

# PROCEDURE REGARDING THE CORRECTION OF SIGNIFICANT DEFICIENCIES AND THE EXCESS ISSUANCE OF CERS

EB 56: Brasilia, Brazil, 13-17 September 2010



## I. Background, purpose and expectations



## Background

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- The procedure implements the existing decisions of CMP regarding excess issuance of CERs and the correction of significant deficiencies contained in validation and verification reports.
- The existing decisions of CMP (regarding excess issuance of CERs) have been in effect since 2001.
- Those decisions, while in effect, have not been implemented because the EB has not yet adopted a procedure that would enable it to implement those decisions.

## Expected by the CDM Executive Board at EB56

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- Discuss the principles in the procedure, which implements the existing decisions of the CMP regarding the excess issuance of CERs.
- Adopt a procedure and request the endorsement of CMP at its 6<sup>th</sup> session
  - i.e. If the procedure is adopted it would not be applied prior to endorsement and feedback from CMP



## Why is the procedure required?

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If excess CERs have been issued then:

- (a) Those emissions reductions are not real or are not additional;
- (b) A Party is relying on those emission reductions to demonstrate its compliance with its commitments under the Kyoto Protocol;
- (d) It would follow that those emission reductions must be removed from the system of Kyoto Protocol compliance.



## II. Existing decisions of the CMP

Existing decisions of CMP:

- (a) Decision 3/CMP.1, paragraphs 22 and 24;
- (b) Decision 3/CMP.1, appendix D, paragraph 8.



## Procedure implements the existing decisions of the CMP

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### Existing decisions of the CMP:

- (a) Require suspension or withdrawal of accreditation of DOE;
- (b) Require the identification of significant deficiencies in validation or verification report;
- (c) Require a review of the significant deficiencies by a different, appointed DOE;
- (d) Require correction of the significant deficiencies;
- (e) Require the EB to determine if any of the significant deficiencies resulted in the excess issuance of CERs;
- (f) Require the DOE to acquire and transfer the excess-issued CERs to a cancellation account of the CDM registry.



### III. Principles of the draft procedure



## Principles of the draft procedure

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1. Defines excess issuance of CERs.
2. Defines which validation or verification reports should be evaluated to determine whether they contain significant deficiencies.
3. Elaborates how the corrections process be conducted, and how excess-issued CERs should be determined.
4. Elaborates what should be done about past validation reports where the corrections of significant deficiencies reveal that the project is not additional.

# 1. Excess-issued CERs

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## *Current Draft Procedure:*

1. The issued CERs were in excess of what should have been issued, in accordance with the CDM rules and requirements.
2. The EB would not have issued the CERs, but for a validation or verification report:
  - (a) That contained an error or omission of a fact; and/or
  - (b) That misapplied a CDM rule or requirement



## 2. Verification and validation reports to be audited

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### *Current Draft Procedure:*

- A CDM-AT would audit validation and verification reports to determine whether they contain any significant deficiencies.
- The reports to be audited would be reports:
  - a) That were prepared by the DOE whose accreditation had been suspended or withdrawn; and
  - b) That may contain significant deficiencies directly related to one or more of the nonconformities that formed the basis of the suspension or withdrawal of the accreditation of the DOE.



### 3. Corrections process and the determination of excess CERs issued

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#### *Current Draft Procedure:*

1. If the EB determines the identified significant deficiencies warrant, then it may appoint another DOE to conduct a review.
2. The appointed DOE will review the identified significant deficiencies to determine and recommend appropriate corrections.
3. Once the EB approves the recommended corrections, the DOE that has been suspended shall make the corrections.
4. Based on the corrections, the EB will determine the quantity of excess CERs issued, if any.



## 4. Corrections reveal that a project activity is not additional

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### *Current Draft Procedure:*

- The correction of a significant deficiency in a validation report may reveal that the DOE erroneously validated the project activity as additional.
- “Suspend” the registration of the project activity to prevent the future issuance of CERs.

End

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Thank You.

