

Agenda item 2.2.

Paragraph 4 of the annotated agenda, Annex 1

Technical assessment of options for the CDM registry to enable the issuance of post-CP2 CERs for voluntary cancellation purposes

CDM EB 110

Virtual meeting

17–19 May and 25–27 May 2021



Procedural background

- At EB 108, the Board agreed on temporary measures to be applied to the CDM processes related only to the post-2020 period until the CMP provides guidance at CMP 16 and agreed on recommendations to the CMP in that context
- As part of its recommendations, the Board noted that:

“The CMP would need to provide **technical options with regard to the CDM registry** in order to enable issuance of CERs with respect to emission reductions occurring after the end of the second commitment period **for voluntary cancellation purposes** and requested the secretariat to prepare an assessment of options for consideration by the Board at its 109th meeting”
- At EB 109, the Board and requested the secretariat to prepare a revised technical assessment of options, **including on how the technical options identified could be implemented**, for consideration at EB 110



Purpose and scope

- **Purpose** - to present the assessment of technical options with regard to the CDM registry in order to enable issuance of post-CP2 CERs for voluntary cancellation purposes, including how the technical options could be implemented
- **Assumptions** - issuance of post-CP2 CERs for voluntary cancellation purposes, including the voluntary cancellation transactions, would occur within the CDM registry without the need for external validation of the transactions by the ITL
- **Scope:**
 - Assessment of technical options and related issues
 - Enabling conditions and approach to implementation
 - Initial effort estimate for implementation
 - Possible recommendations on a way forward

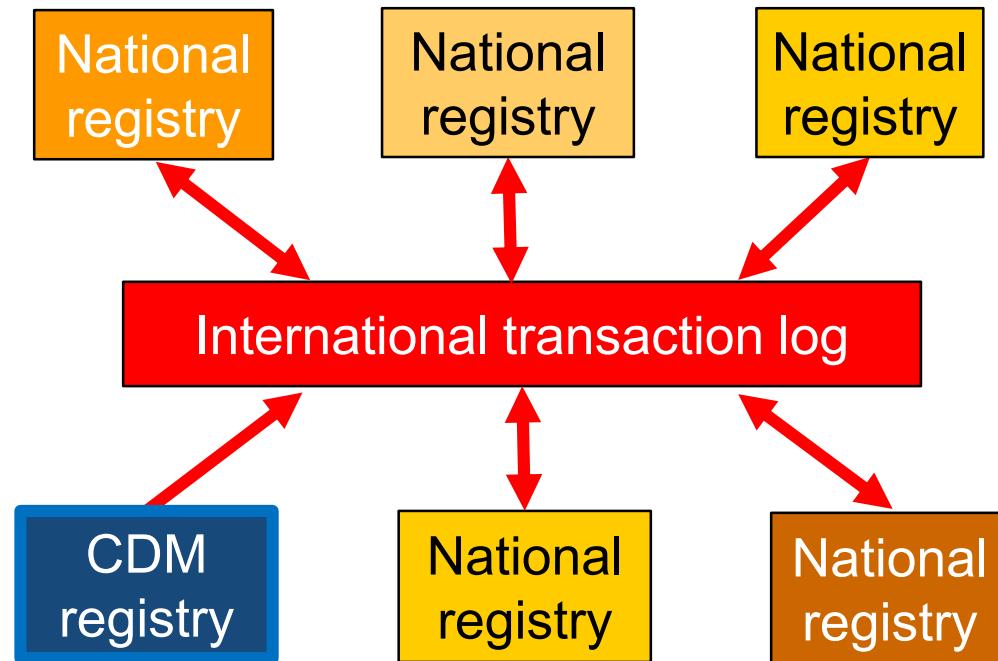


- Following the entry into force of the Doha Amendment, the registry systems and the ITL, will continue to operate in relation to the finalization of the accounting for the targets of Annex B Parties for CP2, which is expected to extend for several years. Therefore, it may be possible to rely on the full Kyoto Protocol unit-tracking infrastructure for the issuance of post-CP2 CERs for voluntary cancellation purposes during such time. This matter is out of scope
- Analysis of the legal basis pertaining to the issuance of post-CP2 CERs, including implications from the temporary measures agreed by the Board at EB108 and clarified at EB 109 are not included. However, references to CMP decisions relevant to the operations of the CDM registry are provided throughout the text of the note and are summarised in *appendix 1*

- **Approach** - minimum technical solutions as per the Board's request
- **Criteria:**
 - Preserving flexibility for accommodating additional requirements
 - Business continuity and preserving maintainability of the existing systems
 - Data consistency
 - Backward compatibility
 - Cost-effectiveness

Key issues and proposed solutions – ITL validation

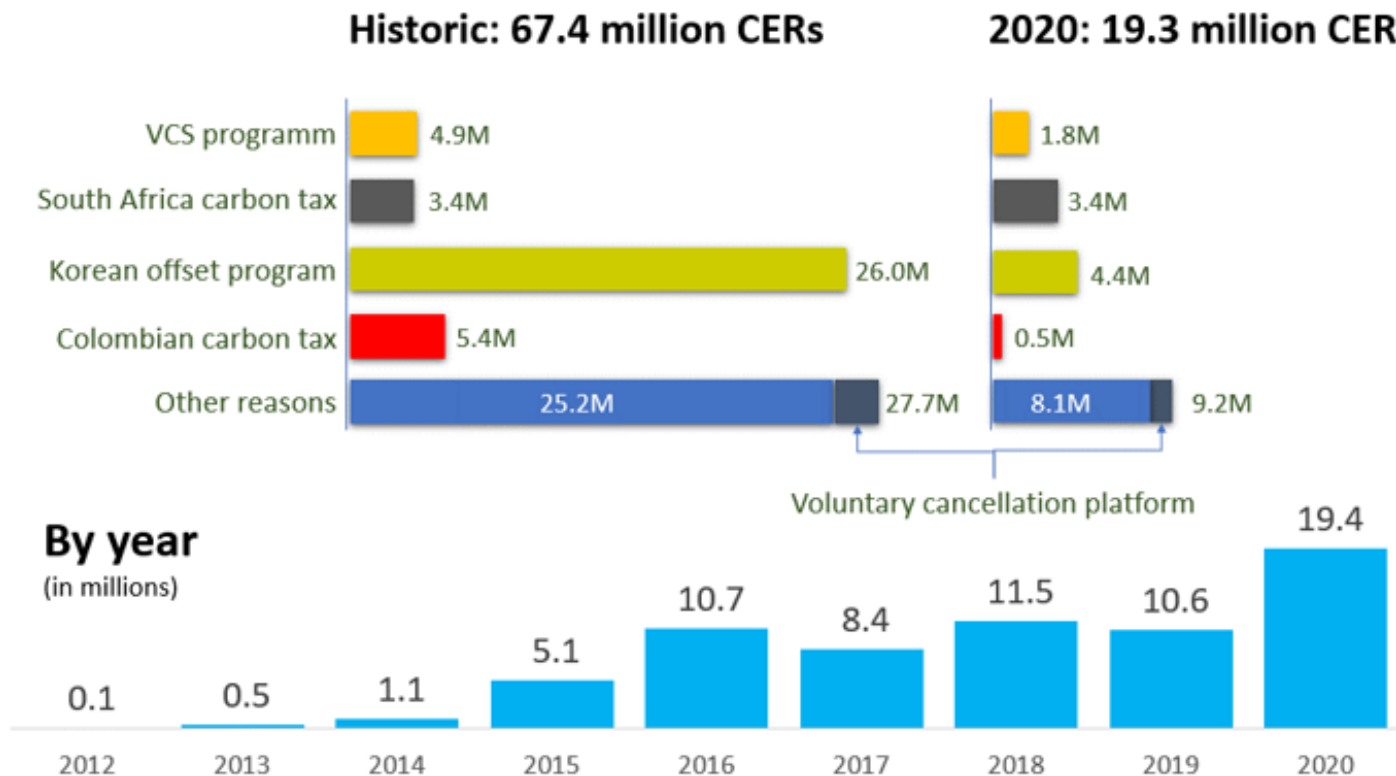
- The CDM registry operates in the context of the registry systems under the Kyoto Protocol



Decision 13/CMP.1,
annex:
paragraph 39
paragraph 40

Key issues and proposed solutions – voluntary cancellation

- **Voluntary cancellation** is understood to be the process of transferring CERs to a voluntary cancellation account as per the procedure for “Voluntary cancellation of CERs in the CDM registry”



Key issues and proposed solutions – CER serial numbers

- CERs are recoded and tracked through serial numbers, comprising of information identifiers

**Decision 3/CMP.1, annex,
appendix D, paragraph 7**

CN – 5 – 62973014 – 2 – 2 – 0 – 13234

- The possible values for each identifier are prescribed by the data exchange standards for KP registry systems (DES)
- **Key issue 1:** *The CMP has not provided guidance on the period after the second commitment period, nor has it provided guidance on what value(s) are to be used for the “original” and “applicable” commitment period identifiers in the serial number of CERs related to emission reductions occurring after the end of the second commitment period*



Which specific value to assign?

- **Option 1.1:** CN – 5 – 62973014 – 3 – 3 – 0 – 13234
- **Option 1.2:** CN – 5 – 62973014 – 0 – 0 – 0 – 13234

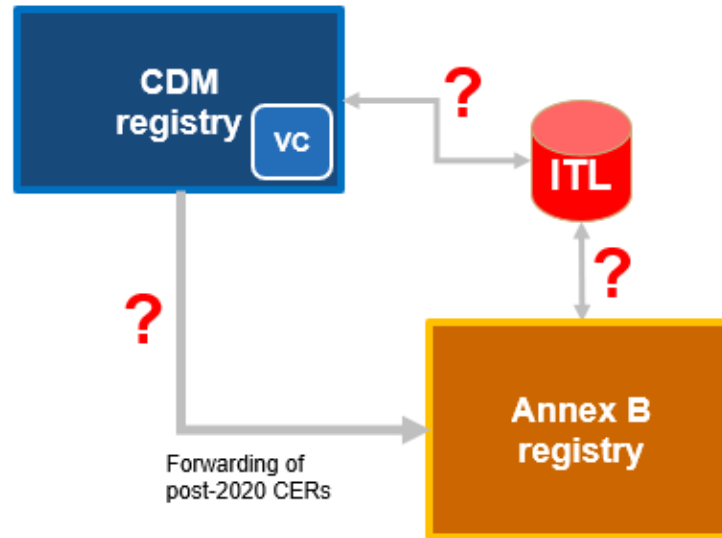
For what length of time would any new value apply?

- **Option 2.1:** Indefinitely with respect to all post-2020 CER
- **Option 2.2:** To a specific length of time (for example 1-, 3-, 5-year or longer time, namely 2021; 2021–2023; 2021–2025; etc.), with incremental values being applied for each subsequent period

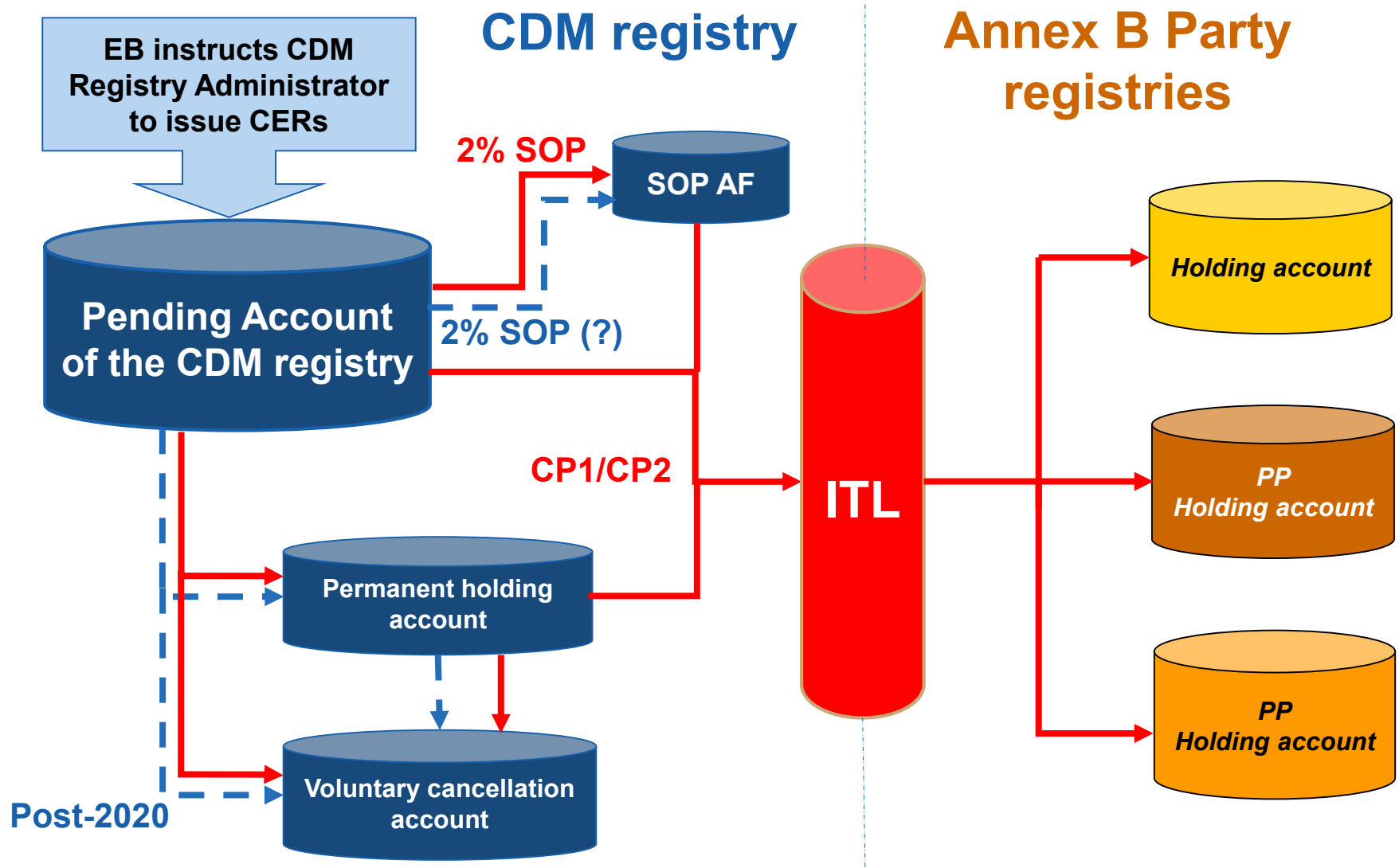
Key issue 2:

*ITL validation for transactions of CERs
(issuance, forwarding, cancellation,
retirement, carry-over)*

**Decision 13/CMP.1,
annex:
paragraph 39
paragraph 40**



Key issues and proposed solutions : CDM-R coexistent transaction flow



- **Reporting formats** – relevant reporting formats would require adjustments in content and format to incorporate information on post-CP2 CERs
- **Strengthening reporting on voluntary uses** to enhance the transparency of data:
 - Requesting information about the purpose of each voluntary cancellation at transaction level
 - Voluntary cancellation accounts dedicated to a specific purpose
- **Additional metadata** to elicit useful information:
 - Monitoring period dates
 - Direct label for the permitted use (i.e. voluntary cancellation)

- **Functional and technical specifications** – develop a cohesive set of functional and technical specifications (example is included in the note)
- **Enabling conditions** – a pre-condition for the issuance of CERs is the approval of an issuance request by the Board, which serves as an instruction to the CDM registry administrator to issue CERs
In respect of post-CP2 CERs this condition cannot be fulfilled at present (due to the temporary measures)
- **Development, testing and roll-out** – CDM registry administrator, under the guidance of the Board, would carry out the necessary software development, testing and roll-out work across the impacted systems in accordance with the operational standards of the secretariat and the contractual arrangements with external service providers



- The technical options for the CDM registry to enable issuance of post-2020 CERs for voluntary cancellation purposes, that the Board may wish to recommend to the CMP, **may have impacts on various stakeholders**
- To develop a better understanding of such potential impacts, the Board may wish to consider using the opportunity of the **CDM activities status survey**

Subsequent work and timelines

- If the CMP provides guidance that enables issuance of post-2020 CERs for voluntary cancellation, **related work would be undertaken by the CDM registry administrator, under the guidance of the Board**, in the calendar year following the year when the CMP takes the relevant decision(s):
- Implementing the simplest solutions outlined in the note would involve:
 - Scope of modifications: CDM-R, CDM-IS, the marketplace
 - Duration from scheduling: 3 months
 - Staff effort: 4 person-months
 - Costs (software, reporting): USD 70,000



Recommendations to the Board

- It is recommended that the Board **consider the information** in this note
- If the Board considers it would like to recommend to the CMP the issuance of post CP2 CERs for voluntary cancellation purposes, it could make the following **supporting technical recommendations to the CMP** to request the CDM registry administrator, acting under the guidance of the Board, to:
 - Assign a value(s) (to be specified) to be used for the CP identifiers in the post-CP2 CER serial numbers
 - Process transactions of post-CP2 CERs in the CDM registry without validation by the ITL
 - Publish, including as part of the annual report of the Board to the CMP, non-confidential information on post-CP2 CERs
 - Ensure that the CDM registry conforms to the DES with the exception of the standards related to value(s) to be used for the commitment period identifiers in the serial number of post-CP2 CERs and validation of transactions of post-CP2 CERs by the ITL



Recommendations to the Board

- **Alternatively to the recommendation on values for the CP identifiers**, the Board could recommend to the CMP to consider if it would be relevant to request the Board to provide for the value(s) to be used for the commitment period identifiers in the serial number of post-CP2 CERs issued for voluntary cancellation purposes in the CDM registry, taking into account any guidance the CMP may wish to provide in that regard
- The Board may wish to consider providing guidance to the secretariat on **any further work** in relation to the post-CP2 period, such as:
 - Mock-up testing of technical options
 - Further technical assessment of options for recording, tracking and displaying metadata related to the serial numbers of CERs, such as in relation to monitoring periods and permissible use
 - Analysis of the procedure for “Voluntary cancellation of CERs in the CDM registry” with a view of recommending revisions in line with the technical options assessed in this note

