

## Agenda item 2.2

Paragraph 8 of the annotated agenda, Annex 4

Analysis of impacts on distributing the accreditation fee across the five-year accreditation term (jointly by CDM-AP and secretariat)

**CDM EB 90**

Bonn, Germany, 18 to 22 July 2016



## Procedural background

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The Board at **EB87**, considered the concept note on approaches to reduce the accreditation fees charged to DOEs by means of a subsidy and requested the secretariat and CDM Accreditation Panel (CDM-AP) to jointly **analyse the impacts of distributing costs evenly across the five-year accreditation term** to increase their predictability by spreading out the initial accreditation/reaccreditation fees over the five-year accreditation cycle, and to provide recommendations to the Board at a future meeting.



## Purpose

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The purpose of this joint concept note between the secretariat and the CDM-AP is to provide the Board with an analysis of the impact of distributing the costs evenly across the five-year accreditation term so that the Board can make an informed decision.



## Key issues

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- **There are currently 36 accredited DOEs**, as compared to 39 accredited DOEs in 2015.
- Assuming that current entities will apply for reaccreditation one year prior to the date of expiry of the accreditation term, **16 entities will be subject to reaccreditation** in the second semester of 2016.
- The application/reaccreditation fee of USD 15,000 covers the cost of the desk review (four person-days) and the overhead costs for running the accreditation system.
- The costs for DOE to maintain its accreditation can be grouped into three categories:
  - a) the application/reaccreditation fee;
  - b) the cost of accreditation assessments; and
  - c) the cost of managing its own system (e.g. required internal competence of CDM validator and verifiers).



## Proposed solutions

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The following two options are proposed for the analysis of the impact of distributing the costs across the five-year accreditation term.

**(a) Option 1:** Status quo. No changes are to be introduced in the arrangement of payment for accreditation fee; and,

**(b) Option 2:** Distribution of fee in annual payments over the five-year cycle. Under this option the payments are made during the initial application or application for reaccreditation, and at the start of the second, third, fourth and fifth years of the accreditation cycle.



## Impacts to the system and administration

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### **Does it promote additional applications or ensure reaccreditation?**

Option 1 would not promote additional applications or ensure reaccreditation. Market conditions will continue to be the decisive factor in making applications.

The distribution of the initial accreditation/reaccreditation fee under option 2 would be welcomed by DOEs as it will alleviate the immediate financial burden of the DOEs.



## Impacts to the system and administration

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### **Does it create a financial loss to the Board?**

Option 1 would not create any financial loss to the Board.

The distribution of the fee under option 2 would delay the revenue received from the accreditation fee. However, considering the small volume of the fee compared with the total revenue, the impact would not be very significant.



### **Does it add administration complexity?**

Option 1 would not add any administration complexity.

Option 2 would require revisions to the regulatory documents. Additional measures and efforts would need to be put in place in order to track and follow up on the payments.

To ensure that fees are paid punctually, the sanction of “under observation”, suspension or withdrawal could be automated prior consideration of the CDM-AP and by the Board.



### **Does it have any impact on predictability?**

Option 1 would not have any impact on predictability of the full payment of the accreditation fee by the entities.

The distribution of the fees under option 2 may aid the DOE by spreading the same amount of expense across the five-year accreditation cycle. However, as the total fee remains the same and the accreditation fee already is considered low as compared to the fee under other accreditation systems, there would be no significant impact on predictability.

Option 2 would result in less predictability at the Board's end. There may be situations in which the DOE withdraws its accreditation before it fulfils the total application fee.



### **Does it provide cost savings to DOEs?**

Option 1 would not result in cost savings to the DOEs.

The distribution of the cost under option 2 would not provide cost savings to the DOE, as the application fee remains the same. However, the distribution may simplify payments for the DOEs.

### **How will it stimulate the competitiveness for validation/verification services?**

Option 1 would not have any impact on the competitiveness among DOEs.

Under option 2 the competitiveness would be an indirect impact. It can only be expected if the option promotes new applications that result in the establishment of new DOEs.



## Subsequent work and timelines

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If the Board decides for option 1, no further work is envisioned.

If the Board decides for either option 2, further work involves the revision of the regulatory documents, specifically the revision of the CDM Accreditation Procedure Version 12.0. Also, a new administrative structure to do annual billing, implementing means to recover unpaid fees in the event of an early withdrawal for example by the use of a deposit guarantee.



## Comments received from the DOE/AE Forum

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- Some feedback from DOEs.
- All showed favour for option 2, or at least to break down (re-accreditation costs to two payments).
- Does not reduce costs but lowers psychological hurdles.
- Additional administrative efforts at both sides, but they are considered negligible.



## Recommendations to the Board

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**The secretariat** recommends that the Board maintain the status quo (option 1).

**The CDM-AP** recommends that the Board distribute its initial accreditation/reaccreditation fee considering payments of USD 5000 during the initial application or application for reaccreditation (in one payment of USD 2500 along with the application for accreditation/reaccreditation, and a second payment of USD 2500 after granting accreditation/reaccreditation), and four subsequent annual payments of USD 2500).



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# THANKS

