

**Call for public inputs – Template for inputs**

**Recommendations for possible changes to the modalities and procedures of the CDM**

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	<p><b>Decision 3 CMP.1 Preamble</b> Bearing in mind that, in accordance with Article 12, the purpose of the CDM is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the convention, and to assist Parties included in Annex I in achieving compliance with their QELRCs under article 3 of the Kyoto Protocol.</p> <p>It is proposed that the CDM can also be used by Non-Annex I Parties to help achieve voluntary targets as the CDM offers access to least cost abatement opportunities with a high level of environmental integrity. Excluding non-Annex I Parties from the use of CERs penalizes them by making abatement more expensive or by lowering the standards of environmental integrity.</p>	<p><i>...the purpose of the CDM shall be to assist parties hosting CDM activities to achieve sustainable development and to contribute to the ultimate objective of the convention to reduce GHG emissions worldwide, and may contribute to compliance with quantified emission limitation and reduction commitments under the Protocol as well as achievement of goals, pledges and other voluntary targets of Parties to the Convention.</i></p>

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	<p>Decision 3/CMP.1 Para 3 Invites the EB to review the simplified modalities, procedures and the definition of small-scale project activities referred to in Para 6 c) of decision 17/CP.7 and if necessary, make appropriate recommendations to the COP....</p> <p>Small scale project activities under the CDM have become an unjustified restriction on the development of project activities that often deliver high levels of sustainable development to rural communities and an unnecessary burden on project developers and DOEs.. Validation of many small scale projects is now more demanding than validation of normal scale projects – the PDDs are almost identical except that the small scale PDD requires proof that the small scale project is not a debundled large scale project. The only advantages of small and micro scale projects is that some benefit from automatic additionality and they benefit from not needing to perform the common practice analysis. If automatic additionality is granted to technologies in regions which are under-represented then surely bigger projects would deliver bigger benefits to all.</p> <p>It is proposed to remove the arbitrary small scale classification and allow projects of any size to be developed, including those which deploy positive list technologies and benefit from automatic additionality. The Common Practice tool, which can be demanding to implement, should be waived for projects which are expected to deliver on average less than [50,000] CERs per annum. This will also reduce the transaction costs for the validation and verification process and reduce the complexity and workload for the Secretariat, Panels, Board and DOEs</p> <p>It is also worth noting that these steps will encourage more projects to use the positive technology list, technologies with automatic additionality and technologies with standardized baselines. As a result, the use of the additionality tool will reduce, which will in turn reduce transaction costs, administrative burden and much of the criticism about additionality within the CDM.</p> <p>Existing small scale methodologies should be reviewed for conversion to “normal” scale methodologies.</p>	<p>Delete preamble paragraph 3</p>
	<p>Para 4c and 5h: The COP/MOP shall further.... Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, inter alia, on a report by the EB</p> <p>Equitable distribution has never been defined and the interpretation of absolute number of projects or absolute number of emission reductions is inequitable. This has resulted in a desire to positively encourage the development of CDM project activities in some Parties and has influenced buying policies amongst other Parties. Ranking distribution by GDP, population or per capita emissions, for example, yields very different results, with neither China nor India being over-represented. The potential for GHG emissions reductions is closely linked to total GHG emissions from an economy. And since the CDM is a market based mechanism, it is not unreasonable that the market will produce project activities in proportion to availability. If Parties wish to see more projects in specific localities, they might utilize positive technology and geographic lists to promote specific technologies which are under-represented in certain countries.</p>	<p><i>Review the regional and subregional distribution of CDM project activities against a range of denominators and define steps to encourage the development of CDM project activities involving desirable technologies and technologies which have application potential in under-represented regions</i></p>

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	<p>Para 5. The Executive Board shall supervise the CDM under the authority and guidance of the COP/MOP. In this context the EB shall.... Sub-para a through p</p> <p>The EB is created to supervise the CDM however the tasks listed in a) through p) and particularly p) which leads on to paras 38, 41 and 65, take the EB well beyond supervision and into the realms of practical execution. Compared with the governing instrument of the Green Climate Fund, the EB has significantly more executive function than its supervisory role should permit; there is no clear delegation of executive function to the Secretariat; there is no Executive Director of the CDM (the Executive Secretary is responsible for all of the UNFCCC and cannot undertake this role for the CDM).</p> <p>Accordingly, the CDM EB should be renamed as the CDM Board (CDM Board or the Board) and the list of tasks for the CDM Board should be revised to ensure that they are either of a supervisory nature or if executive, then that executive function is limited to final approval of recommendations from the Secretariat, with the authority to intervene when they consider it necessary. Borad members would gain executive responsibilities by Chairing panels, committees and working groups.</p> <p>So for example, the Board will not discuss the technical details of a new methodology. They will either accept or reject a recommendation on the basis of whether or not that methodology will contribute to the overall achievement of the objectives of the Framework Convention,</p> <p>The Board's responsibility shall extend to cover not only the supply of CERs from registered projects but also the demand from Parties to purchase emission reductions which are real, long term and permanent and which result in a beneficial distribution of carbon revenues for the promotion of sustainable development. The Board shall be aware that demand for CERs is influenced by public perceptions of the CDM's credibility and integrity and the Board shall take steps to ensure that the CERs produced by registered projects are universally accepted and not prone to additional qualitative restrictions.</p> <p>The Board shall form Panels chaired by Board members, with staff from the Secretariat and external experts who will prepare recommendations for the Board's approval.</p> <p>The Secretariat should be clearly tasked with the transparent and accountable execution of the CDM Board's guidance and the post of an Executive Director should be created.</p> <p>Looking to the future, the CDM Board may consider expanding its role to become the Board of the Flexibility Mechanisms (BFM) such that the BFM can guide the future development of the New Market Based Mechanism and the Framework of Various Approaches with the executive function provided by (an expanded) Secretariat and Executive Director.</p>	<p><i>Reword responsibilities to remove executive functions and focus on approving or rejecting recommendations from Panels</i></p> <p><i>Add new responsibility relating to the protection of the CDM's credibility in international markets and ensuring that CERs are in demand and not subject to further Party driven qualitative exclusions</i></p>
	<p>Para 7; Composition of the EB (now CDM Board)</p> <p>Reference is made to the Board of the Green Climate Fund.</p> <p>It is proposed that the CDM Board is expanded to have 24 members with no alternates. The Board will contain [two] representatives from each of Private Sector Organizations and Civil Society Organizations and representatives from other stakeholder groups as well as the Parties who are signatory to the Kyoto Protocol.</p>	<p><i>Consider text in GCF Governing Instrument</i></p>

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	<p>Para 8: Membership of the EB (now CDM Board)</p> <p>8b) “terms as alternate members do not count”. In the event that alternate members continue (contrary to our proposal in para 7 above), then this text should be deleted as it has allowed individuals to maintain a long term position on the Board, entrenching certain beliefs and excluding new participants from the Board.</p> <p>Attention is drawn to the significant time commitment, the expertise requirements and the conflict of interest provisions.</p> <p>EB members are elected for a two year term and should serve that term unless prevented by personal circumstances. Tagging of seats, whereby a different member takes over in the second year should not be permitted as this impacts upon the continuity of decision making and institutional knowledge; turnover of members is already addressed through the membership rules.</p> <p>To enhance the experience and understanding of Board and Secretariat staff, training programmes should be run involving site visit(s) and meetings with PPs and stakeholders to fully understand the scope of the CM activities on the ground. It is assumed that Board members will interact with DNAs and DOEs at roundtable events and DOE / DNA Forum meetings.</p>	
	<p><b>18.</b> The Executive Board may establish committees....</p> <p>At the moment the establishment of panels and committees is optional but this should be strengthened to “SHALL” in order to enhance the executive involvement of Board members in Panels</p>	<p><i>The Board shall establish committees....</i></p>
	<p><b>Para 19 bis: Appeals process</b> The Board shall create an independent appeals process to hear appeals against positive and negative decisions by the Board. The Appeals process shall provide one single, fair, transparent and fact-based appeals procedure; where decisions by the appeals panel form persuasive and binding precedents for future decisions of the appeals panel and Board respectively; with the requisite checks and balances to ensure that the system is not abused; that costs of successful and unsuccessful appeals are fairly apportioned; which covers the decisions by the CDM Board; which is carried out by an Independent Appeals Panel made up of external experts and Secretariat staff as appropriate; and which ensures a form of direct communication through which the directly affected stakeholders can interact with the appeals panel.</p>	

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	<p><b>Section C bis: Designated National Authorities</b>            A new section shall be inserted providing direction for the establishment and responsibilities of Designated National Authorities.</p> <p>Host Country DNAs will, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• Develop and implement procedures for the timely issuance of Letters of Approval which shall include:               <ul style="list-style-type: none"> <li>○ Confirmation that the proposed project activity contributes to host country sustainable development</li> <li>○ That the local stakeholder consultation has been undertaken according to relevant guidelines</li> <li>○ Any requirements to be fulfilled in addition to existing regulations and permitting requirements, failure of which may result in the temporary suspension or ultimate withdrawal of the Letter of Approval</li> </ul> </li> <li>• Develop and implement procedures for the fair and transparent suspension or ultimate withdrawal of a Letter of Approval at the end of a crediting period (see PD Forum's submission to the EB on this subject at <a href="http://www.pd-forum.net/files/874f1e6114188653f3931f9ec0ce1c0c.pdf">http://www.pd-forum.net/files/874f1e6114188653f3931f9ec0ce1c0c.pdf</a> )</li> <li>• Develop and publish lists of E+ and E- policies which PP's may use in the establishment of baselines and additionality for CDM project activities</li> <li>• Develop and implement procedures for linking registered CDM project activities with registered NAMAs to avoid double counting</li> <li>• Procedures for the development and approval of standardized baselines to establish host country mitigation contributions from registered CDM projects, varied by technology, geographic region and project age if necessary, and publication thereof</li> <li>• Participation in regional DNA Forum activities</li> <li>• Etc.</li> </ul> <p>Non-Host Country DNAs will, <i>inter alia</i>:</p> <ul style="list-style-type: none"> <li>• Develop and implement procedures for the issuance of letters of Approval</li> <li>• Consider whether, in the Host Party's opinion, applicant projects contribute to the objectives of the Framework Convention</li> <li>• Undertake adequate due diligence to ensure that projects are genuine</li> <li>• Develop, and implement where necessary, procedures for the temporary suspension or withdrawal of an LoA.</li> <li>• Participate in regional DNA Forum activities</li> </ul> <p>Etc.</p> <p>With regard to procedures to establish host country mitigation contributions, it is proposed that host country DNAs are given the authority to set a share of proceeds by a combination of project type, location or age, in order to collect CERs as a contribution towards host country mitigation activities. This is considered preferable to manipulating baselines because it is more flexible and can be used to encourage investment in a given technology in certain locations eg LDCs and under-developed regions. Where the Host Country has a formal pledge, the CERs shall be surrendered against that pledge; where a country does not have a pledge the CERs shall be automatically cancelled in favour of the host country.</p>	

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	<p><b>Section D Accreditation and designation of operational entities</b></p> <p>Accreditation of DOEs has become a massive, costly and hugely inefficient process. DOEs are unable to apply any expert judgment without fear of sanction; the hesitation and wariness of DOEs causes delays and un-necessarily conservative interpretation of methods and guidance. The cost of continuous spot checks increases the costs of validation and verification. The issue of liability has not been resolved and the proposal to suspend DOEs has widespread and negative impacts upon project participants who are otherwise un-related to the case in question.</p> <p>Development of PoA has been badly held back because of challenges over sampling and liability (see proposals for PoA at the end of this submission).</p> <p>Some stakeholders have raised concerns over the relationship between PPs and DOEs on the basis that the PPs pay the DOEs even though formally the DOEs report to the Board. Project developers do not believe that this is a valid concern because third party auditors and inspectors are paid by the objects of their inspection in many commercial and regulatory settings, including, notably, financial auditors. The Accreditation Panel is responsible for ensuring that DOEs are independent and a lack of independence has not been cited as a problem to date.</p> <p>It is proposed that the Board commission a review of the accreditation procedures in order to</p> <ul style="list-style-type: none"> <li>• Make better of the ISO 14000 series of standards, particularly ISO 14065, 14066 and 14067</li> <li>• Improve the consistency of the accreditation process so that all DOEs work to the same standards</li> <li>• Empower DOEs to apply their professional judgement on the basis of demonstrated competency</li> <li>• Critically evaluate the benefit of the spot check and site visit procedures in view of the transaction burden for DOEs and PPs compared to the benefits</li> <li>• Develop better training for DOEs, PPs and DNAs so that all participants in the project cycle share a common understanding of the rules</li> <li>• Propose a means of addressing professional negligence and fraud amongst DOEs and PPs</li> </ul>	

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	<p><b>Section F: Participation requirements</b>            Paras 31, 32 and 33 to be revised / removed</p> <p>The intention is that:</p> <ol style="list-style-type: none"> <li>1) All Non-Annex B Parties should be eligible to host CDM projects and should create a Designated National Authority capable of issuing letters of Approval (and all that entails)</li> <li>2) All Parties to the Kyoto Protocol (Annex B and Non Annex B) shall be eligible to acquire and transfer CERs from CDM projects</li> <li>3) All Parties to the UNFCCC which are not Parties to the Kyoto Protocol shall be eligible to acquire and cancel CERs</li> <li>4) The secretariat shall create registry procedures to allow this.</li> </ol> <p>The intention is that both non-Annex 1 and non-Kyoto Parties should have access to CERs for the purposes of offsetting emissions under various instruments such as Pledges, voluntary emission trading schemes etc.</p> <p>The justification for this is to avoid the proliferation of offset schemes generating units which are of a different and potentially lower standard of environmental integrity than CERs; it will encourage the use of the substantial infrastructure already in place; ensure that all offsets used for pledges and other forms of voluntary and mandatory commitments are of an equal standard; it will increase demand for CERs and increase investment in CDM projects, bringing more / better / assured sustainable development benefits to host countries; it will avoid double counting of GHG emission reductions and finally it will prepare the Parties for the adoption of NMBM and FVA and the implementation of the Durban Platform under which the distinction between Annex 1 and Non-Annex 1 will be less relevant.</p>	
	<p><b>Section G Validation and registration</b>            Generally we wish to see changes to the validation and registration process consistent with other proposals above and also steps taken to improve the Environmental Integrity of the CDM, strengthen the local and global stakeholder consultation; reduce the transaction costs by application of positive lists, standardized baselines and materiality; fairer application of conservative principles; re-assessment of the duration of crediting periods; re-assessment of E+ and E- guidance and the development of baselines which ensure that projects increasingly contribute to host country mitigation actions. This also implies the development of explicit procedures for linking CDM Project Activities with other activities under the UNFCCC and out side of its scope such as NAMAs and FVA.</p>	
	<p>Para 37            (d) where projects use standardized or default baselines, there will be no requirement to validate the baseline other than the eligibility to use said baseline. This will result in a simplified validation procedure for projects using these categories of baselines.            Similarly, projects which are considered to be automatically additional shall benefit from a simplified validation procedure.            A simplified validation procedure shall be faster, cheaper and less demanding on PPs when compared against the standard validation procedure.            (e) The baseline and monitoring methodologies comply...</p>	<p>e) The baseline and monitoring methodologies comply... <i>With consistent grace periods applied to the implementation of all tools, procedures and guidelines.</i></p>

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	<p>Para 40 (a) Prior to the submission, have received from the PP written approval of voluntary participation... achieving sustainable development.</p> <p>It is proposed to strengthen the Local Stakeholder Consultation process by requiring the host Party to confirm that the consultation has met host Party guidelines or procedures. In Doha, Parties already agreed to share best practices on local stakeholder consultation. The Secretariat may develop voluntary local stakeholder consultation guidelines which Parties may adopt if they wish, in the same way that the Secretariat has prepared voluntary sustainable development evaluation guidance.</p>	<p>Prior to the submission, have received from the PP written approval of voluntary participation... including confirmation by the host Party that the project activity assists it in achieving sustainable development <i>and that the local Stakeholder Consultation has been performed in accordance with Host Party guidelines and procedures.</i></p>
	<p>(c) Receive, within 30 days, comments on validation requirements from Parties, stakeholders and UNFCCC Accredited NGOs and make them publicly available.</p> <p>It is proposed that steps are taken to exclude fake comments from non-genuine stakeholders. Despite guidance from the EB, DOEs still raise questions on "spam" comments. Spam comments may be identified using a simple checklist and email addresses and domain names which submit such comments on three occasions should be blacklisted from the stakeholder consultation process.</p>	<p>(c) Receive, within 30 days, comments on validation requirements from Parties, <i>genuine</i> stakeholders and UNFCCC Accredited NGOs and make them publicly available.</p>
	<p>Para 40 (h) The validation process is very inefficient because, amongst other reasons, the entire process relies on the review of extensive written documentation which often contains, or creates, mistakes, inconsistencies and editorial errors through duplication of data/ text etc. There is considerable scope to remove much of this and reduce associated transaction costs by the development of a digital platform whereby data is entered once, automatically checked for consistency with the expected requirements at the time of entry and once "ticked" by the validator, is then "locked down" and only ever reproduced from the validated reference.</p> <p>It is proposed that the Secretariat once again takes up the development of a digital registration and issuance process.</p>	<p><i>The Secretariat shall develop a digital validation and verification platform with the aim of reducing transaction costs and eliminating duplication of information and data and the associated errors.</i></p>



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	<p>Para 41 Reduce the registration period and the delay in completing requests for review. Decisions on requests for review shall not wait to be taken at Board meetings but shall be approved electronically based on recommendation from the Secretariat.</p> <p>Considerable time and potential CDM benefits are lost by the artificial time restrictions around the submission of prior consideration and the need to wait for the project to be registered before creation of CERs can commence. In practice, the “pre-CDM” emission reductions are often verified as VERs and sold, representing a loss to society. If a project activity is successfully registered, then the activity is additional and the emission reductions generated before or after the date of registration have equal environmental value.</p> <p>Further, the PD Forum believes that the current registration process of multiple checks and reviews following submission of a request for registration or request for issuance is unnecessary and a considerable duplication of effort by the DOEs and Secretariat. In view of our comments above on DOEs, we propose that the DOEs are entrusted to carry out the validation and verification of projects and programmes and the ‘completeness check’ and ‘information and reporting check’ stages at request for registration and request for issuance are removed.</p> <p>Proposals for the random checking of DOE recommendations should be implemented rather than having the Secretariat check all DOE submissions.</p>	<p>The registration by the Board shall be deemed final after <i>two weeks</i>....</p> <p>(b) It shall be finalised no later than <i>four weeks after Project Participants have responded to the request for review</i>.</p>
	<p>Para 43 A CDM project activity is additional...</p> <p>This paragraph introduced the concept of what was for a while termed “environmental additionality” which in practice was an irrelevance. The position of the baseline relative to the project emissions determines the quantity of emission reductions and if the baseline emits less than the project activity, it will not generate any CERs and would not be a suitable CDM project activity.</p> <p>This paragraph should be deleted.</p>	<p>A CDM project activity is additional if anthropogenic emissions of GHG by sources are <del>reduced below those that would have occurred in the absence of the registered project activity</del>.</p>
	<p>Para 44 Would include standardized baselines and baselines for positive list technologies, which would have methodologies establishing, for example, default baseline emissions</p>	
	<p>Para 45 A baseline shall be established</p> <p>(b) In a transparent and conservative manner regarding the choices of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty</p> <p>Change conservative to consistent; methodologies shall specify the data to be used and rather than applying conservative factors throughout the methodology (which compound the impact of conservative decisions) the methodology shall demonstrate how, at the end of the baseline and project emission calculation, conservativeness is taken into consideration. The impact of the final conservativeness factor shall be quantified and recorded and shall be incorporated within any host country mitigation effort.</p>	<p>(b) In a transparent and <i>consistent</i> manner regarding the choices of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty</p>

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	<p>(c) On a project-specific basis</p> <p>Baselines for similar project activities should be transferrable within a reasonable period of time, for example for [2] years following the validation of a PDD, such that PPs can replicate projects without having to repeat the determination of the baseline in the same way that PoA procedures currently allow CPAs to be added to registered PoA DDs. This would enable PPs to replicate successful stand-alone projects of any size.</p>	<p><i>(c) On a project specific basis or by reference to another project applying the same methodology and technology in the same socio-economic region.</i></p>
	<p>(d) Delete</p>	
	<p>(e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector</p> <p>The paragraph leads to the E+/E- guidance which was designed to allow Parties to implement policies which favoured emission reducing technologies without undermining the potential for CDM, and to discourage Parties from adopting emission intensive policies prior to the creation of the CDM.</p> <p>The E+/E- guidance has been confused and arbitrarily applied.</p> <p>It is proposed to clarify the role of E+/E- policies such that policies encouraging the use of low emission technologies (E-) are excluded from the additionality assessment and determination of the baseline for [10] years after the date of implementation, after which they must be taken into consideration. This gives host Parties a 10 year window to build infrastructure and capacity to implement policies with the support of CDM. It will also encourage the adoption of such technologies prior to the closure of the window. After 10 years, industry which has not availed itself of the benefits of the CDM will need to comply entirely at their own cost. See below for proposal to manage the baseline for technologies implemented under E- policies.</p> <p>Policies which favour increased GHG emissions (E+ policies) shall be excluded from the assessment of the additionality and determination of the baseline for the duration of the CDM (i.e. the treatment of these policies will remain unchanged).</p> <p>Due to the anticipated use of NAMAs to develop national policies and the potential for CDM to be used to finance such initiatives, the Secretariat shall provide for a linkage between CDM registered activities and the NAMA register in order to avoid double counting and help to demonstrate where projects are developed under E- policies.</p> <p>As mentioned above, DNAs shall provide lists of E+ and E- policies.</p>	<p>(e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector. <i>Policies which encourage low emission technologies shall be excluded from the assessment of additionality and the determination of baselines for 10 years after entry into force.</i></p>
	<p>Para 46. Extend to include suppressed demand</p>	
	<p>Para 48. Extend to include</p> <p>(d) standardized baselines</p> <p>(e) default baseline applied to a technology from the positive list.</p>	

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	<p>Para 49. Selection of crediting periods. In Doha, the parties discussed reviewing the duration of crediting periods. The current crediting periods are arbitrary in length; extend well beyond the foreseeable time horizon for domestic policies; and depending on the technology in question, may extend beyond the commercial lifetime of the project. Limiting the crediting period could be seen to enhance the environmental integrity of the CDM because after the end of the crediting period, project activities would cease to be offset projects and would contribute 100% of their effort towards host country mitigation.</p> <p>If this is considered to be an issue which impacts upon the credibility of the CDM, then we propose that crediting periods are limited via methodology or technology type and/or by host Party with LDCs being afforded a longer crediting period and Advanced Developing Countries afforded a shorter crediting period. This is because the project lifetime of technologies vary considerably and have clear impacts upon the investment period. For example, combustion engines for power generation from methane typically last around 10 years before they need to be replaced whilst a hydro power project will have a commercial lifetime of 30 to 50 years or longer. Perceived risks and interest rates vary accordingly. Advanced developing countries should move to incorporate CDM projects in their domestic policies over a shorter period of time (for example via the adoption of Durban Platform commitments) which LDCs may lack the institutional capacity to implement such programmes for longer periods of time.</p> <p>In the event that crediting periods are shortened or varied, Host Parties should consider what steps they will take to ensure that project activities continue beyond the crediting period. For example, GHG abatement projects and many energy efficiency or rural distribution projects which do not generate or recover sufficient revenues in the absence of the sale of CERs may need continued incentives to remain active and contribute to host country mitigation efforts. Host parties should therefore consider what steps they can take to continue funding such activities, for example through the development of green tariffs, emission trading schemes, legislations and permitting, tax benefits etc.</p> <p>Further measures may be adopted by specific schemes e.g. the discounting proposal currently being informally considered for the EU ETS</p>	
	<b>Para 51 bis</b>	A single conservativeness factor will be defined in the methodology which shall be transparently applied to the final determination of emission reductions. The resulting deduction of CERs will be recorded by the Secretariat and reported annually to COP.
	<p><b>Section H Monitoring</b> Generally, monitoring of CDM projects has been very successful and has contributed significant capacity building to host countries. Several small but significant changes can make the process significantly more streamlined.</p> <p>Uncertainty shall be managed by requiring all Monitoring plans to include an uncertainty assessment which shall deliver and overall uncertainty below a defined and methodology specific uncertainty threshold. Thus renewable energy projects may be expected to monitor to within 0.5% uncertainty whilst cookstove projects may monitoring to within 5% uncertainty, and PPs can invest their resources of equipment and procedures which deliver the required level of uncertainty most cost efficiently.</p>	

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	<p>Para 53: project participants shall include, as part of the PDD, a monitoring plan that provides for a through g.  Option to include in PDD  The requirement to specify the monitoring plan in the PDD, often before the project is constructed, has created continuous problems for PPs and DOEs.  Instead, it is proposed that PPs have the option to</p> <ul style="list-style-type: none"> <li>a) include the monitoring plan in the PDD (where it can be validated) or</li> <li>b) simply confirm which parameters the methodology requires to be monitored in the PDD and provide the monitoring plan prior to the first verification.</li> </ul> <p>Under option b), the detail in paras a through g should be provided in a stand-alone Monitoring Plan prepared prior to the start of the first monitoring period.</p> <p>During verification, the plan will be compared against the requirements of the methodology and changes in the plan to improve the accuracy or quality of the monitoring plan can be implemented on an on-going basis. The Monitoring Report, prepared for each verification shall be audited against the Monitoring Plan.</p>	
	Para 53 bis	<i>Under Option b), PPs shall develop a monitoring plan before the start of the first verification period. This plan shall detail how all of the parameters listed in the PDD shall be monitored in compliance with the relevant approved methodology. The monitoring plan will also contain an uncertainty calculation which shows how the monitoring plan achieves a pre-defined methodology specific uncertainty threshold. Refer to para a through g.</i>
	Para 55 Delete	
	Para 56 PPs shall implement the monitoring plan contained in the registered PDD.	PPs shall implement the defined monitoring plan <del>contained in the registered PDD</del>
	<p>Para 57  The DOE shall approve changes to the Monitoring Plan prior to periodic verification and may ask the verification team to confirm the PP's justification of changes during the next verification.</p>	
	Para 58, removed "registered"	
	<p>Para 59 bis....  In order to enhance the environmental credibility, projects' contribution to host country mitigation and transparently demonstrate conservativeness, two new deductions will be made from the CERs generated by CDM projects.:</p> <p>A single deduction for conservative is meth specific and reflects one single adjustment factor for conservativeness applied at the end of the calculation of CERs, replacing arbitrary conservativeness factors which are applied to individual parameters in the calculation process and which can be compounded in the final calculation and which are non-transparent.</p> <p>A host country share of proceeds to contribute towards host country mitigation. This is proposed in preference to manipulation of baselines to create host country contribution, which would have a tendency to discourage investment in certain technologies across the board. Making the host country contribution technology, region and project age specific enables host countries to encourage investment in certain technologies in certain regions.</p>	<p>The verification report will transparently show the baseline emissions, project emissions, leakage emissions if any and the resulting CERs. The following factors will be deducted from the resulting CERs and recorded in the CDM Registry:</p> <ul style="list-style-type: none"> <li>A single methodology specific conservativeness factor</li> <li>The SOP Admin fee, at the current agreed level</li> <li>The SOP Host Country mitigation fee , at the level defined by the DNA considering the technology, location and age of the project activity.</li> </ul>

<b>Call for public inputs – Template for inputs</b>	<b>Recommendations for possible changes to the modalities and procedures of the CDM</b>
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	<p>Section I Verification and certification Generally, Verification should be streamlined such that second and subsequent verifications, where project implementation and monitoring have not changed, can be completed more quickly and simply, at significantly lower cost. The Secretariat shall develop procedures for on line verification of data for example from registered renewable energy projects and in such cases the DOE shall verify the integrity of the data collection and calculation systems and only sample data on site to ensure the systems are operating.</p>	
	<p><b>Section J: Issuance of CERs</b> Generally, issuance will be speeded up with the Board approving issuance one week of receipt of request for issuance and completing requests for review within two weeks of receipt of response from PPs. Board will approve Secretariat recommendations unless it has cause for concern. A new fee is introduced, collected in a manner similar to the adaptation fee, to reflect contribution to host country mitigation. DNAs are requested to set levels of the required host country contribution at fixed or variable rates, varying by technology, geographic location or age of project. Whilst the host country contribution is effectively a tax on project developers, it can also act as an incentive attracting investment to under-represented technologies and regions and discouraging investment in over-represented technologies and regions. The Host Country Contribution will be forwarded to an account in the name of the host country which they may use to meet current or future targets, pledges [or sell to raise capital for investment in climate mitigation and adaptation projects].</p> <p>The registration and issuance fees at current market prices, make up a very large share of the market value of the reductions achieved through the CDM.</p> <p>We understand that an issuance fee is required to pay for the continuing administration of the CDM. The registration fees were necessary in the early years of the CDM to finance the mechanism at a time when few issuances occurred. However, as the CDM has now built up a large financial reserve, the upfront registration fees should no longer be necessary.</p> <p>The Board shall therefore reconsider the necessity of an upfront registration fee and review the level of issuance fees [annually] in line with current market prices.</p>	
	<p>Appendix A To be revised following completion of a review</p>	
	<p><b>Appendix B</b> The PDD template should be substantially revised following a review using knowledge based on the validation and registration of over 5000 projects to date. For example, a revised PDD template should remove the complications that arise through editing and copy / pasting errors by reducing the need for text and moving towards a format which can be digitized and automatically checked at various stages of the process.</p>	
	<p><b>Appendix C</b> The Board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the OP/COP Delete “develop” to remove the executive function of the Board.</p>	<p><i>The Board, drawing on experts in accordance with the modalities and procedures for a CDM, shall recommend to the OP/COP</i></p>
	<p><b>Appendix D</b></p>	
	<p><b>Additional Proposals</b></p>	

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	<p><b>Afforestation and Reforestation</b>            Less than 1% of the registered CDM projects are afforestation and reforestation projects (currently there are 44 registered projects in scope 14). The introduction of temporary and long-term CER accounting rules and some Parties' purchasing policies have seriously impeded the demand for the resulting credits. In today's market there is no demand for these credits. It is proposed to take afforestation / reforestation activities out of the CDM and move them into REDD+ where accounting rules may be more beneficial to such projects and where investors may be driven by a different set of incentives.</p>	
	<p><b>PoA</b>            PoA has potential to scale up certain types of activities and turn them from project specific activities into national or even international activities. In this respect, PoA is closer to the concept of NAMAs. On the other hand, we have seen how concerns around liability during validation and verification have hampered the development of PoA.            It is proposed that as soon as NAMA frameworks are implemented, there should be a discussion about transferring the existing PoAs and register new PoAs under NAMA frameworks where Governments can take a greater role in the development of nationally appropriate actions.</p> <p>Changes to the CDM modalities and procedures described above can allow successful projects to scale up, specifically:</p> <ul style="list-style-type: none"> <li>• Removing the artificial distinction between small and "large" scale CDM projects so that if a project is considered by the host Party and the international buying community to be good, PPs are able to scale it up efficiently</li> <li>• Extending the concept of positive lists / automatic additionality to all CDM projects and not arbitrarily restricting it to small projects</li> <li>• Allowing PDDs to refer to validated baselines in registered projects which apply the same technology and methodology in similar socio-economic circumstances – effectively giving normal CDM projects one of the significant benefits afforded to PoA.</li> </ul> <p>In this way, the CDM can scale up beneficial projects using one set of simplified and streamlined rules whilst the very powerful concept of PoA can be freed from the constraints of the CDM process and allowed to develop under the more flexible concept of NAMAs.</p> <p>With regards to meaningful changes that are likely to have a big effect on registered PoAs and improve their issuance track record, following issue should be addressed:            The need of verifying all CPAs included in a PoA within the same verification for one defined monitoring period should be removed. CMEs shall be flexible in determining the monitoring period of CPAs. The flexibility shall be given for different parallel verifications of a group of CPAs within the same PoA distinguished in length of the monitoring period. The nature of a CPA (i.e. size, technology, target group, fixed parameters etc.) determines the grouping and length of the monitoring period to minimize transaction costs and standardization of processes. If such flexibility is not given, newly included CPAs and small CPAs cannot be verified due to too high transaction costs relatively to the expected carbon revenues.</p>	

**Call for public inputs – Template for inputs**

**Recommendations for possible changes to the modalities and procedures of the CDM**

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	<p><b>Significant deficiencies</b>                      The concept of significant deficiencies is not well defined and is proving difficult to implement. Proposals for insurance based protection for DOEs are expensive, will act to significantly increase transaction costs for PP and do not offer value for money on the basis that no significant deficiencies have been reported to date.</p> <p>It is proposed that a fund of CERs is created from the conservativeness factor defined above. The Secretariat shall collect all the CERs reported in verification reports and deducted at issuance going forward and hold these in an "Conservativeness Fund" account in the registry to be offset against significant deficiencies in the event that any are discovered. DOEs shall be penalized with financial fines in the event that they are found to have caused a significant deficiency with the fines being paid to the adaptation fund.                      The Board shall review the status of the "Conservativeness Fund" periodically.</p>	