entities who have to adapt to or aim at achieving the intended goal of the policy, e.g., electricity utilities who have to meet the regulatory requirement of 13% renewable energy in their electricity mix, may be considered as a CDM project activity within an E- context as well in a context where the implementation/enforcement does not reach the intended level of the policy goal, provided they meet the CDM project activity requirements of the CDM .

### *Programme of Activities*

**Background:** For the definition of “programme of activities” the COP/MOP stated “.. that project activities under a “programme of activities” 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, ensuring that the emission reductions are real, measurable and verifiable, and additional to any that would occur in the absence of the project activity”.

**The “programme of activities” is defined in eight (8) parts, with the definition of each of the components listed below.**

**Part 1:** A “programme of activities” involves a bringing together of several project activities within a country to mitigate greenhouse gas emissions. The physical boundary of the “programme of activities” could extend to more than one country provided the DNA’s of each participating country provides a “Letter of Approval”.

*Note: It was highlighted that Para 40 (a) of decision 3/CMP.1 states “....The designated operational entity shall: (a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary....., including confirmation by the host Party that the project activity assists it in achieving sustainable development;”, therefore there cannot be more than one host country. Further, it was also pointed out that policies are within the jurisdiction of the country, therefore, by very nature a program of activities are limited to a country. Differences in the enforcement of a policy across a country or even region would make it difficult to evaluate the additionality of a “programme of activities” related to the “programme of activities”. Meth Panel had also pointed out that “accounting for emission reductions across different countries is likely to add complications to monitoring/reporting/verification of GHG emission reductions.” The alternate view was to allow the flexibility and leave it to the DNA’s of individual countries to decide whether they would like to participate.*

**Part 5:** Each “programme of activities” can involve more than one project group. Each group describes individual project activities applying a single approved methodology, which supports the achievement of the stated goal of the “programme of activities”. If a “programme of activities” has more than one project group, a separate PDD for each project group shall be submitted.

*Note: The definition 5 was moved above Part 2, 3 and 4 as the programme of activities is the highest iteration, project types would be the second level and individual project activities would be the lowest level.*



*The general view was that more than one project group/cluster could be included. The concerns raised were that allowing more than one project group/cluster could have practicable difficulties in implementation. Also, it was stated that presently methodologies are developed for one type of activities, therefore, if one PDD has to be used for a programme of activities, then methodologies will have to be developed for multiple project types. One suggestion provided to address this issue was that each project type would be required to submit separate PDD. It is proposed to address this by referring to the highest iteration as a “programme of activities”, structure this programme by groups, that apply the same methodology, which characterises the lowest iterations: the project activities. This would allow to describe a programme of activities aiming at a particular goal, to describe the activities through the application of approved methodologies. It could be envisaged that special methodologies may be proposed/designed for application in the context of a “programme of activities”. However, the above approach would initially enable the application of existing approved methodologies in a “programmes of activities”, thereby providing a learning -by-doing opportunity.*

**Part 2:** All individual project activities are implemented as a result of a (coordinated) programme by way of technical/financial assistance. Each individual project activity that involves implementing GHG-mitigation option is voluntary. Mandatory GHG-mitigation options implemented by each individual project activity may be allowed, provided it is demonstrated that the national/regional/local government policy or standard, requiring implementation of the GHG mitigation option, is not enforced.

*Note: The issue highlighted was that voluntary activities should be allowed as they are likely to be additional, and mandatory activities if not enforced. The present guidance in force by the Board in assessing additionality states that if it is demonstrated that a regulation or law is not enforced then a particular action though required by law could still be considered additional.*

**Part 3:** Each individual project activity in a “programme of activities” has a direct, real and measurable impact on emission reductions. A project activity, in a programme of activities, that does not directly result in emissions reductions shall demonstrate unambiguously its impact on the emissions reduction, i.e., it can be clearly demonstrated that the implementation of the project activity(ies) under a “programme of activities” results in actions that result in real and measurable emission reductions and that these actions are attributable to each project activity in the whole “programme of activities” and not other factors. The emission reductions shall be monitored.

*Note: A requirement that each underlying activity generates measurable reductions would not mean that each underlying activity has to be measured in practice, just that it could be measured if necessary. It was stated that if the definition is restricted to “direct, real and measurable,” then a program of activities will be a bundle. The consensus was that individual project activity should demonstrably result in emissions reduction. To illustrate the definition the example given was that the import of efficient lamps cannot be a project activity. But financing of the production of efficient lamps through concessional loans for example could make efficient lamps more competitive and, hence, result in an increased use of such lamps, with resultant GHG emission reductions.*

**Part 4:** Each individual project activity in a “programme of activities” shall be traceable, e.g. identified and localized at either the validation or verification stage of the “programme” in an unambiguous manner including their respective boundaries. Traceability refers to possibility of verification of reduction, which in the case of multiple small individual actions such as use of efficient lamps, could be based on statistically sound sampling.



*Note: The concern raised in the discussion was that if an individual activity is of a very small scale and would be implemented in large numbers, tracing each of these activities would be impossible. The view point on “traceable” was implied in the sense that there should be a clear definition of project boundary for the estimation of measurable and verifiable emissions reductions from individual project activity. A requirement that each underlying activity generates measurable reductions would not mean that each underlying activity has to be measured in practice all the time, but rather that it could be measured if necessary. For example, individual project activity could be the subsidize the sale of efficient lamps, in a program of activities for the “subsidy of efficiency home appliances”. In this case “traceable” would not imply that use of each efficiency lamp is monitored, but rather a means of monitoring the sale of subsidised lamps and a means to verifiably estimate the GHG reductions from the use of such appliances.*

**Part 6:** The Program of activities could be put in place by any coordinator/managing entity including government or a government agency.

*Note: The EB26 decision was unanimous.*

**Part 7:** The actors implementing the GHG-reducing activity are not necessarily the same as the coordinator/managing entity. The coordinator/managing entity enters into agreements with the actors implementing the individual GHG-reducing activity to ensure that they will not claim credits for their action under another CDM project or programme of activities.

*Note: The EB26 decision was unanimous.*

**Part 8:**

Option 1: A “programme of activities” shall have a single crediting period (CP) (either renewable or fixed). All the individual project activities, may have individual CPs and may start at any time within the CP as defined in the “programme of activities”. The CP end date of a project activity is dependant on the “programme of activities” CP end date . If the end date of the “programme of activities” is prior to that of the project activity , then the end date of “programme of activities” becomes CP ending date for the project activity . However if the CP of the “programme of activities” is renewed , the CP of the project activity remains if the date is prior to the new CP end date after renewal .

Option 2: A programme of activities shall have a single crediting period (CP) (either renewable or fixed). All the project activities under a “programme of activities”, can have individual CPs in the groups. If the end date of a project activity CP is after that of the “programme of activities” the project activity may not renew its CP unless the CP of the “programme of activities” has been renewed beyond the end date of the project activity CP In case the project activity applies the non- renewable provisions, no renewal is possible even if the CP of the “programme of activities” was renewed.

*Note: In the discussion it was highlighted that allowing for a different crediting period could be problematic in terms of monitoring and verification of each project activity within the programme of activities. Three broad views were expressed where: (i) single crediting period for each “programme of activities”; (ii) different crediting period for programme of activities which has more than one project type, but a single crediting period for each project type, submitted as single PDD; and (iii) different crediting period within each project type could be possible as long as clear identification of groups with common starting date is presented in the PDD. The view in favour of multiple crediting periods was based on the recognition that project activities within a programme of activities will be implemented over a period of time. The proposed*



*solutions provides for a single crediting period for the programme of activities, with a built in incentive (risk avoidance) to implement the activities early on.*

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