

## Agenda item 3 e

Paragraph 58 of the annotated agenda, Annex 4

# Stakeholder's Recommendations related to PoA arising from Stakeholder Consultation

**CDM EB 61**

Bonn, Germany, 30 May to 3 June 2011



# Background

## Work on Programme of Activities (PoA)

- CMP Mandate (paragraph 4 of decision 3/CMP.6.): Work on PoA
- Executive Board, at its 59th meeting, agreed to launch a call for public inputs on PoA
- Summary of the call for inputs: Annex 7 of the annotations to the agenda/ EB60.
- Clarifications was provided (EB60/ Annex 26)
- Priorities was decided by the Board (EB60/ Annex 27)
- Workshop on PoA organised 7-8 May 2011
- Recommendations from stakeholder consultation: Annex 4 of the annotations to the agenda/ EB61.

## Recommendations from stakeholder consultation:

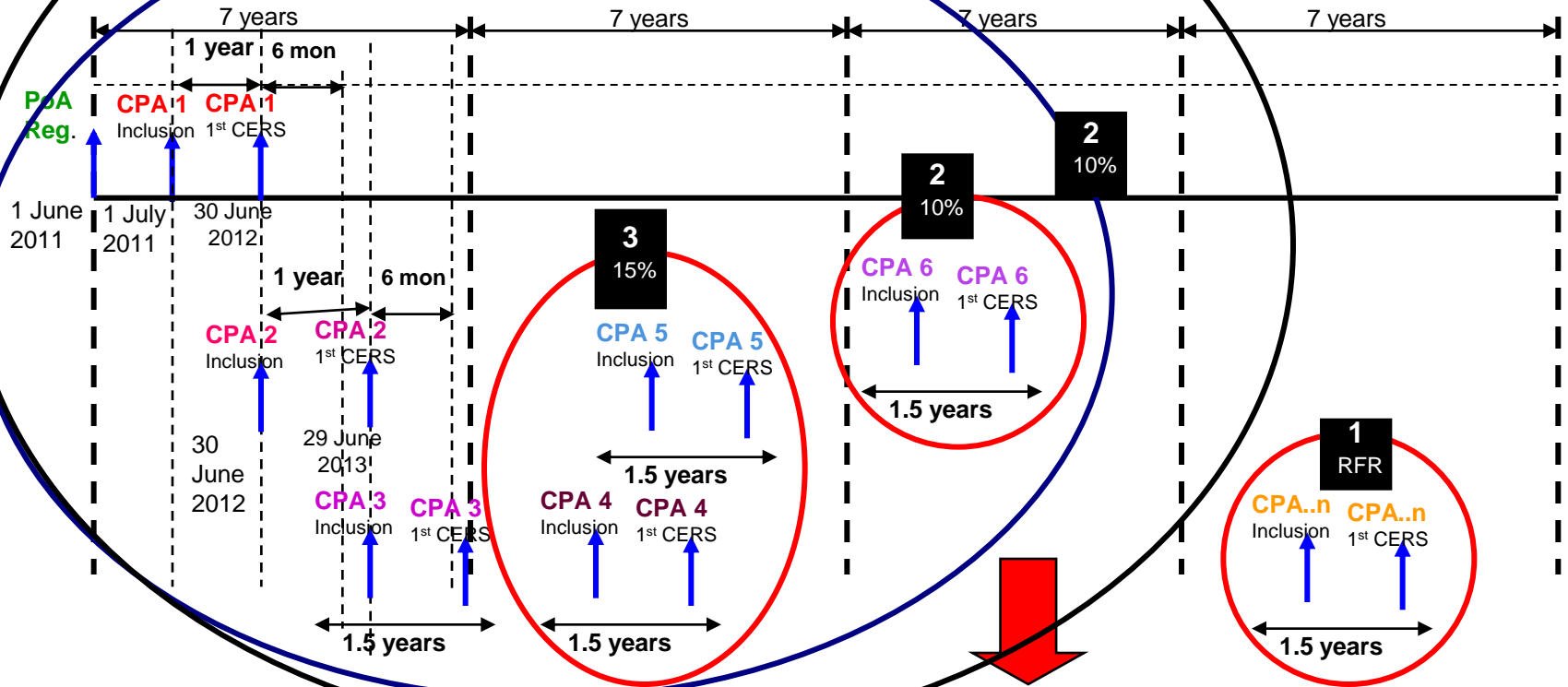
### Priorities of the Board (EB60/ Annex 27):

- a) Addressing erroneous inclusion
- b) Additionality of PoA
- c) Eligibility criteria for CPA inclusion
- d) Standards and guidelines related to sampling
- e) Application of multiple methodologies and technologies

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# A. Addressing erroneous inclusion - Issues

Issue: DoEs reluctant to perform CPA Inclusion due to legal concerns/ managing risk



**1) UNLIMITED LIABILITY – CPAs + TIME**

**2) QUANTIFY LIABILITY – define Erroneous Inclusion**



## A. Addressing erroneous inclusion- Recommendations (1)

### Issue: DoEs reluctant to perform CPA Inclusion due to legal concerns/ managing risk

Erroneous inclusion of a CPA into a POA means that the CPA does not meet the eligibility criteria as specified in the CDM-POA-DD (para 4, annex 37, EB55).

Two differing definitions are possible:

1. A CPA does not comply with the eligibility criteria specified in the PoA-DD
  - Evidence found through review determines that the CPA does not comply with the eligibility criteria. The DOE is liable for this erroneous inclusion regardless of nature of the original error; e.g fraud by CME, evidence not available to either CME or DOE at the point of inclusion, correct interpretation of the evidence not possible in light of the guidance available at the point of inclusion.
2. A DOE has not assessed the compliance of a CPA with the eligibility criteria in accordance with requirements established in the POA-DD and/or the VVS.
  - In this case this definition clearly defines the roles of: (a) CME to establish a transparent eligibility criteria; and (b) DoE is to validate this based on credible evidences provided by the CME.
  - If the DOE includes the CPA without checking/asking for the evidence then DOE would be liable for deficiency in validation.

## A. Addressing erroneous inclusion- Recommendations (2)

### **Long term solution 1:**

#### A CPA does not comply with the eligibility criteria specified in the POA-DD

- This definition places responsibility with the DOE to provide an absolute level of assurance that each included CPA fully complies with the eligibility criteria.
- The concern raised with this view is that such an absolute level of assurance of compliance cannot be provided.
- The risk of erroneous inclusion could not be managed by DOE as it is based on factors both inside and outside their control.
  
- If the Board wishes to maintain this definition there are number of Options to address liability:
  - a) A “cap” on the total liability could be introduced
  - b) The liability could be passed to the Coordinating/Managing Entity
  - c) A CER levy could be imposed on all PoAs to create a reserve to address erroneous inclusion
  
- Preferred Option: A “cap” on the total liability could be introduced

## A. Addressing erroneous inclusion- Recommendations (3)

### **Long term solution 2:**

A DOE has not assessed the compliance of a CPA with the eligibility criteria in accordance with requirements established in the POA-DD and/or the VVS.

- This definition would limit any liability for the DOE to actions directly within their own control, i.e. fraud, malfeasance or incompetence (defined as failure to comply with clear assessment requirements).
- DOE to validate/verify compliance with clearly established requirements
- DOEs will therefore be liable for only for errors due to failure to comply with these clear requirements
  
- Board to decide: In case CPA did not meet eligibility criteria and the CPA was not identified for review but DOE complied with the clear requirements. Various Options:
  - a) Accept such a situation and take no further action;
  - b) Exclude the CPA from the PoA and take no further action;
  - c) Exclude the CPA and require some cancellation of CERs from the CME or via an “insurance fund”

## A. Addressing erroneous inclusion – Recommendation (4)

### **Short term solution:**

If the Board can agree on the principles of the long-term solution it may wish to revise procedure at EB61 to:

- Limit CPAs for review within given defined time frame (e.g. the review of the first CPA must be initiated no later than 6 months after the first issuance of CERs for that CPA and the extension of the review would be limited to CPAs included in the previous 1 year)
- If erroneous inclusion is detected via further review.....further assessments.....can be conducted as per broader procedures for addressing significant deficiencies in validation and verification
- Broader support of stakeholders for this option

## B. Additionality of PoA – Issues

The principle that additionality is to be demonstrated at the programme level is broadly accepted (EB60, Annex 26).

### Issues:

- Insufficient existing guidance regarding the assessment of additionality for policy based programmes, i.e. where the programme consists of a new policy or the enhanced implementation/enforcement of an existing policy
- CMEs include eligibility criteria in POA-DDs which by their nature require extensive evaluation to assess at the CPA level.
- Some programmes contain CPAs of such heterogeneity that the definition of binary eligibility criteria confirming the additionality, is more cumbersome than retesting additionality.

## B. Additionality of PoA – Recommendations

1. Provide a standard for the demonstration of additionality of PoAs, which include:
  - clear definition of policy and measures;
  - classification of policy into new and enhanced implementation/ enforcement of existing policy
  - explore application of policy assessment techniques, such as IPCC policy assessment tool
  - additionality of the policy based PoAs through investment analysis at PoA level if the PoA-DD provides clarity and reasonably forecasts how policy will cater down to specific mitigation actions/ measures
  - Define that the eligibility criteria for CPA inclusion in the PoA-DD pertaining to the additionality assessment shall include a binary checklist, which is easily assessed, unambiguous and complete.
  - Re-evaluate the implications for additionality assessments of new policies and standards at the time of renewal of crediting period of PoAs.
2. Provide a best practice guideline for demonstration of additionality of PoAs

## C. Eligibility Criteria for CPA Inclusion–Recommendations

### Issue: Absence of clear regulatory framework

The Board's priority (EB60, Annex 27) to develop a standard for development of eligibility criteria is welcomed by the stakeholders.

- Provide a standard for the development of eligibility criteria for the inclusion of CPAs: Provide a clear definition of the eligibility criteria for CPA inclusion in the PoA-DD and shall include the typology of the eligibility criteria based on:
  - (i) Geographical boundary or time induced boundary
  - (ii) each CPA [or group of CPAs] has at least same baseline and monitoring requirements
  - (iii) Technical specifications including the level and type of service;
  - (iv) Applicability and application of the methodology valid at the time of validation;
  - (v) Assessment of the additionality;
  - (vi) Compliance with host country rules including letter of approval and authorisation;
  - (vii) Other PoA specific requirements.
- Require establishment and implementation of the simplified management system for the CME.



## D. Standards and Guidelines related to Sampling – Recommendations

### Issue: Absence of clear regulatory framework

The Board's priority (EB60, Annex 27) to develop a standard and guidelines for sampling is welcomed by the stakeholders.

- 1) Provide a standard for application of sampling in context of PoA, which includes criteria to:
  - Elaborate requirements for “statistically sound approach” applied to DOE validation/ verification
  - Provide guidelines to avoid redundant (double) checking by DOEs through repeated surveys;
  - Have 90/10 precision for annual surveys and 95/5 precision for less frequent surveys, 90/30 for leakage
  - Differentiate sampling requirements for PoAs with homogeneous CPAs and with differing baselines
  - Include flexibility for timelines to conduct surveys, sampling methods indicated in the PDD
  - Provide flexibility for monitoring template e.g. either of the options:
    - (i) Stand-alone sampling design/reporting document prepared/checked for each CPA; and
    - (ii) Template at PoA level sampling design, to be expanded with information of a specific CPA
- 2) Provide best practice guidance for application of sampling
- 3) Provide guideline for sampling in respective methodologies.



## E. Application of Multiple Methodologies and Technologies

**Issue: Stakeholders place emphasis on city-wide approach rather than multiple methodologies**

### Issues:

- Longer process to apply & approve multiple methodologies than stand alone CDM projects
- Lack of appropriate methodologies for some sectors combined in city-wide approaches
- Application of multiple methodologies may creates an overlapping of boundaries, emissions, sources, leakage

### Recommendations:

- Application of Multiple Methodologies is discouraging due to additional procedural delays therefore, flexibility should be given while assessing the first few projects/applications
- A list identifying simple combination of methodologies would be useful;
- Robustness of CMEs be ensured through setting up minimum requirements on qualifications.
- In order to develop city-wide PoAs, modify the general PoA-DD format for bundle PoAs covering different sectors/combined methodologies

## Key issues for the Executive Board

Following consideration of the recommendations made by the stakeholders during the workshop:

- a) regarding the options for addressing concerns regarding liability for erroneous inclusion of a CPA, the Board may wish to consider to:
  1. Agree on a definition of erroneous inclusion; or/and
  2. Determine the appropriate procedural means for addressing identified erroneous inclusions; and/or
  3. Revise the procedures for erroneous inclusion of a CPA.
  
- b) the Board may wish to decide that the draft deliverables to be prepared for consideration at its sixty-third meeting should appropriately consider all the recommendations made by the stakeholders regarding:
  1. Additionality of Program of Activities;
  2. Eligibility Criteria for CPA Inclusion;
  3. Standards and Guidelines related to Sampling; and
  4. Application of Multiple Methodologies and Technologies.

