TWENTIETH PROGRESS REPORT
OF THE
CDM ACCREDITATION PANEL (CDM-AP)

Thirtieth Meeting of the CDM-AP

13 - 15 July 2007

CONTENTS

I. Introduction

1. This twentieth progress report covers the period from 15 June 2007 to 15 July 2007. During this period the accreditation panel (CDM-AP) held one meeting.

II. Expert Resources

2. The CDM-AP considered recent additions to the roster of experts and taking into consideration the evaluation of the applicants agreed to roster them accordingly. In addition, the CDM-AP considered detailed profiles of competency requirements required for auditors and guidance for DOEs in order to design their systems for competency requirements.

III. Status of applications

3. The total number of active applications currently under consideration by the CDM-AP is 38. It may be noted that three applications are withdrawn.

4. In terms of geographical distribution of the 38 applications under consideration, highest number of applications are from Asia and Pacific region (18) followed by Western Europe and Other region (17). Two applications are from Latin America and Caribbean region and one from the African region. Eight applicants from the Asia and Pacific region, two from Latin America and Caribbean region and one from the African region are from Non-Annex I Parties (Republic of Korea (4), Malaysia (2), China (2), Colombia, Brazil and South Africa). Thus a total of eleven applications are from Non-Annex I Parties and one from economies in transition country (Romania).

5. The Board may wish to note that the CDM-AP have already issued indicative letters to 26 entities. It indicates that these entities have successfully passed through the stage of desk review and on-site assessment and require witnessing activities to complete their accreditation. With regard to the status of work of entities, five CDM-ATs have started to schedule their on-site assessments and remaining entities are at different stages of the accreditation procedure.

6. With regard to witnessing activities, in the case of four entities CDM-ATs are undertaking witnessing activities for validation and/or verification functions. Out of them, three for validation functions and one for verification functions.

7. The Board may wish to note that a total of seventeen entities are accredited for validation functions and six for verification functions, covering a wide range of sectoral scopes. It may be noted that at least one DOE exists for each sectoral scope.

8. The CDM-AP also considered the progress of the assessment work for four DOE applied for their re-accreditation. In case of these four entities, desk reviews works are at different stages and their on-site assessments are expected to be undertaken soon.

IV. Indicative letters and recommendation for accreditation

9. The CDM-AP, in this meeting, did not issue indicative letter to any entity.

10. The CDM-AP considered four cases for the phased accreditation of operational entities. The deliberations of the CDM-AP on this matter are presented to the Board under strict confidentiality.

11. The CDM-AP also considered the first case submitted by a DOE under spot-check, following the decision of the Board at its thirtieth meeting, that this DOE shall undertake work on three project activities under the observation of the CDM-AP. The CDM-AP agreed to seek approval from the Board to present the overall evaluation of the performance of the DOE on completion of review of work on all three project activities. This would allow the CDM-AP to provide a comprehensive evaluation of the

performance of the DOE subsequent to the spot-check. However, a brief review of the work shall be presented to the Board under confidentiality.

V. Other recommendations

12. The CDM-AP, in response to the request from the Board to look into alternative measures to address the issue of differences in understanding by the designated operational entities (DOEs) on accreditation requirements, in particular, for the quality management systems requirements and use of technical resources from non-accredited premises, agreed to submit a proposal for the consideration of the Board. The CDM-AP proposed to the Board to initially address this particular issue by elaborating the CDM accreditation requirements (standards) against which the DOEs are assessed for their accreditation, by producing a guidance document. In consideration to this matter, the CDM-AP acknowledged that such an elaboration of the requirements and guidance is required in other key areas of the accreditation process, therefore, the CDM-AP, as a second step proposed to develop such guidance covering all essential areas of accreditation activities. The proposal is contained in the annex 1 of the report.

13. The CDM-AP, following the request of the Board in its twenty-ninth meeting, to undertake a comprehensive review of areas and provisions that DOEs are required to comply with and submit a proposal for appropriate actions with respect to all provisions applicable to DOEs, agreed to submit a proposal for the consideration of the Board. The proposal provides a broad overview of the roles and functions of the DOEs in the CDM operations which determines the areas of authority of the Board. The CDM-AP taking into consideration the widespread role and functions of the DOEs agreed to propose a two-step approach to cover all possible areas in which there is a need to determine appropriate actions,. The proposal is contained in the annex 2 of the report.

14. The CDM-AP considered the request from the AE/DOE Coordination Forum, relating to phased verification approach, requesting for the consideration of phased verification approach for CDM project activities. The CDM-AP, having considered the request, agreed to request for further information from the AE/DOE Coordination Forum on their proposal.

15. The CDM-AP considered another request from the AE/DOE Coordination Forum, submitted in relation to the decision of Board at thirty-second meeting, on the possibility for DOEs or other units of the DOE or its parent companies to provide services, such as calibration and/or laboratory services as required by some approved baseline and monitoring methodologies. The CDM-AP, following the decision of the Board, considered both aspects of the request, that is, if such a possibility should be permitted at the validation stage and also procedures for seeking approval in exceptional cases. The CDM-AP, having reviewed the request, agreed that reasoning for not allowing a laboratory related to a DOE that has provided services for the monitoring, and the same DOE to provide verification/certification services, applies to validation services as well. The CDM-AP agreed that the possibility for DOEs or other units of the DOE or its parent companies to provide services, such as calibration and/or laboratory services may threaten their independence and impartiality of their operations even in case of validation services. It may be noted that as concluded by the CDM-AP, at its last meeting, that the laboratory accreditation provides the demonstration of technical services for the laboratory but it does not provide assurance of independence of the accredited laboratory services. The CDM-AP also agreed that, in exceptional cases, the request should be submitted to the CDM Methodology Panel to assess the request in the context of the specific requirements of the methodology and to recommend to the Board accordingly.

VI. Key Issues under consideration

16. Following key issues are under the consideration of the CDM-AP:

(a) The CDM-AP considered a guidance document for its consideration of cases for re-accreditation. The document contains essential elements to be considered by the CDM-AP and highlight the key issues for the consideration of the assessment teams.

(b) The CDM-AP, in response to the decision of the Board, at its thirty-second meeting, to develop guidelines for DOEs to promote quality and consistency in the validation and verification reports, acknowledged the importance of this task and took note of expected contributions from the panel.

(c) The CDM-AP considered revisions in the validation and verification witnessing assessment forms. The revision is being undertaken to ensure that recent decisions of the Board on different methodological and technical aspects of CDM project activities are incorporated in order to assess the competency of the AEs. The CDM-AP requested the secretariat to incorporate revisions and also develop a guidance documents for the assessment team leaders and members on how to complete the form. This measure has been undertaken to seek more and relevant information on different aspects of the assessments from the assessment teams.

(d) The CDM-AP considered a document on detailed profiles of competency requirements required for auditors and guidance for DOEs for designing their systems for competency requirements. The guidance is aimed to ensure that the auditors have the demonstrated personal attributes and demonstrated abilities to apply the generic and specific knowledge and skills needed in the assessment of each AE/DOE. It is further aimed to provide guidance to AEs and DOEs for designing their systems for competency requirements. The CDM-AP agreed to further consider the document at its next meeting to finalize it and present to the Board for its consideration.

(e) The CDM-AP requested the secretariat to prepare a form for regular surveillance of the entities. The form will be considered by the CDM-AP at its next meeting.

Annex 1

Proposal on developing guidance on CDM accreditation requirements

I. Background:

1. The Executive Board, at its thirtieth meeting, took note of differences in understanding by the designated operational entities (DOEs) on accreditation requirements, in particular, for the quality management systems requirements and use of technical resources from non-accredited premises and requested the CDM accreditation panel (CDM-AP) to consider the issue and propose options to address the matter. It may be noted that a clarification on the same matter was issued by the Board, at its twenty-eighth meeting.

17. The CDM-AP at its twenty-eighth meeting considered various options, including the possibility for multi-site accreditation system for DOEs. The CDM-AP submitted a proposal on including the multi-site accreditation system into the CDM accreditation system for the consideration of the Board at its thirty-first meeting. The Board considered the proposal and requested the CDM-AP to further explore the proposal by taking into consideration views of the Board members and further to look into alternative measures for addressing the matter.

18. The CDM-AP, at its thirtieth meeting, in its consideration of alternative measures for addressing the above matter, noted that such differences in understanding by the DOEs exist in other CDM requirements as well, such as legal status, competency criteria and ensuring independence and impartiality of the CDM operations. The CDM-AP agreed to propose to the Board to initially address the issue by elaborating the CDM accreditation requirements (standards) against which the DOEs are assessed for their accreditation, by producing a guidance document.

II. Components of Accreditation System

19. The accreditation system is to assess applicant entities against the stipulated requirements, both for their management system and sector-specific performance of validation and verification functions in specified sectoral scopes. The accreditation requirements are stipulated in the CDM modalities and procedures (M&P) whereas, the accreditation procedure provides the procedural steps for undertaking assessments in order to grant the accreditation to the operational entities.

20. In addition to above, the appendix to the list of sectoral scopes defines the generic requirements for the operational entities to design and implement their competence related management systems to carry out their CDM validation and verification functions.

III. Proposed Measure

21. The CDM-AP, as a measure to minimise variations in understanding of the CDM accreditation requirements, proposes for the elaboration of CDM requirements. This proposal aims that key accreditation requirements for the operational entities be elaborated in terms of minimum requisites and/or specific conditions to be satisfied for requirements. An overview of such elaboration of requirements may include:

(a) Precise definitions of specific terms and interpretation of concepts used in the accreditation requirements;

(b) Identification of specific conditions and obligations against requirements, such as legal and institutional requirements in relation to institutional links of the operational entities with their parent and/or related bodies;

(c) Indication of minimum documented policies, procedural and contractual documents.

22. The CDM-AP recognised that elaborating the CDM accreditation requirements in a comprehensive manner and developing guidance for all essential requirements is a complex task, and hence proposes a step-wise approach to accomplish it. The CDM-AP, following the request of the Board and taking into consideration the urgency of the matter, agreed to prioritize the work in the area of quality management systems requirements and inappropriate use of external technical resources from non-accredited premises. Following the approval and guidance by the Board, the CDM-AP will set-in the process to analyse and elaborate the specific requirements and develop a comprehensive guidance for the operational entities to follow and devise their management and operational systems.

23. The CDM-AP also noted that in other accreditation schemes, such elaboration of standards and guidance notes to the standards are commonly used and had been found highly effective in terms of understanding and implementation of standards. In this respect, the CDM-AP also agreed that such elaboration will assist in enhancing the consistency in the assessment process by the assessment teams and promote uniformity in the accreditation process. The CDM-AP further agreed that it would provide an opportunity to compile all the CDM accreditation related requirements into a single source and serve as a general rule of operation for the operational entities.

IV. Conclusion

24. The CDM-AP proposes to the Board to take note of the proposal and provide further guidance. The Board may also wish to note that in order to cover the entire spectrum of essential requirements and due to complexity of the task, additional and specialised expert resources may be required to accomplish identified tasks in a timely manner.

Annex 2

Options on appropriate actions against designated operational entities (DOEs) for not complying with the requirements/instructions of the Board

I. Background:

1. The Executive Board, at its twenty-eighth meeting, took serious note that one DOE had not submitted its annual activity report despite repeated instructions from the Board. The Board, in its twenty-ninth meeting, noted that because of the many provisions that DOEs are required to comply with, the Board should define appropriate actions for non-compliance. The Board requested the CDM-AP to undertake a comprehensive review and submit a proposal for appropriate actions with respect to all provisions applicable to DOEs to the Board at its next meeting

2. Paragraph 5 of the CDM modalities and procedures (CDM M&P) (decision 3/CMP.1) stipulates that the Executive Board of the CDM shall supervise the CDM, under the authority of the conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), and be fully accountable to the COP/MOP. The same decision specifies that the Board shall be responsible for the accreditation of operational entities in accordance with the relevant accreditation standards and the operationalization of accreditation procedures and standards. This responsibility also includes decisions by the Board on re-accreditation, suspension and withdrawal of accreditation of designated operational entities (DOEs) .

3. In accordance with the CDM M&P, DOEs therefore are accountable to the COP/MOP through the Executive Board, are to comply with the M&P, relevant decisions of the COP/MOP and relevant decisions, clarifications and procedures of the CDM Executive Board. This note provides a broad overview of applicable provisions of the CDM modalities and procedures as well as roles and functions of the DOEs in different aspects of the CDM operations. It further proposes a two step approach for the consideration of the Board for addressing the matter.

II. Areas of authority of the Board

4. The CDM M&P stipulates that DOEs shall be accountable to the COP/MOP through the Executive Board and shall comply with the modalities and procedures and relevant decisions of the COP/MOP and the Executive Board. Paragraph 27 of the modalities and procedures further states that a DOE shall:

(a) Validate proposed CDM project activities;

(b) Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases;

(c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions;

(d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;

(e) Perform one of the following functions relating to a given CDM project activity: validation or verification and certification. Upon request, the Executive Board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;

(f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;

(g) Submit an annual activity report to the Executive Board;

(h) Make information obtained from CDM project participants publicly available, as required by the Executive Board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law.

5. The CDM Executive Board, in its functions to operationalise the CDM, within the scope of the modalities and procedures, has taken a number of decisions, adopted several procedures and issued numerous clarifications specifying the roles and functions of DOEs. These decisions, procedures and clarifications are related to different aspects of the CDM operations, such as accreditation, approval of new baseline and monitoring methodologies and registration and issuance of CDM project activities. The table below lists the various roles and functions of DOEs extracted from various procedures and decisions of the Board.

S.No.	Area	Broad function(s) of a DOE
Accreditation process for operational entities		
1.	Standards for the accreditation of operational entities	• A DOE shall meet these standards for its accreditation as the designated operational entity.
2.	Accreditation procedure for operational entities	• A DOE shall comply with the accreditation procedure for completing the accreditation process.
3.	Notification of changes in the management and personnel of a DOE	• A DOE shall notify to the CDM-AP (??) of key changes in its management system and personnel in advance as stipulated in the CDM accreditation procedures
4.	Submission of annual activity reports	• A DOE shall submit its annual activity report in accordance with the deadline and guidance agreed by the Board at its nineteenth meeting.
Approval of new baseline and monitoring methodologies		
1.	Submission and consideration of a new baseline and monitoring methodology (including afforestation and reforestation)	• A DOE shall submit a proposed new methodology in accordance with applicable procedures and by filling in the prescribed and appropriate versions of the form . • A DOE/AE may undertake voluntary pre-assessment of a new methodology. • A DOE, on request of the Meth panel shall submit additional technical information in accordance with the latest procedures and within specified deadlines .
2.	Revision of an approved baseline and monitoring methodology	• A DOE shall submit a revision to an approved methodology in accordance with the latest procedures, which includes a check that requirements are met and documentation is complete.
3.	Submission and consideration of queries	• A DOE shall submit a query regarding the applicability of the approved methodology by using the prescribed

	regarding the application of approved methodologies by DOEs to the Meth panel	form, in accordance with latest procedures, which includes a check that requirements are met and documentation is complete.
4.	Submission and consideration of new baseline and approved methodologies for afforestation and reforestation activities	• A DOE shall submit a proposed new methodology by filling in the prescribed form and other relevant documentation. • A DOE/AE may undertake voluntary pre-assessment of the new methodology.
Registration of CDM project activities		
1.	Public Availability Of the CDM project design document at validation stage for public comments	• A DOE shall either: (a) establish a web site where CDM-PDDs shall be made publicly available in PDF format with a link being created through the UNFCCC CDM web site; or (b) make CDM-PDDs directly publicly available in PDF format on the UNFCCC CDM website. The web page on which a CDM-PDD is made available must specify how comments on the CDM-PDD shall be communicated to the DOE, providing both e-mail and fax details. • A DOE shall display all comments received at the end of the 30-day period and keep all comments publicly available until the DOE issues a request for registration or communicates to the secretariat that it does not intend to validate the project activity.
2.	Registration of a proposed CDM project activity	• A DOE shall submit its validation report using the "CDM project activity registration and validation report form" (F-CDM-REG) to request for registration of a proposed project activity and shall ensure that all validation requirements are met and properly justified.
3.	Requests for deviations to the Executive Board	• A DOE shall submit the form for submission of a request for deviation "CDM: Request for deviation form" (F-CDM-DEV) through the dedicated internet interface on the UNFCCC CDM website. • A submission by a DOE shall provide a clear and precise assessment that the deviation does not imply revision of an approved methodology and a description of the impact of the deviation on the emission reductions from the project activity, for the Executive Board to evaluate. • In case more information is required, the DOE shall provide this information as soon as possible.
4.	Renewal of a crediting period for a registered CDM project activity	• A DOE shall submit a request for renewal of a crediting period of a registered CDM project activity using the "CDM project activity crediting period renewal form" (F-CDM-REN) along with the updated project design document.
5.	Review of a proposed CDM project activity as referred	• A DOE shall provide a contact person for the review process, including for a conference call, in case the

	to in paragraph 41 of the CDM modalities and procedures	Executive Board wishes to address questions to them during the consideration of a review at its meeting.
Issuance of certified emissions reductions		
1.	Making the monitoring report available to the public in accordance with paragraph 62 of the modalities and procedures for the CDM	• A DOE shall make publicly available the monitoring report received from the project participants it has been contracted by to perform verification. • A DOE shall make the monitoring report directly publicly available in PDF format on the UNFCCC CDM web site using a dedicated interface by selecting from a list of registered project activities the particular activity to be verified, specifying the start and ending date of the monitoring period covered by the monitoring report and uploading the report in PDF format.
2.	Procedures relating to verification report and certification report/request for issuance of CERs	• A DOE shall provide its verification report to the project participants, Parties involved and the Executive Board and shall ensure that all verification requirements are met and properly justified. • A DOE shall, based on its verification report, certify in writing that during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity. • A DOE shall submit the form including, inter alia, the verification and certification reports, using the electronic submission tool available to DOEs on the UNFCCC CDM website which links the submitted form to the related monitoring report.
3.	Revising monitoring plans in accordance with paragraph 57 of the modalities and procedures for the CDM	• In case that a DOE during verification finds that the monitoring plan is not in accordance with the monitoring methodology applied to the registered project activity, the DOE shall request a revision of the monitoring plan.
4.	Requesting post-registration changes to the start date of the crediting period	• Request for changes shall be submitted through a DOE. • A DOE to confirm that that no changes have occurred which would result in a less conservative baseline and that substantive progress has been made by the project participants to start the project activity;
5.	Review of a proposed CDM project activity as referred to in paragraph 65 of the CDM modalities and procedures	• A DOE shall provide a contact person for the review process, including for a conference call, in case the Executive Board wishes to address questions to them during the consideration of a review at its meeting

6. In addition to the specific functions listed above, as part of the CDM institutional infrastructure of the CDM, DOEs are widely involved in many other areas of CDM operations.

III. Proposals for appropriate actions against DOEs for not complying with the requirements of the CDM M&P and the Executive Board:

7. The Board may wish to note that because of widespread role and functions of DOEs in the CDM operations it will be difficult to cover all areas and determine and decide appropriate actions for non-compliance with each requirement. Taking this difficulty into consideration, the CDM-AP proposes two step approach.

8. **Step1:** The Board may wish to issue a generic statement urging DOEs to remain fully compliant with all the requirements and suggest that the Board will consider taking strong punitive actions proportionate to the nature of the non-compliance and the frequency of non-compliance by the particular DOE.

9. **Step 2:** The Board may wish to consider to mandate the CDM-AP to develop a specific policy to address non-complying issues in a systematic manner. This policy shall provide the framework for assessing non-compliance by a DOE on the basis of the risk it poses to the system as well as to the confidence level of the entity. Key aspects to be covered in this policy are as below::

(a) Interrelation of non-compliance and non-conformities to the risk level of the system continuous compliance;

(b) Grading of non-compliance and non-conformities according to risk with simple and clear definitions (per grade);

(c) Determination of consequences of each non-compliance and non-conformities grade to DOE's accreditation;

(d) Determination of allowed time frames per case;

(e) Policy on upgrading and/or downgrading non-compliance and non-conformities;

10. The Board may wish to consider this proposal and provide further guidance.

- - - - -