

CDM-EB111-AA-A03

Revision of CDM project standards, validation and verification standards, and project cycle procedures

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 sixty-fifth meeting (EB 65), adopted the “CDM project standard” (PS), “CDM validation and verification standard” (VVS) and “CDM project cycle procedure” (PCP), which consolidated, and modified as appropriate, the existing regulatory documents at that time. Since then, these three documents had served as the framework regulatory documents for the CDM and underwent several revisions, mainly reflecting the evolving rules for programmes of activities (PoAs), and introducing rules for carbon dioxide capture and storage project activities and rules for the application of standardized baselines.
2. At EB 93, based on the request from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its eleventh session, the Board adopted two sets of the PS, VVS and PCP, one applicable only for project activities and the other applicable only for PoAs. At EB 101, the Board adopted version 02.0 of the two sets of the PS, VVS and PCP to reflect the changes agreed by the Board, including amendments, as well as to correct errors and inconsistencies.
3. Since the adoption of version 02.0 of these documents, the Board has adopted several amendments and also considered issues relating to the current CDM rules and requested the secretariat to reflect them, as appropriate, in the next revision of these two sets of documents.

2. Purpose

4. The purpose of the revision of the two sets of the PS, VVS and PCP is to incorporate the amendments already issued by the Board, to correct errors and inconsistencies found in the current versions, as well as to address further regulatory issues that have been encountered by the Board and the secretariat since the adoption of the last amendments to these documents.

3. Key issues and proposed solutions

3.1. General

5. The draft revised PS, VVS and PCP contained in appendices 1–3 are those applicable only for project activities (PS-PA, VVS-PA and PCP-PA); those in appendices 4–6 are applicable only for PoAs (PS-PoA, VVS-PoA and PCP-PoA).
6. In the draft revised PSs, VVSs and PCPs, all changes to the currently effective versions are highlighted in yellow or blue. The yellow highlights indicate the incorporation of the amendments already issued by the Board. The blue highlights indicate additional changes proposed by the secretariat. For ease of comparison, all paragraph numbers are kept as

in the current versions, and the insertion of new paragraphs and subparagraphs is indicated with “bis”, “ter”, etc.

3.2. Main changes from the previous version

3.2.1. Incorporation of amendments

7. The draft revised PSs, VVSs and PCPs incorporate the amendments already issued by the Board since the last versions (versions 02.0) of the PSs, VVSs and PCPs. These amendments are:
 - (a) Amendments to the PS-PA:
 - (i) “Amendments to version 02.0 of the CDM project standard for project activities on post-registration changes of capacity increase” (issued at EB 106);
 - (ii) “Amendments to version 02.0 of the CDM project standard for project activities on application of standardized baselines” (issued at EB 108);
 - (iii) “Amendments to version 02.0 of the CDM project standards for project activities on addition/change of technologies” (issued at EB 109);
 - (b) Amendments to the PS-PoA:
 - (i) “Amendments to version 02.0 of the CDM project standard for programmes of activities” (issued at EB 104);
 - (ii) “Amendments to version 02.0 of the CDM project standard for programmes of activities on the cross effects” (issued at EB 106);
 - (iii) “Amendments to version 02.0 of the CDM project standard for programmes of activities on post-registration changes of capacity increase” (issued at EB 106);
 - (iv) “Amendments to version 02.0 of the CDM project standard for programmes of activities on application of standardized baselines” (issued at EB 108);
 - (v) “Amendments to version 02.0 of the CDM project standards for programmes of activities on addition/change of technologies” (issued at EB 109);
 - (c) Amendments to the VVS-PoA:
 - (i) “Amendments to version 02.0 of the CDM validation and verification standard for programmes of activities” (issued at EB 104);
 - (d) Amendments to the PCP-PA:
 - (i) “Amendments to version 02.0 of the CDM project cycle procedure for project activities on the payment of share of proceeds” (issued at EB 106);
 - (e) Amendments to the PCP-PoA:
 - (i) “Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities” (issued at EB 104);

- (ii) “Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities on the payment of share of proceeds” (issued at EB 106).

8. Table 1 below indicates the paragraph numbers where these amendments are incorporated.

Table 1. Incorporation of amendments

Document	Paragraph no.	Amendment incorporated
PS-PA	Footnote 26	Amendments to version 02.0 of the CDM project standard for project activities on post-registration changes of capacity increase
	262, 262 ^{bis} , 263	Amendments to version 02.0 of the CDM project standard for project activities on application of standardized baselines
	42, 241	Amendments to version 02.0 of the CDM project standards for project activities on addition/change of technologies
PS-PoA	69, 255, 260, 279	Amendments to version 02.0 of the CDM project standard for programmes of activities
	Appendix 1: 9–10	Amendments to version 02.0 of the CDM project standard for programmes of activities on the cross effects
	Footnote 46	Amendments to version 02.0 of the CDM project standard for programmes of activities on post-registration changes of capacity increase
	238, 266, 266 ^{bis} , 267	Amendments to version 02.0 of the CDM project standard for programmes of activities on application of standardized baselines
	167, 238, 241	Amendments to version 02.0 of the CDM project standards for programmes of activities on addition/change of technologies
VVS-PoA	295, 334	Amendments to version 02.0 of the CDM validation and verification standard for programmes of activities
PCP-PA	247	Amendments to version 02.0 of the CDM project cycle procedure for project activities on the payment of share of proceeds
PCP-PoA	121, 165, 166, 179 ^{bis} , 203, 255, 283 ^{bis} , 285, 307–309	Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities
	269	Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities on the payment of share of proceeds

9. It should be noted that in a few instances, the texts in the amendments have been further revised to improve the clarity when incorporating them in the draft revised PSs, VVSs and PCPs.

3.2.2. Changes requested by the Board

3.2.2.1. Payment of registration fee and share of proceeds

10. The Board requested the secretariat to analyse the implications of the lack of a deadline for payment of the registration fee and to propose recommendations, as appropriate, for its consideration at the next revision of the PSs, VVs and PCPs.
11. In accordance with the current procedures,¹ the registration fee, if due,² is to be paid after the submission of the request for registration. The payment of the registration fee is a precondition for initiating the process of assessing the request, starting with the completeness check. Under the current procedures, there is no deadline for the payment of the registration fee except for the cases where the applied methodology, methodological tool or standardized baseline has been revised, withdrawn, suspended or expired (see paragraph 13 and footnote 4 below). It has been observed that, while for most cases the payment has been made within a few months, for some cases it took a much longer time (e.g. a few years) before the payment was made. See the statistics in Table 2 below.

Table 2. Number of days elapsed from submission of request for registration until payment of registration fee

Days	Cases	Proportion
<28 (up to 4 weeks)	5 138	87.0%
29-56 (4-8 weeks)	501	8.5%
57-84 (8-12 weeks)	103	1.7%
85-112 (12-16 weeks)	39	0.7%
113-196 (16-28 weeks)	57	1.0%
197-280 (28-40 weeks)	31	0.5%
281-364 (40-52 weeks)	16	0.3%
365-728 (52-104 weeks)	18	0.3%
729< (over 104 weeks)	6	0.1%
Total	5 909	100.0%

Note: The numbers in the table represent the requests for registration submitted by 1 June 2021 for which the registration fee was due and paid, excluding those rejected at EB 109 due to the lack of payment.

12. In some cases, the payment has never been made, leaving such requests for registration sitting in the CDM system for many years. In the context of the implementation of the temporary measures for requests for registration with the first crediting period starting on or after 1 January 2021, the Board, at EB 109, agreed to reject the requests for registration that have a crediting period or PoA period starting before 1 January 2021, for which the

¹ PCP-PA (ver. 02.0), paragraphs 71-73 and 75; PCP-PoA (ver. 02.0), paragraphs 65, 66, 68.

² The registration fee is exempted for project activities and PoAs hosted exclusively in least developed countries, for project activities with expected average annual certified emission reductions (CERs) over its crediting period being below 15,000 tonnes of CO₂ equivalent. Furthermore, the registration fee is not payable until after the date of the first issuance of CERs in countries with fewer than 10 registered CDM project activities and PoAs in total.

registration fee had not been paid and therefore failed to be deemed as a complete request for registration by 31 December 2020.³

13. Making the registration fee payment long after the submission of the registration request has both regulatory and administrative implications. Regulation-wise, since the applicable regulations to a registration request are those valid at the time of the submission of the request, the later the payment is made, the more likely it is that the applied regulations become outdated versions, when the requests start being assessed through the completeness check, information and reporting check and possible review. To partially address this, the existing procedures have provisions that set out the deadline for the payment of the registration fee if the applied methodology, methodological tool or standardized baseline has been revised, withdrawn, suspended or has expired since the submission of the registration request.⁴ However, it should be noted that these provisions do not mention the consequence of failing to meet this deadline.
14. Administratively, the more time that elapses after the submission of the registration request, the higher the risk of the contract with, or the accreditation of, the validating designated operational entity (DOE) expiring. While the risk should be taken into account by the project participants or the coordinating/managing entity, such risk is not always under the control of the project participants or the coordinating/managing entity. On the other hand, there might be various reasons that the payment is delayed based on business considerations of the project participants or the coordinating/managing entity; these considerations should be respected.
15. Based on these considerations, it is recommended that an absolute deadline be introduced for the payment of the registration fee after the submission of registration request. One year would be a reasonable timeframe of the deadline, taking into account the general frequency of revision of regulations and the statistics on the timing of payment of registration fee presented in Table 2 above. Under this recommendation, if the applied methodology, methodological tool or standardized baseline is revised, withdrawn, suspended or has expired after the submission of the registration request, the existing deadline should apply but not later than one year. It is also recommended that it be made clear that failing to meet the deadline would lead to the registration request being deemed withdrawn. It is further recommended that, for these cases deemed withdrawn, it be made clear that if the project participants or the coordinating/managing entity wish to submit a new registration request, the existing provisions on addressing any changes after the publication of the project design document (PDD) or programme design document (PoA-DD) for global stakeholder consultation shall apply mutatis mutandis to determine whether it has to restart the process by undergoing a new global stakeholder consultation, and that in any case the original prior consideration notification is valid for the new registration request.

³ The crediting period can only start on or after the effective date of registration, which is the date of submission of a complete request, including the deposit of the registration fee (unless the request is placed under review). Therefore, failing to pay the registration fee by 31 December 2020 made these cases impossible to start their crediting periods before 1 January 2021.

⁴ The deadline is within 20 days (uploading the proof of payment) or 40 days (receipt of payment by the secretariat) of the end of the grace period of the revision, withdrawal, suspension or expiry of the version of the methodology, methodological tool or standardized baseline (PCP-PA, ver. 02.0, para. 75; PCP-PoA, ver. 02.0, para. 68).

16. For requests for issuance, the rule of upfront payment of the share of proceeds was introduced rather recently (i.e. effective from 1 June 2018). The timings of the payment of the share of proceeds for the requests submitted under the new rule of upfront payment are presented in Table 3 below.

Table 3. Number of days elapsed from submission of request for issuance until payment of share of proceeds

Days	Cases	Proportion
<28 (up to 4 weeks)	339	61.3%
29-56 (4-8 weeks)	91	16.5%
57-84 (8-12 weeks)	36	6.5%
85-112 (12-16 weeks)	21	3.8%
113-196 (16-28 weeks)	27	4.9%
197-280 (28-40 weeks)	10	1.8%
281-364 (40-52 weeks)	9	1.6%
365-728 (52-104 weeks)	19	3.4%
729< (over 104 weeks)	1	0.2%
Total	553	100%

Note: The numbers in the table represent the requests for issuance subject to upfront payment of the share of proceeds, submitted by 1 June 2021 for which the share of proceeds was due.

17. The implications of late payment of the share of proceeds for issuance requests are not the same as for registration requests. Revised regulations do not affect already registered PDDs/PoA-DDs until the end of the crediting period or PoA period, and the implementation and monitoring of registered activity follows the registered PDD/PoA-DD. Verification requirements may change through the revision of the VVSSs, but the key principle of verification – to check whether the project participants or the coordinating/managing entity followed the registered PDD/PoA-DD – remains unchanged; hence the impact of a change would be minimal. Administrative implications of late payment of the share of proceeds for issuance requests are identical to those for requests for registration (see paragraph 14 above). Therefore, the timing on the payment of the share of proceeds for issuance requests can be less stringent than that for requests for registration.
18. Based on this consideration, it is recommended that an absolute deadline not be introduced for the payment of the share of proceeds after the submission of issuance request. If the Board wishes to introduce such deadline, it can be longer than that of the recommended deadline for the payment of registration fee (see paragraph 15 above) – for example, two years – clarifying that failing to meet the deadline would lead to the issuance request being deemed withdrawn, and that resubmission as a new issuance request is possible.

Table 4. Changes related to payment of registration fee and share of proceeds

Document	Paragraph no.	Summary of changes
PCP-PA	75, 75 ^{bis}	An absolute deadline (one year) for the payment of the registration fee after the submission of a registration request has been introduced. Further, a provision has been included clarifying that if this deadline is not met, the request would be deemed withdrawn.
PCP-PoA	68, 68 ^{bis}	

3.2.2.2. Impacts of the use of the digitized methodologies on the regulatory framework

19. Prompted by the request of the CMP contained in decision 3/CMP.9, paragraph 18, and further explicitly requested by the CMP through its decision 4/CMP.10, paragraph 15, the Board has been developing digitized methodology-specific design document forms for project activities and PoAs. The CMP encouraged the Board to continue this work through its decision 6/CMP.11, paragraph 14 and decision 3/CMP.12, paragraph 9.
20. Based on guidance from the Board at EB 94, the secretariat has developed a digitized design document form for methodology ACM0002 (Grid-connected electricity generation from renewable sources) (ver. 20.0) and started road-testing it, inviting volunteers (including from the Project Developer Forum and multilateral development banks as well as individual project participants) to test the tool.
21. At EB 110, the Board considered the concept note "Impacts of the use of the digitized methodology ACM0002 on the regulatory framework" and requested the secretariat to further analyse the necessity of issuing a clarification to the existing regulatory documents, including the PS-PA and the VVS-PA, and if found necessary, to present a draft clarification to the Board in time for the next major revision of the project standards, validation and verification standards and project cycle procedures planned this year in accordance with the "CDM Executive Board workplan 2021". The Board further agreed that such clarification, if needed, should be a general one so that it could also accommodate any additional methodologies included in the digitized tool.
22. Based on this request, the secretariat further analysed the necessity of issuing such clarification and concluded it would not be necessary for the following reasons:
 - (a) The digitized tool is primarily a means to help project participants to prepare a PDD. After the preparation, irrespective of how they have been prepared, all PDDs follow the same process of validation by a DOE and submission by the DOE as part of the documentation of a request for registration. This subsequent process is not automatized;
 - (b) The digitized tool automatizes the compliance with some requirements of the PS-PA and the applied methodology. However, the proportion of such "automatized" requirements of all relevant requirements is limited, the level of automatization varies, and more importantly, such compliance is conditional on the project participants providing correct input and following the steps correctly on the information technology (IT) interface. Providing correct information into the digitized tool remains the responsibility of the project participants;
 - (c) The purpose of validation by a DOE is to ensure that the content of the PDD meets all relevant CDM requirements. What a DOE reviews is a PDD as an end product irrespective of how it has been prepared. Knowing that it has been prepared using a digitized tool would not reduce validation effort much by a DOE as it is not possible for the DOE to fully understand how the digitized tool is programmed for each relevant requirement. Even for the fully automatized requirements, the DOE would still have to determine whether the project participants provided correct input in the IT interface of the digitized tool;
 - (d) Since the digitized tool is an IT tool, it is inevitable that programming errors may still exist even after the successful test-run of the tool. The locations and nature of

programming errors may vary from one digitized tool to the other, as each digitized tool deals with a different methodology. If a programming error is found, there should be a safety mechanism to address the error and correct the resulting output, in particular the output that would affect the eligibility as a CDM project activity and the calculation of emission reductions. Considering the unpredictability of the occurrence of such potential programming errors, it would be safer from the liability perspective to treat the PDDs prepared using the digitized tool exactly the same as any other PDDs.

23. On this basis, no new paragraph on the implications of the use of a digitized tool on regulations has been proposed to include in the current revision of the PSs, VVSs and PCPs.

3.2.3. Other substantive changes proposed by the secretariat

24. The draft revised PSs, VVSs and PCPs contain other substantive (non-editorial) changes. These are proposed by the secretariat based on its findings of issues in the existing documents, as summarized in Table 5 below.

Table 5. Other substantive changes

Document	Paragraph no.	Summary of changes
Correction of errors		
PCP-PA	281, 287	The names of the forms have been corrected.
PCP-PoA	291, 297, 308	
Restructuring and improvement of consistency		
PS-PA	218, 248, 269, 290	In the provisions on the eligible DOEs for conducting a specific validation or verification activity, the phrases referring to the accreditation of the validation function or the verification function have been removed, since under the current accreditation procedure, the both functions (validation or verification) are granted, withdrawn or suspended as a package.
PS-PoA	149, 221, 252, 274, 296, 301, 306	
VVS-PA	274	
VVS-PoA	179, 244	
PCP-PA	21, 134, 190	
PCP-PoA	21, 145, 171, 213	
PS-PA	Footnote 16	The footnote has been updated to make the clarification on letters of approval of a proposed project activity supported by a multilateral fund consistent with that in the PS-PoA (CDM-EB104-A02-AMEN).
PS-PA	229	It has been clarified that, for temporary deviations from the registered monitoring plan, a revised PDD/CPA-DD is not required but the changes are to be described in the monitoring report.
PS-PoA	226	
PS-PA	242	The lists of impacts of proposed or actual changes to the registered project activity that are required to be reported in the revised PDD have been made consistent across the PS-PA, VVS-PA and PCP-PA.
VVS-PA	303	
PS-PoA	116	The text has been modified to reflect the fact that, for a PoA, a monitoring plan is to be prepared only at the specific component project activity (CPA) level, while at the PoA level, the generic CPA is to contain a description of how to develop the monitoring plan for each specific CPA.

Document	Paragraph no.	Summary of changes
PCP-PA	131	The outdated text (deadline in 2020) has been removed.
PCP-PoA	173	
VVS-PA	313	The language and structure have been improved to clarify the types of validation activities regarding which the restriction of a DOE performing both validation and verification for the same activity applies.
VVS-PoA	295	
PCP-PA	132, 179, 182	
PCP-PoA	143, 203	
PCP-PA	223, 224, 224 ^{bis} , 244–247	Duplicated paragraphs have been removed and the provision on the process for requesting the forwarding of CERs from approved requests for issuance for which the share of proceeds has not been paid prior to the start of the completeness check has been re-positioned to clarify that the process is applicable to both cases where the request for issuance was approved either with or without undergoing a review by the Board.
PCP-PoA	245, 246, 246 ^{bis} , 267–269	
PS-PA	228 ^{bis} , 230	The paragraph has been moved before 229.
PS-PoA	263(g)	The text on the requirement on the provision of reference values used in the monitoring was made consistent with the equivalent requirement in the PS-PA.
VVS-PoA	397, 399	The provision of combining post-registration changes to a CPA with a request for renewal of crediting period of the CPA has been removed to make the provision consistent with the PS-PoA.
Other changes		
PS-PA	41(b)	In the processes for formerly excluded CPAs to register as a new project activity or to re-include in the same or different registered PoA, the deadlines for doing so are included to close the loophole of artificially extending the total crediting period of the activity.
PS-PoA	305	
VVS-PA	55	
VVS-PoA	19(b)	
PS-PA	250	A provision that requires monitoring results in different crediting periods to be separated into different monitoring reports has been inserted.
PS-PoA	Footnote 7	A clarification that explains the difference between the start date of a PoA and the start date of the first “PoA period” has been added.
PS-PoA	180	It has been clarified that post-registration change at the CPA level (delayed submission of monitoring plan) cannot be combined with an issuance request.
PS-PoA	249, Appendix 2	The indicative list of post-registration changes suitable for approval under the issuance track has been updated and the indicative list has been changed to a closed list, since post-registration changes of CPAs undergo a notification process without involving the approval of the Board.
PS-PoA	231	It has been clarified that for a CPA-level change, request for approval is not required.

Document	Paragraph no.	Summary of changes
PS-PoA	120, 121, 234, 235	It has been clarified that a monitoring plan is prepared only at the CPA level, while at the PoA level, a description of how to develop the monitoring plan for each of the corresponding CPAs is required. Consequently, the provisions allowing a delayed submission of a monitoring plan at the PoA level have been removed.
VVS-PoA	127, 128, 132, 133, 134, 261–264	
PCP-PoA	141(a)	
PS-PoA	235	Provisions related to permanent changes to the monitoring plan or permanent deviation from the applied methodologies have been streamlined to clarify that, if these changes at the CPA level are not in line with the generic CPA-DD, the generic CPA-DD in the PoA-DD needs to be revised first.
VVS-PoA	265–266 ^{ter}	
PCP-PoA	142	It has been clarified that for requesting for approval of post-registration changes to a PoA, the DOE may choose the issuance track only if the changes do not affect the calculation of emission reductions or removal enhancements by the CPAs covered by the issuance request.
PCP-PoA	169 ^{bis}	It has been clarified that, for a change of the start date of the crediting period of a CPA for up to one year, a revised CPA-DD is not required, but only a notification to the secretariat by email is required.
PS-PoA	255, 275, 279	Provisions on the preparation of monitoring reports for publication and for inclusion in the subsequent requests for issuance for PoAs have been restructured to clarify how a single or multiple monitoring reports may be prepared.
VVS-PoA	333, 334	
PCP-PoA	225	
VVS-PA	373(h)	The outdated requirement (determination of the first date in the renewed crediting period or PoA period from which CERs may be claimed) has been removed.
VVS-PoA	359(h)	
VVS-PoA	29 ^{bis}	A new provision has been included to clarify that an on-site inspection by the DOE is optional for validation for registration, renewal or post-registration changes of a PoA and the on-site inspection could be to the office of the coordinating/managing entity.

3.2.4. General editorial, structural and consistency improvements

25. The draft revised PSs, VVSs and PCPs also contain editorial and minor structural and consistency improvements. These are also highlighted in blue in the draft, but are not listed in any of the tables above.

3.3. Impacts

26. Revised PSs, VVSs and PCPs would benefit all stakeholders, as well as the Board and the secretariat, through improved clarity, consistency and environmental integrity.

3.4. Subsequent work and timelines

27. Upon adoption by the Board of the two sets of revised PSs, VVSs and PCPs, the secretariat will revise the relevant supporting operational documents, such as forms and checklists.

28. It is proposed that the revised documents enter into force four weeks after adoption by the Board, to allow for lead time for users of these documents as well as for the secretariat to prepare for the implementation of the revised regulations.

3.5. Recommendations to the Board

29. The Board may wish to:
- (a) Adopt the two sets of revised PSs, VVSs and PCPs;
 - (b) Agree on the proposed date of entry into force of these documents, and request the secretariat to prepare for the implementation of the revised regulations;
 - (c) Decide that for the purpose of resubmission of a request for registration, issuance, post-registration changes or renewal of crediting period that applied the previous version (02.0) of the PSs, VVSs and PCPs in the initial submission, such resubmission may apply the previous version if it is made within 12 weeks after the adoption of the revised documents; otherwise, the resubmission shall apply the latest version.

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The above-mentioned appendices are available at

<https://cdm.unfccc.int/Meetings/MeetingInfo/DB/TVYB82ZISXQ470R/view>