

## Draft decision -/CMP.5

### Further guidance relating to the clean development mechanism

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*  
*Recalling* the provisions of Articles 3 and 12 of the Kyoto Protocol,  
*Cognizant* of decisions 7/CMP.1, 1/CMP.2, 2/CMP.3 and 2/CMP.4,

#### I. General

1. *Takes note* of the annual report for 2008–2009 of the Executive Board of the clean development mechanism;<sup>1</sup>
2. *Designates* as operational entities those entities that have been accredited, and provisionally designated, as operational entities by the Executive Board to carry out sector-specific validation functions and/or sector-specific verification functions as listed in the annex to this decision;
3. *Urges* the Executive Board to take effective action to ensure compliance with established timelines for each of *its* procedures as well as with decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and, where possible, to reduce the established timelines;
4. *Welcomes* the measures adopted by the Executive Board to improve the efficiency of the operation of the clean development mechanism, as outlined in annex IV to its annual report;
5. *Requests* the Executive Board to continue its efforts to improve the efficiency and impartiality of the operation of the clean development mechanism and strengthen its executive and supervisory role by, inter alia, ensuring effective use of its support structure, including its panels, other outside expertise and the secretariat, taking into consideration the increasing caseload, and to make recommendations on further improving and reforming the system and its efficiency and impartiality to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for consideration at its sixth and subsequent sessions;

#### II. Governance

6. *Encourages* Parties to give active consideration to the nomination of women as members and alternate members of the Executive Board, in accordance with decision 36/CP.7;
7. *Requests* the Executive Board, as its highest priority, to continue to significantly improve transparency, consistency and impartiality in its work by, inter alia:
  - (a) Continuing its efforts to improve consistency in its decision-making;
  - (b) Publishing detailed explanations of and the rationale for decisions taken, including sources of information used, without compromising the confidentiality of the opinion of any individual Executive Board member or alternate member;
  - (c) Taking into account input from relevant international organizations and Parties involved in addition to project participants and the designated operational entities in its decision-making process;

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<sup>1</sup> FCCC/KP/CMP/2009/16.

8. *Requests* the Executive Board to enhance its communications with project participants and stakeholders, including through the establishment of modalities and procedures for direct communication between the Executive Board and project participants in relation to individual projects, and to report on actions taken to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

9. *Requests* the Executive Board to take fully into account, in its work and in the work of its support structure, the laws, regulations, policies, standards and guidelines that apply in the host countries, and in case of need seek inputs from designated national authorities of the host countries;

10. *Affirms* that it is the prerogative of the host country to decide on the design and implementation of policies to promote or give competitive advantage to low greenhouse gas emitting fuels or technologies;

11. *Requests* the Executive Board to ensure that its rules and guidelines related to the introduction or implementation of the policies referred to in paragraph 10 above promote the achievement of the ultimate objective of the Convention and do not create perverse incentives for emission reduction efforts;

12. *Requests* the Executive Board to consolidate, clarify and revise, as appropriate, its guidance on the treatment of national policies;

13. *Acknowledges* that the Executive Board has adopted a code of conduct for its members;

14. *Requests* the Executive Board to recommend terms of reference for membership of the Executive Board that clarify the desired set of skills and expertise as well as the expected time commitment required of members and alternate members, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

15. *Requests* that the curricula vitae of Executive Board members, statements on conflicts of interest and details of any past and current professional affiliations of members be published on the UNFCCC CDM website;

### **III. Accreditation**

16. *Encourages* the Executive Board to continue to develop measures to enhance the impartiality, independence and technical competence of designated operational entities and to develop arrangements to protect from undue prejudice proposed clean development mechanism project activities that are undergoing validation and verification by a designated operational entity that has lost its accreditation status or had this status suspended;

17. *Reiterates its request* to the Executive Board to develop and apply, as a priority, a system for continuous monitoring of the performance of designated operational entities and a system to improve the performance of these entities and to report on the implementation of these systems to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

18. *Requests* the Executive Board to improve access to information on the performance of designated operational entities, including through improved reporting on performance, capacity and accessibility of services of these entities;

19. *Requests* the Executive Board to adopt measures to increase capacity and improve performance of designated operational entities, including systems to promote improved levels of training for auditors involved in validating and verifying activities;

20. *Requests* the Executive Board to adopt a procedure for designated operational entities to provide the secretariat with information on the number of project activities under validation or verification per qualified auditor, and the time frames and average fees for the validation and verification of clean development mechanism project activities hosted in developing countries, divided by region;

21. *Requests* the secretariat to prepare a compilation of this information without attribution for publication on the UNFCCC CDM website;

22. *Requests* the Executive Board to continue to update the *Clean Development Mechanism Validation and Verification Manual*, including by further exploring the possible introduction of the concepts of materiality and the level of assurance, and to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

#### **IV. Baseline and monitoring methodologies and additionality**

23. *Authorizes* the Executive Board to prioritize, informed by an analysis of the potential use of methodologies and potential for emission reductions, the consideration and development of baseline and monitoring methodologies that are applicable to under-represented project activity types or regions, in order to improve the efficiency of operation of the methodologies processes;

24. *Requests* the Executive Board, starting at its next meeting, to further work and report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the enhancement of objectivity and transparency in the approaches for demonstration and assessment of additionality and selection of the baseline scenario by means of the following activities:

- (a) Further development of guidelines for demonstration and assessment of barriers and of standardized methods to calculate financial parameters;
- (b) Development of guidance for project participants on the use of first-of-its-kind barrier and the assessment of common practice, including the definition of the applicable region, similar technologies and thresholds for penetration rates;
- (c) Establishment of simplified modalities for demonstrating additionality for project activities up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year;
- (d) Development of guidance for the treatment of feed-in tariffs in the additionality analysis for renewable energy project activities;

25. *Requests* the Subsidiary Body for Scientific and Technological Advice to recommend modalities and procedures for the development of standardized baselines that are broadly applicable, while providing for a high level of environmental integrity and taking into account specific national circumstances, and to forward a draft decision on this matter to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

26. *Invites* Parties, intergovernmental organizations and admitted observer organizations to make submissions to the secretariat, by 22 March 2010, on their views on the matter referred to in paragraph 25 above;

27. *Requests* the secretariat to compile the views submitted by Parties and intergovernmental organizations in accordance with paragraph 26 above into a miscellaneous document for consideration by the Subsidiary Body for Scientific and Technological Advice at its thirty-second session;

28. *Also requests* the Subsidiary Body for Scientific and Technological Advice to assess the implications of the recommendation regarding “forests in exhaustion”, as contained in annex I to the annual report of the Executive Board;

29. *Recognizes* the importance of carbon dioxide capture and storage in geological formations as a possible mitigation technology, bearing in mind the concerns related to the following outstanding issues, inter alia:

- (a) Non-permanence, including long-term permanence;

- (b) Measuring, reporting and verification;
- (c) Environmental impacts;
- (d) Project activity boundaries;
- (e) International law;
- (f) Liability;
- (g) The potential for perverse outcomes;
- (h) Safety;
- (i) Insurance coverage and compensation for damages caused due to seepage or leakage;

30. *Further requests* the Subsidiary Body for Scientific and Technological Advice to continue to work on the possible inclusion of carbon dioxide capture and storage in geological formations in the clean development mechanism by working on the issues listed in paragraph 29 above, with a view to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol adopting a decision on this matter at its sixth session;

31. *Invites* Parties to make submissions to the secretariat, by 22 March 2010, on their views on the issues listed in paragraph 29 above;

32. *Requests* the secretariat to compile the views submitted by Parties in accordance with paragraph 31 above into a miscellaneous document for consideration by the Subsidiary Body for Scientific and Technological Advice at its thirty-second session;

33. *Invites* interested entities to submit methodologies, considering the current work of the Executive Board and the Subsidiary Body for Scientific and Technological Advice, on new technologies that have the potential to reduce in net terms the concentration of carbon or carbon dioxide already in the atmosphere;

34. *Requests* the Executive Board to further improve the “Tool to calculate the emission factor for an electricity system” for project activities hosted in countries with a paucity of relevant data, including by providing flexibility for the calculation of grid emission factors;

35. *Encourages* the Executive Board to further explore the possibility of including in baseline and monitoring methodologies, as appropriate, a scenario where future anthropogenic emissions by sources are projected to rise above current levels due to specific circumstances of the host Party;

## **V. Registration of clean development mechanism project activities and issuance of certified emission reductions**

36. *Requests* the Executive Board to continue to revise the relevant procedures and guidance on programmes of activities, including by defining more clearly the situations in which designated operational entities could be held liable for erroneous inclusion of a component project activity, in order to reduce barriers to the development of programmes of activities under the clean development mechanism;

37. *Also requests* the Executive Board to adopt as soon as possible, and subsequently apply on an interim basis, revised procedures for registration, issuance and review, under which alternative timelines to those defined in decision 3/CMP.1, annex, paragraphs 41 and 65, and decision 4/CMP.1, annex II, paragraph 24, can be applied;

38. *Revokes* annexes III and IV to decision 4/CMP.1 containing the existing procedures for review;

39. *Requests* the Executive Board to ensure that the revised procedures for review:
- (a) Provide designated operational entities and project participants with adequate opportunity to address issues raised in reviews;
  - (b) Include an independent technical assessment of the analysis conducted by the secretariat;
  - (c) Include a process for the Executive Board to consider objections raised by members of the Executive Board to outcomes of assessments;
  - (d) Ensure efficient and timely consideration of registration and issuance requests;

40. *Also requests* the Executive Board to continue applying its existing procedures for registration, issuance and review until the revised procedures referred to in paragraph 39 above are adopted by the Executive Board;

41. *Further requests* the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session on the revised procedures and the impact of their interim implementation, with a view to adoption of the revised procedures by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at that session;

42. *Requests* the Executive Board to establish, following consultation with stakeholders, procedures for considering appeals that are brought by stakeholders directly involved, defined in a conservative manner, in the design, approval or implementation of clean development mechanism project activities or proposed clean development mechanism project activities, in relation to:

- (a) Situations where a designated operational entity may not have performed its duties in accordance with the rules or requirements of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and/or the Executive Board;
- (b) Rulings taken by or under the authority of the Executive Board in accordance with the procedures referred to in paragraph 39 above regarding the rejection or alteration of requests for registration or issuance;

43. *Requests* the Executive Board to design the procedures referred to in paragraph 42 above focusing on, but not limited to, ensuring due process and to report on implementation to the Conference of the Parties serving as the meeting of the Parties at its sixth session;

## **VI. Regional and subregional distribution and capacity-building**

44. *Welcomes* the work of the Designated National Authorities Forum, which could contribute to broader participation in the clean development mechanism through, inter alia, the sharing of information and experience;

45. *Encourages* the Executive Board to follow up on issues raised by the Designated National Authorities Forum in between meetings of the Forum;

46. *Also encourages* designated national authorities to publish the criteria they use in assessing the contribution of project activities to sustainable development;

47. *Decides* to defer the payment of the registration fee until after the first issuance for countries with fewer than 10 registered clean development mechanism project activities;

48. *Requests* the Executive Board to undertake the following measures for countries hosting fewer than 10 registered clean development mechanism project activities without compromising environmental integrity:

- (a) Developing top-down methodologies that are particularly suited for application in these countries in accordance with principles and guidelines to be established by the Executive Board;
- (b) Introducing a requirement that designated operational entities indicate the work they are undertaking on projects originated in these countries as part of their annual activity reports and ensure that this item be included in the subsequent synthesis report presented by the secretariat to the Executive Board for appropriate follow-up;

49. *Requests* the Executive Board to allocate financial resources from the interest accrued on the principal of the Trust Fund for the Clean Development Mechanism, as well as any voluntary contributions from donors, in order to provide loans to support the following activities in countries with fewer than 10 registered clean development mechanism project activities:

- (a) To cover the costs of the development of project design documents;
- (b) To cover the costs of validation and the first verification for these project activities;

50. *Decides* that the loans referred to in paragraph 49 above are to be repaid starting from the first issuance of certified emission reductions;

51. *Requests* the Executive Board to recommend guidelines and modalities for operationalizing the activities outlined in paragraphs 49 and 50 above for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its sixth session;

52. *Also requests* the secretariat to continue its work in facilitating coordination among partner agencies in the implementation of the Nairobi Framework;<sup>2</sup>

53. *Encourages* all Parties to continue cooperating bilaterally to develop and implement clean development mechanism project activities, and in particular to facilitate South–South cooperation and capacity transfer;

54. *Encourages* designated operational entities to establish offices in developing countries in line with the provisions of the clean development mechanism accreditation standard in order to reduce the transaction costs for these countries and to contribute to a more equitable distribution of clean development mechanism project activities;

55. *Requests* the secretariat to enhance its support to designated national authorities and the Designated National Authorities Forum by, inter alia:

- (a) Providing training opportunities for clean development mechanism stakeholders on a continuous basis on the different elements of the clean development mechanism project cycle;
- (b) Facilitating information exchange and awareness-raising at the regional and subregional levels;
- (c) Developing and making publicly available studies on the potential of the clean development mechanism in the countries identified in paragraph 47 above, working in close cooperation with local authorities;
- (d) Organizing subregional meetings of the Designated National Authorities Forum;

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<sup>2</sup> <[http://cdm.unfccc.int/Nairobi\\_Framework/index.html](http://cdm.unfccc.int/Nairobi_Framework/index.html)>.

## **VII. Resources for work on the clean development mechanism**

56. *Requests* the secretariat to implement the staffing requirements in the management plan in an expeditious manner in order to support the work of the Executive Board;

57. *Requests* the secretariat to improve its reporting on financial resources, including by providing a detailed breakdown of both income and expenditure, and by explaining the status of and rationale for financial reserves;

58. *Requests* the secretariat to apply a flexible recruitment process to fill vacant positions established under the management plan of the Executive Board while ensuring that the principles of a fair and transparent process are upheld;

59. *Expresses its appreciation* to the Government of Belgium and the European Commission for having provided financial resources in support of meetings of the Designated National Authorities Forum and to the Government of Sweden for having allowed additional participation by the least developed countries and small island developing States in the practitioners workshop held in Bonn, Germany on 26 October 2009;

60. *Also expresses its appreciation* to the Government of Grenada for hosting the fifty-eighth meeting of the Executive Board from 15 to 17 July 2009 and to the Government of Singapore for hosting the eighth meeting of the Designated National Authorities Forum from 26 to 28 October 2009.

## ANNEX

**Entities accredited and provisionally designated by the Executive Board of the  
clean development mechanism and recommended for designation by the  
Conference of the Parties serving as the meeting of the Parties to the  
Kyoto Protocol for validation and verification/certification  
for specific sectoral scopes**

Name of entity	Designated and recommended for designation for sectoral scopes	
	Project validation	Emission reduction verification
Japan Quality Assurance Organization (JQA)	1-15	1-15
JACO CDM Ltd	1-15	1-15
Det Norske Veritas Certification AS (DNV)	1-15	1-15
TÜV SÜD Industrie Service GmbH (TÜV-SÜD)	1-15	1-15
Deloitte Tohmatsu Evaluation and Certification Organisation (Deloitte-TECO)		1
SGS United Kingdom Ltd. (SGS)	1-15	1-15
Korea Energy Management Corporation (KEMCO)	1-15	1-15
TÜV Rheinland Japan Ltd. (TÜV Rheinland)	1-15	1-15
ERM Certification and Verification Services Ltd.	1-5, 8-10, 13	1-5, 8-10, 13
TÜV NORD Cert GmbH		4-7, 10-12
Lloyd's Register Quality Assurance Ltd (LRQA)	1-13	1-13
Colombian Institute for Technical Standards and Certification (ICONTEC)	1-5, 8, 13-15	1-5, 8, 13-15
Korean Foundation For Quality (KFQ)	1-5, 9-11, 13	1-5, 9-11, 13
Swiss Association for Quality and Management Systems	1-15	1-15
China Environmental United Certification Center Co., Ltd. (CEC)	1-3, 8, 10	1-3, 8, 10
RINA S.p.A (RINA)	1-8, 10, 11, 13-15	1-8, 10, 11, 13-15
SIRIM QAS International SDN.BHD	1-4, 13	1-4, 13
Korean Standards Association (KSA)	1-5, 13	1-5, 13
Environmental Management Corp. (EMC)	1-8, 13-15	1-8, 13-15
Japan Management Association (JMA)	1-4, 6, 8, 9, 14	1-4, 6, 8, 9, 14
Germanischer Lloyd Certification GmbH (GLC)	1-3, 7, 10, 13	1-3, 7, 10, 13
China Quality Certification Center (CQC)	1-13	1-13
Ernst & Young Associes (France)	14	14

*Note:* The numbers 1 to 15 indicate sectoral scopes as determined by the Executive Board. For details, see  
<<http://cdm.unfccc.int/DOE/scopelst.pdf>>.