



Designated Operational Entities
& Independent Entities Association

Third Party Rating of Mitigation Actions

Suggestions for a (potential) Process Cycle under Article 6.2

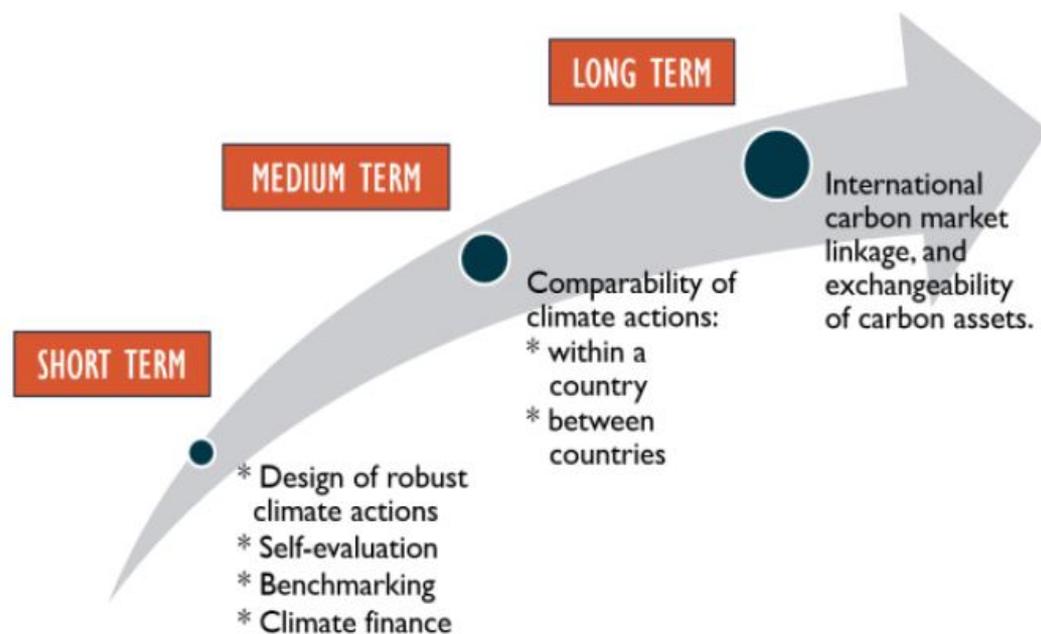
Werner Betzenbichler
London, 21 Feb 2020

Topics

- ❖ **Background on MAAP**
- ❖ **The RECRA Project**
- ❖ **The Project Cycle**
- ❖ **The Rating Approach**
- ❖ **Code of Conduct**

Background of the development of MAAP

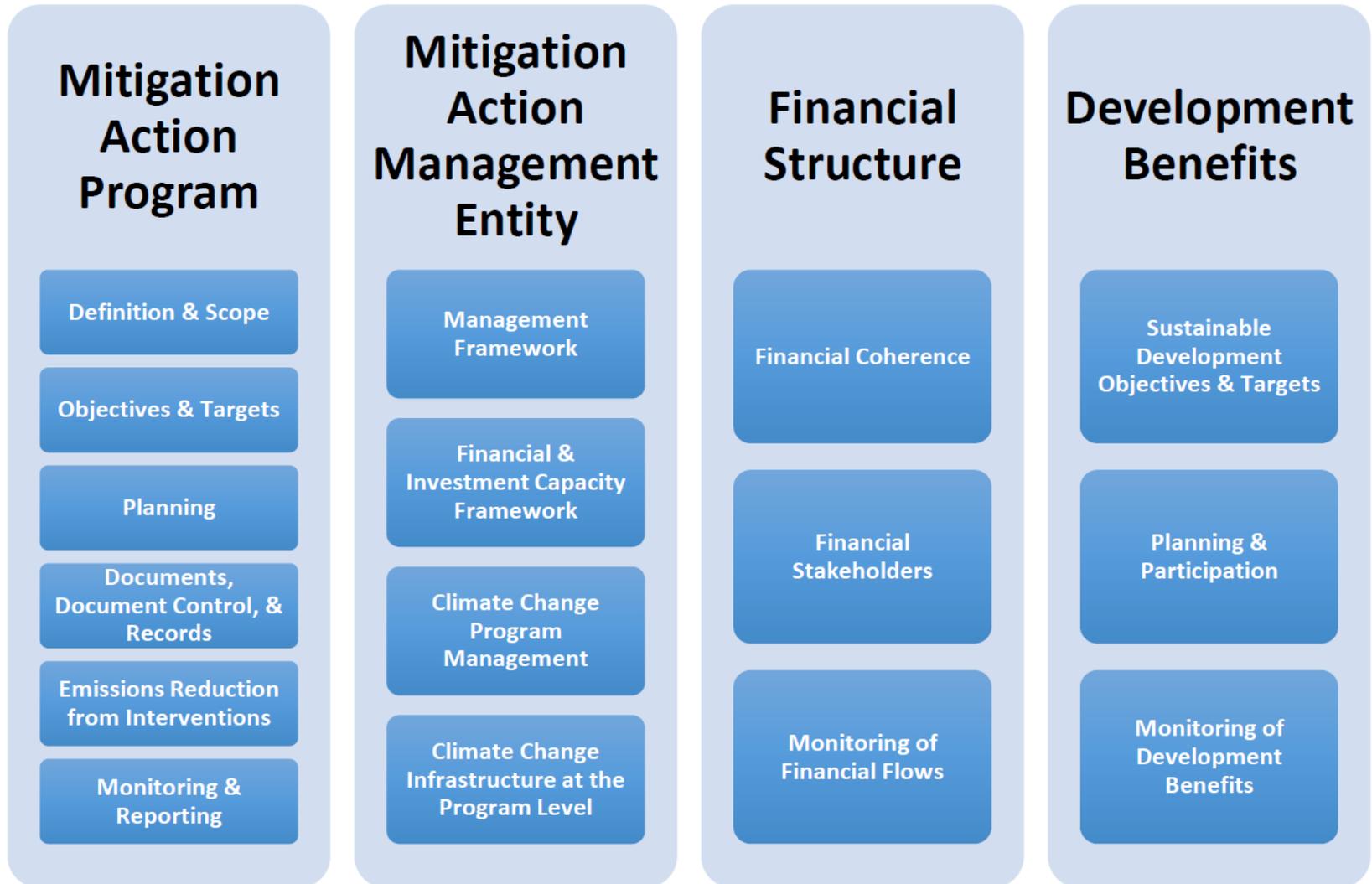
Short, Medium, and Long-Term Goals and the Scope of the MAAP:



Source: Networked Carbon Markets: Mitigation Action Assessment Protocol, World Bank, 2016

- ❖ Focus on comparing and assessing risks and benefits of mitigation actions
- ❖ Drives comparability to facilitate prioritization and benchmarking, within and between jurisdictions
- ❖ Supports environmental integrity to increase investor confidence in viability and risks

Modules and Assessment Areas



Source: MAAP Assessor Guidelines_Oct 16 2017

How does application look like?

Financial Structure (Module Score : 70.75 Override : 0)	Assessment Area	KI Weight	Weighted KI Score	Maximum Weighted KI Score
Mitigation Action (MA) Program (Module Score : 77.91 Override : 11)	Definition and Scope (Weighted Area Score: 17.1) (Weighted Max Area Score: 20)			
Development Benefits (Module Score : 78.6 Override : 0)	Description of the MA technology or change in practice	15%	12	15
Mitigation Action Management Entity (ME) (Module Score : 79.16 Override : 4)	Scope of the Mitigation Action (MA)			
	Alignment with jurisdictional priorities			

Item	Observation	Attachments
	The objective of the Olkaria IV Geothermal	1
	Olkaria IV, CDM PDD as registered.pdf	
	Olkaria IV, CDM PDD as registered.pdf	
	Kenya's Least Cost Power Development Plan 2017-203	3
	In the design phase, the MA applied for an electri	4

Public access possible
→ enhanced transparency

Example taken from one of the pilot projects

The „RECRA Project“

❖ Objectives

- Research whether the utilization of MAAP could support independent Third Party in assessing MAs
- Ensure comparability by clear guidance when applied by Third Parties
- Create a transparent approach acceptable for all market actors
- Professionalize / harmonize the application of MAAP by Third Parties
- Build on successful experiences under the CDM when drafting the first VVM (Validation and Verification Manual)

Professionalizing the Application by Third Parties

❖ Project launched to professionalize application

- Reduce subjectivity in scoring system by further optimisation and guidance for assessments
→ a step-by-step process and protocol
- “Oblige” independent Third Parties to apply process and protocols in a harmonized manner
→ code of conduct, quality control and self-regulation
- Share first outcomes with stakeholders and evaluate feedback
→ gathering of ideas to further improve processes and protocols

Professionalizing the Application by Third Parties (2)

❖ Contd.

- Road-test processes and protocols by applying to pilot activities
→ first experiences on real application along three pilot activities, standardisation of assessment reporting, corrective actions
- Finalisation of processes and protocols, refining of MAAP modules, “branding strategy” for competent independent Third Parties
→ working title “Recognized Rating Agencies” RECRAAs
- Explore applicability and demand, adjust for CMP development, offer Third Party (RECRA) services
→ Outreach events

Elements of a Rating Activity

❖ A desk review

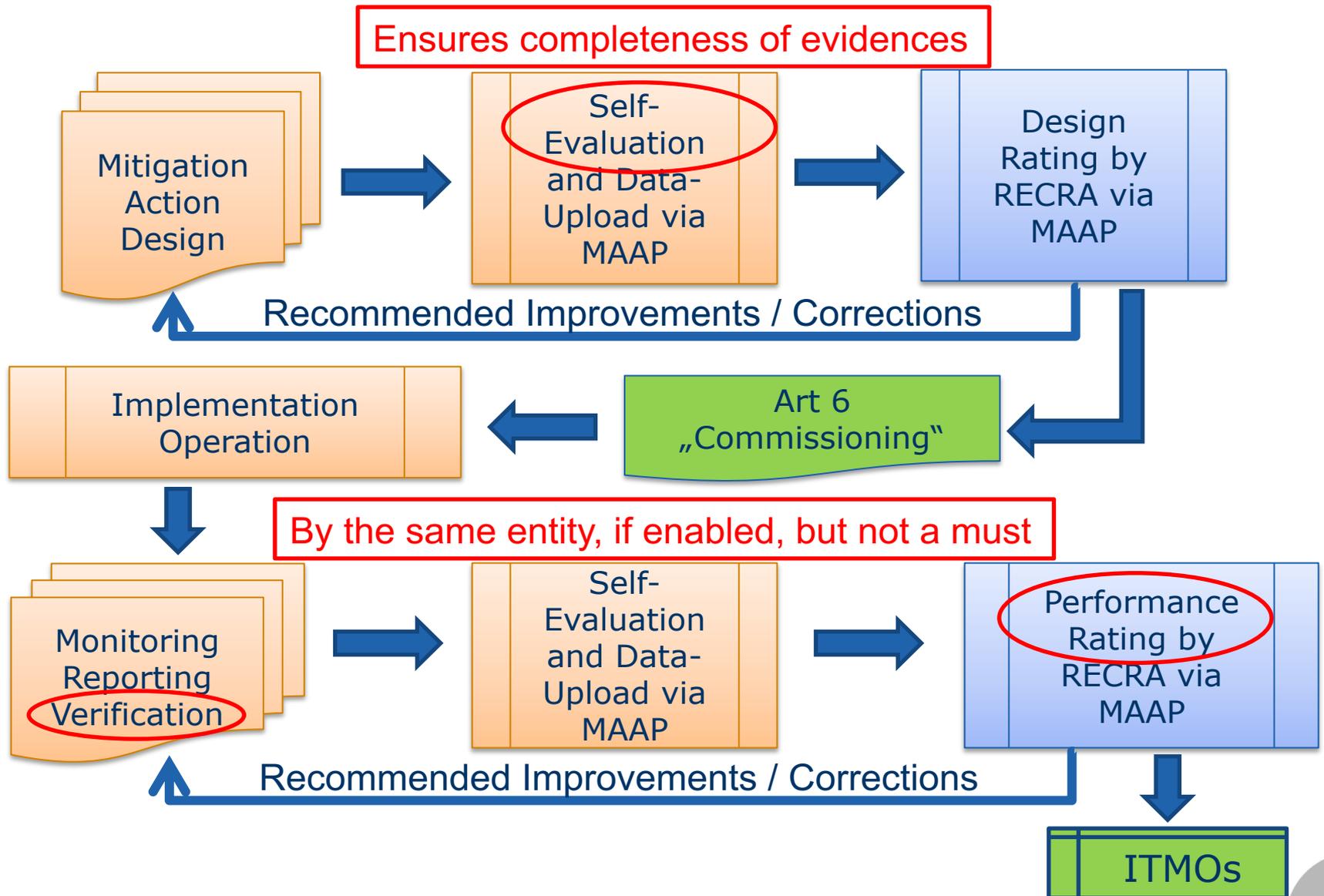
- Cross check of data and information
- Correctness, transparency, reproducibility
- Methodologies, readiness, status of implementation
- Evaluation/ranking of approaches

❖ Follow up actions

- Fact finding mission, if necessary to complete information
- Telephonic/email interview

❖ Reporting of rating and conclusions using MAAP

Process Cycle



The Rating Approach

❖ Two types

- Design Rating
- Performance Rating

❖ Two cycles each ratings

- Design or Performance
- Risks

❖ Differentiation for four MA types

- P: project-type, stand-alone MA
- M: multiple projects, programmatic approach
- S: Sectoral coverage
- E: economy-wide, multi-sectoral approach

The Rating Approach (2)

- ❖ 95 Indicators, with pre-defined weighing
 - As for recent MAAP version
 - + indicator for verification / accreditation approach
- ❖ 6 offered scoring results per indicator

Score as per checklist	Score range in MAAP	Design	Performance	Risk
5	100 %	Outstanding design	Outperforming	No or very low risks
4	80 %	Well designed	Meets projections	Low risks
3	60%	fairly designed	fairly meets projections	Moderate, managed
2	40 %	upgrades requested	Partly meets projections	Moderate, unmanaged
1	20 %	poor design	Low or unquantified success	High risks
0	0 %	unusable	Missing outcomes	Very high risks

Rating Checklist (Example)

Key Indicator	Means of Assessment	Design	Performance	Risk
<p>AP.1.1</p> <p>Description of the MA technology or change in practice.</p> <p>This indicator seeks to measure the clarity and completeness of the MA's description of the proposed technology and/or the change in practice, as well as the implementation process.</p>	<p>This can be verified through written evidence from the MA project or program documents. The technology and/or the change in practice must be described in detail, including an explanation of how the MA will contribute to emission reductions in comparison to the baseline scenario (status quo). This should preferably be supported by a numeric example.</p> <p>The MA project document should also refer to ownership and/or change in practice, as well as the application of technology and/or change of practice in other jurisdictions.</p> <p>Determine whether the description includes:</p> <ul style="list-style-type: none"> a) an identified baseline scenario, b) a description of the technology that would be used and/or, c) the activities that would take place in the abated project activity, d) . <p>Determine based on the knowledge of the sector and local experts that all applicable rules and requirements are taken into account in the identification of the baseline proposed MA, as well as relevant national and/or sectoral regulations and circumstances, such as sectoral reform, fuel availability, power sector expansion plans, and transition in the project sector.</p>	<p>5 → The documentation provides a very clear description of technologies or changes in practice leaving no space for interpretation.</p> <p>3 → The description of MA technology or change in practice are fairly designed and outline all intended applications and provide rules regarding excluded actions.</p> <p>1 → The description of MA technology or change in practice is not applicable.</p>	<p>5 → Exclusively those technologies or changes in practices have requested implementation and have been included in the implemented.</p> <p>1 → So far, only few addressed.</p>	<p>5 → There is no risk that other technologies or practices not addressed by the description may erroneously be registered under the MA.</p> <p>is low risk that other technologies or practices not addressed by the description may erroneously be registered under the MA.</p> <p>is some risk that technologies or practices not addressed by the description may erroneously be registered under the MA, but the ME runs effective safeguarding procedures to reduce such risks.</p> <p>is some risk that technologies or practices not addressed by the description may erroneously be registered under the MA, and the ME does not run safeguarding procedures to reduce such risks.</p>

3 → The description of MA technology or change in practice are fairly designed and outline all intended applications and provide rules regarding excluded actions.

The Rating Approach (contd)

❖ Rating Result offered as two assessments in MAAP portal

LIST OF ASSESSMENTS

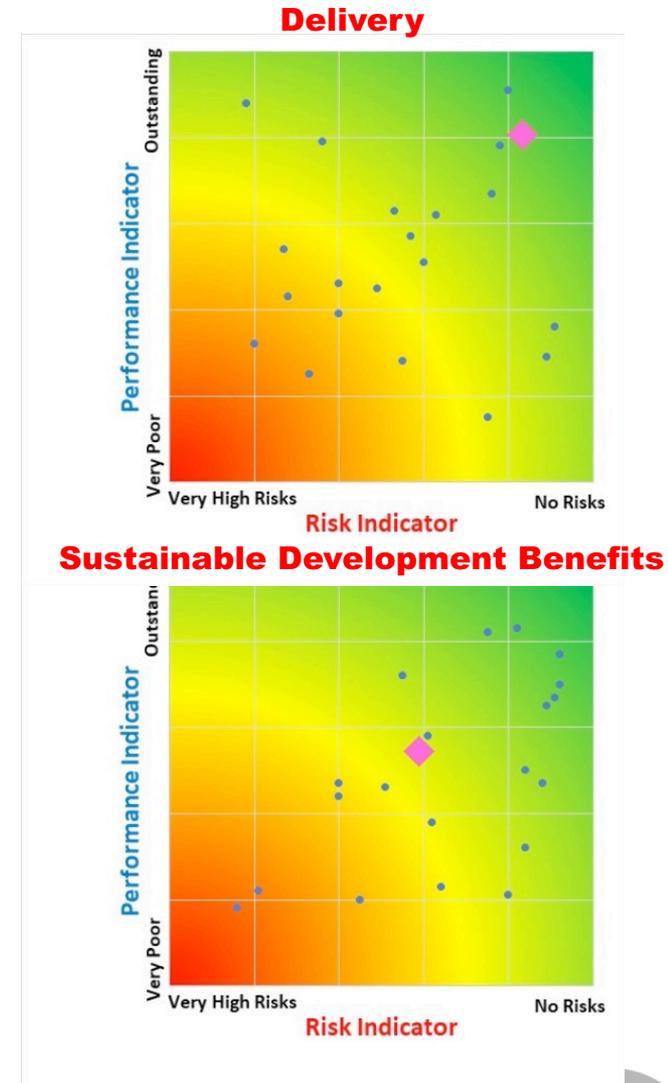
> Filters

Show 10 entries

	Result Name	Phase	Sector	Country	Jurisdiction Type	MA Type	Last Modified
<input type="checkbox"/>	Performance of Olkaria IV	Implementation	Electricity and heat production	Kenya	Country	Single project	02 Feb 2020 04:19
<input type="checkbox"/>	Risks of Olkaria IV	Implementation	Electricity and heat production	Kenya	Country	Single project	02 Feb 2020 03:49
<input type="checkbox"/>	Olkaria IV Geothermal Project	Implementation	Electricity and heat production	Kenya	Country	Single project	24 Jan 2020 01:27

The Rating Approach (contd)

- ❖ And as “Quick Info” sheet
- ❖ Providing information on
 - The Mitigation Action at a glance
 - Confirmed Strengths and Weaknesses (per module)
 - The Rating Process
 - Evaluation of the Scoring Result
 - Threats and Major Risks
 - Opportunities and Recommendations for Improvement



Code of Conduct

- ❖ **Provisions regarding the implementation and supervision of the rating scheme**
- ❖ **Safeguard the integrity and robustness of ratings of mitigation actions**
- ❖ **Steer the self-regulation of recognized rating agencies (RECRAs)**
- ❖ **Signatories of the “Code of Conduct” shall be perceived by market participants as reliable service providers**

Code of Conduct (2)

- ❖ **Borrowing of concepts well-established in global markets**
 - Recognized Organizations in ship classification
 - Rating agencies in the financial world
- ❖ **Verification of the achieved amount of ITMOs is not a part of the rating activities of a RECRA, but may be ordered to the same entity**

Code of Conduct (3)

- ❖ **Authorization process by a Steering Committee (to be established & supported by the DIA office)**
- ❖ **Reference to well known Third Party principles**
- ❖ **Demonstration of competence by**
 - Reference to existing accreditations (e.g. DOE, ISO14065, ...)
 - Participation in trainings
 - Regular “calibration events”
- ❖ **Responsibilities of Steering Committee**
 - Recognition, suspension, withdrawal
 - Updates of RECRA Manual and Code of Conduct
 - Update of cost structure

Lessons Learnt

- ❖ **Efforts regarding supervision and training in the starting phase will be essential in the context of quality and acceptability**
- ❖ **MA can have very different sets of documentation (even no standardization necessary), but at the end they have to substantiate all statement made (in particular in the self-evaluation)**
- ❖ **Scaling-up or replications could result in a rather low volume of additional assessment activities**
- ❖ **The approach is open for all direction the Art 6.2 will go, but the result (scores) will depend on such decision**
- ❖ **Pilots show highest risks for unresolved issues**

A win-win situation for market actors

❖ Action Implementers

- Increasing transparency and creating attractiveness
- Identifying improvement options
- Demonstrating compliance (if needed)

❖ Investors

- Enabling comparability
- Creating trust by reference to quality standard
- Demonstrating performance

A win-win situation for market actors (2)

❖ Independent Third Parties

- Ensuring a level playing field
- Reducing efforts for (anyway missing, unified) accreditation
- Provision of up-to-date tools
- Comparison with similar activities (benchmarks)
- Access to a global market



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Thank you for your attention!

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