CLEAN DEVELOPMENT MECHANISM

CDM-EB107-AA-A01

Concept note

PROJ2019-01 - Overview of CDM regulatory development: how CDM regulations have evolved over the years and lessons learned

Version 01.0

United Nations
Framework Convention on
Climate Change

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1. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its first session, established the basis of a regulatory framework of the clean development mechanism (CDM) to implement Article 12 of the Kyoto Protocol through the adoption of a set of decisions on basic rules of the CDM (collectively referred to as the CDM modalities and procedures). The CMP revised provisions in these decisions through new decisions in subsequent sessions. Based on these basic rules, the Executive Board of the CDM (hereinafter referred to as the Board) elaborated the processes and requirements to operationalize the CDM by adopting various regulatory documents such as standards (including methodologies), procedures, tools, guidelines, clarifications and forms.

2. During the one-and-a-half decade history since the adoption of the first set of the operational-level regulatory documents, the Board adopted numerous new and revised regulatory documents to fill the operational gaps, strengthen the integrity of the mechanism, accommodate practical needs and/or streamline the processes and requirements, as it gained experience through the day-to-day operation of the CDM. This "evolution" of CDM regulations is significant and the experience gained is valuable.

3. This concept note relates to the project "Overview of the CDM regulatory development: how the CDM regulations have changed over the years since and lessons learned" under objective 2(c) with a resource allocation as referred to in table 6 of the CDM two-year business and management plan 2020–2021 (EB 104 meeting report, annex 1).

2. Purpose

4. The project systematically documents the evolution of CDM regulations, particularly the major changes they have undergone, and the rationale for each major change, with a view to developing a concise reference of the evolution to provide stakeholders with a comprehensive picture of what played a key role in the evolution and how and why the regulations have evolved to what they are today. Such documentation would also provide an overview of valuable lessons learned from the implementation of the CDM.

3. Key issues and proposed solutions

3.1. Areas to be covered by this project

5. CDM regulations cover many areas, from substantive requirements for CDM activities to procedural ones for approving methodologies, registering CDM activities and issuing certified emission reductions (CERs). The governance system that supports the CDM system is also regulated. Covering all of these areas in this project would neither be meaningful nor possible due to constraints on resources as approved in the CDM management plan. The priority should be given to the areas that constitute the main substantive and procedural requirements for CDM activities.

6. Based on the consideration in paragraph 5 above, the project will cover the following areas of the CDM:

   (a) Accreditation of designated operational entities (DOEs);

(b) Methodologies and standardized baselines;

(c) Other activity design and implementation requirements;

(d) Project cycle;

(e) Specific requirements for programmes of activities;

(f) Validation and verification.

7. The project will not cover the area of governance, such as the terms of reference of the Board and its support structure, and stakeholder support.

3.2. Changes to be covered by this project

8. Since the CDM is a "first-of-its-kind" scheme implemented at the international level to mitigate climate change and contribute to sustainable development by directly involving the private sector, there have been many "learning-by-doing" aspects, many of which had never been envisaged before. This led to frequent changes at various levels of regulations, ranging from principle-level requirements to operational-level details.

9. The project will prioritize the changes to key substantive and procedural requirements in each of the areas referred to in paragraph 6 above. With regard to methodologies and standardized baselines, the project will focus on common requirements and not cover the development of, and changes to, specific methodologies and standardized baselines except where they are used to illustrate broadly applicable changes.

10. Based on the above consideration, the project will cover changes to the key requirements and processes presented in the table below:

Table. Areas, requirements and processes to be covered by the project

Area/sub-area	Key requirements/processes
A. Accreditation	
(a) Accreditation requirements	• Sectoral scopes • Legal status, liability, finance • Management structure/functions • Safeguarding impartiality • Human resources and competence • Information management (incl. confidentiality) • Validation and verification/certification process • Quality management system • Complaint, dispute and appeal processes
(b) Accreditation cycle	• Initial accreditation • Performance assessment • Regular on-site surveillance • Reaccreditation • Extension of sectoral scopes • Spot-check • Under-observation, suspension, withdrawal, expiry of accreditation • Transfer of accreditation to another legal entity • Fees and costs

Area/sub-area	Key requirements/processes
B. Methodologies	
(a) Methodological requirements	• Project boundary, sources and greenhouse gases • Baseline (incl. use of standardized baseline) • Additionality • Estimation of emission reductions or removals • Monitoring plan
(b) Standardized baselines	• Approach and steps for developing standardized baselines • Quality assurance and quality control of data used in establishing standardized baselines
(c) Approval, revision, update, clarification processes	• Approval of new methodologies, tools and standardized baselines • Revision of approved methodologies, tools and standardized baselines • Validity of new, revised and previous versions • Clarification of approved methodologies, tools and standardized baselines
C. Project activity design requirements	• Description of project activity • Application of methodology and standardized baseline • Start date, crediting period • Environmental impacts • Local stakeholder consultation • Sustainable development co-benefits • Approval and authorization • Specific requirements for small-scale project activities • Specific requirements for microscale project activities • Specific requirements for afforestation and reforestation project activities • Types and conditions of post-registration changes • Implementation and monitoring • Updating for renewal of crediting period
D. Project cycle	
(a) Registration	• Notification of prior consideration • Publication of project design document • Approval for deviation from approved methodologies • Processing request for registration • Withdrawal of request for registration • Registration fee
(b) Post-registration change	• Processing request for approval of post-registration changes
(c) Issuance	• Selection of designated operational entity • Publication of monitoring report • Processing request for issuance • Withdrawal of request for issuance • Share of proceeds
(d) Renewal of crediting period	• Submission of renewal request • Processing of renewal request
(e) Deregistration, withdrawal of letter of approval	• Conditions, process and effects of deregistration

Area/sub-area	Key requirements/processes
(f) Modalities of communication	• Identification of focal points • Information on project participants • Post-registration changes to modalities of communication • Addressing insolvency and disputes
E. Programmes of activities (PoAs)	
(a) Specific design requirements for PoAs	• PoA design • Generic component project activity (CPA) design (incl. eligibility criteria for inclusion) • Specific CPA design • Approval and authorization • Types and conditions of post-registration changes • Implementation and monitoring • Updating for renewal of PoA period and CPA crediting period
(b) Specific project cycle for PoAs	• Inclusion of CPAs • Post-registration changes of CPAs • Renewal of PoA period and CPA crediting period • Exclusion of CPAs
F. Validation and verification	• Auditing methods incl. on-site inspection and sampling • Validation requirements for specific CDM requirements • Verification requirements for specific CDM requirements

3.3. Documents to be analysed by this project

11. Changes to CDM regulations are reflected in various types of documents: standards, procedures, tools, guidelines, clarifications and forms. Under this project, all of these will be considered as necessary.

12. The rationale for changes can be found in the concept notes that proposed the changes to the respective regulatory documents, slide presentations used during the Board meetings, and in the Board meeting reports that adopted the changes. Under this project, such concept notes, slide presentations and Board meeting reports will be the primary source of information to collect and summarize the rationale for each change.

3.4. Classification of changes

13. A diverse set of reasons prompted the changes to CDM regulations. Some were based on clear political directions from the CMP or the Board (“top-down”), while others were based on requests or complaints from stakeholders such as project developers, DOEs and non-governmental organizations (“bottom-up”), and in some other cases, they were proposed by the secretariat based on its experience in the day-to-day operation of the CDM process.

14. The rationale for, or purposes of, changes are also diverse. Some changes were, for example, to proactively improve the mechanism for wider applicability; to strengthen the integrity of the mechanism; to streamline its use; or to enhance consistency or objectivity within the mechanism, while the others were merely to fill gaps or fix errors in the regulations.

15. This project will look into various factors of changes as referred in paragraphs 13–14 above to classify, to the extent possible, each major change to CDM regulations in a standardized and systematic manner.

3.5. Product outline

16. The final product of this project will be a report that comprises:

    (a) Executive summary (narrative);

    (b) Summary of CDM regulatory development in selected areas (narrative);

    (c) List of all major regulatory changes and rationale for each change with classification (table);

    (d) Summary of lessons learned from the evolution of CDM regulations to date (narrative).

4. Impacts

17. The envisaged impacts of this project are to:

    (a) Allow stakeholders to easily find and understand the rationale or purposes of particular changes to CDM regulations, or lessons learned from the evolution of CDM regulations in general;

    (b) Preserve institutional memory of CDM regulatory development.

5. Subsequent work and timelines

18. This project will be implemented in the following phases:

    (a) Information compilation phase: Details on the major changes to CDM regulations and rationale for the changes will be collected;

    (b) Analysis phase: Analysis of regulatory development in CDM regulations in general and in selected areas will be conducted;

    (c) Reporting phase: A report comprising the elements listed in paragraph 16 above will be prepared.

19. The report will be presented to the Board in mid-2021 for its taking note of.

6. Recommendations to the Board

20. The secretariat recommends that the Board provide guidance on the approach to this project presented in this concept note, as appropriate.

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Document information

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