TWENTY- FIFTH PROGRESS REPORT OF THE CDM ACCREDITATION PANEL (CDM-AP)

Thirty-fifth Meeting of the CDM-AP
14 - 16 July 2008

CONTENTS

List of Annexes

I. Introduction

1. This twenty-fifth progress report covers the period from 16 April 2008 to 16 July 2008. During this period the accreditation panel (CDM-AP) held one meeting.

II. Expert Resources

2. The CDM-AP due to time constraints and heavy agenda of the meeting could not consider this item. The CDM-AP agreed to consider this agenda item at its next meeting.

III. Status of applications

3. The total number of active applications currently under consideration by the CDM-AP is 41. It may be noted that three applications are withdrawn.

4. In terms of geographical distribution of the 41 applications under consideration, highest number of applications are from Asia and Pacific region (20) followed by Western Europe and Other region (18). Two applications are from Latin America and Caribbean region and one from the African region. Nine 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 (4), Colombia, Brazil and South Africa). Thus a total of twelve applications are from Non-Annex I Parties and one from an Annex I Party with an economy in transition (Romania).

5. The Executive Board may wish to note that the CDM-AP has already issued indicative letters to twenty-nine (29) applicant 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 assessment of entities in this period, three entities have recently undergone the on-site assessment and are implementing corrective actions. Remaining entities are at different stages of the accreditation procedure.

6. With regard to witnessing activities, five entities are undertaking witnessing activities for validation functions and two for verification functions.

7. The Executive Board may wish to note that a total of seventeen (17) entities are accredited for validation functions and eight for verification functions, covering a wide range of sectoral scopes. It may also 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 eleven (11) DOEs that applied for re-accreditation. Out of these eleven (11) entities, for seven (7) DOEs on-site assessments have already been undertaken and two DOEs have successfully completed the desk review and on-site assessment. Remaining entities are implementing corrective actions following their desk reviews and on-site assessment.

9. The CDM-AP also considered one new application for re-accreditation received from a DOE and, in accordance with the procedure, undertook a review of the application and highlighted particular issues for the attention of the CDM-AT. The CDM-AP, having established the CDM-AT for the new application, requested the secretariat to accomplish the assessment of this case in an expeditious manner.

10. In undertaking the review of progress of other entities, the CDM-AP considered the information and assessment by the secretariat on several changes notified by the entities relating to their management representatives and/or key professional staff. The CDM-AP, in accordance with the procedure, took note of these changes and requested the secretariat for required actions.

11. The CDM-AP, based on the inputs by the secretariat, considered the cases for regular surveillance and requested the secretariat to undertake these assessments in an expeditious manner and submit reports to the panel for its consideration. The secretariat indicated some difficulties from the entities in scheduling regular assessments visits.

IV. Indicative letters and recommendations for accreditation

12. The CDM-AP, in this meeting, considered one (1) case for issuance of indicative letter for initial accreditation and taking into consideration that some of the non-conformities identified have not been closed, agreed not to issue indicative letter to the entity. The CDM-AP agreed to request the entity to submit additional information to the CDM-AT in order to assess and close the non-conformities. The CDM-AP shall consider this case at its next meeting.

13. The CDM-AP considered two cases of completion of desk review and on-site assessment at re-accreditation stage and confirmed that 'TÜV Industrie Service GmbH' and Japan Quality Assurance (JQA) have successfully completed desk review and on-site assessment at the re-accreditation stage..

14. The CDM-AP considered five cases of phased accreditation and two follow-up verifications of spot-check cases. The recommendations of the CDM-AP on these cases are submitted for the consideration of the Executive Board under confidentiality.

V. Other recommendations

15. The CDM-AP considered the draft of the document 'elaboration of accreditation standards' revised by the secretariat taking into consideration comments from the AEs/DOEs workshop, held on 07 July 2008, Bonn, Germany. The CDM-AP held a detailed discussion on the draft and considered the revisions undertaken by the secretariat. The CDM-AP identified few areas where further elaboration in the document in needed and agreed to provide written inputs to the secretariat. The CDM-AP also requested the secretariat to undertake the editorial and legal review of the document. The CDM-AP requests the Executive Board to take note of the progress on the development of the document and provide any specific guidance for the CDM-AP in order to submit the final version of the document at forty-second meeting of the Executive Board. The draft document is attached as annex 1 of this progress report.

16. The CDM-AP considered a proposal from the Chair of the CDM-AP on the training of CDM assessment team members (CDM-AT). The proposal recognizing the combination of skills and expertise required by the CDM-AT members contains an over-view of specific competence requirements for the CDM-AT members, principles of training programme and identifies the training components. The proposal, contained as annex 2, is submitted for the consideration of the Executive Board for further guidance. Based on the guidance from the Board the Chair will further develop the proposal into concrete module and work-out the cost implications for each of the considered approaches for the consideration of the Board.

17. The CDM-AP, following the request of the Executive Board from its thirty-ninth meeting, agreed on a recommendation relating to possibility for the spot-check of CDM project activity sites in addition to the offices of the DOEs as well as to enhance the focus of the spot-check in order to assess the competencies of the DOEs required for validation and verification functions. The CDM-AP agreed to submit proposed changes in the spot-check procedures for the consideration of the Executive Board. The recommendation also proposes some other measures in order to strengthen the accreditation process to better assess the competencies of applicant entities for undertaking validation and verification activities. The proposal from the CDM-AP is attached as annex 3 of this progress report.

18. The CDM-AP in its last meeting received a proposal from the Chair of the Joint Implementation Accreditation Panel (JI-AP) related to re-grouping of sectoral scopes for

undertaking witnessing activities for the accreditation purposes. The CDM-AP, in its thirty-fourth meeting, requested the secretariat to undertake an analysis of procedural, technical and legal implications on the CDM accreditation process. The CDM-AP, having considered the analysis by the secretariat and also agreeing on the merits of proposal from the JI-AP, agreed on the proposal, however, decided to undertake further analysis to assess its application to the CDM purposes. The CDM-AP agreed that the proposal shall be submitted for the consideration of the Board at its next meeting along with a proposed approach on its application, so that its implications on applicant entities already undergoing accreditation process, could be minimized.

19. The Chair of the CDM-AP received another letter from the Chair of the JI-AP seeking general cooperation between two panels in terms of exchange of experiences and information sharing on development of policy and procedural documents. The CDM-AP welcomed the letter from the JI-AP and agreed on the need for general cooperation between two panels while keeping in view the confidentiality and other legal requirements. The CDM-AP requested the secretariat to work-out the modalities for sharing the information between panels and also its resource implications on the secretariat.

20. The CDM-AP in this meeting took note that indicative letters issued to the applicant entities on successful completion of desk review and on-site assessment do not have an expiry date and that some entities have been issued these letters more then two years ago and these entities have not proceeded to the next stage of the accreditation. The CDM-AP taking note with concern in delays by the entities and in order to ensure that the management system, knowledge and competence of the entities remains updated with the latest decision of Executive Board, decided to introduce a validity date on the indicative letters. The CDM-AP agreed that the validity of indicative letters will be twenty-four (24) months from the date of the issuance. Furthermore, if the entity obtains accreditation (for one sectoral scope) after a successful witnessing within twenty-four (24) months then the validity of the indicative letter will get extended to the validity of the accreditation. The decision of the panel is aimed to provide incentives to the entities to expedite their accreditation process and seeking an opportunity to re-assess validity of their management systems and competencies in twenty-four months if the entity have not performed any activity. The CDM-AP also agreed that for the cases where the indicative letters has been issued earlier than one year from now, the applicant entities will be allowed another twelve (12) months to accomplish their accreditation.

VI. Key issues under consideration

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

(a) The CDM-AP is developing a policy framework to address issues of non-compliance by the DOEs in a systematic manner.

(b) Amendments in the accreditation procedure to include improvements based on the Executive Board decisions and clarifications that affect the accreditation procedure.

(c) Amendments of assessment forms to include improvements based on the Executive Board decisions and clarifications that affect the accreditation criteria.

VII. Further schedule of the CDM-AP

22. The Board may wish to note that thirty-sixth meeting of the CDM-AP is scheduled on 7 - 9 September 2008, in Bonn, Germany..

DRAFT

VERSION POST TO AE/DOE WORKSHOP
HELD ON MONDAY, 7 JULY 2008

DRAFT
ELABORATION

OF

CDM ACCREDITATION REQUIREMENTS

Table of Contents

G 0. Introduction

G 0.1 The CDM accreditation standard as specified in Appendix A of Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto Protocol, Decision 3/CMP.1 (hereinafter indicated as the CDM M&P), "Standards for the accreditation of operational entities" sets out the criteria for entities (both applicant entities and designated operational entities – hereinafter indicated as AEs/DOEs) providing services of the CDM validation, verification and certification in accordance with the CDM M & P.

G 0.2 The CDM M&P and subsequent decision of the Board defines the rules and requirements of the implementation of the CDM which defines the operational requirements for AE/DOEs. This document provides elaboration all the CDM accreditation relevant to the accreditation requirements of AEs/DOEs.

G 0.3 The term "shall" is used throughout this document for provisions to indicate mandatory requirements of the CDM accreditation standard. The term "should" is used to indicate non-mandatory provisions but are provided as a typical means of meeting the requirement of the accreditation standard. In case the AEs/DOEs use alternative means of meeting the accreditation requirements, a suitable and adequate justification shall be provided. .

G 0.4 Objectives and Scope of the document:

G 0.4.1 The objective of this document is to promote consistency in the implementation of the CDM accreditation standard, the operational requirements clarifications and other relevant documents as listed under G 0.4.2. The document is expected to :

a) Provide elaboration on application of CDM requirements and standards by the AEs/DOEs.

b) Provide elaboration on criteria for auditing of AEs/DOEs for the purpose of CDM accreditation activities.

G 0.4.2 The scope of this document covers the requirements contained in the followings :

a) Appendix A of the CDM M&P,

b) Appendix A of LIST OF SECTORAL SCOPES, Version 3, CDM-ACCR06,

c) Section E "Designated operational entities" of the CDM M&P,

d) Section G "Validation and registration" of the CDM M&P

e) Section I "Verification and certification" of the CDM M&P,

f) Procedure for Accrediting operational entities by the CDM EB,

g) Other clarifications and elaborations issued by the CDM EB and COP/MOP.

G 0.4.2.1 Each provision of the CDM accreditation requirement "Appendix A of the CDM M&P" is given in the text box in bold letters followed by related references in the CDM M & P, if any. The relevant elaboration of the provision has been provided immediately after the text box.

G0.4.2.2 Further, for its better understanding and referencing, a title has been provided for each section, such as Legal requirements, Impartiality requirements, etc. For the same purpose, a specific numbering system has been followed which enables proper sequencing of the topics covered in each section of the document. This has been done only for the purpose of ease in usage.

G0.4.2.3: This elaboration document does not create any additional requirements.

G 0.5 Definitions - Definitions of CDM related terms as given in "Glossary of CDM terms[1]"shall apply. For terms specific to CDM accreditation and which are not defined in the "Glossary of CDM terms", definitions are provided below:

G 0.5.1 CDM Accreditation – Attestation by the CDM Executive Board of an entity's confirmation of its competence to carry out CDM validation and verification activities..

G 0.5.2 A Legal Entity – An organization that can function legally, enter in to a contract, make decisions independently and may be sued for failure to perform as agreed in the contract.

G 0.5.3 Complaints – Formal (written) expressions of dissatisfaction/protest regarding the CDM related functions of AE/DOE, from any sources like the client organisation (a project proponents), general public or its representatives, government bodies, NGO's, etc.

G 0.5.4 Disputes – The instances of disagreements between the DOE Validation, verification and certification teams or any other DOE personnel involved in CDM related functions and the project proponents. These would generally be with reference to the recommendations made by the relevant DOE personnel at various stages during the validation, verification & certification functions

G 0.5.5 Appeals[2] – The formal appeals against the various decisions taken by the AE/DOE , from any sources like the client organization (a project proponent), general public or its representatives, government bodies, NGO's, etc, in respect of validation, verification & certification functions.

G 0.5.6 Related Body – A body related with the AE/DOE on the basis of common ownership and/or governance; personnel; shared resources, finances, contracts; marketing and payment of commission or other inducement for bringing in business or the referral of new clients, etc.

[1] For glossary of CDM terms see <http://cdm.unfccc.int/Reference/glossary.html>
[2] please refer to Appendix 2 of procedure for accrediting operational entities by the Executive Board of the CDM <http://cdm.unfccc.int/Reference/Procedures/accr_proc01_v08.pdf>

G 0.5.7 Validation/ Verification Team – One or more validators/ verifiers performing validation and/or verification/certification functions. The validation/verification team may be supported by technical experts, if necessary; and one validator/ verifier is appointed as the validation/ verification team leader.

G 0.5.8 Validator / Verifier – Persons with competence to perform as a validat and/or verifier in a validation and/or verification team.

G 0.5.9 Technical Expert – Persons who provides specific knowledge or experiences to the validation/ verification team. The technical expert does not act as a validator and/or verifier in the validation and/or verification team.

G 0.6 Abbreviations

Following abbreviations have been used.

a) CDM M&P – Article 12 of the Kyoto Protocol, Decision 3/CMP.1.

b) CDM EB – CDM Executive Board.

c) CDM AP – The CDM Accreditation Panel

d) CDM AT – The CDM Assessment Team

e) AE/DOE – An applicant entity/Designated operational entity.

f) GHG – Green House Gases.

g) V & V – validation and verification.

G 1. Legal Issues

Appendix A of the CDM M&P

1. An operational entity shall:

a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

G 1.1 The AEs/DOEs shall hold a legal status in accordance with applicable national and/or international law, that can be held legally responsible for its CDM functions. It shall provide documentary evidence as demonstration of its legal status.

G 1.2 The requirements with reference to various situations that could be encountered regarding the organisational structure and legal status of AEs/DOEs are given below :

a) The accreditation shall only be granted to a legal entity irrespective of whether the entire organization or a part of it performs the validation and verification functions and shall be confined to functions, scopes and locations as identified by the AE/DOE in its organization structure and as indicated in the application for accreditation form.

b) If the validation and/or verification/certification activities are carried out by a part of a larger legal entity, accreditation shall be granted to the legal entity. In such situations the structure of the entire legal entity shall be subject to the assessment by the CDM AT, in order to examine its other activities for potential conflicts of interest, pursue specific audit trails and/or to review records relating to the AE/DOE.

c) In case a part of a legal entity actually performs the validation and/or verification/certification functions and operates under a distinctive name, the accreditation shall be granted to the legal entity with a mention of the distinctive part.

d) AEs/DOEs which are part of the Government or are government departments shall be deemed to be legal entities on the basis of their government status. They shall be a clearly identifiable part in the government and accreditation shall be granted in the name of the legal entity with a mention of the distinctive part which performs validation and/or verification/certification functions. For such bodies (part of Government or government departments) status and structure shall be formally documented and the body shall comply with all the CDM accreditation requirements independently.

Only those premises of an AE (legal entity) where the on-site assessment took place shall receive the accreditation/designation as a accredited/designated operational entity. Any other part of that entity is not considered accredited/ designated.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

AND

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(i) **The modalities and procedures and guidelines for the operation of the CDM, and relevant decisions of the COP/MOP and of the Executive Board;**
(ii) **Issues, in particular environmental, relevant to validation, verification and certification of CDM project functions, as appropriate;**
(iii) **The technical aspects of CDM project functions relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;**
(iv) **Relevant environmental auditing requirements and methodologies;**
(v) **Methodologies for accounting of anthropogenic emissions by sources;**
(vi) **Regional and sectoral aspects;**

AND

1. (g) An applicant entity shall make available:

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance.

AND

Appendix A of LIST OF SECTORAL SCOPES, Version 3, CDM-ACCR06

G 2. Resources and Competency related requirements

G 2.1 Sufficiency of Resources

G 2.1.1 AEs/DOEs shall have a system and procedure to analyze the necessary competence to meet the CDM requirements related to validation, verification and certification activities it undertakes or proposes to undertake and ensure that it employs a sufficient number of persons having the necessary competence relating to the type, range and volume of present and future estimated/planned work load. The sufficiency and appropriateness should be evaluated based on the different technical areas within the CDM sectoral scopes and the geographical locations and expected volume of its validation and verification/certification activities. The system and evaluation should enable the AEs/DOEs to plan and arrange required and competent resources for its validation and verification/certification activities. .

G 2.1.2 AEs/DOEs shall have a procedure to ensure and demonstrate at regular intervals, at least annually, that the resources remain sufficient and appropriate over the period under review, based on past performance and future projections, sectoral scopes including all technical areas. These technical areas are likely to be more specific than the 15 sectoral scopes listed in the "List of sectoral scopes,[3].

G 2.1.3 These resources should cover all activities of the AE/DOE related with CDM activities both at the management and and validation and verification team level.. Further it should be ensured that the personnel carrying out validation, verification and certification activities, whether employed full time or part time on contract, are under the supervision of a responsible senior executive of the accredited entity.

G 2.1.4 The AEs/DOEs shall have, or have access to necessary technical expertise to carry out its validation and verification/certification activities. The DOE shall ensure its competencies for specific CDM technical and methodological aspects, in particular: knowledge and understanding of: relevant decisions of the CDM EB; Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate; ; relevant environmental auditing requirements and methodologies; methodologies for accounting of anthropogenic emissions by sources; and Regional and sectoral aspects.

G 2.1.5 The AEs/DOEs may supplement their internal resources through making use of external resources, resources from their related bodies or by employing individuals on a short term contract basis (validators, verifiers or technical experts) or through subcontracting a part of the validation and verification/certification activities to a legal entity with specifically identified personnel, provided they meet the relevant competence requirements specified by the AE/DOE. The decision making function on the validation and/or verification opinion shall remain the sole responsibility of the AE/DOE management.

G 2.2 Competence Requirements

[3] List of sectoral scope (CDM-ACCR-06) <http://cdm.unfccc.int/DOE/scopelst.pdf>

G 2.2.1 The AEs/DOEs shall evaluate and define specific competence requirements for following two levels/activities :

a) CDM management functions – This shall include all management functions like assessment of resource requirements, training and qualification/approval of personnel for specific functions, contract review, validation/verification team composition, technical review of validation /verification findings and agree on the validation /verification opinions and final decision making.

b) Validation and verification team level This shall include competence requirements at the individual validators and verifiers, at the validation and verification team level and for the external technical experts.

G 2.2.2 Initial Competence Analysis

AEs/DOEs shall carry out an initial competence analysis (determination of competence requirements in response to evaluated needs) for each technical areas within the sectoral scopes in which it operates or proposes to operate.
This analysis should cover the following:

c) General aspects like the CDM M&P and guidelines for the operation of the CDM activity, and relevant decisions of the COP/MOP and of the CDM EB; Relevant environmental auditing requirements and methodologies;

d) For a typical CDM project - Project Design, methodologies, baselines, additionality, boundaries, calculation of GHG, Environmental Impacts, monitoring requirements etc, as relevant to technical areas within the sectoral scopes in which the AE/DOE is active or plans to be active;

e) Further detailed aspects like - Basic processes of the technical area, Impact of these processes on Green House Gases (GHG), monitoring of processes and related GHG emissions, measurement techniques, calibration and uncertainty in the measurement of the parameters applicable for that technical area, impact of failure of technical process or monitoring equipment on the emission reduction;

f) Regulatory requirements relevant to the CDM Project cycle and the relevant environmental issues;

g) Specific requirements for validating, the application of approved baseline and monitoring methodologies or application of new methodologies relevant to the above, including setting of baselines and monitoring of emissions;

h) Specific requirements for verification and certification of projects in relation to the above technical areas within Sectoral scope, with specific reference to CDM aspects;

i) Financial expertise to evaluate financial and economical aspects of CDM project activities;

The AEs/DOEs shall document the evaluated requirements in the form of guideline documents for specific technical areas. This evaluation should enable AEs/DOEs to determine the specific competence requirements at different levels, specifically at validation/verification team and reviewer/decision maker level in terms of the knowledge that must be available. The AEs/DOEs should further integrate these evaluated requirements into their training and guidance documents.

G 2.3 Specific Competence Requirements

G 2.3.1 Competence for Management Functions:

The AEs/DOEs shall include following aspects in determining the specific competence requirements at the management level.

a) Assessment of resource requirements;

b) Assessment of applications and conduct of contract reviews;

c) Selection of validation, verification and certification and review personnel and verification of their competence;

d) Briefing of validation, verification and certification personnel and arrange any necessary training;

e) Supervision of implementation of validation, verification and certification procedures;

f) Technical review and decision making on validation and verification/certification activities;

g) Overall management of AE/DOE functions and its impartiality related activities.

G 2.3.1.1 The competency requirements defined on the basis of above aspects should be appropriate to the levels and functions at the management level.

G 2.3.1.2 Competence for technical review

A high level of technical competence is considered essential for the personnel involved in independent technical review functions and accordingly the competence requirements shall be defined. The persons involved in technical review function should have the competence for the specific sectoral scope.

G 2.3.1.3 Competence for certification decision making

A high level of knowledge is considered essential for the personnel involved in validation and verification/certification decision making. The decision shall be on the basis of technical review findings and conclusions and, if any, other relevant information from interested party(ies) with regard to the CDM project activity validated or verified/certified.

G 2.3.2 Competence Requirements for Validation / Verification Teams

G 2.3.2.1 Competence requirements for validation and verification team personnel of AEs/DOEs are classified into following levels:

a) Individual Validator and verifiers;

b) Validation and verification teams;

c) Technical Experts;,

Competence requirements for individual validator and verifier shall be able to demonstrate:

a) The ability to apply the knowledge and skills described below, gained through the education, work experience, auditor training and CDM related work experience described below.

b) The personal attributes and application of auditing techniques;

G 2.3.2.2 Knowledge and skills for CDM related work

The individual validators and verifiers shall have understanding and knowledge in the following areas:

a) The Kyoto Protocol, relevant decisions of COP/MOP and the Executive Board, CDM project cycle, and modalities & procedures for the CDM;

b) For the typical CDM project - the technical processes, project design, methodologies, baselines, additionality, boundaries, calculation of GHG, environmental impacts, financial aspects of CDM project activities, monitoring requirements etc, as relevant to technological areas within the sectoral scopes in which the AEs/DOEs is active or plans to be active;

c) Technical and operational aspects of a project function in the sectoral scope applied for to be validated;

d) Where appropriate, specific GHG function and technology; identification and selection of specific GHG source, sink or reservoir;

e) Quantitation, monitoring and reporting, including relevant technical and sector issues;

f) Regulatory and statutory requirements relevant to sectoral scope applied for;

g) Knowledge of Climate change mitigation and related issues relevant to the sectoral scope applied for;

h) Issues related to various aspects of CDM project function in general.

G 2.3.2.3 Personal attributes and Auditing Techniques

In addition to above areas of knowledge and skills, validators and verifiers shall possess personal attributes which would enable them to act in accordance with the auditing principles, procedures

and techniques. These personal attributes may be learnt through a formal training, like in a Quality Management System (QMS) Lead auditor's course or an Environment Management System (EMS) Lead auditor's course. A validation and verifier team member shall be able to :

a) plan and organize the work effectively and conduct the work within the agreed time schedule, to prioritize and focus on matters of significance;

b) collect information through effective interviewing, listening, observing and reviewing documents, records and data;

c) to verify accuracy of collected information and to confirm the sufficiency and appropriateness of gathered evidence to support audit findings and conclusions and prepare audit reports; and;

d) to communicate effectively, either through personal knowledge of the language or through help of an interpreter.

G 2.3.2.3.1 In addition to the above the personnel designated as team leader should have following additional knowledge and skills in team leadership to facilitate the efficient and effective conduct of the Validation/verification activities:

a) To plan the function and make effective use of resources during the function;

b) To represent the validation/verification team in communications with the Project participants and to organize and direct team members;

c) Manage the validation/ verification activities and lead the team to reach conclusions on various aspects of validation/ verification process;

d) To prevent and resolve conflicts, and to prepare and complete the validation/ verification report and handle all the possible follow-up actions, as appropriate.

G 2.3.2.4 Qualification in terms of Education, work experience, skill, training – Based on the initial competence analysis (**G 2.2.2**) carried out for different technical areas within the sectoral scopes the AEs/DOEs shall define the minimum requirements with respect to education, work experience, necessary skills, and essential training to ensure relevant competence for a specific technical area of operation within a sectoral scope. Further the AE/DOE shall have a defined system for demonstrating, how the required competence, as determined through the competence analysis, has been acquired by its personnel, before qualifying them for relevant functions.

G 2.3.2.4.1 An example of qualification criteria for the validators and verifiers is given below :

a) An education considered sufficient to gain knowledge and skills to carry out the CDM related validation and verification work - an educational qualification equivalent to about 12 + 3 years of formal education.

b) Work experience that contributes to the development of knowledge and skills as described at **G 2.3.2.2** above - A work experience of five to ten years depending upon the individual's capacity to assimilate and grasp, would generally be considered adequate.

Part of this work experience should preferably be in GHG emission reduction related, environment management related, CDM project function development related or equivalent aspects in various Technical areas within the Sectoral scopes.

c) An auditors training or any other equivalent way for developing skills described at **G 2.3.2.3** above for Validation verification team member would be considered adequate.

d) Actual CDM Validation, verification related experience gained through observing the validation, verification activities. Participation in few CDM validation and verification activities under the guidance of a qualified validator/verifier may be considered a good system for acquiring this experience. As an observer the trainee validator/verifier should not be part of the team.

The specific/exact aspects of qualification criteria, in terms of education, and number of years of experience depend on the individual's aptitude and capacity. It shall be verified and demonstrated by the AE/DOE through carrying out specific tasks or functions. Records of such demonstration shall be maintained.

G 2.3.2.4.2 Validation, Verification team leaders

A team leader shall have acquired additional CDM related validation, verification experience to develop the skills as described at **G 2.3.2.3.1** above. This additional experience may typically be gained while acting in the role of a team leader under the direction and guidance of another validator/verifier, already qualified as a team leader, for a minimum of 2 validation and verification activities each.

G 2.3.2.5 Allocation of technical areas within the sectoral scope to the validators/verifiers

The AEs/DOEs shall have a documented system for allocation of technical areas within the sectoral scopes to the personnel involved in validation/verification activities (validators/verifiers).

An example of such a system of qualification - If the validator/verifier has a direct working experience of 1-3 years, gained through means like employment, involvement in consultancy or project development, etc, then he/she may be directly qualified for that technical area under the ectoral scope. Any subsequent qualification for another technical area within the ectoral scope may be through observation of two validation or verification activities for validation or verification activities, respectively. In case the allocation of technical areas within the scope sector is done based on any other route, say through actual validation/verification experience (say minimum of 5) or self study or internal training, etc then CDM AT reserves the right to witness the validator/verifier. For technical experts the allocation of technical areas within the sectoral scope should be done based on his/her direct work experience in the technical area related activities.

G 2.4 Recruitment

The AEs/DOEs management shall ensure that appropriate systems are established, documented and implemented for recruitment/deployment and training of personnel for ensuring their competence as stated above. The key is to ensure the above through demonstration of competence. The AEs/DOEs shall maintain necessary records for such demonstrations.

G 2.5 Selection of Teams for specific CDM validation/verification activities :

G 2.5.1 The AEs/DOEs shall establish a system and procedure for selection of validation and verification for specific CDM project activities. The system shall ensure the required competencies in consideration to the technical, methodological and sectoral aspects of the project activities. The validation and verification team shall collectively have experience, training and up-to-date knowledge specific to the technical area with in the sectoral scope for the project function being validated or verified as specified in **G 2.2.2** and **G 2.3.2.2, and** at least one member of the validation/verification team should have the allocated technical area within the sectoral scope as defined at **G 2.3.2.5**. In case of larger projects the number may be more than one.

G 2.5.2 Technical Experts - The work of the validation and verification team may be supported by inputs by technical experts (Internal/external) with specific knowledge regarding technical/methodological and sectoral aspects. However such experts shall not be considered as members of the validation and verification team.

The technical experts shall be chosen based on their expertise in the particular technical area within the sectoral scopes. They shall be familiar with AEs/DOEs established system for CDM validation, verification work as relevant to their work and they shall have access to an up-to-date set of documented procedures giving relevant instructions and information on the CDM activities.

G 2.6 Maintenance and improvement of competence

G 2.6.1 General – Continual professional development (CPD) is concerned with the maintenance and improvement of knowledge, skills and personal attributes. This can be achieved through means such as additional work experience, training, private study, coaching, attendance at meetings, seminars and conferences or other relevant functions. The AEs/DOEs personnel involved in validation/verification activities shall demonstrate their continual professional development. The continual professional development functions should take into account changes in the needs of the individual and the organization, the technological changes and changes in CDM related requirements. Personnel involved in validation/verification activities should maintain and demonstrate their capability through regular participation in above functions. The AEs/DOEs management should facilitate these functions

G 2.6.2 Training

G 2.6.2.1 The AEs/DOEs shall have a documented system for the identification of training needs on a regular basis and to take care of specific needs and new evolving technical and regulatory needs. Based on the identification the AEs/DOEs should have a system for offering or providing access to specific training to ensure that its personnel involved in validation and verification activities, technical experts and other personnel involved in CDM activities remain

competent for the activities they perform. The AEs/DOEs shall also establish and maintain a system for evaluating the effectiveness of the training.

G 2.6.3 Evaluation and Ongoing Monitoring

G 2.6.3.1 The AEs/DOEs management shall have a system for ensuring satisfactory performance of all personnel involved in the CDM activities on an ongoing basis. It should have documented procedure for initial, on the job, evaluation and subsequent monitoring and measurement of the performance of the validation and verification team members and other personnel involved in CDM activities. The monitoring methods and frequency should be dependent on the type, range and volume of work performed by different personnel and the level of risk linked to their activities. In particular, the AEs/DOEs should review the competence of its personnel in the light of their performance in order to identify training needs.

G 2.6.3.2 The documented monitoring procedures for validation/verification personnel should include a combination of on the job observations, review of validation/verification reports and feedback from stake holders.

G 2.6.3.3 The AEs/DOEs should have a system for periodically observe the performance of each personnel on the job. The frequency of on the job observations should be based on need determined from all monitoring information available.

G 2.7 Use of external validators, verifiers and external technical experts

G 2.7.1 The AEs/DOEs shall establish procedures for external validators, verifiers and technical experts (as defined under **G 2.1.5**), if utilized, to fully comply with the policy and quality management aspects of the AEs/DOE. It may be achieved by having a written agreement by the external resources by to commit themselves to comply with applicable policies and procedures as defined by the AE/DOE. The agreement shall address aspects relating to confidentiality and to independence from commercial and other interests, and shall require these personnel (external validator and verifiers and external technical experts) to notify the AE/DOE of any existing or prior association with any project proponent they may be assigned to validate/verify. The relevant requirements with respect to competence evaluation and qualification, training and monitoring as defined under G 2.3, 2.5 and 2.6, shall also be applied to these external resources.

G 2.8 Subcontracting

G 2.8.1 The following is applicable when the AEs/DOEs subcontracts to another organization (a legal entity) for providing specifically identified individuals, for providing necessary expertise, as defined under **G 2.1.5.**

G 2.8.2 The AEs/DOEs shall subcontract only the technical areas such as the sector specific competencies for specific project activities.

G 2.8.3 The AE/DOE shall have a documented policy and procedures describing the conditions and manner under which subcontracting is undertaken. In establishing the policy and procedures, the AEs/DOEs shall, inter alia, take following aspects into consideration:

a) AE/DOE shall ensure that the subcontractor and its personnel are not involved, either directly or indirectly, with the CDM project proponent and the CDM project activity being validated/verified, in such a way that impartiality could be compromised. Further the subcontractors shall also be governed by all the impartiality related requirements as applicable to an AE/DOE.

b) The DOE shall ensure that the subcontractor and its personnel have the necessary competence to undertake the subcontracted activities.

G 2.8.4 Review and decisions with respect to CDM validation, verification and certification requirements shall never be subcontracted. The DOE shall remain responsible for its decisions.

G 2.8.5 The AE/DOE shall have documented procedures for evaluation, qualification and monitoring of subcontractors. The records of competence of specifically identified individuals used for the individual assignments shall be maintained.

G 2.8.6 The DOE shall also provide access for evaluation of its subcontractors by the CDM Assessment Teams as and when requested by the CDM AP.

G 2.8.7 The DOE shall inform its clients about the activity subcontracted and the name the subcontractor and seek their approval.

G 2.9 Personnel records

Up-to-date personnel records, including relevant qualifications, training, experience, affiliations, professional status, competence and any relevant consultancy services that may have been provided, shall be maintained by the AEs/DOEs as specified by G 8.5.2 . These shall include records of management and administrative personnel and the personnel performing the CDM validation and verification activities including those external to the organisation.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(c) Have the financial stability, insurance coverage and resources required for its functions;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its functions;

G 3. Liability and Financing related Requirements

G 3.1 Financial stability

The AEs/DOEs shall evaluate its sources of income and be able to demonstrate that it has the financial stability and resources required for its operations of CDM related activities. The means that can be used for demonstrating the financial stability should include, but not limited to, the following :

a) Previous 3 years financial statements (Balance sheets, Profit and Loss statements, etc);

b) Business plan for three years;

c) Budget plans;

d) Shareholders commitment; etc.

The above means should include overall financial status of the AEs/DOEs and the status specific to CDM related activities, as relevant. This demonstration should be able to generate confidence that, initially and on an ongoing basis, commercial, financial or other pressures shall not compromise its impartiality.

G 3.1.1 The AEs/DOEs should monitor its income and expenditure to determine the financial stability and resources (budgeting) required for its operations of CDM related activities.

G 3.2 Liability

G 3.2.1 The AEs/DOEs shall be able to demonstrate that it has identified and evaluated the nature, scale and impact of all potential risks arising from its CDM related activities and has sufficient arrangements commensurate with the identified and evaluated risks. The means to cover potential liabilities could be, *inter alia*, as following:

a) Liability insurance;

b) Adequate financial reserved.

The financial component of all such arrangements should be clearly reflected in the financial statement as referred in **G 3.1** above.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available**;**

AND

Section E "Designated operational entities" of the modalities and procedures for a CDM – Requirements 27 (a), (b) and (e)

AND

Section G "Validation and registration" of the modalities and procedures for a CDM

AND

Section I "Verification and certification" of the modalities and procedures for a CDM

G 4. Internal processing (for validation, verification and certification activities) related Requirements

G 4.1 General requirements

G 4.1.1 The AEs/DOEs shall establish, document, implement and maintain Internal systems for carrying out following activities competently, in line with the requirements specified in the CDM M&P , the latest version of "Clean Development Mechanism Validation and Verification Manual", and relevant decisions by the COP/MOP and the CDM Executive Board.

a) Validation of Proposed CDM project activities;

b) Verification and Certification of reduction in anthropogenic emissions by the sources of greenhouse gases (GHG) for the validated CDM project activities.

G 4.2 Contract Review

G 4.2.1 Application for Validation and/or Verification and certification

G 4.2.1.1 The DOE shall have a procedure for inviting applications from authorized representative of the CDM Project participants giving complete details of the CDM project function they would like the DOE to Validate or Verify and certify. The application shall be designed to capture all the necessary information, for the DOE to make a considered review and take decision on issues like :

a) whether the project falls within the DOE's accredited sectoral scopes,

b) whether the DOE has necessary competence to take up the project,

c) whether impartiality issues are clear and in line with the CDM accreditation requirements, etc.

G 4.2.1.2 Some of the essential information which would enable the DOE to establish the above are :

a) The information about the project participants, and the host Party and the National Designated Authority.

    i. Scope of the contract defining project boundaries and sites included in assessment, the nature of the data necessary to validate/ verify the project, methodology review/submission of PDD to the CDM-Executive Board (as applicable).

b) In case of contract for verification, certification function - details of validation opinions/conclusions, details of implementation of the registered monitoring plan and its revisions, as applicable, including a monitoring report in accordance with the registered monitoring plan.

c) Contract period and the liability conditions.

d) Information about persons or organizations engaged in identification, development, and consultancy and financing of the project activity.

G 4.2.2 Application review

G 4.2.2.1 Before proceeding with the contract the DOE shall conduct a review of the application and the supplementary information for validation, verification and certification to ensure that the requirements for validation/ verification are understood and that the documentation is complete, accurate and verifiable. It shall accept a contract only if after the review it has established that :

a) there are no impartiality issues that contravene the CDM accreditation requirements;

b) it has the competence and ability to perform the validation or verification function;

c) it has the accreditation / or has applied for the CDM accreditation in the sectoral scope of the project function;

d) the considerations like location(s) of the applicant organization's operations, time required to complete the project and any other points influencing the validation/verification like language, safety conditions, etc. have been taken in to account.

G 4.2.2.2 The complete details of contract review process along with records of the justification for the decision to undertake the project function should be maintained.

G 4.2.3 Validation/verification Contract

The DOE shall have a system for entering in to a contractual agreement with the project participants and/or other parties involved in the project activity for providing validation and verification/certification activities.

G 4.3 Selection of the Teams for Validation/Verification activities

G 4.3.1 Based on this review, the DOE shall have a system for determining the competences it needs to include in its audit team and for the validation/verification opinions and decisions.

G 4.3.2 The validation and/or verification team shall be appointed and composed of team leader and other validation, verification team members and independent technical experts, as necessary. The team in totality shall have the competences as specified under **G 6.**, commensurate with technical areas and sectoral scope category pertaining to the CDM project activity. The CDM related validation/verification activities are likely to require multi-disciplinary experiences and covering, technical, environmental, location specific, legal, and financial expertise. The personnel selected shall be independent of the CDM project activity they are assigned to validate or verify and certify in line with the impartiality requirements specified under G 12 .

G 4.3.3 The procedure for selection of personnel with appropriate competencies and independence for validation or verification of each CDM project activity shall be documented. The records of selection, with justification for requirements and matching competencies shall be maintained.

G 4.3.5 The DOE shall have formal rules and/or contractual conditions to ensure that each team member of validation and/or verification team acts in, an impartial and independent manner. Each team member should inform the AE/DOE, prior to accepting the assignment, about any known existing, former or envisaged link to the project participants.

G 4.4 Time and Resources for Validation, Verification function

G 4.4.1 The AEs/DOEs shall have documented system for determining the resources needed to carry out a complete and effective validation or verification activity. The resources (man-days) determined by the AEs/DOEs for each validation and verification/certification project activity along with the justification for the determination, should be recorded. In determining the resources, the AE/DOE should consider, among other things, the following aspects:

a) Complexity of the CDM project activity;

b) Risks associated with the project activity;

c) Technological and regulatory aspects;

d) Size and location of the facility.

G 4.5 Overall Planning and preparation for Validation, Verification function

G 4.5.1 The AEs/DOEs shall have a documented system for preparing the plan for validation and verification activity. The plan should identify all the tasks required to be carried out in each type of the project activity, resources requirements (man-days) and identification of any specific sectoral and geographical aspects. The tasks given to each member of the validation and/or verification team should be clearly defined and communicated to the client organization (contracted CDM project participants). The names of the validation/verification team members and their background information should also be provided to the project participants sufficiently in advance to give them time, if considered appropriate, to object to appointment of any particular member(s), with sufficient justification and for the AE/DOEs to reconstitute the team in response to any valid objection.

The validation/ verification teams should be provided with the appropriate working documents.

G 4.6 Validation, verification and certification

G 4.6.1 General

The AEs/DOEs shall establish documented procedures to cover all aspects of the validation and verification/certification activities. All essential requirements for AEs/DOEs for carrying out their validation and verification/certification activities along with means of validation and verification and reporting requirements are detailed in the CDM validation and verification manual.

G 4.6.2 technical review and certification decision making :

G 4.6.2.1 A certification decision on the validation/ verification of the assessed CDM project function shall be made. This shall be based on the technical review finding and conclusions and, if any, other relevant information from interested party with regard to the CDM activity validated or verified. The AEs/DOEs shall have a documented system for conducting independent technical review of the opinion generated by the validation/ verification team. DOE should also have defined procedure for dealing with situations, in case it is judged by them that the submitted project is non acceptable as a CDM project function.

Appendix A of the modalities and procedures for a CDM

1. An operational entity shall:

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints**. These procedures shall be made publicly available;**

AND

Section E of the modalities and procedures for CDM

27 A designated operational entity shall:

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

(g) Submit an annual function 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. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c), shall not be considered as proprietary or confidential.

G 5. Information related requirements

G 5.1 General The DOE shall maintain and make them available publicly all the information in respect of it's Validation, Verification and Certification procedures. The information regarding the designated responsibilities for primary functions within the DOE and it's procedures with respect to complaints and disputes handling shall also be made publicly available.

G 5.2 Information to be made available in Public domain - The DOE shall have system for making available following information/documents in public domain. The system and process of the same shall be defined and documented.

a) Maintain a publicly available list of all CDM PA (project activities) for which it has carried out validation, verification and certification and submit annual function reports on CDM project activities to the CDM Executive Board.

b) Information obtained from CDM PP (project participants) shall be made publicly available, as required by the Executive Board. Information used to determine additionality as defined in paragraph 43 of 3/CMP.1, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c), below, shall not be considered as proprietary or confidential.

c) The Project Design Document (PDD) and the monitoring report obtained from the project participants shall be made publicly available. This may be done by establishing a web site where PDDs shall be made publicly available in PDF format through a link to the UNFCCC CDM web site or make PDDs directly publicly available in PDF format on the UNFCCC CDM web site.

d) The validation and verification reports shall be provided to the Project Participants, the Parties involved and the CDM Executive Board. In addition the report shall be made publicly available.

e) On completion of the certification process the DOE shall inform through a certification report the project participants, the Parties involved and the Executive Board of its certification decision. The certification report should contain a request to CDM EB for issuance CERs equal to the verified amount of emission reductions. The certification report shall be made publicly available.

G 5.3 Information to be made available to CDM Executive Board – The DOEs shall submit an annual function report to the Executive Board, which should include, among others a Financial reporting consisting of the following aspects :

a) Annual income and expenditure – overall and relating to CDM related activities;

b) Annual financial statement (Balance sheet and Profit and Loss statement) of the DOE, the legal entity;

c) Assessment by the DOE in respect of sustainability of their CDM activities.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, and relevant decisions of the COP/MOP and of the Executive Board;

(ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project functions, as appropriate;

(iii) The technical aspects of CDM project functions relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic emissions by sources;

(vi) Regional and sectoral aspects;

G 6. Requirements related with Expertise for Validation/Verification Activities

For Elaboration of the above requirements please see **G.2** of this elaboration document.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;

(ii) An organization chart showing lines of authority, responsibility and allocation of functions stemming from senior management;

AND

Section E "Designated operational entities" of the modalities and procedures for a CDM – Requirements 26, 27 (a), (b), (c)

G 7. AE/DOE Organization

G 7.1 General requirements

G 7.1.1 Responsibilities of an AE/DOE - An AE/DOE engaged in CDM related work shall have the following responsibilities :

a) An AE/DOE shall plan to/shall:

i. Validate proposed CDM project activities;

ii. Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases (GHG);

iii. Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions with reference to CDM project activities ;

iv. Be accountable to the COP/MOP through the Executive Board and shall comply with the modalities and procedures in decision 17/CP.7, the annex 1 and appendix A and the relevant decisions of the COP/MOP and the CDM Executive Board;

b) An AE/DOE shall have organizational structure to meet the following operational requirements :

i. Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law.

ii. shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations.

G 7.2 Organizational Structure

G 7.2.1 The AEs/DOEs shall document its organizational structure, showing duties, responsibilities and authorities of management personnel, validation, verification and certification personnel and others involved in CDM activities and any operational or supervisory committees. These shall be made available to the CDM secretariat along with the names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel, etc, at the time of making an application. Any changes in the management, key staff and organizational structure shall be reported in accordance with the CDM accreditation procedure.

G 7.2.2 When the validation and verification/certification activities are performed by a defined part of the legal entity which is the AE/DOE, the structure shall include the line of authority and the relationship to other parts within the same legal entity. Further its links with other parts of the larger organization shall be clearly defined and the activities performed by the other parts of the larger organization shall be clearly defined for demonstrating non-existence of conflict of interest situation.

G 7.2.3 While describing the organizational structure, the information on related bodies and their functions and the relationship with the AE/DOE, also shall be clearly defined. This should cover all the relationships – relationships based on common ownership and governance, personnel; shared resources, finances, contracts; marketing and payment of commission or other inducement for bringing in business or the referral of new clients, etc. The AEs/DOEs itself or the larger entity of which it is a part or its related body, may also be engaged in potentially conflicting functions like identification, development or financing CDM project function, providing consultancy for CDM validation, verification and monitoring functions, training the project participant towards the same. While documenting the organizational structure and describing its functions. The above aspects shall be clearly described and documented.

G 7.3 AE/DOE Management

G 7.3.1 The AEs/DOEs shall identify top management (individuals, a group of persons or a board or committee) having overall authority and responsibility for the following functions :

a) Formulation and development of policy matters relating to operation of the AE/DOE;

b) Establishment of systems in line with policies formulated; documentation of policies and procedures and their implementation;

c) Supervision and monitoring of implementation of policies and procedures;

d) Establishing systems for setting up and maintaining quality of CDM related work;

e) Supervision of finances and administrative matters and for dealing with contractual matters and arrangements;

f) Decision on various matters related to Validation, Verification and certification, appeals and complaints, etc;

g) For providing adequate and competent resources for validation and verification activities related to CDM; etc.

G 7.3.2 The AE/DOE shall have formal rules for the appointment, terms of reference and operation of any committees that are involved in its Policy making or operational functions.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(iii) Its quality assurance policy and procedures;

(iv) Administrative procedures, including document control;

G 8. Quality Assurance/Management system requirements:

G 8.1 General

G 8.1.1 The AEs/DOEs shall establish, document, implement and maintain a management system that is capable of supporting and demonstrating the consistent achievement of the requirements of the CDM M&P and relevant decisions of COP/MOP and of the CDM Executive Board (CDM accreditation standards). These procedures shall be made available by the applicant entity at the time of making an application.

G 8.2 Policies and objectives with respect to CDM activities

G 8.2.1 The AEs/DOEs top management shall establish and document policies and objectives for its functions. The top management shall provide evidence of its commitment to the development and implementation of the management system in accordance with the requirements of CDM accreditation standards. The top management should ensure that the policies are understood, implemented and maintained at all levels of the organization.

G 8.3 CDM Quality Manager

G 8.3.1 The AEs/DOEs top management shall appoint a member of management as a CDM Quality Manager, who, irrespective of other responsibilities, shall have responsibility and authority for the following :

a) ensuring that processes and procedures needed for the system complying with the requirements of modalities and procedures and the guidelines for the operation of the CDM and relevant decisions of COP/MOP and of the CDM Executive Board are established, implemented and maintained, and

b) reporting to top management on the performance of the management system and any need for improvement.

G 8.4 Documented internal procedures for carrying out the work

G 8.4.1 All applicable requirements of the CDM accreditation standards shall be addressed either in a manual or in associated documents. The AE/DOE shall ensure that the manual and relevant associated documents are accessible to all relevant personnel.

G 8.5 Document/Record management system

G 8.5.1 Control of Documents - AEs/DOEs shall establish and maintain procedures to control all documents that form part of its CDM management system (internally generated or from external sources), such as Quality Manual, Procedures, and instructions, Validation and verification guidelines and procedures, Regulations, standards, other normative documents. The documentation can be in any form or type of medium – paper, electronic, etc.
The procedure should define the controls needed as follows for :

a) Approval of documents for adequacy prior to issue by authorised personnel;

b) Periodically reviewing and revising where necessary to ensure continuing suitability and compliance with applicable requirements;

c) Re-approval prior to reissue by the person authorised for change approval and that the designated personnel has access to pertinent background information upon which to base their review and approval.;

d) Ensuring that Changes and the current revision status are identified;

e) Ensuring that authorised editions of appropriate documents are available at points of use;

f) Ensuring that invalid or obsolete documents are promptly removed from all points of issue or use, or otherwise assured against unintended use;

g) Ensuring that the obsolete documents retained for either legal or knowledge preservation purposes are suitably marked;

h) Ensuring that documents generated Internally are uniquely identified and remain legible;

i) Ensuring that documents of external origin are identified and updated and that their distribution within the organization are appropriately controlled.

G 8.5.2 Control of Records

G 8.5.2.1 AEs/DOEs shall establish and maintain procedures to define the controls needed for the identification, collection, indexing, access, filing, storage, protection, retrieval, retention time and disposition of its records related to management system and technical records as defined in the CDM system. Records of original observations, derived data and sufficient information to establish an audit trail should be maintained to demonstrate compliance to CDM validation and verification requirements.

G 8.5.2.2 AEs/DOEs shall establish procedures for retaining records for a period consistent with its contractual, legal obligations and CDM accreditation requirements. All records should be held secure and in confidence. The record control procedure should cover procedures to protect and back-up records stored electronically and to prevent unauthorised access to or amendment of these records. Access to these records shall be consistent with the confidentiality arrangements.

G 8.5.2.3 Records pertaining to Validation, verification and certification activities -
AEs/DOEs shall have a system for maintaining and managing specific records pertaining to its CDM validation or verification and certification activities including the following :

a) All information in respect of application and the information received from the project proponents in relation to the application;

b) Contract related records;

c) validation, verification preparation and planning related records;

d) Objective evidences collected during validation, verification activities;

e) Validation, verification assessment findings and conclusion related records;

f) Validation, Verification and certification reports and any related records;

g) Records pertaining to any decision-making mechanisms;

h) Records of complaints and appeals;

i) Related records necessary to establish the credibility of its validation, verification and certification activities, such as evidence of the competence of validators, verifiers and technical experts.

AEs/DOEs shall have a system for maintaining the above records secure and safe up to its retention period, including during their transport, transmission or transfer.

G 8.6 Internal Audit

G 8.6.1 The Operational entity shall periodically and in accordance with a predetermined schedule and procedure, conduct internal audits of its CDM activities to verify that its operations continue to comply with the requirements of CDM accreditation and its own documented procedures. The Internal audit program should address all requirements of the accreditation standard as clarified/defined in this guidance document.

G 8.6.1.1 The frequency of internal audits may be decided based on effectiveness of implementation of CDM accreditation standard.

G 8.6.2 The Internal audit system should ensure the following :

a) They should be planned and organized by personnel specifically nominated for this function. The audits should be carried out by personnel knowledgeable in auditing techniques and having knowledge of the CDM accreditation standard and Modalities and procedure and independent of the function audited.

b) When audit findings cast doubt on the effectiveness of the operations or on the correctness of CDM validation, verification and certification activities, AE's should take timely corrective actions.

c) The area of function audited, the audit findings and corrective actions that arise from them should be recorded.

d) Follow-up audit activities should verify and record the implementation and effectiveness of the corrective action take.

G 8.7 Managing non-conformities in operation,

Any work carried out by AEs/DOEs, which does not conform to the CDM requirements and the AEs/DOEs own established procedures will be termed as non-conforming work. The information sources for the nonconforming work may be from CDM AT audits (non-conformities identified during

accreditation, re-accreditation, spot-check and surveillance), Internal audit, Technical reviews, Reviews required by CDM Executive Board's decisions, complaints and other feedback from stake holders.

The AE/DOE shall have a documented procedures to identify and to manage those non-conforming. The documented procedure should ensure the following :

a) The responsibilities and authorities for the management of nonconforming work shall be designated.

b) An evaluation of the significance of the nonconforming work shall be made.

c) On identification of the nonconforming work, decision about the acceptability/non-acceptability of the nonconforming work shall be made and appropriate actions as decided shall be taken. Under extreme conditions, the action decided may include withholding of validation, verification reports and certification, as necessary.

d) the responsibility for authorising the resumption of work shall be defined

e) Where the evaluation indicates that the nonconforming work could recur or that there is doubt about the AEs/DOEs internal systems, the corrective action process shall be promptly initiated.

G 8.8 Corrective and Preventive actions

G 8.8.1 Corrective actions

The AE/DOE establish a policy and a procedure and shall designate appropriate authorities for implementing corrective action when nonconforming work or departures from the defined policies and procedures in line with CDM requirements are identified. In such cases, the AE/DOE is required to take immediate action to correct the non-conformity as described above. Further in order to eliminate the cause of non-conformity and to prevent its re-occurrence, appropriate corrective actions should be taken.

The documented procedure should ensure the following :

a) The procedure for corrective action shall start with an investigation to determine the root cause(s) of the problem.

b) The need for corrective action to prevent reoccurrence of the non-conformity shall be evaluated, where necessary, identify the corrective actions necessary and implement the same in a timely manner. Corrective actions shall be to a degree appropriate to the magnitude and the risk of the problem.

c) The records of corrective actions taken and the results shall be maintained. The AE/DOE shall also document and implement any required changes in their internal systems resulting from corrective action investigations.

d) The results shall be monitoring to ensure that the corrective actions taken have been effective.

e) Where the identification of non-conformities or departures casts doubts on the AEs/DOEs with its own policies and procedures, or on its compliance to the CDM requirements, the internal audit frequency may be appropriately altered.

G 8.8.2 Preventive Action – In addition to the above, the AEs/DOEs should have a system for identifying, in a proactive manner, the potential sources of non-conformities, and needed improvements and preventive actions required to take to prevent their occurrences. The information sources for identifying potential non-conformities should be data/trend analysis, quality assurance procedures, analysis of information available from published literature on CDM project activities, etc. Preventive actions taken shall be appropriate to the probable impact of the potential problems.

Procedures for preventive actions should include the initiation of such actions and application of controls to ensure that they are effective. All records for preventive actions shall be maintained.

G 8.9 Management Review

G 8.9.1 A periodic review shall be conducted by the AEs/DOEs top management, of it's CDM activities. The scope of this periodic review is to ensure continuing suitability and effectiveness of the AE/OE management system and competencies to meet the requirements of CDM accreditation standards and it's own policies and objectives with respect to the same. In case, it is felt necessary the review output should also be utilised to introduce necessary changes and for the purpose of improvements. This review should be carried out with a predetermined schedule and procedure and should be conducted at least once a year.

G 8.9.2 The review should take account of:

a) follow-up actions from previous reviews:

b) the suitability of policies and procedures;

c) results of internal and external audits;

d) feedback from stakeholders related to the fulfillment of CDM requirements;

e) the status of corrective and preventive actions;

f) results and status of Quality assurance measures undertaken;

g) the fulfillment of objectives;

h) Status of complaints, disputes and appeals;

i) recommendations for improvement;

j) projects rejected or placed under review by CDM EB;

k) other relevant issues like changes in the volume and scope of work, resource, competences and personnel training, etc.

G 8.9.3 Findings from reviews and the actions that arise from them shall be recorded. The typical outputs of the review should be actions for improvements in the working of the operational entity aimed at better fulfilment of CDM related objectives and these should be demonstratable in terms of measurable objectives. The management should ensure that those actions are carried out within an appropriate and agreed timescale.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;

G 9. Manpower recruitment and training related requirements

For elaboration of the above requirements please see **G.2** above.

Appendix A of the modalities and procedures for CDM

1. An operational entity shall:

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(vi) Its procedures for handling complaints, appeals and disputes;

AND
Please also see 1. (e)

G 10. Handling complaints and appeals

G 10.1 Complaints

G 10.1.1 During the course of their operation, AEs/DOEs may receive formal (written) expressions of dissatisfaction from any sources – the client organisation, general public or its representatives, government bodies, NGO's, etc, for any of the validation, verification and certification function carried out by them. All of these, except those which fit in to the descriptions of disputes (G 10.2) and appeals (G 10.3), should generally be termed as complaints. The AE/DOE shall establish a documented process to manage, evaluate, take necessary corrective action and make decisions on complaints. On receipt of a complaint, the AE/DOE should have a system for ascertaining if the complaint relates directly to the validation, verification and certification function it carried out, and if so, the same should be dealt with promptly. The AE/DOE should also have a system for dealing with a complaint against the organisation which has been validated, verified or certified by it, to ascertain whether the contents of the complaint do not have direct reflection/bearing on the AEs/DOEs internal systems and processes. If so, then the same should be investigated for appropriate correction and corrective actions.

G10.1.2 AE/DOE should be responsible for all decisions at all levels of the complaints handling process. The personnel responsible for handling of complaints should be defined.

G 10.1.3 The complaints-handling procedure should include the following :

a) the procedure for receiving the complaint, gathering and verifying all necessary information for evaluating the validity of the complaint, investigating the complaint and for deciding what actions are to be taken in response to it;

b) tracking and recording complaints, including actions undertaken in response to them;

c) ensuring that any appropriate correction and corrective action are taken;

d) safeguard the confidentiality of the complainant and subject of the complaint; This process shall be subject to requirements for confidentiality, as it relates to the complainant and to the subject of the complaint;

e) ensure that the persons engaged in complaints handling processes are different from those who carried out the validation or verification and certification activities;

f) acknowledgement of receipt of complaint, providing the complainant progress report where feasible;

g) Informing the complainant of the outcome of the investigation and the final notice of the end of the complaints handling process.

h) omplaint-handling procedures shall be publicly available.

G 10.2 Disputes

G 10.2.1 The instances of disagreements between the AE/DOE validation, verification and certification teams or any other DOE personnel involved in CDM related functions and the project proponents should be termed as disputes. These would generally be with reference to the recommendations made by the relevant AE/DOE personnel at the stages of validation, verification & certification . The responsibility for handling of disputes shall be assigned to an appropriate authority in the DDOE management. On receipt of the information in respect of dispute, the AE/DOE shall have a system for ascertaining the validity of such disputes. If found valid the designated authority should ensure prompt action. The AEs/DOEs shall have a documented procedure for disputes handling which should address the following :

a) the procedure for receiving information on disputes, gathering and verifying all necessary information for evaluating the validity of the dispute and for deciding what actions are to be taken in response to it;

b) tracking and recording disputes, including actions undertaken in response to them;

c) ensuring that any appropriate correction and corrective action are taken;

d) ensure that the persons engaged in disputes handling processes are different from those whose actions led to the dispute;

e) acknowledgement of receipt, and providing the progress report where feasible:

f) Informing the disputed party the outcome of the investigation and the final decision on the subject matter.

G 10.2 Appeals

G 10.2.1 The appeals are generally against the various decisions taken by the AEs/DOEs in respect of various activities undertaken by them, namely Validation, verification & certification. An AE/DOE shall have a documented process to receive, evaluate and make decisions on appeals.

G 10.2 2 The management of AE/DOE should be responsible for all decisions at all levels of the appeals-handling process. It should also ensure that the persons engaged in the appeals-handling process are different from those who carried out the validation, verification or certification activities and were involved in review functions and made decisions with reference to the specific CDM project function .

G 10.2.3 It should be ensured by the AE/DOE that the submission, investigation and decision on appeals does not result in any discriminatory actions against the appellant.
The appeals-handling process shall include the following elements and methods:

a) an outline of the process for receiving and acknowledging and then investigating the appeal after ascertaining its validity. Decision on actions to be taken shall take in to account all the relevant information available and gathered as part of investigation;

G 10.2.4 A description of the appeals-handling process shall be publicly accessible

judicial process for malpractice, fraud and/or other function incompatible with its functions as a designated operational entity.

G 11 Pending Judicial Processes

The AE/DOE shall maintain record of all the judicial processes pending against it as well as information of any judicial cases held in the past. If the subject matter of the cases is such that it is incompatible with its functions as a designated operational entity then the same shall be duly reported for suitable actions. Cases of malpractice, fraud, cheating in general and cases of wrong validation, verification and certification, instituted by any of the stakeholders, governmental or non-governmental organization, etc, would be considered as incompatible with functions of a designated operational entity.

It is the responsibility of the AE/DOE to inform the CDM secretariat of any such case pending at the time of application and subsequently any time during its accreditation cycle if any such case is instituted against it.

Appendix A of the modalities and procedures for CDM

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project function, the applicant operational entity shall:

- Make a declaration of all the organization's actual and planned involvement in CDM project functions, if any, indicating which part of the organization is involved and in which particular CDM project functions;
- Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;
- Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the functions of related bodies;
- Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its functions, and that it complies with any rules applicable in this respect;

AND

Section E "Designated operational entities" of the modalities and procedures for a CDM

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

G 12 Safeguarding Impartiality

G 12.1 General

G 12.1.1 Threats to Impartiality: These are sources of potential bias that may compromise, or may reasonably be expected to compromise AEs/DOEs ability to make unbiased decisions. Some of the activities of AEs/DOEs which should be considered as potential threats to impartiality (but not limited to) are the following:

a) Identification, development and/or financing of the CDM project activities;

b) Consultancy of any kind. Specifically consultancy for establishing validation or verification and monitoring systems;

c) Training[4] on CDM related and other topics;

d) Marketing tie ups with CDM consultancy/financing organizations;

e) Use of external resources/subcontractors for the same activities for which they were engaged in any of the activities listed above;

f) Offering/payment of commissions or other inducement for bringing in business or referral of new clients, etc.

G 12.1.1.1 These threats can be posed by AEs/DOEs own activities, functions of related bodies, relationships, and other circumstances. These could be (but not limited to) of the following types :

a) The AE/DOE is directly engaged in or plans to engage in activities like identification, development and/or financing of the CDM project activities; consultancy for establishing validation or verification and monitoring systems, training on CDM related topics, etc, for the CDM Project Participant, it intends to subsequently validate or verify and certify.

b) The V&V activities are performed by a part of the larger organization which is the legal entity and the AE/DOE. And another part or department of the AE/DOE is engaged in the activities as enumerated G 12.1.1.1 a) above.

c) In all the above situations there is a possibility, that although the AE/DOE is not engaged in the above listed activities, but its related body/bodies may be engaged in these activities. A related body would be defined in terms of relationships with AE/DOE on the basis of common ownership and/or governance, personnel; shared resources, finances, contracts; marketing and payment of commission or other inducement for bringing in business or the referral of new clients, etc.

[4] Arranging training and participating as a trainer is not considered a GHG consultancy service, provided that (where the training relates to GHG quantification, GHG data monitoring or reporting, GHG information system or internal auditing services) it is confined to the provision of generic information that is freely available in the public domain; i.e. the trainer should not provide organization-specific or project-specific advice or solutions.

d) Further the threat to impartiality may arise through use of personnel for validation, verification and certification of a CDM Project function, who were previously associated with the project participants/proponents in personal capacity or otherwise for any of the activities like development, consultancy or training, etc or any other CDM unrelated activities. These personnel could be directly contracted by the DOE or may be used by the subcontractors engaged by the AE/DOE for the purpose of Validation/verification activities.

e) Certain other organizational considerations like very stiff targets in monitory terms or in terms of number of projects to be validated/verified during a specific period should also be considered as factors with potential for compromise on impartiality. Like wise, stiff individual targets or offer of incentives based on number of completed projects should also be considered factors with potential for compromising on impartiality.

G 12.1.2 Mitigation

In all above cases the AEs/DOEs shall identify the types of threats posed and analyse the effects of these threats and their potential impact on the AE/DOE impartiality. The AE/DOEs should have in place safeguards that mitigate or eliminate threats to impartiality. The safeguards should be in the form of :

a) Prohibitions – Certain types of activities should not be carried out.

b) Restrictions - Certain types of activities should be carried out in a restricted manner.

The first and the primary step towards mitigation is reached through the process of disclosing and documenting the detailed information on the types of activities carried out by the AE/DOE, its parent organisation/sister organisations, related bodies, etc, in general and in particular regarding the CDM project activities, including development, financing, consultation, training, etc, in a very transparent and accurate manner.

G 12.2 Safeguarding Impartiality

G 12.2.1 For the purpose of safeguarding impartiality the various situations encountered during the course of CDM accreditation should be dealt in the following manner.

a) The AE/DOE should not undertake validation or verification in case AE/DOE or another part of the same legal entity has been engaged in any function that will be termed as direct threat to impartiality, like those listed at G 12.1.1a), b) and c) above.

b) The AE/DOE should not subcontract validation, verification work to an organization which is engaged in CDM related development, consultancy and financing function.

c) The AEs/DOEs activities should not be marketed or offered as linked with the activities of an organization that provides services in respect of development, financial assistance consultancy for CDM project function. An AE/DOE should not state or imply that validation, verification and certification of a CDM project function would be simpler, easier, faster or less expensive if a specified consultancy/financing organization is used.

d) To ensure that there is no conflict of interests, personnel who have been involved or had dealing with the CDM project participant organization in any way, should not be used by the AE/DOE to take part in validation, verification work concerning the same organization, unless a reasonable period has elapsed after the association has ended. In case the person under question was involved in development of CDM project function being validated and verified, then he should not be used at all. Normally, a gap of 2 years from the end of past association as above would be considered reasonable in bringing the threat to impartiality to acceptable level but the AE/DOE should carefully scrutinize the past association to establish that there is no conflict of interest or threat to impartiality.

e) In respect of impartiality requirements concerning sub-contractors and empanelled individuals, the same are detailed vide G2.7 and G2.8.

G 12.2.2 For safeguarding impartiality on a continuous basis, the AEs/DOEs shall also take following measures :

a) Identify and document its actual/proposed involvement in CDM activities other than validation and verification and carry out and document analysis of actual and potential risk to impartiality based on the conflict of interest.

b) Identify and document all other bodies/organisation that are related. Carry out and document risk analysis of actual/potential risk to impartiality based on the conflict of interest including potential conflicts arising from any relationships.

c) An operational entity shall have a documented structure, which safeguards impartiality. The documented structure as specified in paragraph 2(a)(i) of Appendix of M&P for safeguarding impartiality in its operation shall be separate from the management established for the performance of the AE/DOE. Such a structure shall ensure participation of all significantly concerned parties to counteract any commercial consideration that may compromise their CDM activities. This documented structure should be established at the highest level within the organisation, independent of its day to day operations. The terms of reference, selection criteria and the mandate of this structure shall be established and implemented. A complete record of the proceedings of this structure shall be maintained. This structure shall meet regularly to monitor and review the impartial operations of AE/DOE.

G 12.2.3 Some of the additional good management practices that should be followed by the AE/DOEs for ensuring impartiality in their operations and for generating public confidence in their activities are :

a) Have top management commitment to impartiality in validation or verification and certification activities as evidenced through defined policies and procedures, and operation and conduct of its activities;

b) Make publicly available a statement that describes its understanding of the importance of impartiality in validation, verification and certification activities, how it manages conflict of interest and how it ensures the objectivity of validation, verification and certification activities;

c) Evaluate finances and sources of income and demonstrate that commercial, financial or other factors do not compromise impartiality;

d) Take action to respond to any threats to its impartiality arising from the actions of other persons, bodies or organizations;

e) Require personnel, internal and external, to reveal any situation known to them that may present them or the AE/DOE with a conflict of interests. The AE/DOE should use this information as input to identifying threats to impartiality raised by the activities of such personnel or by the organizations that employ them, and shall not use such personnel, internal or external, unless they can demonstrate that there is no conflict of interests;

f) Maintain a professional environment and culture in the AE/DOE that supports behaviour of all personnel that is consistent with operational independence.

Appendix A of the modalities and procedures for CDM

2. (b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

G 13. Confidentiality related requirements

G 13.1 The AEs/DOEs shall have a policy and mechanisms to safeguard the confidentiality of information obtained or created during the course of Validation/verification and certification function, except where, as per the requirements as laid down in the COP/MOP Decision 3/CMP.1 or any others as laid down time to time, are required to be made publicly available.

G 13.2 The personnel engaged by the AE/DOE shall also be bound by the above stated confidentiality requirements. There should be a mechanism like obtaining signed confidentiality agreements, etc, for ensuring the same.

G 13.3 The AEs/DOEs shall not disclose information that is not required to be made publicly available, about a contracted client (project participant) to a third party without the written consent of that client. Further it shall inform the client, as appropriate, before releasing confidential information to a third party where required by law.

Annex 2

Proposal by the Chair of the Accreditation Panel on training of accreditation assessment teams

CONTENTS

I. Introduction

1. The Executive Board Of the Clean Development Mechanism , at its thirty-ninth meeting, took note of a concept proposal by the Chair of the Accreditation Panel (AP) on training requirements of accreditation assessment teams (CDM-AT), and its potential for expansion to other areas of the CDM. The Board held a preliminary discussion on the proposal and requested the Chair of the CDM-AP to provide a detailed proposal, for the consideration of the Board at its forty-first meeting.

2. The primary aim of this proposed training programme is to establish a well-trained pool of experts strengthening the CDM accreditation process and also that experts are subject to common code of conduct and expert requirements. The primary target of the training programme will be individual experts in the accreditation roster of the experts maintained by the secretariat and experts engaged in the CDM accreditation process as members of the assessment teams. The long term aim of this training programme is to put in place a continuous learning system and fulfil the training needs that will help in establishing and maintaining professional auditing competence for CDM-AT members, with a specific focus on expertise for CDM technical and methodological requirements.

3. The proposal contains an overview of specific competence requirements, principles for establishing the training programme, proposed training modules based on the competence and expertise requirements and some suggestions on modes of implementing the training programme.

II. An overview of specific competence requirements for CDM ATs

4. The accreditation cycle of operational entities consists of following assessment steps:

(a) **Desk review** by a CDM-AT of the documentation submitted by an applicant entity (AE) against the CDM accreditation requirements;

(b) **On-site assessment** on the premises of the AE by a CDM-AT. The purpose of this assessment is to confirm whether the operational capability of the AE meets the requirements provided in the documentation provided by the AE;

(c) **Witnessing of performance** by the CDM-AT of the performance of tasks by an AE which relate to the scope (or a group of sectoral scope(s)) of accreditation for which it has applied.

5. The assessment of AEs with regard to suitability of their quality management systems and their competencies to perform validation and verification functions is undertaken through standard auditing techniques by the CDM-ATs. However, due to highly technical nature of CDM project activities as well as specific regulatory requirements a unique combination of expertise and skill-set for the CDM-AT members is required. Two main sets of expertise by the CDM-ATs can be broadly identified: firstly, expertise for the quality management system (QMS) aspects and secondly, technical and methodological expertise specific to CDM project activities including knowledge of CDM regulatory requirements. Training aspects specific to both sets of expertise are detailed in section IV below.

6. Due to above-mentioned unique combination of expertise and skill-set and based on our experience, it is extremely difficult to acquire suitably qualified experts from the market. It may also be noted that due to evolving nature of the CDM process it is essential that competent and experienced experts are retained as well as measures are put into place for continual improvements in their expertise in commensurate with the new decisions and guidance by the Board.

III. Principles of training programme

7. The development of any training programme is based on a set of clearly defined principles. In order to meet the above competence requirements on part of assessment teams, the proposed training programme is based on the following principles:

(i) A thorough analysis of competencies and expertise required by the CDM-ATs to be undertaken and these required expertise to be translated into the scope and content of the training programme;

(ii) The pre-policy and criteria for evaluation of applicants to be further strengthened and only potential and promising candidates to be offered training;

(iii) The training should be consisting of criterion-based approach with a defined level of monitoring, evaluation and opportunities and commitment to continuous learning. There should be an evidence that the applicant has acquired knowledge effectively, and that performance has been demonstrated, tested and accepted, rather than just depending on records of completion or mere attendance of a training course;

(iv) The training programme should be developed with a clear understanding of the limitations linked to training and need for an integrated approach combined with other measures;

(v) The training programme should be guided by effectiveness, .

(vi) Measures for calibration of current CDM-AT experts with new developments and enhance common understanding on technical aspects should be implemented. Such measures may include enhanced interaction of these experts with CDM-AP and the Board and development of guidance documents and other tools.

IV. Training components

A. Training on quality management system requirements

8. This part of the training should cover quality management system aspects, principles and techniques of auditing. The broader objective is to provide understanding and knowledge about quality management system and its principles and their importance in providing third-party validation and verification services (CDM validation and verification). It should further include specific aspects on auditing methodology and techniques including personal attributes. Some specific training modules to be included are as follows:

(a) Quality management system and principle module;

(b) Standard auditing techniques module;

(c) Module on roles and responsibilities of auditors, planning and conducting an audit and reporting of an audit outputs.

9. All these training modules can be developed and delivered internally or can be relied on existing training programs(such as ISO 9000 Lead Auditor training) in the market. An internal programme can ensure control over quality, while outsourcing such program will ensure cost-efficiency and some flexibility in terms of delivering to experts in their countries. Furthermore, mode of training; i.e. on-line,

in-person or combination of both shall have to determined. The mode of training have implications on its effectiveness as well as on the cost of the training.

B. Training on CDM competence requirements

10. This part of the training course should cover all aspects of the CDM project cycle that include both knowledge-based sessions to facilitate understanding of fundamental concepts and technical aspects and skill-based sessions for application of knowledge and skills in practical activities.

11. Some possible training modules are listed that would be further developed:

(i) CDM overall procedural requirement module;

(ii) CDM regulatory aspects module;

(iii) CDM accreditation procedure module;

(iv) CDM methodological and technical module;

(v) CDM financial and economic requirements module.

12. Taking into consideration specific nature and technical and methodological aspect, these modules can only be developed and delivered with a high level of involvement of the Board and significant support from the secretariat. However, different options to develop and implement and their cost implications remain to be assessed. including coaching, such as participate as an observer before taking part into CDM-ATs as a member or a team leader. Again, mode of training i.e. on-line, in-person or combination of both shall have to determined it shall have implications on its effectiveness as well as on the cost of the training.

13. It is also proposed that the development of the training modules should happen in parallel with the development of the evaluation tools and calibration of current assessors.

V. Conclusion

14. The Board may wish to consider the various elements proposed by the AP in this document, such as the principles justifying this initiative as well as the suggested approaches in terms of implementation different modes of training.

15. The Board may also wish to provide further guidance to the AP on preferred options for designing, developing and delivering the CDM training course. Taking into consideration the guidance from the Board, the CDM-AP will further develop the proposal into concrete module and work-out the cost implications for each of the considered approaches for the consideration of the Board.

Annex 3

CDM-AP Recommendation on enhancing the scope of spot-check under the CDM accreditation process

CONTENTS

I. Introduction

1. The Board, at its thirty-ninth meeting, taking into consideration the assessment of DOEs, requested the CDM accreditation panel (CDM-AP) to develop measures to assist in facilitating improvements in this regard. The Board further requested the CDM-AP to consider the possibility for the spot-check of CDM project activity sites in addition to the offices of the DOEs. The Board requested the CDM-AP to submit proposals for consideration by the Board at its forty-first meeting..

2. Furthermore, the Board, at its fortieth meeting, requested the accreditation panel to expand the work requested of it in paragraph 7 of the EB 39 meeting report, due for consideration at EB 41, to include the following: options other than spot-checks in ensuring the performance of DOEs, to re-visit the spot-check procedure with a view that the focus of the spot-check could be enhanced to assess the competencies of the DOEs required for validation and verification functions.

3. This recommendation from the CDM-AP to the Executive Board covers both above-mentioned aspects for the consideration of the CDM Executive Board.

II. Current scope of spot-check procedure

4. In accordance with the CDM accreditation procedure, the Executive Board is authorised to conduct spot-check of the DOEs at any time. The consideration by the Executive Board to conduct a "spot-check" of a DOE may be triggered by, inter alia:

(a) A request for review submitted in accordance with the relevant provisions contained in the CDM M&P with regard to the registration of a project activity or the issuance of CERs;

(b) Information received on any changes which may significantly affect the quality of operations and performance of the DOE, such as regarding ownership, organizational structure, internal policies and procedures, technical expertise of personnel (in accordance with section B.9 of the accreditation procedure);

(c) A written, substantiated complaint regarding the alleged failure of a DOE to comply with the requirements of its accreditation submitted to the EB by:

(i) Another DOE;

(ii) An NGO accredited with UNFCCC;

(iii) A stakeholder.

5. Once the Executive Board has decided to conduct a "spot-check", the Board shall agree on the scope of the spot check and inform the CDM-AP. The scope for spot-check determine the specific areas for the consideration and CDM-AP and to further elaborate for the assessment team to focus its assessment of the DOEs. The CDM-AP shall also determine the scope of the assessment activity (on-site assessment, witnessing activity etc) for the spot check.

6. The current procedure do not specify that the spot-check assessment shall be limited to the office site of the DOE and allow for conducting a limited on-site assessment, desk review or witnessing activity as an assessment activity under the spot check. Therefore, under the current procedural requirements, the possibility for conducting the spot-check on the CDM project activity sits is possible, however in order to make it explicit, revisions in the spot-check procedures are proposed below.

7. The CDM-AP further noted that the possibility for spot-check of the project activity site shall facilitate to locate and unearth very specific project related aspects (implementation of the project

activity corresponding to project description, specificities of technology used, monitoring aspects (flow meter, measurement equipments) and other methodological aspects) as well as quality and scope of validation and verification work undertaken by the DOEs.

8. Taking into consideration both requests from the Executive Board, proposed changes in the spot-check procedures are presented in section III below, whereas in section IV some general measures are proposed to enhance the scope of the spot-check to assess the competencies of the DOEs for validation and verification functions rather then assessment of their compliance with procedures and system implementation.

III. Proposed changes in the spot-check procedures

9. Once the EB has decided to conduct a "spot-check", The EB shall agree on the scope of the spot check and inform the CDM-AP. The scope of the spot-check agreed by the Board shall include, inter alia, following:

(a) Identification of conduct of the spot-check (office site and/or CDM project activity site and/or desk review assessment).

(b) Specific aspects to be focussed in the spot-check assessment. These aspects may include, but not limited to:

(i) Quality and operational management of the DOE in relation to its continual suitability for performing validation and verification functions;

(ii) Institutional and organisational structure of the DOE, in particular, for providing validation and verification functions in an independent and impartial manner;

(iii) Competencies of the DOE to ensure providing all aspects of validation and verification functions in a quality and competent manner.

(c)

10. The CDM-AP shall consider the case and:

(a) Elaborate the scope of the spot-check for the CDM-AT;

(b) Establish a CDM-AT;

(c) Conclude, depending on the gravity of the case, whether

(i) To recommend to the EB the immediate suspension, pending the result of the "spot check", of the accreditation of the DOE and/or;

(ii) To agree an exception to the procedure such as a limited on-site assessment, site of the CDM project activity and/or witnessing activity by the CDM-AT or limitations of the assessment to particular requirements related to the "sectoral scope(s)" of accreditation put in question;

(iii) To send an advance notification of the spot-check to the DOE.

11. In case of undertaking the spot-check at the CDM project activity site, the CDM-AP, through the secretariat, shall

(a) Send a notification to the DOE and respective project proponents [twenty days] before the spot-check visit;

(b) Request the DOE to seek approval and undertake other necessary arrangements with project participants.

12. The concerned DOE shall pay for the cost of a "spot-check" in accordance with the Appendix 3 (fees and costs).

13. "Spot-checks" shall be carried out in accordance with below procedural steps:

(a) The CDM-AT shall review the DOE documentation provided by the secretariat and prepare an assessment plan taking into consideration the scope of the assessment agreed by the CDM-EB and CDM-AP.

(b) The assessment plan shall be approved by the CDM-AP;

(c) The CDM-AT shall undertake the spot-check assessment and prepare reports within five (5) days after the date of the assessment and submit to the CDM-AP.

IV. Other options for improving the performance of DOEs

14. The Executive Board may wish to note that a number of measures are already under consideration by the Board and the CDM-AP in order to provide incentives and facilitate improvements in the work of DOEs, including: development of CDM validation and verification manual, elaboration of CDM accreditation standards, revision of accreditation procedure and forms and proposal on training of CDM-AT members and enhanced role of the secretariat in the assessment are few examples.

15. In order to respond to the request from the CDM Executive Board in an effective manner an analysis of information from requests for review for the last two Board meetings has been undertaken. And taking this information into consideration specific technical and competence areas of improvements for the DOEs have been identified.

16. An assessment of the compiled information from the requests for review cases for the last two Executive Board meetings indicates following technical/methodological areas where DOEs repeatedly have not been able to comply with the requirements set by the Board for their validation and verification activities:

(a) **Additionality of CDM project activities**: Validation and appropriateness of input values in the investment analysis, prior and serious consideration of CDM project activity, substantiation of the investment and technological barriers, common practice and barrier analysis;

(b) **Calculation of emission reductions**: Calculation of grid emission factors; use of methane conversion factor, calculation of project emissions.

(c) **Applicability of methodology**: Application of the baseline and monitoring methodology to the project activity.

(d) **Monitoring/Verification:** Calibration of measurement devices, compliance with monitoring methodology and plan and estimation of emission reductions

17. From the accreditation perspective, all four areas relate to the technical competencies of DOEs. In order for the DOEs to address these areas they need to ensure and build-up the expertise and competencies of their personnel specifically to:

(a) Have knowledge and understanding of CDM approved baseline and monitoring methodologies and competencies to assess its applicability to the project activities;

(b) Competencies and expertise to evaluate financial, sectoral and technical aspects and its implications to the additionality of the project activities;

(c) Competencies and expertise to calculate emission reductions and ensure compliance of monitoring system and procedures with monitoring methodology and monitoring plan.

18. Under the accreditation system, DOEs are assessed to demonstrate their competencies related to these technical areas but it merits to be further strengthened. Following measures are proposed for the consideration of the Executive Board to specifically strengthen assessment of DOEs for above-mentioned technical areas:

(a) Assessment forms should be thoroughly revised to incorporate requirements for assessment for technical competencies. It has been noted by the CDM-AP that provisions of CDM modalities and procedures and decisions of Executive Board provides sufficient scope for incorporating and enhancing the scope of the assessment;

(b) In order to strengthen the assessment process, facilitate training of assessment teams in order to further develop the competencies of the tam and keep their knowledge and competence up-to-date with the requirements of the Board;

(c) To develop a training module for enhancing (shifting) the scope of the assessment from the compliance to the procedures to the effectiveness of the system and competence of the DOEs to perform validation and verification functions.

V. Conclusion

19. The Executive Board may wish to take note of the proposal to the revision of the spot-check procedures and provide further guidance to the CDM-AP. If agreed by the Executive Board, proposed revisions in the spot-check procedures shall be incorporated in the revision of the CDM accreditation procedure.
