

**CDM-EB106-AA-A11**

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# Revision of the CDM accreditation procedure

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

## COVER NOTE

### 1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its eighty-first meeting (EB 81), considered an analysis on numbers, frequency and timing of accreditation assessments of designated operational entities (DOEs) and requested the secretariat to modify the provision contained in the CDM accreditation procedure (version 11.0) to have, after applying a risk-based approach, a minimum of one mandatory performance assessment every 20 months for any DOE. This modification was on a temporary basis, valid only for the subsequent two years. The Board adopted the CDM accreditation procedure (version 12.0) at EB 86 and stipulated this temporary arrangement in footnote 7, to be valid until 28 November 2016. Subsequently, the Board extended the validity of the temporary arrangement twice. The latest version of the CDM accreditation procedure (version 14.0), footnote 7, states that the arrangement is up to 28 May 2020. Since it is expiring soon, there is a need to review whether to further extend the temporary arrangement.
2. The Board, at EB 105, requested the secretariat to revise the “Procedure: Performance monitoring of designated operational entities” (hereinafter referred to as the DOE performance monitoring procedure) for consideration by the Board at EB 106. Consequently, the relevant paragraphs in the CDM accreditation procedure need to be aligned with the DOE performance monitoring procedure that will also be presented to the Board at EB 106.
3. The CDM Accreditation Panel (CDM-AP), at its eighty-second meeting, considered the query raised from the CDM Assessment Team (CDM-AT) lead assessors at their workshop in 2018 regarding the current provisions in the CDM accreditation procedure related to a desk review in an initial accreditation assessment of a DOE. The CDM-AP agreed that the provisions need to change at a future revision of the CDM accreditation procedure.
4. This revision combines several changes to the current CDM accreditation procedure (version 14.0).
5. The CDM-AP, at its eighty-sixth meeting, considered this revision and provided feedback, which has been reflected in the draft revised CDM accreditation procedure.

### 2. Purpose

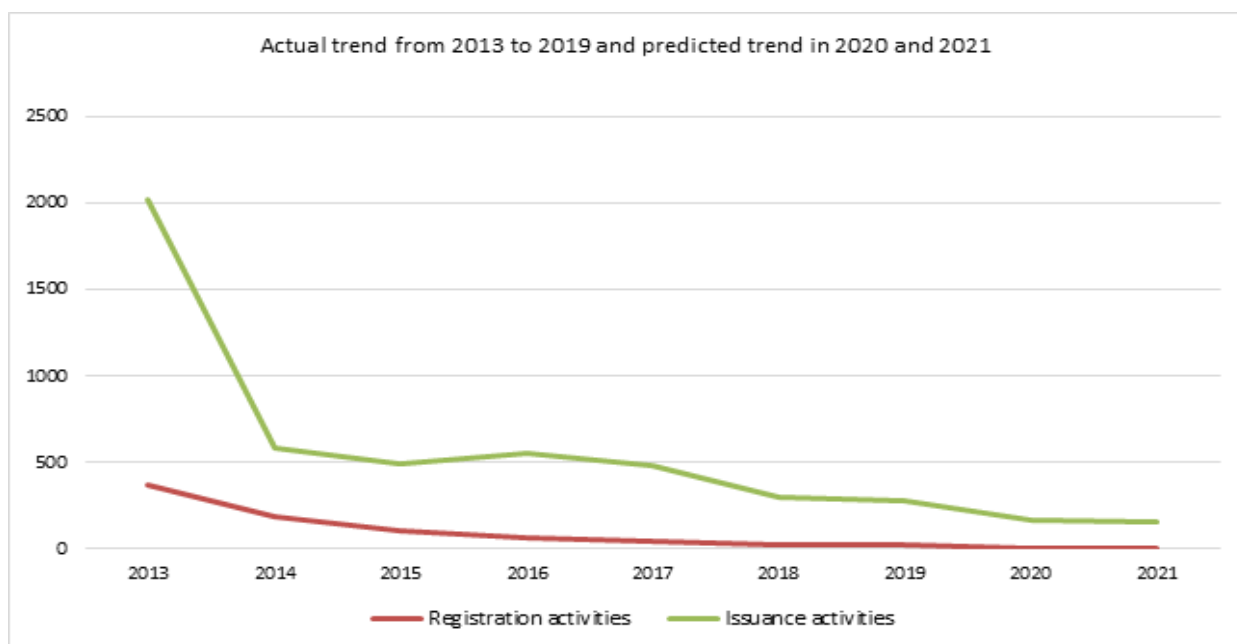
6. The purpose of this work is to:
  - (a) Make changes to address the issues referred to in paragraphs 1–3 above;
  - (b) Make editorial corrections to ensure consistency and completeness of the entire content of the CDM accreditation procedure when introducing the revised provisions.

### 3. Key issues and proposed solutions

#### 3.1. Temporary arrangement in the frequency of performance assessments

7. Given that: (1) under the current CDM market conditions, the number of submissions of requests for registration and issuance remains low; (2) the trend in the number of submissions for the period (January 2018 to December 2019) remained at a similar level since EB 98, at which the Board decided to extend the validity of the temporary arrangement in footnote 7 of the CDM accreditation procedure for two years (actual trend from 2013 to 2019 presented in figure 1); and (3) the number of submissions forecasted in the “CDM two-year business and management plan 2020–2021 (CDM-EB104-A01-INFO)” is lower than the volume forecasted in the “CDM two-year business and management plan 2018–2019 (CDM-EB97-A01-INFO)” (predicted trend in 2020 and 2021 presented in figure 1), it is proposed that the validity of the temporary arrangement in footnote 7 of the CDM accreditation procedure be extended for two years (that is, up to 28 May 2022) with a view to reviewing this matter again at the first Board meeting in 2022, as contained in section 1 of the appendix to this cover note.

**Figure 1. Number of submissions of requests for registration and issuance: actual trend (2013–2019) and predicted trend (2020 and 2021)<sup>1</sup>**



#### 3.2. Consistency with the provisions in the revised DOE performance monitoring procedure

8. The implementation of performance assessment and spot-check as per paragraphs 21, 76 and 182, and 186–188 of the CDM accreditation procedure is based on the

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<sup>1</sup> The number of submissions forecasted in the “CDM two-year business and management plan 2020–2021 (CDM-EB104-A01-INFO)” is lower than the volume forecasted in “CDM two-year business and management plan 2018–2019 (CDM-EB97-A01-INFO)”, and therefore it is predicted that a declining trend in 2020 and 2021 will continue.

performance monitoring outcomes obtained through the DOE performance monitoring procedure. Therefore, a revision to these paragraphs is proposed to align with the relevant provisions in the draft revised DOE performance monitoring procedure, as contained in section 2 of the appendix to this cover note.

### **3.3. Additional round of desk review in initial accreditation assessment**

9. Paragraph 46 of the CDM accreditation procedure requires that the CDM-AT prepares a final desk review report regardless of whether all required documentation has been provided by the applicant entity (AE) and proceed with the on-site assessment and that the AE shall present all missing, unclear and/or inadequate information at the on-site assessment. Based on this provision, the CDM-AT has to proceed with the on-site assessment, even if there are a large number of missing, unclear and/or inadequate documents identified in the final desk review report stage that indicates that the AE is not ready for the on-site assessment. It is proposed to revise this paragraph so that the CDM-AP may decide whether to seek an additional round of desk review after the completion of the final desk review report stage, as contained in section 3 of the appendix to this cover note.

### **3.4. Corrections**

10. Corrections are made in the respective sections of the CDM accreditation procedure as follows:
  - (a) Revising table 1 “required documents for assessments for initial accreditation, regular on-site surveillance and reaccreditation” in appendix 1 to the procedure by including the assessment type of extension of sectoral scopes in the same table and specifying the required procedures to be submitted, as contained in section 4, paragraph 9 of the appendix to this cover note;
  - (b) Correcting cross-reference errors, as contained in section 4, paragraph 10 of the appendix to this cover note.

## **4. Impacts**

11. Further extension of temporary arrangement in the frequency of performance assessments can address DOE concerns related to the difficult CDM market situation and provide incentives for DOEs to maintain their accreditation status.
12. The alignment of the provisions on performance assessment and spot-check in the CDM accreditation procedures with the related provisions in the DOE performance monitoring procedure would ensure consistency between the two procedures.
13. The changes to the provisions on desk review in an initial accreditation assessment would help on-site assessment be more meaningful and efficient.
14. The corrections can ensure the consistency and completeness of the entire content of the CDM accreditation procedure.

## **5. Subsequent work and timelines**

15. It is proposed that the revised CDM accreditation procedure be effective upon adoption without any subsequent work.

## **6. Recommendations to the Board**

16. The secretariat recommends that the Board adopt the revised CDM accreditation procedure (version 15.0).

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## Appendix. Revision of the CDM accreditation procedure (version 15.0)

### Section 1. Footnote 7 inserted at paragraph 76(a) of the CDM accreditation procedure

1. Footnote 7 shall read:

At its ~~106<sup>th</sup> ninety-eighth~~ meeting, the Board agreed to have, after applying a risk-based approach, a minimum of three (3) mandatory performance assessments, reasonably spaced along with the regular surveillance, in the five-year accreditation cycle for any DOE. This modification is on a temporary basis, valid until 28 May 202~~20~~29.

### Section 2. Consistency with the provision in the revised DOE performance monitoring procedure

2. Paragraph 21 shall read:

The Board may decide to conduct a **spot-check** of a DOE at any time during the accreditation term of the DOE. In addition, the CDM-AP may initiate a spot-check of a DOE in accordance with the "Procedure: ~~onp~~Performance monitoring of designated operational entities" (CDM-EB58-A01-PROC). The purpose of a spot-check is to assess whether a DOE still meets one or more specific CDM accreditation requirements because of a specific concern brought up to the Board regarding the compliance of the DOE with CDM accreditation requirements or because of inadequate performance of the DOE monitored through the "Procedure: ~~onp~~Performance monitoring of designated operational entities" (CDM-EB58-A01-PROC). A spot-check may include a desk review, an on-site assessment at any office of the DOE and outsourced entities where the validation and/or verification/certification functions of the DOE are performed, and/or an assessment at the site of the CDM project activity or programme of activities (PoA) being validated or verified/certified.

3. Paragraph 76 shall read:

The number and types of performance assessments for planning purposes should be determined as follows:

- (a) One performance assessment per year for any DOE as the mandatory basis. The types of performance assessments should be distributed as follows:
  - (i) Three performance assessments on validation activities per five-year accreditation term;
  - (ii) Two performance assessments on verification activities per five-year accreditation term; and
- (b) Additional performance assessment(s) based on the volume of work as follows:
  - (i) One additional performance assessment on a validation activity per year if the DOE submitted 50 or more requests for registration in the previous 12 months or equivalent;

- (ii) One additional performance assessment on verification activities per year if the DOE submitted 150 or more requests for issuance in the previous 12 months or equivalent; and
- (c) Addition or reduction of the number of performance assessments based on the output of the “Procedure: ~~en~~PPerformance monitoring of designated operational entities” (CDM-EB58-A01-PROC), by:
  - (i) One additional performance assessment on validation or verification/certification activity if the indicator I<sub>2</sub> is in the yellow zone for the registration or issuance process, respectively, for ~~three~~ ~~two~~ consecutive monitoring periods;
  - (ii) One less performance assessment on validation or verification/certification activity if the indicator I<sub>2</sub> is in the green zone for the registration or issuance process, respectively, for four consecutive monitoring periods. This reduction in the number of performance assessments shall be done only from those added in accordance with paragraph 76(b) above.

4. Paragraph 182 shall read:

The consideration by the Board to conduct a spot-check of a DOE may be triggered by, inter alia:

- (a) The review process conducted by the Board on a request for registration or a request for issuance submitted by the DOE;
- (b) Information received from a third party on the possible inadequate performance of ~~the~~ DOE in its validation or verification/certification activities as well as on any changes which may significantly impair the compliance of the DOE with CDM accreditation requirements, such as changes in ownership, organizational structure, internal policies and procedures, resources and personnel;
- (c) A recommendation of the CDM-AP based on, inter alia, the result of handling complaints against the DOE in accordance with Appendix 6 to this Procedure.

5. Paragraph 186 shall read:

The CDM-AP shall initiate a spot-check of a DOE if its performance on validation or verification/certification activities as monitored through the implementation of the “Procedure: ~~p~~PPerformance monitoring of designated operational entities” (CDM-EB58-A01-PROC) declines, as the ~~second~~ ~~final~~ version of a monitoring report prepared in accordance with the procedure shows that the DOE is in the red zone for the indicators ~~S I<sub>2</sub> or I<sub>3</sub> in either registration or issuance process.~~

6. Paragraph 187 shall read:

Notwithstanding the provision in paragraph 186 above, the CDM-AP may not initiate a spot-check of a DOE that has reached the red zone of indicator ~~S I<sub>2</sub> or I<sub>3</sub>~~ if the following two conditions are met:

- (a) The issues in the scope of the spot-check have been covered and resolved in recent assessments; and



- (b) A visit to the central office of the DOE under a regular on-site surveillance or reaccreditation assessment is planned to take place in the next 90 days; in such case, the issues envisaged for the spot-check shall be considered and addressed in the regular surveillance or reaccreditation assessment.

7. Paragraph 188 shall read:

If the CDM-AP initiates a spot-check of a DOE in accordance with paragraph 186 above, it shall agree on the scope of the spot-check and inform the Board of the initiation of the spot-check and the scope. The scope shall be based on the information gathered in the implementation of the “Procedure: on-p Performance monitoring of designated operational entities” (CDM-EB58-A01-PROC).

**Section 3. Additional round of desk review in an initial accreditation assessment**

8. Paragraph 46 shall read:

No later than 30 days after sending the draft desk review report to the AE, the CDM-AT shall prepare a final desk review report, ~~regardless of whether all requested documentation has been provided,~~ If the CDM-AT considers the additional and/or amended documentation adequate, or the additional and/or amended documentation inadequate or there are still missing documents but they can be assessed during the on-site assessment, the CDM-AT shall send it to the AE and proceed with the on-site assessment in accordance with paragraph 47 below. ~~If there is still some missing, unclear and/or inadequate information, the final desk review report shall identify it and request the AE to gather and/or clarify the information and present it at the on-site assessment.~~ If the CDM-AT considers that the additional and/or amended documentation is not adequate or there are still missing documents and they need to be addressed or submitted prior to the on-site assessment, the CDM-AT shall submit a final desk review report to the CDM-AP requesting to consider allowing the CDM-AT to conduct an additional round of desk review.

**Section 4. Corrections**

9. Table 1 of appendix 1 shall read:

Table 1. Required documents for assessments for initial accreditation, ~~extension of sectoral scopes,~~ regular on-site surveillance and reaccreditation

Document	Initial accreditation and extension of sectoral scopes	Regular on-site surveillance	Reaccreditation
1. Completed application form (CDM-AA-FORM)	X		X
2. Completed declaration form (CDM-DOO-FORM) of other offices performing validation and verification/certification functions, clearly indicating functions undertaken at each office	X	X	X

Document	Initial accreditation and extension of sectoral scopes	Regular on-site surveillance	Reaccreditation
3. Completed self-completeness check form (CDM-SCC-FORM), referring to specific documents, procedures and forms that address the CDM accreditation requirements	X	X	X
4. Financial statements of the last three years or any other relevant evidence such as shareholders' commitment for newly established companies	X		
5. Documentation on its legal entity status	X		X
6. Names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel	X	X	X
7. Organizational chart showing lines of authority, responsibility and allocation of functions	X	X	X
8. Quality assurance policy and procedures, including procedures and manuals on how the entity conducts validation and verification/certification activities	X	X	X
9. Administrative procedures including safeguarding impartiality, information management, document control, record control, internal audit, corrective and preventive actions, and management review	X	X	X
10. Policy and procedures for the recruitment and training of AE/DOE personnel, for ensuring their competence for all necessary validation and verification/certification functions, and for monitoring their performance, including qualification procedure and competence matrix	X	X	X
11. Procedures for handling complaints, appeals and disputes	X	X	X
12. Declaration that the AE/DOE has no pending judicial processes for malpractice, fraud and/or other activity incompatible with its functions as a DOE	X		X

Document	Initial accreditation and extension of sectoral scopes	Regular on-site surveillance	Reaccreditation
13. Statement that operations of the AE/DOE are in compliance with applicable national laws	X		X
14. If the AE/DOE 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 activity:			
(a) Declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activity	X	X	X
(b) Clear definition of links with other parts of the organization, demonstrating that no conflict of interest exists	X	X	X
(c) Demonstration that no conflict of interest exists between its functions as a DOE and any other functions that it may have, and 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 AE or from the activities of related bodies)	X	X	X
(d) Demonstration 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 activities, and that it complies with any rules applicable in this respect	X	X	X

Document	Initial accreditation and extension of sectoral scopes	Regular on-site surveillance	Reaccreditation
15. Schedule of internal audits and management review meetings and impartiality committee meetings (Indicating planned and completed activities)	X	X	X
16. List of project activities and programmes of activities completed and in progress for validation or verification/certification (indicate the status)		X	X
17. Summary of the changes since previous on-site assessment		X	X

10. Paragraph 129 shall read:

If the DOE objects to the selection of a CDM-AT member, the secretariat shall consider modifying the composition of the CDM-AT within five days. If the secretariat considers the objection unjustified, or the DOE does not object to the selection of any CDM-AT member within the time frame referred to in paragraph 128-127 above, the composition of the CDM-AT shall be deemed accepted. If the secretariat considers the objection justified and replaces a CDM-AT member, it shall inform the DOE of the new CDM-AT member within the same five days. After this, the same steps in paragraphs 128-127 and 129 above shall be repeated until the composition of the CDM-AT is deemed accepted.

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**Document information**

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