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# UK Guidance on approval and authorisation to participate in Clean Development Mechanism project activities

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**UK GUIDANCE ON APPROVAL AND AUTHORISATION TO PARTICIPATE  
IN CLEAN DEVELOPMENT MECHANISM PROJECT ACTIVITIES**

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# CDM Approval and Authorisation Guidance

## 1 CDM glossary of terms and abbreviations

<b>Acquis Communautaire</b>	The entire body of European Union laws is known as the Acquis Communautaire. This includes all the treaties, regulations and directives passed by the European institutions as well as judgements laid down by the Court of Justice.
<b>Annex I Party / Non-Annex I Party</b>	An Annex I Party is a country which is a Party to the UNFCCC and which is listed in its Annex I. Annex I Parties include the 24 original OECD members, the European Union, and the 14 countries with economies in transition. Countries not listed in Annex I are known as Non-Annex I Parties (those eligible for hosting CDM project activities).
<b>Assigned amount</b>	The amount of greenhouse gases which each Annex I country is allowed to emit during the first commitment period (2008-2012).
<b>Assigned Amount Unit (AAU)</b>	A unit of assigned amount equivalent to one tonne of CO <sub>2</sub> .
<b>Baseline</b>	The baseline is the scenario that describes the situation that would occur in the absence of a proposed project activity. This is used as the basis for establishing emission reductions or removals attributable to the project. CDM projects must use a baseline derived using a baseline methodology approved by the CDM Executive Board.
<b>Baseline methodology</b>	A methodology for establishing the baseline for a CDM project activity. CDM projects must use a methodology approved by the CDM Executive board.
<b>CDM registry</b>	A UN registry into which CERs are initially issued. Non-Annex I Parties and companies wishing to receive CERs must have an account in the CDM registry. CERs intended for Annex I Parties and companies will be forwarded from temporary accounts in the CDM registry to accounts in national registries.
<b>Certification</b>	Certification is the written assurance provided by a verifying Designated Operational Entity that the verified emission reductions or removals associated with a project activity have been achieved.
<b>Certified Emission Reductions (CERs)</b>	Kyoto units issued for emissions reductions or removals resulting from CDM projects. 1 CER is issued for reductions or removals equivalent to 1 tonne of CO <sub>2</sub> .
<b>Clean Development Mechanism (CDM)</b>	The project mechanism provided for under Article 12 of the Kyoto Protocol – CDM projects can be undertaken in non-Annex I countries to reduce emissions of greenhouse gases or enhance sinks.
<b>Clean Development Mechanism Executive Board (CDM EB)</b>	The UN body responsible for supervising the CDM including registration of projects and issuance of Certified Emission Reductions.
<b>COP</b>	The Conference of the Parties to the UNFCCC – the supreme body of the UNFCCC, comprised of countries that have ratified or acceded to the UNFCCC. The COP meets annually.
<b>COP/MOP</b>	The Conference of the Parties (to the UNFCCC) serving as the Meeting of the Parties to the Kyoto Protocol – the Meeting of the Parties (MOP) is the supreme body of Parties to the Kyoto Protocol and meets annually.
<b>Designated National</b>	An office, ministry, or other official entity appointed to

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<b>Authority (DNA)</b>	review and give national approval of voluntary participation in projects proposed under the CDM. Defra has been appointed the UK's DNA.
<b>Designated Operational Entity (DOE)</b>	A private entity accredited by the CDM Executive Board to validate proposed CDM project activities and to verify and certify emission reductions or removals.
<b>Environmental Impact Assessment (EIA)</b>	A formal assessment of the environmental impacts of a project, required in the case of projects likely to have significant environmental impacts. All projects require some form of assessment of environmental impacts including transboundary impacts, in accordance with the requirements of the host country.
<b>EU ETS</b>	European Union Emission Trading Scheme.
<b>European Union Allowance (EUA)</b>	The unit traded within the EU ETS.
<b>Executive Board</b>	See " <i>Clean Development Mechanism Executive Board</i> ".
<b>Host Party</b>	A (non-annex I) country in whose territory a CDM project activity is physically located.
<b>Implementing Regulations</b>	The Greenhouse Gas Emissions Trading Scheme (Amendment) and National Emissions Inventory Regulations 2005 which implement the provisions of the Linking Directive in the UK.
<b>International Transaction Log (ITL)</b>	The ITL performs checks on all issuance and trading transactions to ensure compliance with UN rules.
<b>Issuance</b>	The act of crediting registry accounts with CERs.
<b>Joint Implementation (JI)</b>	The project mechanism provided for under Article 6 of the Kyoto Protocol - JI projects can be undertaken to reduce emissions of greenhouse gases or enhance sinks in Annex I countries with a Kyoto target.
<b>Kyoto Protocol</b>	The Kyoto Protocol to the UNFCCC. Amongst other things, this Protocol sets binding targets for the reduction of greenhouse-gas emissions by industrialised countries.
<b>Letter of Approval / Authorisation (LoA)</b>	A letter from a DNA approving / authorising voluntary participation of a company in a CDM project activity. All companies wishing to participate in a CDM project activity need a LoA before they can be issued with credits.
<b>Linking Directive</b>	Directive 2004/101/EC of the European Parliament and of the Council, amending the EU Emissions Trading Directive in respect of the Kyoto Protocol's project mechanisms. The Linking Directive provides for use of credits from CDM and Joint Implementation projects in the EU ETS.
<b>LULUCF (projects)</b>	Land use, land use change and forestry (projects).
<b>Marrakech Accords</b>	Agreements reached at COP-7 which set out detailed rules and procedures, building on the provisions of the Kyoto Protocol. The Accords include modalities and procedures for a CDM as defined in Article 12 of the Kyoto Protocol, and guidelines for the implementation of Article 6 of the Kyoto Protocol.
<b>Methodology</b>	See " <i>baseline methodology</i> " and " <i>monitoring methodology</i> ".
<b>Monitoring methodology</b>	A methodology for establishing the monitoring requirements for a CDM project activity. CDM projects must use a methodology approved by the CDM Executive board.
<b>Monitoring plan</b>	A monitoring plan should set out the arrangements, in accordance with an approved baseline and monitoring methodology, for collecting all the relevant information needed to determine the emissions generated in the baseline, measure the emissions generated by the project, leakage (emissions impacts outside the project) and finally, the emission reductions or removals achieved by the

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	project. A monitoring plan must be included in the PDD for a CDM project.
<b>OECD</b>	The Organisation for Economic Co-operation and Development - a grouping of 30 (largely developed) member countries, working together on a range of economic and social issues (including climate change through the Annex I Expert Group).
<b>Official Development Assistance (ODA)</b>	ODA, or foreign aid, consists of loans, grants, technical assistance and other forms of cooperation extended by governments to developing countries. ODA is usually aimed at promoting sustainable development.
<b>Operator Holding Account (OHA)</b>	An account in the UK Registry held by an operator of an installation covered by the EU ETS. The account can be used for trading and compliance within the EU ETS.
<b>Person Holding Account (PHA)</b>	An account in the UK Registry which can be used for holding CERs by those without Operator Holding Accounts.
<b>Project Design Document (PDD)</b>	A PDD is a key element in the CDM project cycle, providing the basis for validation. It should set out a description of the project activity, the proposed baseline methodology, planned emission reductions or removals, a monitoring plan and other evidence needed to show that the project activity meets the requirements of the CDM.
<b>Project mechanisms</b>	The collective term for the two Kyoto mechanisms whereby emission reduction or removal projects may be undertaken: CDM and JI.
<b>Project Participant</b>	In accordance with the use of the term project participant in the CDM modalities and procedures, a project participant is (a) a Party involved, or (b) a private and/or public entity authorized by a Party involved to participate in a CDM project activity.
<b>Registration</b>	Registration is the formal acceptance by the Executive Board of a validated project as a CDM project activity. Registration is a prerequisite for the verification, certification and issuance of CERs related to that project activity.
<b>Registry</b>	A registry is an application that records allowances and credits held by operators (e.g. under the EU ETS), Parties or project participants and tracks transactions. All Annex I countries participating in emissions trading or the project mechanisms need to have a national registry.
<b>Removal Unit (RMU)</b>	A Kyoto unit covering removal of greenhouse gases from the atmosphere through LULUCF activities. 1 RMU is equivalent to 1 tonne of CO <sub>2</sub> removed.
<b>Sink</b>	A sink is any process or activity or mechanism which removes a greenhouse gas from the atmosphere.
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change – the international treaty signed by 189 countries around the world sets goals and rules for confronting climate change. The UNFCCC has an ultimate objective of stabilising greenhouse gas emissions “at a level that would prevent dangerous anthropogenic (human induced) interference with the climate system.”
<b>Validation</b>	Validation is the process of independent evaluation of a project activity by a Designated Operational Entity against the requirements of the CDM.
<b>Verification</b>	Verification is the process of independent determination by a Designated Operational Entity of emission reductions or removals resulting from a project activity.
<b>WCD</b>	World Commission on Dams – an independent, international, multi-stakeholder process addressing

### 2 Scope of this guidance

This guidance applies to the approval and authorisation of clean development mechanism (CDM) projects under Article 12 of the Kyoto Protocol<sup>1</sup>. The Secretary of State for Environment, Food and Rural Affairs acts as the Designated National Authority (DNA) for the CDM and may approve projects in accordance with international and EU requirements. These requirements are set out in various documents at international, EU and national levels:

- Article 12 of the Protocol is supplemented by Decisions 15/CP.7 and 17/CP.7, which form part of in the Marrakech Accords<sup>2</sup>);
- Directive 2004/101/EC ('the Linking Directive') amending Directive 2003/87/EC<sup>3</sup> establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms implements and supplements these project approval and authorisation requirements;
- The Greenhouse Gas Emissions Trading Scheme (Amendment) and National Emissions Inventory Regulations 2005<sup>4</sup> ('the Implementing Regulations') implement EU requirements in the UK.

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<sup>1</sup> Text of Kyoto Protocol can be found at <http://unfccc.int/resource/docs/convkp/kpeng.html>

<sup>2</sup> Available at <http://unfccc.int/resource/docs/cop7/13a02.pdf>

<sup>3</sup> O.J. L No. 338, 13/11/2004, p18

<sup>4</sup> SI 2005/2903, available from: <http://www.opsi.gov.uk/si/si200529.htm>

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### **3 UK Designated National Authority for the Clean Development Mechanism**

#### **3.1 What is the DNA for CDM?**

The designated national authority for the CDM is the national authority responsible for approval of voluntary participation in CDM project activities. In April 2004 the Department for Environment, Food and Rural Affairs (Defra) was established as the UK's DNA for the CDM. For projects involving Scottish, Welsh or Northern Irish companies, Defra will ensure the relevant Devolved Administration agrees with project decisions. To contact the DNA please email [dna@defra.gsi.gov.uk](mailto:dna@defra.gsi.gov.uk).

#### **3.2 What is the Climate Change Projects Office?**

The Climate Change Projects Office (CCPO) is a Government advisory body set up to assist UK businesses that wish to pursue opportunities arising from the Kyoto Protocol. The CCPO is jointly funded by the Department of Trade and Industry (DTI) and the Department for Environment, Food and Rural Affairs (Defra). The CCPO provides advice and support for projects which reduce greenhouse gas emissions and which could be eligible for tradable emission reduction credits. To contact the CCPO please email [ccpo.enquiries@dti.gsi.gov.uk](mailto:ccpo.enquiries@dti.gsi.gov.uk)

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## 4 Letters of approval or authorisation

### 4.1 Why do I need a letter of approval?

Participation in CDM project activities is voluntary and requires written approval of participation from all Parties involved via each Party's designated national authority for the CDM<sup>5</sup>. In the UK the application for approval is made to the Secretary of State who acts as UK DNA<sup>6</sup>.

### 4.2 Who can receive a letter of approval ?

We currently approve participation of companies resident in or with a branch in the United Kingdom. We are exploring whether it may be possible to issue a letter of approval to non-UK based entities.

### 4.3 When should I apply for a letter of approval?

You may apply for a letter of approval either before or after a project has been registered by the CDM Executive Board, following receipt of host government approval.

### 4.4 How do I apply for a letter of approval?

Applications may be made electronically to the DNA for the CDM. These should be sent to [dna@defra.gsi.gov.uk](mailto:dna@defra.gsi.gov.uk). Alternatively, you may send a hard copy of the documents to:

DNA Team  
Global Atmosphere Division  
Department for Environment, Food and Rural Affairs  
Zone 3/C1 Ashdown House  
123 Victoria Street  
London  
SW1E 6DE

### 4.5 How long should it take to get a letter?

On receipt of the relevant documents/information (see 6.2 below), Defra may issue a letter of approval for a project activity. Defra will aim to make a decision within 2 weeks in most cases. In some more complex cases, and in particular the case of hydro-electric generation facilities with a capacity of over 20MW, it may take longer to consider applications<sup>7</sup>.

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<sup>5</sup> Article 12 of the Kyoto Protocol

<sup>6</sup> See regulation 5(1) of the Implementing Regulations.

<sup>7</sup> See regulation 7(3) of the Implementing Regulations

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### 5 Appeals

#### 5.1 What if I disagree with your decision?

There is a right of appeal to the Secretary of State under Regulation 9 of the Implementing Regulations.

Appeals should be made in writing and submitted to the Appeals Officer within 15 working days of the date of the letter notifying the project participant of the Secretary of States decision. Appeals can be submitted either electronically or in hard copy. If sending a paper copy, please send to the Appeals Officer at the address below:

The CDM Appeals Officer  
Department for Environment, Food and Rural Affairs  
Zone 3/B4 Ashdown House  
123 Victoria Street  
London  
SW1E 6DE

A paper copy of the appeal should also be sent to the DNA team at the address below:

DNA Team  
Global Atmosphere Division  
Department for Environment, Food and Rural Affairs  
Zone 3/C1 Ashdown House  
123 Victoria Street  
London  
SW1E 6DE

Alternatively, you may send your appeal electronically to the CDM appeals mailbox ([cdmappeals@defra.gsi.gov.uk](mailto:cdmappeals@defra.gsi.gov.uk)) copied to the DNA mailbox ([dna@defra.gsi.gov.uk](mailto:dna@defra.gsi.gov.uk)).

In case of appeals in respect of project participants in Scotland, Wales and Northern Ireland a copy of the appeal should be sent to the relevant Devolved Administration.

- Scotland:  
John Holmes  
SEERAD  
ACE Division - Climate Change Branch  
1-G.2 Victoria Quay  
Edinburgh EH6 6QQ  
  
[climate.change@scotland.gsi.gov.uk](mailto:climate.change@scotland.gsi.gov.uk)
- Northern Ireland:  
Michael O'Neill

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Environmental Policy Division  
Department of the Environment  
River House  
48 High Street  
Belfast BT1 2AW

[michael.o'neill@doeni.gov.uk](mailto:michael.o'neill@doeni.gov.uk)

- Wales:  
Barry Dare  
Environmental Protection Division  
1st Floor  
National Assembly for Wales  
Cathays Park  
Cardiff CF10 3NQ

[barry.dare@wales.gsi.gov.uk](mailto:barry.dare@wales.gsi.gov.uk)

The closing date for appeals is 15 working days from the date of the letter notifying the project participant of the Government's approval decision. Any appeals received after this period will not be processed. For further details on the appeals procedure please see Annex A.

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### 6 General requirements for approval and authorisation

#### 6.1 What do I need to get a letter of approval?

Regulations 7(6) and (7) of the Implementing Regulations provide that the Secretary of State may only approve a project activity if she is satisfied that international and European requirements have been met. In order to make this judgement the Implementing Regulations provide that

- applications shall contain such information as the Secretary of State may reasonably require<sup>8</sup>
- the Secretary of State may request further information to enable her to make a decision on approval<sup>9</sup>.
- the Secretary of State may require information to be independently verified<sup>10</sup>.

The basic format of the application is the same for all applications, although specific information requirements vary according to the project type and legal requirements. In particular:

- where the project is undertaken within the EU<sup>11</sup> baselines must comply with EU requirements; and
- where the project involves hydro-electric generation facilities with a capacity of over 20MW WCD guidelines and criteria must be complied with.

#### 6.2 Information required for approval and authorisation

To issue a UK letter of approval for a CDM project we require the following:

- A copy of the letter from the host country DNA, confirming that the project assists in achieving sustainable development<sup>12</sup>;
- A copy of the Project Design Document (PDD) - the PDD is a necessary element of the CDM project cycle: for a CDM project to be registered with the Executive Board, project participants must prepare a PDD which provides evidence that the project activity meets the requirements of the CDM<sup>13</sup>;
- A signed declaration of compliance with the CDM rules and procedures (see Annex B for proforma).

NB: the DNA may request additional information and/or require information to be independently verified.

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<sup>8</sup> See regulation 5(4) of the Implementing Regulations.

<sup>9</sup> See regulation 6 of the Implementing Regulations.

<sup>10</sup> See regulation 5(5) of the Implementing Regulations.

<sup>11</sup> CDM project activities can only be undertaken in non-Annex I countries. CDM projects within the EU are limited to Cyprus, Malta

<sup>12</sup> See paragraph 40(a) of Decision 17/CP.7.

<sup>13</sup> See Annex B to Decision 17/CP.7.

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### **7 Approval and authorisation requirements – ensuring participation is in accordance with the Marrakech Accords**

Para 33 of the CDM Decision, as implemented in paragraph 11b(5) of the Linking Directive<sup>14</sup>, requires Parties authorising participation in projects to ensure an entity's participation is in accordance with the relevant procedures and requirements.

The participation of project participants in CDM project activities is subject to the guidance of the CDM Executive Board<sup>15</sup>. The CDM Board has not, at time of writing, elaborated further guidance on legal entities' participation in the CDM.

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<sup>14</sup> See regulation 7(7) of the Implementing Regulations.

<sup>15</sup> See article 12(9) of the Kyoto Protocol and paragraph 5 of Decision 17/CP.7.

## CDM Approval and Authorisation Guidance

### 7.1 What are the UN participation requirements for project participants?

Decision 17/CP.7 describes the role of CDM project participants. The requirements laid down in this Decision are summarised in the table below:

Paragraph	Requirement	Further Guidance
37	Select a Designated Operational Entity (DOE) to validate the project activity	A list of DoEs is available from the CDM website
37 (c.)	Submit to the DOE documentation on the analysis of the environmental and transboundary impacts of the project activity and carry out an environmental impact assessment (EIA) if the project participants or the host party consider that the impacts are likely to be significant	Further Guidance can [be obtained from the CDM Executive Board or the Host DNA
38	Revise the methodology if the COP/MOP requests its revision	Further Guidance can be obtained from the CDM Executive Board
40 (a)	Submit to the DOE written approval of voluntary participation from the DNA of each party involved, including confirmation by the host party that the project activity will help it to achieve sustainable development	This guidance covers UK approval and further Guidance may be optioned from the Host Party DNA
45 (a)	Establish a baseline in accordance with provisions for the use of approved and new methodologies	Methodologies and the Process for Approval of New Methodologies is available from the CDM Executive Board Website
48	In choosing a baseline methodology, select the approach deemed most appropriate with provisions for the use of approved and new methodologies and justify the appropriateness of the choice	Further Guidance can be obtained from the CDM Executive Board and its website
49	Select a crediting period for a proposed project activity	Further Guidance can be obtained from the CDM Executive Board
53	Include a monitoring plan as part of the PDD	For Guidance on Monitoring please refer to the CDM Executive Board and its website
56	Implement the monitoring plan	Further Guidance can be obtained from the CDM Executive Board
57	Justify any revision to the monitoring plan and submit it to the DOE for validation	Further Guidance can be obtained from the CDM Executive Board and its website
60	Provide the DOE with a monitoring report	
62 (g)	Address any concerns arising from the conformity of the actual project activity and its operation with the registered PDD	Project Participants should ensure the project activity conforms with the registered PDD

In addition to the above requirements, in order to receive written approval from the UK DNA UK project participants must submit the documentation detailed above (see section 6.2)

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### 7.2 What is the UK Government's role in projects?

Decision 17/CP.7 describes the role of Parties involved in a project. The principle functions of a Party involved are to designate a national authority (paragraph 29), to authorise public/private entities to participate (paragraph 33), to issue letters of approval (paragraph 40(a)), to request reviews of registration and issuance (paragraphs 41 and 65), and to participate in issuance instructions (paragraph 66).

This role is set out in the table below:

Paragraph	Host Party/ Non Host Party	Requirement	Further Guidance
29	HP/ non-HP	Designate a national authority for the Clean Development Mechanism (CDM)	Secretary of State acts as DNA for the UK. A list of DNAs is available on the CDM website
33	HP/ non-HP	Authorise public/private entities to participate in CDM projects and ensure that such participation is consistent with the relevant annex to Decision 17/CP.7	See section 6 of this guidance.
37(g)	HP	Request EIA of project if effects considered significant	See host government guidance
40(a)	HP/non-HP	Give written approval of voluntary participation in CDM	See sections 3.1, 4 and 6 of this guidance.
40 (a)	HP	Confirm that the project activity assists in achieving sustainable development	See host government guidance
41	HP/ non-HP	May request a review	See section 6.5 of this guidance
62(h)	HP/ non-HP	Receive a copy of the verification report from the DOE	This should be submitted to the DNA email address.
63	HP/ non-HP	Receive certification report from DOE	This should be submitted to the DNA email address
65	HP/ non-HP	May request a review of proposed issuance of Certified Emission Reductions (CERs)	See section 6.5 of this guidance
66	HP/Non-HP	Participate in issuance instructions	UK does not intend to participate in issuance

## CDM Approval and Authorisation Guidance

### 7.3 How does the UK Government ensure our participation is in accordance with the Marrakech Accords?

The UK Government ensures participation is in accordance with the Marrakech Accords<sup>16</sup>:

- At the point of approval, by requiring:
  - project participants to confirm that information supplied in the application is correct; or
  - verification of information by an independent verifier;
- At the point of registration through the potential for a request for review<sup>17</sup>;
- At the point of issuance, through the potential for a request for review of issuance<sup>18</sup>.

### 7.4 Role on approval

The UK Government ensures participation is in accordance with the Marrakech Accords by requiring a declaration to this effect by the project participant, and may require independent verification of information supplied<sup>19</sup>.

The project participant is accordingly responsible for ensuring that the information contained in the PDD and other documentation is accurate. It is a criminal offence to knowingly make a false or misleading statement; or to recklessly make a statement which is false or misleading<sup>20</sup>.

### 7.5 Role after approval

#### *a. Request for review of registration*

There is a period of 8 weeks from the request for registration to final registration during which 3 board members or a party involved may request a review of registration. Requests for registration are publicised on the CDM website.

For CDM projects the grounds on which a review of registration can be requested are limited to issues associated with the validation requirements<sup>21</sup>. The UK Government as party involved will not duplicate the functions of the host Party, the Designated Operational Entities or the Executive Board.

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<sup>16</sup> See paragraph 33 of Decision 17/CP.7; article 11b(5) of the Linking Directive; and regulation 7(7) of the Implementing Regulations.

<sup>17</sup> See paragraph 41 of Decision 17/CP.7

<sup>18</sup> See paragraph 65 of Decision 17/CP.7

<sup>19</sup> See regulations 5(4) and 5(5) of the Implementing Regulations.

<sup>20</sup> See regulation 13(1)(b) of the Implementing Regulations.

<sup>21</sup> See paragraph 41(a) of Decision 17/CP.7

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### ***b. Request for review of issuance***

There is a period of 15 days from the date of request for issuance during which 3 Executive Board Members or a party involved may request a review of issuance. Request for issuance are publicized on the CDM website.

Information in respect of validation or verification may be communicated to the DNA in writing or electronically to the DNA mailbox<sup>22</sup>.

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<sup>22</sup> Please see paragraph 4.4 for these addresses

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### 8 EU requirements

The EU Linking Directive not only transposes project approval requirements set out in the Marrakech Accords, but also introduces further requirements, specifically related to approval by EU Member States. These relate to:

- baselines for projects carried out in countries which have signed a Treaty of Accession with the EU; and
- projects involving hydro-electric facilities with a generating capacity greater than 20MW.

#### 8.1 Baselines of projects

In addition to the international requirements, EU Member States are required to ensure that the baselines for project activities undertaken in countries that have signed a treaty of accession with the EU fully comply with all Community legislation (the *Acquis Communautaire*), including the temporary derogations set out in the relevant Treaty of Accession<sup>23</sup>.

This requirement is intended to ensure that the reductions credited through the mechanism are additional to the reductions which are required by Community law.

In order for the Government to be satisfied that these requirements are met, the UK DNA will require a statement to this effect from the project participant or in the PDD of the project, in information supplied from the relevant Designated Operational Entity<sup>24</sup>.

#### 8.2 What are the requirements for hydro-electric facilities with a generating capacity greater than 20MW?

The Linking Directive provides that in the case of hydro electric projects with a generating capacity exceeding 20MW, Member States when approving such projects must take into account relevant criteria, including those set out in the World Commission on Dams (WCD) November 2000 Report “Dams and Development – A New Framework for Decision-Making”<sup>25</sup>.

To fulfill this obligation the UK DNA requires a declaration from project participants in these projects, indicating that the development of the proposed project activity will respect the criteria and guidelines identified in the Report produced by the World Commission on Dams. We are currently considering how this might then be independently verified. For further information, please see Annex C, which sets out a form for explaining how your project complies with the WCD report’s checklist.

For further information on the WCD report please go to [www.dams.org](http://www.dams.org).

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<sup>23</sup> See article 11b(1) of the Linking Directive and regulation 7(6)(a) of the Implementing Regulations. NB CDM project activities can only be undertaken in non-Annex I countries.

<sup>24</sup> See regulations 5(4) and 5(5) of the Implementing Regulations.

<sup>25</sup> See article 11b(6) of the Linking Directive and regulation 7(6)(b) of the Implementing Regulations.

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### 9 Issuance - how do we get our credits?

#### 9.1 CDM credits are issued into a registry account.

Details of the CDM Executive Board's procedures for issuance of Certified Emission Reductions (CERs) can be found in the Marrakech Accords<sup>26</sup>.

The Executive Board will issue Certified Emission Reductions (CERs) equivalent to the emissions reductions or removals achieved, within 15 days of the receipt of the verification and certification report of the project from the Designated Operational Entity, unless it or a Party involved decides to request a review<sup>27</sup>.

CERs are forwarded to the accounts of project participants and Parties involved in accordance with their instructions<sup>28</sup>. A project participant should be appointed to manage communication with the Executive Board in respect of this instruction.

#### 9.2 What are the registry restrictions on delivery of CERs pending establishment of the independent transaction log?

There are certain temporary restrictions on forwarding and transfer of CERs pre 2008:

- CERs cannot be forwarded to national registries or to the accounts of Annex I project participants or Parties involved in the UK Registry until the International Transaction Log (ITL) is operational and the UK registry is connected to it. In the meantime, Annex I project participants and Parties may receive CERs in temporary accounts in the CDM Registry.
- CERs cannot be traded between Annex I registries until the relevant parties achieve eligibility to participate in international emissions trading<sup>29</sup>.

The ITL is currently under development and, once developed, national registries will be tested for connection to the ITL. We expect connection to the ITL to occur early in 2007.

#### 9.3 What are the restrictions prior to establishment of eligibility to trade?

Once the ITL is operational and the UK registry is connected to it CERs will automatically be forwarded from temporary accounts of participants in the CDM Registry to national registry accounts of participants. CERs may then be "traded" between accounts in that national registry.

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<sup>26</sup> See section J of Decision 17/CP.7 *Issuance of certified emission reductions* (paragraphs 64-66)

<sup>27</sup> See paragraph 65 of Decision 17/CP.7

<sup>28</sup> See paragraph 66(b) of Decision 17/CP.7

<sup>29</sup> See paragraph 2(b) of Decision 18/CP.7

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Once eligibility to participate in international emissions trading has been achieved CERs may be subject to international transfers and so transferred between eligible national registries. Reports establishing assigned amount will be submitted by the end of 2006, and we expect eligibility to be achieved early in 2008.

### 9.4 How do I get a CDM registry account?

We understand that UK Project Participants will automatically receive a temporary account in the CDM registry pending establishment of the ITL and of links between registry systems following tests. Further guidance will be available from the CDM Executive Board.

### 9.5 How do I get a UK registry account?

To receive CERs in the UK Registry, you will require a Person Holding Account (PHA)<sup>30</sup>. The price of opening a PHA is £175.

You can apply for an account online at the Registry website (<http://emissionsregistry.gov.uk>), where you will be prompted to send certain information to the Environment Agency for checking. Full details of how to open a registry account can be found on the Environment Agency's website<sup>31</sup>.

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<sup>30</sup> The other major type of account is Operator Holding, but this is for those who have compliance targets within the EU emissions trading scheme.

<sup>31</sup> See [http://www.environment-agency.gov.uk/business/444217/590750/590838/1009544/1009655/1009773/?lang=\\_e&theme=&region=&subject=&searchfor=account+representatives&any\\_all=&choose\\_order=&exactphrase=&withoutwords=](http://www.environment-agency.gov.uk/business/444217/590750/590838/1009544/1009655/1009773/?lang=_e&theme=&region=&subject=&searchfor=account+representatives&any_all=&choose_order=&exactphrase=&withoutwords=)

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### ANNEX A: APPEAL PROCEDURES

An 'Appeals Officer' who will review all appeals against the application of the CDM rules will be appointed. The Appeals Officer will be somebody who has not been involved in the original project decision and will work separately from the DNA team. The appeals officer will not discuss appeals with the DNA team.

The DNA/DFP team has 10 working days from the date of receipt of an appeal to submit in response written representations to the Appeals Officer. These representations must be copied to the appellant and, where an appeal relates to a project participant in Scotland, Wales or Northern Ireland, to the relevant Devolved Administration.

The appellant will have 5 working days from the date of submission of those representations from the DNA team to submit to the Appeals Officer any further representations in response. Any such further representations must be copied to the DNA team and where an appeal relates to a project participant in Scotland, Wales or Northern Ireland, to the relevant Devolved Administration.

If he considers it necessary, the Appeals Officer may set alternative time limits to those mentioned above and/or may require further exchanges of representations between the appellant and the DNA team. There is no provision for oral hearings.

The Appeals Officer shall give notice to the appellant of his determination of the appeal and shall give reasons for his decision. A copy of the determination shall be given to the DNA team and where an appeal relates to a project participant in Scotland, Wales and Northern Ireland, to the relevant Devolved Administration.

The Appeal Officer's decision will be incorporated into the final decision on approval which may include such additional conditions and requirements as the Appeals Officer considers necessary.

If you have any questions about the appeals process, please email the CDM appeals mailbox: [cdmappeals@defra.gsi.gov.uk](mailto:cdmappeals@defra.gsi.gov.uk).

If you have any questions about the decision but do not wish to appeal, please email these to the DNA mailbox: [dna@defra.gsi.gov.uk](mailto:dna@defra.gsi.gov.uk).

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### ANNEX B: DECLARATION

#### FORM FOR DECLARATION OF COMPLIANCE WITH THE RULES AND PROCEDURES OF THE CLEAN DEVELOPMENT MECHANISM (D1/04)

On behalf of *[insert name of company]*, I confirm that *[insert name of company]* is a project participant in “*[insert name of project activity]*” in *[insert name of host country]*, and is requesting written approval from the UK’s Designated National Authority of voluntary participation in the Clean Development Mechanism in respect of this project activity.

In doing so I declare on behalf of *[insert name of company]* that:

- participation in the project activity complies with the internationally agreed rules governing the Clean Development Mechanism as laid out in the Marrakech Accords and subsequent relevant decisions.
- **Delete as appropriate:** [where the project has not been registered: *[insert name of company]* will inform the Designated National Authority when the validated project is registered].
- **Delete as appropriate:** [where the project has been registered: *[insert name of project]* was registered by the CDM Executive Board on *[insert date of registration]*.]
- the project design document (PDD) is attached.
- the information supplied in the PDD is correct.
- **Delete as appropriate** [Where the host party is an accession country - the baseline for this project activity fully complies with the *acquis communautaire*, including the temporary derogations set out in the Treaty of Accession]
- **Delete as appropriate** [where the project is a hydro electric generation activity with a generating capacity of more than 20 MW: the development of the proposed project activity will respect the criteria and guidelines identified in the Report produced by the World Commission on Dams “Dams and Development — A New Framework for Decision-Making”, and the attached checklist and supporting information is correct.
- *[insert name of company]* agrees that it is responsible for the performance of any functions that fall to it as a project participant pursuant to the Marrakech Accords and any additional requirements imposed by and in accordance with the law of the Host Party

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- *[insert name of company]* understands that in granting approval the UK's Designated National Authority will not consider those matters that fall within the competence of:
  - a *[insert name of host party]* acting as Host Party in respect of this project;
  - b *[insert name of DOE]*, appointed by the project participants as Designated Operational Entity in respect of this project;  
or
  - c the CDM Executive Board.

On behalf of (insert company name).....

Signed .....  
Director

Name (in capitals)

.....  
Date .....

Signed .....  
Director / Company Secretary

Name (in capitals)

.....  
Date .....

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### ANNEX C: CHECKLIST IN RESPECT OF HYDRO ELECTIC GENERATION ACTIVITIES

Please indicate whether the criteria listed have been met and provide a reference to supporting information in respect of each criterion, and attach to the declaration.

These criteria should be read in connection with the guidelines established by the world Commission on Dams. Supporting information may include an environmental impact statement or other supporting documents.

Stage 1 Criteria Checklist	Yes/No	Reference
<b>Gaining Public Acceptance</b>		
A consultation plan was developed using a stakeholder analysis to define the groups involved. The plan defines mechanisms for verifying needs at the local, sub-national and national level (Guideline 1).		
Verification of the needs for water and energy services was achieved through a process of public consultation and the results of public consultation were disseminated to stakeholders.		
Development objectives reflect a river-basin wide understanding of relevant social, economic, and environmental values, requirements, functions, and impacts that identifies synergies and potential areas of conflict.		
An appropriate process was established to address any disparities between the needs expressed through the public consultations and the stated development objectives.		
<b>Comprehensive Options Assessment</b>		
Legal, policy and institutional frameworks were reviewed and any bias against resource conservation, efficiency and decentralised options, and any provisions that hindered an open and participatory assessment of needs and options were addressed.		
<b>Addressing Existing Dams</b>		
Outstanding social and environmental impacts from past projects were evaluated and incorporated into the needs assessment (see Chapter 8, policy principle 3.3).		
<b>Sustaining Rivers and Livelihoods</b>		
Ecosystem baseline studies and maintenance needs were assessed at a strategic level (Guidelines 14, 15)		

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<b>Stage 2 Criteria Checklist</b>		
<b>Gaining Public Acceptance</b>		
Stakeholders participated in creating the inventory of options, assessing options, and in negotiating those outcomes that may affect them (Guidelines 1, 2).		
An agreed dispute resolution mechanism for negotiated processes was established with the participation and agreement of stakeholders (Guideline 2).		
Indigenous and tribal peoples gave their free, prior and informed consent to the inclusion in the development plan of any planned option that would potentially affect them (Guideline 3).		
<b>Comprehensive Options Assessment</b>		
Strategic impact assessments and life cycle analysis were integrated and undertaken as an initial step in the process (Guidelines 4, 7, 8, 14, 17).		
A multi-criteria assessment was used to screen and select preferred options from the full range of identified alternatives (Guideline 6).		
The screening of options:		
covered all policy, programme, and project alternatives;		
gave social and environmental aspects the same significance as technical, economic and financial factors;		
gave demand-side options the same significance as supply options;		
prioritised consideration of improving performance of existing systems;		
considered river-basin-wide aspects and cumulative impacts;		
took account of potential changes in climate; and		
reflected the precautionary approach.		
Distributional and risk analyses were conducted at an appropriate level (Guidelines 9, 11) and environmental and social impacts were valued where appropriate (Guideline 10).		
Approval to proceed with any project-level investigations was informed by a comprehensive assessment of options (see Criteria Checklist 2A).		
Rejection of any options was explained in an open and timely manner.		
<b>Addressing Existing Dams</b>		
Provisions were made for resolving outstanding social and environmental impacts (see Chapter 8, policy principle 3.3)		
<b>Sustaining Rivers and Livelihoods</b>		
An established policy exists to maintain selected rivers with high ecosystem functions and values in their natural state.		
Consideration of options took into account: avoiding dams on the main-stem of rivers wherever possible; avoiding or minimising negative impacts on endangered species, ecosystems, livelihoods, human health and cultural resources; and respecting the provisions and guidance of relevant international treaties.		
<b>Recognising Entitlements and Sharing Benefits</b>		
For any project option, stakeholders negotiated the guiding principles and criteria for: benefit sharing, mitigation,		

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resettlement, development and compensation measures (Guidelines 2, 18, 20).		
<b>Ensuring Compliance</b>		
Sufficient institutional capacity exists, or will be enhanced, to monitor and enforce commitments for social and environmental components.		
<b>Sharing Rivers for Peace, Development and Security</b>		
Any objections from riparian states were resolved through good faith negotiations or independent dispute resolution procedures (Guideline 26).		
<b>Stage 2A Criteria Checklist</b>		
<i>Project-related pre-feasibility and feasibility studies need to meet the following criteria. Policy and programme related studies may also be required, and are covered in Criteria Checklist 2.</i>		
<b>Gaining Public Acceptance</b>		
Stakeholders participated in baseline, impact and investigative studies and the negotiation of outcomes that potentially affect them (Guidelines 1, 2, 14, 17).		
The studies and impact assessments were open and independent, and were preceded by a participatory scoping phase (Guideline 5).		
<b>Comprehensive Options Assessment</b>		
The investigations were analysed on a riverbasin-wide understanding of social, economic, and environmental values, requirements, functions, and impacts including cumulative impacts, and the precautionary approach was applied. (see Guideline 5).		
The recommendations of studies undertaken on resource conservation measures, demand-side management, local supply-side options and improvement of existing systems were reflected in the demand forecast for the sector.		
Within-project alternatives were assessed using a multi-criteria approach (Guideline 6).		
<b>Addressing Existing Dams</b>		
Studies examined possible synergies from interactive operation of related water resource infrastructure in the basin.		
<b>Sustaining Rivers and Livelihoods</b>		
An environmental flow requirement to maintain downstream species, ecosystems and livelihoods was defined (Guideline 15).		
Impacts on fish have been assessed and measures to avoid or minimise impacts were considered, including an effective fish pass where feasible (Guideline 16).		
<b>Recognising Entitlements and Sharing Benefits</b>		
Stakeholders negotiated agreements for compensation, mitigation, resettlement, development and monitoring measures affecting them, including draft contracts where necessary (Guideline 19).		
Effective benefit-sharing strategies were identified and agreed with people adversely affected by the project (Guideline 20).		

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<a href="#">Ensuring Compliance</a>		
Institutional capacity to monitor and enforce commitments for social and environmental components of the project was analysed and measures to strengthen capacity identified.		
An independent panel reviewed the assessment of impacts and the planning of social and environmental mitigation plans (Guideline 22).		
<a href="#">Sharing Rivers for Peace Development and Security</a>		
Riparian states were notified of options affecting them and agreed procedures for impact assessments. Objections were addressed through good faith negotiations and agreed dispute resolution procedures (Guideline 26).		
<a href="#">Stage 3 Criteria Checklist</a>		
<a href="#">Gaining Public Acceptance</a>		
Stakeholders participated in the project design and the negotiation of outcomes that affect them (Guidelines 1, 2).		
Indigenous and tribal peoples gave their free, prior, and informed consent to the project as designed (Guideline 3).		
<a href="#">Comprehensive Options Assessment</a>		
The stakeholder forum participated in assessing alternatives for the detailed layout of the dam, associated infrastructure, and its operation.		
<a href="#">Addressing Existing Dams</a>		
Cumulative and interactive impacts of existing infrastructure were addressed in the design of the dam and agreements reached with stakeholders and operators to modify operating rules of existing dams where needed.		
<a href="#">Sustaining Rivers and Livelihoods</a>		
Acceptable rules were developed for reservoir filling, commissioning and operation.		
The final design includes provisions for emergency drawdown and decommissioning and is sufficiently flexible to accommodate changing future needs and values, including ecosystem needs and ecosystem restoration (Guideline 12).		
An environmental management plan incorporating environmental flows and other mitigation and enhancement measures was agreed with stakeholders and defines monitoring and evaluation programmes.		
The developer provided sufficient evidence to demonstrate that proposed mitigation and development measures will be effective in meeting their objectives.		
<a href="#">Recognising Entitlements and Sharing Benefits</a>		
Mitigation, resettlement, monitoring, and development plans were agreed with affected groups, and relevant contracts signed (Guideline 19).		
Detailed benefit sharing mechanisms, and the means to deliver them, have been agreed and set in place with affected groups (Guideline 20).		
<a href="#">Ensuring Compliance</a>		

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Independent panels reviewed and endorsed mitigation plans (Guideline 22).		
Provisional sums for mitigation are included in the tender, and their financing has been confirmed.		
A Compliance Plan was prepared, presented to the stakeholder forum and formalised. Individual compliance measures include mechanisms for dispute resolution (Guideline 21).		
The developer has allocated funds for an effective monitoring and evaluation system covering project performance, safety and impacts. Institutional capacity exists to monitor and enforce agreements effectively.		
A transparent process for short-listing contractors and selecting tenders is in place and contractors with a record of under-performance or corruption on past projects were identified and debarred where appropriate.		
Relevant performance bonds have been secured, trust funds established and integrity pacts signed (Guidelines 23, 24, 25).		
The licence for project development defines the responsibility and mechanisms for financing decommissioning costs.		
<a href="#">Sharing Rivers for Peace, Development and Security</a>		
Resolution was achieved where affected riparian states had outstanding objections (Guideline 26).		
<a href="#">Stage 4 Criteria Checklist</a>		
<a href="#">Gaining Public Acceptance</a>		
Stakeholders participated in monitoring mitigation measures and in negotiating outcomes that affect them (Guidelines 1, 2).		
Consultation mechanisms were agreed in advance with stakeholders for any technical, social, environmental, or other problems that may be encountered during reservoir filling and commissioning.		
Contingency plans for emergency drawdown of the reservoir were agreed with stakeholders before commissioning and were widely disseminated.		
<a href="#">Comprehensive Options Assessment</a>		
Affected stakeholders have reviewed any changes proposed to the tender design that		
substantially affect impacts, mitigation measures, benefit sharing, operational practices, or the monitoring programme.		
<a href="#">Addressing Existing Dams</a>		
Institutional co-ordination mechanisms that recognise interactive effects and cumulative impacts are in place to adjust operation of existing dams.		
<a href="#">Sustaining Rivers and Livelihoods</a>		
Required environmental mitigation measures were implemented.		
<a href="#">Recognising Entitlements and Sharing Benefits</a>		
The mitigation, resettlement and development action plan has been implemented and disputes resolved (Guideline 19).		

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<b>Ensuring Compliance</b>		
An independent panel reviewed and endorsed implementation of social, environmental, health and cultural heritage mitigation measures (Guideline 22).		
Preparations have been made to implement licence conditions for operations, implement continuing mitigation measures, undertake monitoring and regular evaluation, and disseminate information.		
Monitoring of social, environmental and technical aspects includes an intensive phase to cover the rapid changes that occur in the impoundment and commissioning period.		
The developer has complied with pre-commissioning commitments as defined in the Compliance Plan (Guideline 21).		
<b>Sharing Rivers for Peace, Development and Security</b>		
Mechanisms were initiated for sharing monitoring information with riparian provinces or States (Guideline 26).		
<b>Stage 5 Criteria Checklist</b>		
<i>These criteria are relevant to both existing dams (Chapter 8, Strategic Priority No.3) and the operational stages of future dams.</i>		
<b>Gaining Public Acceptance</b>		
Stakeholders are identified for consideration of operational issues and any proposed changes that impact on them or the environment (Guideline 1).		
<b>Comprehensive Options Assessment</b>		
Periodic evaluations of all aspects of project operation and performance are undertaken with the involvement of the stakeholder forum every 5 to 10 years and agreements renegotiated as necessary.		
Modernisation programmes and alternative operational regimes are considered as part of periodic reviews, replanning, or relicensing exercises through a participatory multi-criteria approach (Guideline 13).		
Monitoring and evaluation programmes should explicitly consider the influence of climate change (namely increasing and decreasing rainfall and flows) on benefits and dam safety.		
A full feasibility study, including analysis of alternatives and impact assessment, is undertaken for any proposal for any major physical change, including decommissioning.		
<b>Sustaining Rivers and Livelihoods</b>		
Operations take account of environmental flow requirements (quantity and quality) and ecosystem and social impacts are monitored (Guideline 15).		
<b>Recognising Entitlements and sharing benefits</b>		
Detailed benefit-sharing mechanisms are modified as necessary with the agreement of affected groups (Guideline 20).		
<b>Ensuring Compliance</b>		
Adverse social and environmental impacts and reparations issues are referred to the appropriate recourse body		

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(Guideline 19).		
Annual reports of project monitoring programmes, including social and environmental aspects, are issued promptly and corrective measures are initiated to address issues raised in the reports.		
The requirements of remaining performance bonds or trust funds outlined in the Compliance Plan are periodically reviewed, and financial guarantees are released on satisfactory compliance with agreed milestones (Guideline 23).		
Dam safety and inspection programmes are implemented.		
<a href="#">Sharing Rivers for Peace, Development and Security</a>		
Mechanisms exist to share monitoring information and resolve issues as they arise		