

## Annex 13

### Draft proposal on definitions to distinguish between a bundle, a program and a policy as well as alternative definitions of a program

#### 1. Context

When assessing potential definitions and recommendations on the issue of CDM “programmes”, a certain context is useful to bear in mind:

- All Parties to the UNFCCC have committed to “Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, and measures to facilitate adequate adaptation to climate change” (UNFCCC, Article 4, paragraph 1b);
- CDM project activities are to be “additional” and need to result in “measurable” emission reductions (Kyoto Protocol, Article 12);
- The Marrakech Accords indicate that CDM project activities “should result in the transfer of ... technology and know-how” (decision 17/CP.7);
- The GHG abatement potential of different sectors is not reflected in the current CDM pipeline. In particular, energy-efficiency and transport projects account for a very small proportion of total CDM credits, and renewable energy also accounts for a small share. By reducing transaction costs, CDM programmes could help reduce one of the barriers to CDM project development. However, a reduction in transaction costs will not necessarily influence other barriers to potential CDM projects e.g. availability of project finance, methodological difficulties to clearly attribute emission reductions to the project activity, etc.
- Reductions in GHG-intensity of many activities have often decreased over time as part of business-as-usual development. It is likely that not all future reductions will be additional.

#### 2. Options for definitions for “programme” and “policy”

##### 2.1 “Policy”

Previous Board decisions on “national policies” (e.g. EB22 annex 3) include a partial definition of “policies”. However, this text needs to be completed and amended to be consistent with wording in 7/CMP.1. The suggested definition is:

For the purposes of the CDM, a “policy” is an action by local, regional or national governments of a country that adopts [option 1: implements and/or enforces other] means to achieve aims, goals, quotas and/or targets, documented in associated legislation or other official documents. These actions may be binding or non-binding.

Implications of the option:

Option 1: There are different degrees to which a “policy” can be encouraged and/or enforced. For example, if a “policy” that is mandatory and/or enforced, a significant take-up of that policy would be expected under business-as-usual. If this mandatory, enforced, policy is eligible to generate CERs, it could result in large volumes of non-additional emission reductions.

Conversely, a government may adopt a “policy” that aims towards certain goals (e.g. increased energy efficiency in the lighting sector, 1 GW wind capacity installed by year Y) but not provide any further enabling activity to encourage these aims. In such cases, a lower take-up would be expected under

business-as-usual. Treating such activities as CDM-eligible would therefore result in a lower risk of free riders/non-additional emission reductions.

Including the option would mean that “policy” encompasses implementation, as well as design. This would mean that implementing a national/regional/local policy would not be eligible for CDM credits. It would therefore reduce the level of potential “free-rider” emission reductions from CDM programmes - but could also result in perverse incentives for governments not to encourage/enforce GHG-friendly policies. Including this option would be consistent with Annex 3, EB22 which indicated that type “E” policies gave “comparative advantages” to less emissions-intensive technologies, as presumably such advantages only accrue through encouraging and implementing a policy.

## 2.2 “Programme”

For the purposes of the CDM, “programme of activities” will need to be defined differently to that implied by the use of the word “programme” in Article 4, paragraph 1b of the UNFCCC. The suggested definition and its options are outlined below.

For the purposes of the CDM, a “programme of activities” involves a bringing together of several project activities [*option 1*: within a country] to mitigate greenhouse gas emissions. All individual project activities are implemented as a result of a (coordinated) programme by way of technical/financial assistance. [*option 2*: Each individual project activity that involves GHG-mitigation option is voluntary, i.e. not required by a national/regional/local government policy or standard.] [*Option 3*: Each individual project activity in a “programme of activities” has a direct, real and measurable impact on emission reductions and should be traceable, e.g. identified and localized at either the validation or verification stage of the “programme”.] Each “programme of activities” can involve only one [*option 4*: or more] project type, and is put in place by a coordinator/managing entity [*option 5*: that is neither part of the government, nor a government agency]. The actors implementing the GHG-reducing activity are not necessarily the same as the coordinator/managing entity. [*option 6*: The coordinator/managing entity enters into agreements with the actors implementing the GHG-reducing activity to ensure that they will not claim credits for their action under another CDM project or programme of activities.] All the project activities under the program of activities registered shall have the same [*option 7*: different] crediting period.

Implications of the options:

Option 1: Para 20 of decision 7/CMP.1 states local/national/regional scales of government. However, accounting for emission reductions across different countries is likely to add complications to monitoring/reporting/verification of GHG emission reductions. Thus, “programme of activities” should be limited to activities within one country.

Option 2: Para 20 of decision 7/CMP.1 reiterates that emission reductions from a “programme of activities” need to be “real” and “additional”. This will only be the case if the actions that make up the project activities as well as the programme of activities are voluntary actions and not mandatory.

Option 3: Including this would clarify that only activities which have a real, direct and measurable impact on GHG emission reductions are eligible to generate emission reductions under a CDM “programme of activities”. This would mean that the emission reduction activity could be directly “traced” to the “programme of activities”. This is a key distinction between presenting the adoption of a “policy”, a “regulation” or a “standard” and project activities implemented under a “programme”. A requirement that each underlying activity generates measurable reductions would not mean that each

underlying activity has to be measured in practice: just that it could be measured if necessary. This will exclude “soft” actions (such as increased information/awareness) from generating credits as part of a CDM “programme of activities”.

*Option 4:* Excluding this option would help to distinguish a “programme” from a “bundle”, which allows for several different project types. This could facilitate methodology development for such activities. However, it could also be argued that excluding *option 4* runs counter to decision 7/CMP.1 which indicates that a programme of activities should use approved “baseline and monitoring methodologies” (plural). Excluding *option 4* may also increase the scope for double-counting if several different activities are implemented to implement a particular programme.

*Option 5:* Including this option would mean that governments are not put in the conflict-of-interest situation where the host-country DNA has to decide whether to approve a “programme of activities” that has been developed by its own or another governmental department/agency in the same country. Including *option 5* would allow non-governmental entities to generate credits by developing programmes that directly encourage uptake of GHG-friendly technologies.

*Option 6:* Including this option would ensure that there is no double-counting of emission reductions. However, if the individual activities under the programme of activities are very small (e.g. installing a compact fluorescent light bulb), this may be an onerous requirement noting that for example CDM project activities that have involved obtaining agreements with 5000 households have been undertaken and registered.

*Option 7:* Allowing individual project activity under a “programme” to have different starting and end dates would increase the complexity of monitoring and verification. However, it would also allow each individual project activity to generate CERs for a full 7 or 10 year crediting period, irrespective of their start date.