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Annex 3

Proposal for the consideration of the EB on request of the COP/MOP for guidance for DOEs on verification and validation

I. Introduction:

1. The conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), by its decision 1/CMP.2, requested the Executive Board to develop guidance for designated operational entities (DOEs) on verification and validation in order to promote quality and consistency in verification and validation reports.
2. The Board, at its thirty-first meeting, considered the request of the COP/MOP and requested the secretariat to submit a proposal on a process to meet the request of the COP/MOP for the consideration of the Board at its next meeting. The Board requested the secretariat to consider work already undertaken externally, including the validation and verification manual for CDM and Joint Implementation projects (VVM), as a basis for developing guidelines in order to promote quality and consistency in the validation and verification work.
3. This proposal provides an overview of the process for the consideration of the Board to meet the request from the COP/MOP. The proposal also presents brief description of the need for guidance for designated operational entities (DOEs) for verification and validation functions in order to promote quality and consistency in verification and validation reports.

II. Need for Guidance for DOEs:

4. The decisions by the Board to register a project as the CDM project activity and/or issue verified number of Certified Emissions Reductions (CERs) are based on the validation and verification findings of the DOEs, therefore it is of critical importance that validation and verification reports by the DOEs are meeting the requirements and quality desired by the Board. It is also important that validation and verification results by the DOEs for different project activities are consistent. The consistency in this respect can be broadly referred to aiming for achieving comparable outcomes and consistent interpretation and application of Board's decisions, clarifications and procedures by the DOEs. Therefore, achieving consistency in the validation and verification work is of critical importance for the Board for its own decision-making process and also to maintain the robustness and reliability of the CDM process.
5. While the consistency is important to facilitate the decision making process of the Board, it may be noted that this does not mean uniformity in the actual assessment processes for the CDM project activities. By their nature, circumstances and technical and legal aspects, the project activities may vary, which must be taken into consideration.

III. An overview of work undertaken externally

6. The Board may wish to note that with the expanding CDM activities and increasing number of CDM project activities considerable efforts have been undertaken by various organisations and bodies to develop tools and frameworks to standardise various aspects of the CDM activities. Such tools include



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standardised approaches, protocols and various forms of guidance and handbooks for developing CDM project activities. These approaches and protocols cover various aspects of the project activities in terms of their requirements and provide frameworks for common practices and reporting structures.

7. With respect to the CDM project activities a concerted and comprehensive effort have been undertaken by a group of DOEs and applicant entities (AEs) by developing a CDM and JI validation and verification manual (VVM) with the support of the International Emissions Trading Association (IETA) and the World Bank. The VVM is a tool for the DOEs for carrying out their validation and verification functions. It consist of different sections and each section covers a specific aspect of the CDM project activities. In addition, it covers specific provisions for the small-scale project activities. The VVM broadly comprises:

- (a) A guideline for validation and verification activities both for normal and small-scale CDM project activities;
- (b) Generic protocols/checklists for validation and verification of CDM project activities
- (c) Templates for completing validation and verification reports.

8. The Board may wish to note that the VVM is being used by a wide community of AEs and DOEs not only for carrying out their validation and verification functions but also for designing their procedural and management systems for their CDM operations. Therefore it may merit to mention that large number of DOEs are already well-acquainted with the VVM and have already integrated it into their operational management systems.

9. The manual had recently undergone a revision by a steering committee established by the DOEs and AEs. The revision has been claimed to be undertaken by incorporating the recent decisions of the Board and also in consideration to the growing project experiences by the DOEs. The revised version is being road-tested by holding workshops in different regions of the world by the DOEs.

10. It, however, may be noted that the manual had not been updated systematically and on a regular basis, therefore some of its requirements and provision may not be in accordance with the latest developments. Furthermore, the DOEs has not established any process of any systematic and regular updating of the VVM.

IV. Proposal on the process:

11. The Board, taking into consideration the broader acceptability and generally recognised tool by the DOEs, may wish to set-in the process for undertaking a comprehensive review of the VVM before its acceptance as the general guidance for the DOEs for promoting quality and consistency in their validation and verification reporting. This process should include a comprehensive review of the current version of the VVM to ascertain that requirements contained in the manual are consistent with the CDM requirements and decisions of the Board. It should further provide an opportunity to all the DOEs and AEs for their inputs and views before its consideration by the Board. In order to achieve this, the Board may wish to consider the below steps:

- (d) Inviting and seeking the cooperation from the Chair of the AE/DOE Coordination Forum towards the intention of the Board relating to the VVM;



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- (e) Requesting the secretariat to undertake the review of the VVM and identify areas not consistent with the requirements and/or require additions/revisions. Further to identify additional areas to be incorporated which could be relevant to the work of the DOEs;
 - (f) Requesting the CDM accreditation panel and CDM Methodologies panel and also working group for small-scale project activities to review the VVM including the inputs by the secretariat and submit a consolidated version of revisions/modifications for the consideration of the Board;
 - (g) Consideration of the consolidated version by the Board;
 - (h) Holding a workshop by inviting all AEs and DOEs to provide them an opportunity to seek explanations on the revisions and additions incorporated by the Board and provide further views and proposals;
 - (i) Making it available for public inputs for a period of thirty (30) days;
 - (j) Consideration of the revised version by the Board before final its approval as the general guidance for the DOEs.
12. The Board may also wish to consider a process for the continuous updating of the manual in order to maintain its applicability and consistency
