



**WORLD BANK CARBON FINANCE UNIT
CARBON PARTNERSHIP FACILITY
2013 SELLER PARTICIPANT MEETING**

**REGULATORY UPDATE ON PROGRAMS OF ACTIVITIES
AND LESSONS LEARNED**

Outline

1. Latest regulatory developments
2. Lessons learned/observations
3. World Bank proposal on POA reform

Recent EB decisions and policy stance



◆ POAs – more clarity now

- Applicability of post registration changes (PRC) to a POA-DD and a generic CPA-DD to already included CPAs is at discretion of CME;
- Elements of new version of a methodology to new CPAs can be applied with PRC to a generic CPA;
- 3 months gap is required between any two request for issuances;
- Group CPA inclusions are allowed only once a month;
- For sampling, methodology requirements supersede;
- Single sampling for homogenous CPAs is allowed;
- Clarification on POA start date: either start of global stakeholder consultation or notification to the Secretariat / DNA;
- A new host party may be added to the registered POA.

◆ But, also made life difficult

- Validation of each CPA under POAs using multiple technologies/measures is required;
- CME capacity will be required to assess during each CPA inclusion;
- One monitoring report should cover all CPAs included by then.

Recent EB decisions and policy stance



- ◆ **More focus now on LDCs**
 - Expanded positive lists;
 - Included the definition of special underdeveloped zone (SUZ);
 - Top-down methodology development / further simplification of procedures under progress.

- ◆ **Adopted the updated global warming potential (GWP) for use during second commitment period (starting 01 Jan 2013)**

- ◆ **Approved voluntary tool for describing sustainable development co-benefits**

- ◆ **Voluntary cancellation in the CDM registry is now allowed**
 - can cancel CERs transferred into a cancellation account whether as a voluntary action on their own behalf or on behalf of third parties

- ◆ **CDM modalities and procedures under review: EB recommended in total 22 proposals**
 - Elaborating host country role;
 - Defining content of LOAs and conditions under which these can be withdrawn;
 - Improving local stakeholder consultation process;
 - Reviewing defined length of crediting periods;
 - Establishing better CDM methodology submission.

Observations on POA experience

- Introduction of validation and verification standard (VVS) has generated a lot of confusion and delays with CPA inclusion
- Lack of clarity on requirements for validating and verifying CPAs involving multiple sites/units caused significant delays
- Aspects outside the CDM (e.g. quality of products) also significantly affect the CPA inclusions
- Very few POAs have succeeded with more than one CPA inclusion
- Success of multi-country POAs and their benefits are yet to be seen
- CMEs, mainly from private sector, not associated with direct implementation of CPAs, are emerging as key players

Lessons learned

- Keep eligibility criteria as broad as possible
- Promotion of POA and liaison with DNA at early stage helps avoid delays with LOA issuance
- Double check the 'language' in eligibility criteria
- Be specific on what documents and sources for information will be used for demonstration of each criteria
- Efficient and centralized data management helps a lot
- Pre-verification is desirable

CDM Reform: Streamlining project cycle



- ◆ **Decision 5/CMP.8: Guidance relating to the clean development mechanism**

45. *Requests* the Executive Board to explore the possibility of reviewing the validation process of clean development mechanism project activities that are deemed to be automatically additional;

- ◆ For POAs, start with programs with micro-scale activities (>50% of current PoA pipeline).

- ◆ **Proposal (optional): Standardized Inclusion Procedure**

- Micro-scale threshold at the level of each activity;
- Current validation procedure only to POA-DD; CPA inclusion based on *checklist*
- Size of CPA depends on implementation arrangements;
- No DOE involvement at the inclusion stage;
- Emissions reductions only after verification and ex post CPA compliance conformance by DOE to the checklist.