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**CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL**

**First session**

**Montreal, 28 November to 9 December 2005**

**Item 3 of the provisional agenda**

**Adoption of decisions forwarded by the Conference of the Parties to the  
Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol  
at its first session**

**Compendium of draft decisions forwarded for adoption by the  
Conference of the Parties serving as the meeting of the Parties  
to the Kyoto Protocol at its first session**

**Note by the secretariat**

**Addendum**

**Decisions concerning the modalities and procedures for a clean development  
mechanism, as defined in Article 12 of the Kyoto Protocol**

CONTENTS

	<i>Page</i>
Text P. Draft decision -/CMP.1. Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol <sup>1</sup> .....	3
Text Q. Draft decision -/CMP.1. Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol <sup>2</sup> .....	26
Text R. Draft decision -/CMP.1. Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol and measures to facilitate their implementation <sup>3</sup> .....	46
Text S. Draft decision -/CMP.1. Guidance relating to the clean development mechanism <sup>4</sup> .....	58

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<sup>1</sup> This draft decision was originally attached to decision 17/CP.7 (FCCC/CP/2001/13/Add.2).

<sup>2</sup> This draft decision was originally attached to decision 19/CP.9 (FCCC/CP/2003/6/Add.2).

<sup>3</sup> This draft decision was originally attached to decision 14/CP.10 (FCCC/CP/2004/10/Add.2).

<sup>4</sup> This draft decision refers to guidance arising from decisions taken by the Conference of the Parties (COP) at its eighth, ninth and tenth sessions, that is, while the COP was assuming the responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in accordance with decision 17/CP.7. The draft -/CMP decisions which were attached to and recommended for adoption by decisions 21/CP.8 (FCCC/CP/2002/7/Add.3), 18/CP.9 (FCCC/CP/2003/6/Add.2) and 12/CP.10 (FCCC/CP/2004/10/Add.2) have been integrated into one draft decision with the preambular references being consolidated, as appropriate. The annexes attached to these COP decisions are attached as annexes I–IV to this draft decision.

## Text P

### Draft decision -/CMP.1\*

#### **Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol**

*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,*

*Bearing in mind that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,*

*Aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 6), -/CMP.1 (Article 17), -/CMP.1 (Land use, land-use change and forestry), -/CMP.1 (Modalities for the accounting of assigned amounts), -/CMP.1 (Article 5.1), -/CMP.1 (Article 5.2), -/CMP.1 (Article 7) and -/CMP.1 (Article 8), and decisions 2/CP.7 and 24/CP.7,*

*Cognizant of decision 17/CP.7 on modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol,*

1. *Decides to confirm, and give full effect to any actions taken pursuant to, decision 17/CP.7 and to any other relevant decisions by the Conference of the Parties, as appropriate;*
2. *Adopts the modalities and procedures for a clean development mechanism contained in the annex below;*
3. *Invites the Executive Board to review the simplified modalities, procedures and the definitions of small-scale project activities referred to in paragraph 6 (c) of decision 17/CP.7 and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;*
4. *Decides further that any future revision of the modalities and procedures for a clean development mechanism shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Executive Board and by the Subsidiary Body for Implementation drawing on technical advice from the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.*

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\* This draft decision was originally attached to decision 17/CP.7 (FCCC/CP/2001/13/Add.2).

## ANNEX

### **Modalities and procedures for a clean development mechanism**

#### **A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1<sup>1</sup> and the provisions of Article 14 shall apply. Furthermore:
  - (a) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;
  - (b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these modalities and procedures, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;
  - (c) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;
  - (d) A “removal unit” or “RMU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;
  - (e) “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

#### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM).
3. The COP/MOP shall provide guidance to the Executive Board by taking decisions on:
  - (a) The recommendations made by the Executive Board on its rules of procedure;
  - (b) The recommendations made by the Executive Board, in accordance with provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
  - (c) The designation of operational entities accredited by the Executive Board in accordance with Article 12, paragraph 5, and accreditation standards contained in appendix A below.

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<sup>1</sup> In the context of this annex, “Article” refers to an Article of the Kyoto Protocol, unless otherwise specified.

4. The COP/MOP shall further:
- (a) Review annual reports of the Executive Board;
  - (b) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties.<sup>2</sup>
  - (c) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, inter alia, on a report by the Executive Board;
  - (d) Assist in arranging funding of CDM project activities, as necessary.

### **C. Executive Board**

5. The Executive Board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the Executive Board shall:
- (a) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;
  - (b) Make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the Executive Board contained in the present annex, as appropriate;
  - (c) Report on its activities to each session of the COP/MOP;
  - (d) Approve new methodologies related to, inter alia, baselines, monitoring plans and project boundaries in accordance with the provisions of appendix C below;
  - (e) Review provisions with regard to simplified modalities, procedures and the definitions of small-scale project activities and make recommendations to the COP/MOP;
  - (f) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5. This responsibility includes:
    - (i) Decisions on re-accreditation, suspension and withdrawal of accreditation;
    - (ii) Operationalization of accreditation procedures and standards;
  - (g) Review the accreditation standards in appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;
  - (h) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;
  - (i) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;

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<sup>2</sup> In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

- (j) Make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration;
- (k) Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;
- (l) Develop and maintain the CDM registry as defined in appendix D below;
- (m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs issued;
- (n) Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP;
- (o) Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews referred to in paragraphs 41 and 65 below including, inter alia, procedures to facilitate consideration of information from Parties, stakeholders and UNFCCC accredited observers. Until their adoption by the COP/MOP, the procedures shall be applied provisionally;
- (p) Carry out any other functions ascribed to it in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) below, shall not be considered as proprietary or confidential.

7. The Executive Board shall comprise 10 members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members, including alternate members, of the Executive Board shall:

- (a) Be nominated by the relevant constituencies referred to in paragraph 7 above and be elected by the COP/MOP. Vacancies shall be filled in the same way;
- (b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 below shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;
- (c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members, and of alternate members, from

developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the Executive Board;

- (d) Be bound by the rules of procedure of the Executive Board;
- (e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties;
- (f) Have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity;
- (g) Subject to their responsibilities to the Executive Board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the Executive Board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the Executive Board.

9. The COP/MOP shall elect an alternate for each member of the Executive Board based on the criteria in paragraphs 7 and 8 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.
10. The Executive Board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, inter alia, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the Executive Board without proper justification.
11. If a member, or an alternate member, of the Executive Board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the Executive Board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.
12. The Executive Board shall elect its own Chairperson and Vice-Chairperson, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of Chairperson and Vice-Chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.
13. The Executive Board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 below. All documentation for Executive Board meetings shall be made available to alternate members.
14. At least two thirds of the members of the Executive Board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.
15. Decisions by the Executive Board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.
16. Meetings of the Executive Board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the Executive Board.

17. The full text of all decisions of the Executive Board shall be made publicly available. The working language of the Executive Board shall be English. Decisions shall be made available in all six official languages of the United Nations.

18. The Executive Board may establish committees, panels or working groups to assist it in the performance of its functions. The Executive Board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

19. The secretariat shall service the Executive Board.

#### **D. Accreditation and designation of operational entities**

20. The Executive Board shall:

- (a) Accredite operational entities which meet the accreditation standards contained in appendix A below;
- (b) Recommend the designation of operational entities to the COP/MOP;
- (c) Maintain a publicly available list of all designated operational entities;
- (d) Review whether each designated operational entity continues to comply with the accreditation standards contained in appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;
- (e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

21. The Executive Board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The Executive Board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the Executive Board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the Executive Board has recommended its suspension or withdrawal. The recommendation by the Executive Board and the decision by the COP/MOP on such a case shall be made public.

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the Executive Board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess CERs issued, as determined by the Executive Board, to a cancellation account maintained in the CDM registry by the Executive Board.

23. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the Executive Board only after the affected project participants have had the possibility of a hearing.

24. Any costs related to the review referred to in paragraph 22 above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.



25. The Executive Board may seek assistance in performing the functions in paragraph 20 above, in accordance with the provisions of paragraph 18 above.

#### **E. Designated operational entities**

26. Designated operational entities shall be accountable to the COP/MOP through the Executive Board and shall comply with the modalities and procedures in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP and the Executive Board.

27. A designated operational entity shall:

- (a) Validate proposed CDM project activities;
- (b) Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases;
- (c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph (e) below;
- (d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;
- (e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the Executive Board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;
- (f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;
- (g) Submit an annual activity report to the Executive Board;
- (h) Make information obtained from CDM project participants publicly available, as required by the Executive Board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) below, shall not be considered as proprietary or confidential.

#### **F. Participation requirements**

28. Participation in a CDM project activity is voluntary.

29. Parties participating in the CDM shall designate a national authority for the CDM.

30. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol.

31. Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

- (a) It is a Party to the Kyoto Protocol;

- (b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);
  - (c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;
  - (d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;
  - (e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;
  - (f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.
32. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:
- (a) To meet the eligibility requirements referred to in paragraph 31 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the Compliance Committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;
  - (b) To continue to meet the eligibility requirements referred to in paragraph 31 above unless and until the enforcement branch of the Compliance Committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.
33. A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

34. The secretariat shall maintain publicly accessible lists of:
- (a) Parties not included in Annex I which are Parties to the Kyoto Protocol;
  - (b) Parties included in Annex I that do not meet the requirements in paragraph 31 above or have been suspended.

#### **G. Validation and registration**

35. Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in appendix B below.

36. Registration is the formal acceptance by the Executive Board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

37. The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:

- (a) The participation requirements as set out in paragraphs 28–30 above are satisfied
- (b) Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity on how due account was taken of any comments has been received
- (c) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party
- (d) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43–52 below
- (e) The baseline and monitoring methodologies comply with requirements pertaining to:
  - (i) Methodologies previously approved by the Executive Board; or
  - (ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below
- (f) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the present annex and relevant decisions of the COP/MOP
- (g) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the present annex and relevant decisions by the COP/MOP and the Executive Board.

38. If the designated operational entity determines that the project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 37 (e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project

participants, to the Executive Board for review. The Executive Board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. Once approved by the Executive Board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

39. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

40. The designated operational entity shall:

- (a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;
- (b) In accordance with provisions on confidentiality contained in paragraph 27 (h) above, make publicly available the project design document;
- (c) Receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;
- (d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;
- (e) Inform project participants of its determination on the validation of the project activity. Notification to the project participants will include:
  - (i) Confirmation of validation and date of submission of the validation report to the Executive Board; or
  - (ii) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation;
- (f) Submit to the Executive Board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party as referred to in subparagraph (a) above, and an explanation of how it has taken due account of comments received;
- (g) Make this validation report publicly available upon transmission to the Executive Board.

41. The registration by the Executive Board shall be deemed final eight weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed CDM project activity. The review by the Executive Board shall be made in accordance with the following provisions:

- (a) It shall be related to issues associated with the validation requirements
- (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

42. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.
43. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.
44. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 above.
45. A baseline shall be established:
- (a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
  - (b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
  - (c) On a project-specific basis;
  - (d) In the case of small-scale CDM project activities which meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;
  - (e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.
46. The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.
47. The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to force majeure.
48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the Executive Board, and justify the appropriateness of their choice:
- (a) Existing actual or historical emissions, as applicable, or
  - (b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment, or
  - (c) The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category.
49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

- (a) A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
  - (b) A maximum of 10 years with no option of renewal.
50. Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below, respectively.
51. Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.
52. The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

### **H. Monitoring**

53. Project participants shall include, as part of the project design document, a monitoring plan that provides for:
- (a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period;
  - (b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases within the project boundary during the crediting period;
  - (c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
  - (d) The collection and archiving of information relevant to the provisions in paragraph 37 (c) above;
  - (e) Quality assurance and control procedures for the monitoring process;
  - (f) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources by the proposed CDM project activity, and for leakage effects;
  - (g) Documentation of all steps involved in the calculations referred to in paragraph 53 (c) and (f) above.
54. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 38 above, that:
- (a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;
  - (b) Reflects good monitoring practice appropriate to the type of project activity.

55. For small-scale CDM project activities meeting the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.
56. Project participants shall implement the monitoring plan contained in the registered project design document.
57. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.
58. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.
59. Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.
60. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

#### **I. Verification and certification**

61. Verification is the periodic independent review and ex post determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases as verified.
62. In accordance with the provisions on confidentiality in paragraph 27 (h) above, the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall:
- (a) Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
  - (b) Conduct on-site inspections, as appropriate, that may comprise, inter alia, a review of performance records, interviews with project participants and local stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;
  - (c) If appropriate, use additional data from other sources;
  - (d) Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic emissions by sources have been applied correctly and their documentation is complete and transparent;
  - (e) Recommend to the project participants appropriate changes to the monitoring methodology for any future crediting period, if necessary;
  - (f) Determine the reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity, based on the

data and information derived under subparagraph (a) above and obtained under subparagraph (b) and/or (c) above, as appropriate, using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;

- (g) Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concerns and supply relevant additional information;
- (h) Provide a verification report to the project participants, the Parties involved and the Executive Board. The report shall be made publicly available.

63. The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity. It shall inform the project participants, Parties involved and the Executive Board of its certification decision in writing immediately upon completion of the certification process and make the certification report publicly available.

#### **J. Issuance of certified emission reductions**

64. The certification report shall constitute a request for issuance to the Executive Board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

65. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

- (a) Upon receipt of a request for such a review, the Executive Board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;
- (b) The Executive Board shall complete its review within 30 days following its decision to perform the review;
- (c) The Executive Board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

66. Upon being instructed by the Executive Board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the Executive Board, shall, promptly, issue the specified quantity of CERs into the pending account of the Executive Board in the CDM registry, in accordance with appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

- (a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
- (b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.



APPENDIX A

**Standards for the accreditation of operational entities**

1. An operational entity shall:
  - (a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;
  - (b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;
  - (c) Have the financial stability, insurance coverage and resources required for its activities;
  - (d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;
  - (e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;
  - (f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
    - (i) The modalities and procedures and guidelines for the operation of the CDM, and relevant decisions of the COP/MOP and of the Executive Board;
    - (ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate;
    - (iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;
    - (iv) Relevant environmental auditing requirements and methodologies;
    - (v) Methodologies for accounting of anthropogenic emissions by sources;
    - (vi) Regional and sectoral aspects;
  - (g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:
    - (i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;
    - (ii) An organization chart showing lines of authority, responsibility and allocation of functions stemming from senior management;
    - (iii) Its quality assurance policy and procedures;
    - (iv) Administrative procedures, including document control;

- (v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;
  - (vi) Its procedures for handling complaints, appeals and disputes;
  - (h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.
2. An applicant operational entity shall meet the following operational requirements:
- (a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:
    - (i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations
    - (ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:
      - Make a declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activities;
      - Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;
      - Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;
      - Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;
  - (b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

## APPENDIX B

### **Project design document**

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for a CDM.
2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:
  - (a) A description of the project comprising the project purpose, a technical description of the project, including how technology will be transferred, if any, and a description and justification of the project boundary
  - (b) A proposed baseline methodology in accordance with the annex on modalities and procedures for a CDM including, in the case of the:
    - (i) Application of an approved methodology:
      - Statement of which approved methodology has been selected;
      - Description of how the approved methodology will be applied in the context of the project.
    - (ii) Application of a new methodology:
      - Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology
      - Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties
      - Projections of baseline emissions
      - Description of how the baseline methodology addresses potential leakage.
    - (iii) Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account and an explanation of how the baseline was established in a transparent and conservative manner.
  - (c) Statement of the estimated operational lifetime of the project and which crediting period was selected
  - (d) Description of how the anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity
  - (e) Environmental impacts:
    - (i) Documentation on the analysis of the environmental impacts, including transboundary impacts

- (ii) If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of an environmental impact assessment that has been undertaken in accordance with the procedures as required by the host Party.
- (f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties
- (g) Stakeholder comments, including a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received
- (h) Monitoring plan:
  - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity
  - (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting
  - (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere
- (i) Calculations:
  - (i) Description of formulae used to calculate and estimate anthropogenic emissions by sources of greenhouse gases of the CDM project activity within the project boundary
  - (ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity
  - (iii) The sum of (i) and (ii) above representing the CDM project activity emissions
  - (iv) Description of formulae used to calculate and to project the anthropogenic emissions by sources of greenhouse gases of the baseline
  - (v) Description of formulae used to calculate and to project leakage
  - (vi) The sum of (iv) and (v) above representing the baseline emissions
  - (vii) Difference between (vi) and (iii) above representing the emission reductions of the CDM project activity
- (j) References to support the above, if any.

APPENDIX C

**Terms of reference for establishing guidelines  
on baselines and monitoring methodologies**

1. The Executive Board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, inter alia:
  - (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
    - (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision 17/CP.7, the annex above and relevant decisions of the COP/MOP;
    - (ii) Promote consistency, transparency and predictability;
    - (iii) Provide rigour to ensure that net reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;
    - (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
    - (v) Address the additionality requirement of Article 12, paragraph 5 (c), and paragraph 43 of the above annex;
  - (b) Specific guidance in the following areas:
    - (i) Definition of project categories (e.g. based on sector, subsector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability
    - (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity
    - (iii) Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness
    - (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances
    - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions
    - (vi) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the ex post evaluation of the level of leakage

- (vii) Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the sector relevant to the project activity
  - (viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector.
- (c) In developing the guidance in (a) and (b) above, the Executive Board shall take into account:
  - (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) Least cost technology for the activity or project category.

## APPENDIX D

### **Clean development mechanism registry requirements**

1. The Executive Board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The Executive Board shall identify a registry administrator to maintain the registry under its authority.
2. The CDM registry shall be in the form of a standardized electronic database which contains, inter alia, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.
3. The CDM registry shall have the following accounts:
  - (a) One pending account for the Executive Board, into which CERs are issued before being transferred to other accounts
  - (b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account
  - (c) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to excess CERs issued, as determined by the Executive Board, where the accreditation of a designated operational entity has been withdrawn or suspended
  - (d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire CERs.
4. Each CER shall be held in only one account in one registry at a given time.
5. Each account within the CDM registry shall have a unique account number comprising the following elements:
  - (a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the Executive Board or another appropriate organization
  - (b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.
6. Upon being instructed by the Executive Board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):
  - (a) Issue the specified quantity of CERs into a pending account of the Executive Board;
  - (b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

- (c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, in accordance with their request.
7. Each CER shall have a unique serial number comprising the following elements:
- (a) Commitment period: the commitment period for which the CER is issued
  - (b) Party of origin: the Party which hosted the CDM project activity, using the two-letter country code defined by ISO 3166
  - (c) Type: this shall identify the unit as a CER
  - (d) Unit: a number unique to the CER for the identified commitment period and Party of origin
  - (e) Project identifier: a number unique to the CDM project activity for the Party of origin.
8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess CERs issued, as determined by the Executive Board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.
9. The CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.
10. The information referred to in paragraph 9 above shall include up-to-date information, for each account number in the registry, on the following:
- (a) Account name: the holder of the account
  - (b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization
  - (c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.
11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:
- (a) Project name: a unique name for the CDM project activity
  - (b) Project location: the Party and town or region in which the CDM project activity is located
  - (c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity
  - (d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity
  - (e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.



12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of CERs in each account at the beginning of the year
- (b) The total quantity of CERs issued
- (c) The total quantity of CERs transferred and the identity of the acquiring accounts and registries
- (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above
- (e) Current holdings of CERs in each account.

## Text Q

### Draft decision -/CMP.1\*

#### **Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol**

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 12), -/CMP.1 (Land use, land-use change and forestry), -/CMP.1 (Good practice guidance for land use, land-use change and forestry in the preparation of national greenhouse gas inventories under the Convention), -/CMP.1 (Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol), -/CMP.1 (Guidelines for national systems under Article 5, paragraph 1, of the Kyoto Protocol), -/CMP.1 (Good practice guidance and adjustments under Article 5, paragraph 2, of the Kyoto Protocol), -/CMP.1 (Guidance for the preparation of the information required under Article 7 of the Kyoto Protocol), and -/CMP.1 (Guidelines for review under Article 8 of the Kyoto Protocol),*

*Cognizant of decisions 11/CP.7, 15/CP.7, 17/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7, 21/CP.8, 22/CP.8, 13/CP.9, 18/CP.9 and its annex II, and 19/CP.9,*

1. *Decides to confirm and give full effect to any actions taken pursuant to decision 19/CP.9;*
2. *Adopts the modalities and procedures for afforestation and reforestation project activities under the clean development mechanism contained in the annex to this decision, for the first commitment period of the Kyoto Protocol;*
3. *Decides that the treatment of land use, land-use change and forestry project activities under the clean development mechanism in future commitment periods shall be decided as part of the negotiations on the second commitment period and that any revision of the decision shall not affect afforestation and reforestation project activities under the clean development mechanism registered prior to the end of the first commitment period;*
4. *Decides to periodically review the modalities and procedures for afforestation and reforestation project activities under the clean development mechanism, and that the first review shall be carried out no later than one year before the end of the first commitment period, based on recommendations by the Executive Board of the clean development mechanism and by the Subsidiary Body for Implementation, drawing on technical advice from the Subsidiary Body for Scientific and Technological Advice, as needed.*

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\* This draft decision was originally attached to decision 19/CP.9 (FCCC/CP/2003/6/Add.2).

ANNEX

**Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism**

**A. Definitions**

1. For the purpose of this annex, the definitions in paragraph 1 of the annex to decision 17/CP.7 and the definitions of forest, reforestation and afforestation in paragraph 1 of the annex to draft decision -/CMP.1 (*Land use, land-use change and forestry*), shall apply. In addition:

- (a) “Carbon pools” are those carbon pools referred to in paragraph 21 of the annex to draft decision -/CMP.1 (*Land use, land-use change and forestry*) and are: above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon;
- (b) The “project boundary” geographically delineates the afforestation or reforestation project activity under the control of the project participants. The project activity may contain more than one discrete area of land;
- (c) “Baseline net greenhouse gas removals by sinks” is the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the afforestation or reforestation project activity under the clean development mechanism (CDM);
- (d) “Actual net greenhouse gas removals by sinks” is the sum of the verifiable changes in carbon stocks in the carbon pools within the project boundary, minus the increase in emissions of the greenhouse gases measured in CO<sub>2</sub> equivalents by the sources that are increased as a result of the implementation of the afforestation or reforestation project activity, while avoiding double counting, within the project boundary, attributable to the afforestation or reforestation project activity under the CDM;
- (e) “Leakage” is the increase in greenhouse gas emissions by sources which occurs outside the boundary of an afforestation or reforestation project activity under the CDM which is measurable and attributable to the afforestation or reforestation project activity;
- (f) “Net anthropogenic greenhouse gas removals by sinks” is the actual net greenhouse gas removals by sinks minus the baseline net greenhouse gas removals by sinks minus leakage;
- (g) “Temporary CER” or “tCER” is a CER issued for an afforestation or reforestation project activity under the CDM which, subject to the provisions of section K below, expires at the end of the commitment period following the one during which it was issued;
- (h) “Long-term CER” or “lCER” is a CER issued for an afforestation or reforestation project activity under the CDM which, subject to the provisions in section K below, expires at the end of the crediting period of the afforestation or reforestation project activity under the CDM for which it was issued;
- (i) “Small-scale afforestation and reforestation project activities under the CDM” are those that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 kilotonnes of CO<sub>2</sub> per year and are developed or implemented by low-income communities and individuals as determined by the host Party. If a small-scale afforestation or reforestation project activity under the CDM results in net anthropogenic

greenhouse gas removals by sinks greater than 8 kilotonnes of CO<sub>2</sub> per year, the excess removals will not be eligible for the issuance of tCERs or ICERs.

2. For the purposes of this annex, in the CDM modalities and procedures contained in the annex to decision 17/CP.7, where it reads CER, it should instead read tCER and/or ICER.

#### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

3. All provisions of section B of the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply mutatis mutandis to afforestation and reforestation project activities under the CDM.

#### **C. Executive Board**

4. All provisions of section C of the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply mutatis mutandis to afforestation and reforestation project activities under the CDM with the exception of provisions under paragraph 5 (e) on recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) relating to simplified modalities, procedures and definitions for small-scale project activities.

#### **D. Accreditation and designation of operational entities**

5. All provisions of section D of the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply mutatis mutandis to afforestation and reforestation project activities under the CDM.

#### **E. Designated operational entities**

6. All provisions of section E of the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply mutatis mutandis to afforestation and reforestation project activities under the CDM. In the case of afforestation and reforestation project activities under the CDM, a designated operational entity shall verify and certify net anthropogenic greenhouse gas removals by sinks.

#### **F. Participation requirements**

7. All provisions of section F of the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply mutatis mutandis to afforestation and reforestation project activities under the CDM.

8. A Party not included in Annex I may host an afforestation or reforestation project activity under the CDM if it has selected and reported to the Executive Board through its designated national authority for the CDM:

- (a) A single minimum tree crown cover value between 10 and 30 per cent; and
- (b) A single minimum land area value between 0.05 and 1 hectare; and
- (c) A single minimum tree height value between 2 and 5 metres.

9. The selected values referred to in paragraph 8 (a)–(c) above shall be fixed for all afforestation and reforestation project activities under the CDM registered prior to the end of the first commitment period.

#### **G. Validation and registration**

10. Validation is the process of independent evaluation of a proposed afforestation or reforestation project activity under the CDM by a designated operational entity (DOE) against the requirements of afforestation and reforestation project activities under the CDM as set out in decision 19/CP.9, the

present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in appendix B below.

11. Registration is the formal acceptance by the Executive Board of a validated project as an afforestation or reforestation project activity under the CDM. Registration is the prerequisite for the verification, certification and issuance of tCERs or ICERs relating to that project activity.

12. The DOE selected by project participants to validate a proposed afforestation or reforestation project activity under the CDM, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:

- (a) The participation requirements set out in paragraphs 28–30 of the annex to decision 17/CP.7 and paragraphs 8 and 9 above are satisfied
- (b) Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the DOE on how due account was taken of any comments has been received
- (c) Project participants have submitted to the DOE documentation on the analysis of the socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and impacts outside the project boundary of the proposed afforestation or reforestation project activity under the CDM. If any negative impact is considered significant by the project participants or the host Party, project participants have undertaken a socio-economic impact assessment and/or an environmental impact assessment in accordance with the procedures required by the host Party. Project participants shall submit a statement that confirms that they have undertaken such an assessment in accordance with the procedures required by the host Party and include a description of the planned monitoring and remedial measures to address them
- (d) The proposed afforestation or reforestation project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM afforestation or reforestation project activity, in accordance with paragraphs 18–24 below
- (e) Management activities, including harvesting cycles, and verifications are chosen such that a systematic coincidence of verification and peaks in carbon stocks is avoided
- (f) Project participants have specified the approach proposed to address non permanence in accordance with paragraph 38 below
- (g) The baseline and monitoring methodologies selected by project participants comply with requirements pertaining to:
  - (i) Methodologies previously approved by the Executive Board; or
  - (ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 13 below;
- (h) Provisions for monitoring, verification and reporting are in accordance with decision 19/CP.9, the present annex and relevant decisions of the COP/MOP

- (i) The proposed project activity conforms to all other requirements for afforestation and reforestation project activities under the CDM in decision 19/CP.9, the present annex and relevant decisions by the COP/MOP and the Executive Board.

13. If the DOE determines that the proposed afforestation or reforestation project activity under the CDM intends to use a new baseline or new monitoring methodology, as referred to in paragraph 12 (g) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed baseline or monitoring methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the Executive Board for review. The Executive Board shall expeditiously, if possible at its next meeting but not more than four months later, review the proposed new baseline or monitoring methodology in accordance with the modalities and procedures of the present annex. Once the Executive Board has approved the new baseline or monitoring methodology, it shall make it publicly available, together with any relevant guidance and the DOE may proceed with the validation of the proposed afforestation or reforestation project activity under the CDM. In the event that the COP/MOP requests the revision of an approved methodology, no afforestation or reforestation project activity under the CDM may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

14. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 13 above. Any revision to an approved methodology shall be applicable only to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

15. The DOE shall:

- (a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the proposed afforestation or reforestation project activity under the CDM assists it in achieving sustainable development;
- (b) In accordance with provisions on confidentiality contained in paragraph 27 (h) of the annex to decision 17/CP.7, make the project design document publicly available;
- (c) Receive, within 45 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;
- (d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the proposed afforestation or reforestation project activity under the CDM should be validated;
- (e) Inform project participants of its determination on the validation of the project activity. The notification to the project participants will include a confirmation of validation and the date of submission of the validation report to the Executive Board, or an explanation of reasons for non-acceptance if the proposed afforestation or reforestation project activity under the CDM, as documented, is judged not to fulfil the requirements for validation;
- (f) Submit to the Executive Board, if it determines the proposed afforestation or reforestation project activity under the CDM to be valid, a request for registration in the form of a validation report including the project design document, the written approval

of voluntary participation from the designated national authority of each Party involved, as referred to in paragraph 15 (a) above, and an explanation of how it has taken due account of comments received;

- (g) Make this validation report publicly available upon transmission to the Executive Board.

16. The registration by the Executive Board shall be deemed final eight weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the proposed afforestation or reforestation project activity under the CDM, or at least three members of the Executive Board, request a review of the proposed afforestation or reforestation project activity under the CDM. The review by the Executive Board shall be made in accordance with the following provisions:

- (a) It shall be related to issues associated with the validation requirements
- (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

17. A proposed afforestation or reforestation project activity under the CDM that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions, provided that this afforestation or reforestation project activity follows the procedures and meets the requirements for validation and registration, including those relating to public comments.

18. An afforestation or reforestation project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM afforestation or reforestation project activity.

19. The baseline for a proposed afforestation or reforestation project activity under the CDM is the scenario that reasonably represents the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the proposed project activity. A baseline shall be deemed to reasonably represent the sum of the changes in carbon stocks in the carbon pools within the project boundary that would occur in the absence of the proposed afforestation or reforestation project activity under the CDM if it is derived using a baseline methodology referred to in paragraphs 12 and 13 above.

20. The baseline net greenhouse gas removals by sinks for a proposed afforestation or reforestation project under the CDM shall be established:

- (a) By project participants in accordance with provisions for the use of approved and new baseline methodologies, contained in decision 19/CP.9, the present annex and relevant decisions of the COP/MOP;
- (b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
- (c) On a project-specific basis;
- (d) In the case of small-scale afforestation and reforestation project activities under the CDM, in accordance with simplified modalities and procedures developed for such activities;
- (e) Taking into account relevant national and/or sectoral policies and circumstances, such as historical land uses, practices and economic trends.

21. In calculating the baseline net greenhouse gas removals by sinks and/or actual net greenhouse gas removals by sinks, project participants may choose not to account for one or more carbon pools, and/or emissions of the greenhouse gases measured in CO<sub>2</sub> equivalents, while avoiding double counting. This is subject to the provision of transparent and verifiable information that the choice will not increase the expected net anthropogenic greenhouse gas removals by sinks. Project participants shall otherwise account for all significant changes in carbon pools and/or emissions of the greenhouse gases measured in CO<sub>2</sub> equivalents by the sources that are increased as a result of the implementation of the afforestation or reforestation project activity, while avoiding double counting.

22. In choosing a baseline methodology for an afforestation or reforestation project activity under the CDM, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the Executive Board, and justify the appropriateness of their choice:

- (a) Existing or historical, as applicable, changes in carbon stocks in the carbon pools within the project boundary
- (b) Changes in carbon stocks in the carbon pools within the project boundary from a land use that represents an economically attractive course of action, taking into account barriers to investment
- (c) Changes in carbon stocks in the pools within the project boundary from the most likely land use at the time the project starts.

23. The crediting period shall begin at the start of the afforestation or reforestation project activity under the CDM. The crediting period for a proposed afforestation or reforestation project activity under the CDM shall be either:

- (a) A maximum of 20 years which may be renewed at most two times, provided that, for each renewal, a DOE determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
- (b) A maximum of 30 years.

24. An afforestation or reforestation project activity under the CDM shall be designed in such a manner as to minimize leakage.

#### **H. Monitoring**

25. Project participants shall include, as part of the project design document, a monitoring plan that provides for:

- (a) The collection and archiving of all relevant data necessary for estimating or measuring the actual net greenhouse gas removals by sinks during the crediting period. The monitoring plan shall specify techniques and methods for sampling and measuring individual carbon pools and greenhouse gas emissions by sources included in the actual net greenhouse gas removals by sinks, that reflect commonly accepted principles and criteria concerning forest inventory;
- (b) The collection and archiving of all relevant data necessary for determining the baseline net greenhouse gas removals by sinks during the crediting period. If the project uses control plots for determining the baseline, the monitoring plan shall specify techniques and methods for sampling and measuring individual carbon pools and greenhouse gas emissions by sources;



- (c) The identification of all potential sources of, and the collection and archiving of data on, leakage during the crediting period;
- (d) The collection and archiving of information relating to the planned monitoring and remedial measures referred to in paragraph 12 (c) above;
- (e) Collection of transparent and verifiable information to demonstrate that any choice made in paragraph 21 above does not increase the net anthropogenic greenhouse gas removals by sinks;
- (f) Changes in circumstances within the project boundary that affect legal title to the land or rights of access to the carbon pools;
- (g) Quality assurance and control procedures for the monitoring process;
- (h) Procedures for the periodic calculation of the net anthropogenic greenhouse gas removals by sinks due to the afforestation or reforestation project activity and documentation of all steps involved in those calculations, and for the periodic review of implementation of activities and measures to minimize leakage.

26. A monitoring plan for a proposed afforestation or reforestation project activity under the CDM shall be based on a previously approved monitoring methodology or a new methodology appropriate to the afforestation or reforestation project activity, in accordance with paragraphs 12 and 13 above, that:

- (a) Is determined by the DOE as appropriate to the circumstances of the proposed afforestation or reforestation project activity;
- (b) Reflects good monitoring practice appropriate to the type of afforestation or reforestation project activity;
- (c) Takes into account uncertainties by appropriate choice of monitoring methods, such as number of samples, to achieve reliable estimates of net anthropogenic greenhouse gas removals by sinks;
- (d) In the case of small-scale afforestation and reforestation project activities under the CDM, is in accordance with simplified modalities and procedures developed for such activities.

27. Project participants shall implement the monitoring plan contained in the registered project design document.

28. Revisions, if any, to the monitoring plan to improve the accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a DOE.

29. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of tCERs or lCERs.

30. The project participants shall provide to the DOE contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 25 above for the purpose of verification and certification.

#### **I. Verification and certification**

31. Verification is the periodic independent review and ex post determination by the DOE of the net anthropogenic greenhouse gas removals by sinks achieved, since the start of the project, by an afforestation or reforestation project activity under the CDM. Certification is the written assurance by a

DOE that an afforestation or reforestation project activity under the CDM achieved the net anthropogenic greenhouse gas removals by sinks since the start of the project, as verified.

32. The initial verification and certification of an afforestation or reforestation project activity under the CDM may be undertaken at a time selected by the project participants. Thereafter, verification and certification shall be carried out every five years until the end of the crediting period.

33. In the case of afforestation or reforestation project activities under the CDM for which ICERs are issued, the CDM registry administrator shall record the date at which each certification report is received. The CDM registry administrator shall notify the Executive Board of cases where a certification report has not been provided within five years of the last certification, as required in paragraph 32 above. Upon receipt of such notification, the Executive Board shall forthwith notify the project participants of the requirement to provide the outstanding certification report. If the overdue certification report is not received within 120 days after receipt of the notification by the project participants, the Executive Board shall proceed in accordance with paragraph 50 below.

34. In accordance with the provisions on confidentiality in paragraph 27 (h) of the annex to decision 17/CP.7, the DOE contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall:

- (a) Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision 19/CP.9, the present annex and relevant decisions of the COP/MOP;
- (b) Conduct on-site inspections, as appropriate, that may comprise, inter alia, a review of performance records, interviews with project participants and local stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;
- (c) Determine whether the socio-economic and environmental impacts were monitored in accordance with the monitoring plan;
- (d) Determine whether there have been any changes in circumstances within the project boundary that affect legal title to the land or rights of access to the carbon pools;
- (e) Review the management activities, including harvesting cycles, and the use of sample plots to determine whether the following have been avoided:
  - (i) A systematic coincidence of verification and peaks in carbon stocks; and
  - (ii) A major systematic error in data collection;
- (f) If appropriate, use additional data from other sources;
- (g) Review monitoring results and verify that the monitoring methodologies have been applied correctly and that their documentation is complete and transparent;
- (h) Recommend to the project participants appropriate changes to the monitoring plan;
- (i) Determine the net anthropogenic greenhouse gas removals by sinks, using monitored or other data referred to in paragraph 34 (a), (b), (f) and (g) above, as appropriate, and calculation procedures as contained in the registered project design document;
- (j) Identify and inform the project participants of any concerns relating to the conformity of the actual afforestation or reforestation project activity under the CDM and its operation

with the registered project design document. Project participants shall address the concerns and supply relevant additional information;

- (k) Provide a verification report to the project participants, the Parties involved and the Executive Board. The report shall be made publicly available.

35. The DOE shall, based on its verification report, certify in writing that, since its start, the afforestation or reforestation project activity under the CDM has achieved the net anthropogenic greenhouse gas removals by sinks. It shall inform the project participants, Parties involved and the Executive Board of its certification decision in writing immediately upon completion of the certification process, and make the certification report publicly available.

#### **J. Issuance of tCERs and ICERs**

36. The certification report shall constitute:

- (a) Where project participants have chosen the tCER approach to account for non-permanence, a request to the Executive Board for issuance of tCERs equal to the verified amount of net anthropogenic greenhouse gas removals by sinks achieved by the afforestation or reforestation project activity under the CDM since the start of the project activity;
- (b) Where project participants have chosen the ICER approach to account for non-permanence and:
  - (i) Net anthropogenic greenhouse gas removals by sinks have increased since the previous certification report, a request to the Executive Board for issuance of ICERs equal to the verified amount of net anthropogenic greenhouse gas removals by sinks achieved by the afforestation or reforestation project activity under the CDM since the previous certification;
  - (ii) Net anthropogenic greenhouse gas removals by sinks have decreased since the previous certification report, a notification to the Executive Board of the reversal of net anthropogenic greenhouse gas removals by sinks that has occurred at the afforestation or reforestation project activity under the CDM since the previous certification.

37. The issuance of tCERs or ICERs for afforestation and reforestation project activities under the CDM shall be subject to the provisions of paragraphs 65 and 66 of the CDM modalities and procedures, contained in the annex to decision 17/CP.7.

#### **K. Addressing non-permanence of afforestation and reforestation project activities under the CDM**

38. The project participants shall select one of the following approaches to addressing non-permanence of an afforestation or reforestation project activity under the CDM:

- (a) Issuance of tCERs for the net anthropogenic greenhouse gas removals by sinks achieved by the project activity since the project start date in accordance with paragraphs 41–44 below
- (b) Issuance of ICERs for the net anthropogenic greenhouse gas removals by sinks achieved by the project activity during each verification period, in accordance with paragraphs 45–50 below.

39. The approach chosen to address non-permanence shall remain fixed for the crediting period including any renewals.

40. All provisions of decision 18/CP.7, draft decision -/CMP.1 (*Article 17*) and its annex, decision 19/CP.7, draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and its annex, decision 20/CP.7, draft decision -/CMP.1 (*Article 5.1*) and its annex, decision 22/CP.7, draft decision -/CMP.1 (*Guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol*) and its annex, decision 23/CP.7 and its annex, draft decision -/CMP.1 (*Guidelines for review under Article 8 of the Kyoto Protocol*) and its annex, and decision 22/CP.8 and its annexes I–III, that pertain to CERs shall also apply to tCERs and ICERs, unless otherwise stated in this annex.

#### 1. Provisions governing tCERs

41. A Party included in Annex I may use tCERs towards meeting its commitment for the commitment period for which they were issued. tCERs may not be carried over to a subsequent commitment period.

42. Each tCER shall expire at the end of the commitment period subsequent to the commitment period for which it was issued. The expiry date shall be included as an additional element in its serial number. An expired tCER may not be further transferred.

43. Each national registry shall include a tCER replacement account for each commitment period in order to cancel AAUs, CERs, ERUs, RMUs and/or tCERs for the purposes of replacing tCERs prior to expiry.

44. A tCER that has been transferred to the retirement account or the tCER replacement account of a Party included in Annex I shall be replaced before its expiry date. To this end, for each such tCER, the concerned Party shall transfer one AAU, CER, ERU, RMU or tCER to the tCER replacement account of the current commitment period.

#### 2. Provisions governing ICERs

45. A Party included in Annex I may use ICERs towards meeting its commitment for the commitment period for which they were issued. ICERs may not be carried over to a subsequent commitment period.

46. Each ICER shall expire at the end of the crediting period or, where a renewable crediting period is chosen in accordance with paragraph 23 (a) above, at the end of the last crediting period of the project activity. The expiry date shall be included as an additional element in its serial number. An expired ICER may not be further transferred.

47. Each national registry shall include an ICER replacement account for each commitment period in order to cancel AAUs, CERs, ICERs, ERUs and/or RMUs in accordance with paragraphs 48–50 below for the purposes of:

- (a) Replacing ICERs prior to their expiry date;
- (b) Replacing ICERs where the certification report of the DOE indicates a reversal of net anthropogenic greenhouse gas removals by sinks since the previous certification;
- (c) Replacing ICERs where the certification report has not been provided in accordance with paragraph 33 above.

48. An ICER that has been transferred to the retirement account of a Party included in Annex I shall be replaced before its expiry date. To this end, for each such ICER, the concerned Party shall transfer one AAU, CER, ERU or RMU to the ICER replacement account for the current commitment period.

49. Where the certification report of the DOE indicates a reversal of net anthropogenic greenhouse gas removals by sinks since the previous certification, an equivalent quantity of ICERs shall be replaced. To this end, the Executive Board shall:

- (a) Request the transaction log administrator to identify the quantity of ICERs issued for the project activity held in each registry not yet replaced or transferred to the ICER replacement account, distinguishing those held in retirement accounts for the current and previous commitment periods and in holding accounts;
- (b) Immediately notify the transaction log that, in accordance with these modalities, the ICERs identified in paragraph 49 (a) above as being in holding accounts are ineligible for transfer to holding or retirement accounts. When a Party has completed replacement of the required ICERs in accordance with paragraph 49 (d) below, the ICERs in the holding accounts of that Party are again eligible for transfer.
- (c) Calculate the proportion of ICERs from the project activity to be replaced by dividing the amount specified in the request for replacement by the amount identified in paragraph 49 (a) above;
- (d) Notify each Party concerned of the requirement to replace a quantity of ICERs equal to the proportion, as calculated in paragraph 49 (c) above, of the ICERs identified in paragraph 49 (a) above of that Party. To replace an ICER a Party shall transfer one AAU, CER, ERU, RMU or ICER from the same project activity to the ICER replacement account for the current commitment period within 30 days. If the requirement to replace involves a fraction of a unit that fraction of a unit shall be replaced by one AAU, CER, ERU, RMU or ICER from the same project activity.

50. Where the certification report has not been provided in accordance with paragraph 33 above, the ICERs issued for the project activity shall be replaced. To this end, the Executive Board shall:

- (a) Request the transaction log administrator to identify the quantity of ICERs issued for the project activity held in each registry not yet replaced or transferred to the ICER replacement account, distinguishing those held in retirement accounts for the current and previous commitment periods and in holding accounts;
- (b) Immediately notify the transaction log that, in accordance with these modalities, the ICERs identified in paragraph 50 (a) above as being in holding accounts are ineligible for transfer to holding or retirement accounts;
- (c) Notify the Parties concerned of the requirement to replace the ICERs identified in paragraph 50 (a) above. To replace an ICER a Party shall transfer one AAU, CER, ERU, RMU or ICER from the same project activity to the ICER replacement account for the current commitment period within 30 days.

### 3. The transaction log

51. Each Party included in Annex I shall ensure that its net acquisitions of tCERs and ICERs do not exceed the limits established for that Party as set out in paragraph 14 of the annex to decision -/CMP.1 (*Land use, land-use change and forestry*).

52. tCERs and ICERs may not be transferred to cancellation accounts of Annex I Parties referred to in paragraph 21 (c) and (d) of the annex to decision -/CMP.1 (*Modalities for accounting of assigned amounts*) or, where excess CERs were issued, to the cancellation account of the CDM registry referred to in paragraph 3 (c) of appendix D to the annex to decision 17/CP.7.

53. Expired tCERs and ICERs held in holding accounts of registries, or the pending account of the CDM Registry, shall be transferred to a cancellation account.

54. The transaction log shall verify that there is no discrepancy with regard to the requirements of paragraphs 41 to 53 above as part of its automated checks set out in -/CMP.1 (*Modalities for the accounting of assigned amounts*).

55. The transaction log shall, one month prior to the expiry of each tCER or ICER in a retirement or in a replacement account, notify the Party included in Annex I concerned that a replacement of the tCER or ICER has to occur in accordance with paragraphs 44 or 48 above.

56. Where a Party included in Annex I does not replace tCERs or ICERs in accordance with paragraphs 44, 48, 49 and 50 above, the transaction log shall forward a record of non-replacement to the secretariat, for consideration as part of the review process for the relevant Party, under Article 8, to the Executive Board and to the Party concerned. The Executive Board shall make this information publicly available and include it in its reports to the COP/MOP.

#### 4. Reporting and review

57. Each Party included in Annex I shall include the following information in its report referred to in paragraph 2, section I.E, of the annex to decision -/CMP.1 (*Guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol*):

- (a) The quantity of expired tCERs in its retirement account and tCER replacement account
- (b) The quantity of expired ICERs in its retirement account
- (c) The quantities of AAUs, CERs, ERUs, RMUs and tCERs transferred to the tCER replacement account
- (d) The quantities of AAUs, CERs, ERUs, RMUs and ICERs transferred to the ICER replacement account.

58. The annual review referred to in paragraph 5, part III of the annex to decision -/CMP.1 (*Guidelines for review under Article 8 of the Kyoto Protocol*) shall include the assessment of whether tCERs and ICERs have been replaced, cancelled, retired or carried over in accordance with this annex.

59. The review upon expiration of the additional period for fulfilling commitments shall include an assessment of whether:

- (a) The quantity of AAUs, CERs, ERUs, RMUs and tCERs transferred into the tCER replacement account for the commitment period is equal to the quantity of tCERs that were retired or transferred to the tCER replacement account for the previous commitment period;
- (b) The quantity of AAUs, CERs, ERUs, RMUs and ICERs transferred into the ICER replacement account for the commitment period is equal to the quantity of ICERs that had to be replaced during that commitment period.

60. In its compilation and accounting database referred to in paragraph 50 of the annex to draft decision -/CMP.1 (*Modalities for accounting of assigned amounts*), the secretariat shall annually record for each Party included in Annex I the following information for the previous calendar year and to date for the commitment period, following completion of the annual review under Article 8, including the application of any corrections, and resolution of any relevant questions of implementation:

- (a) The quantity of tCERs retired, including information on their expiry dates
- (b) The quantity of tCERs cancelled, including information on their expiry dates
- (c) The quantity of tCERs that expired in the retirement account or the tCER replacement account for the previous commitment period, including information on their expiry dates
- (d) The quantity of AAUs, CERs, ERUs, RMUs and tCERs transferred to the tCER replacement account to replace expiring tCERs, including information on the dates of expiry and cancellation
- (e) The quantity of ICERs retired, including information on their expiry dates
- (f) The quantity of ICERs cancelled, including information on their expiry dates
- (g) The quantity of ICERs that expired in the retirement account for previous commitment periods, including information on their expiry dates
- (h) The quantity of AAUs, CERs, ERUs, RMUs and ICERs transferred to the ICER replacement account to replace ICERs, including information on the dates of expiry and cancellation.

APPENDIX A

**Standards for the accreditation of operational entities in relation to afforestation and reforestation project activities under the CDM**

1. Paragraphs 1 and 2 of appendix A of the annex to decision 17/CP.7 on standards for the accreditation of operational entities shall apply, with the following changes:
  - (a) Paragraph 1 (f) (ii) is replaced with “Issues, in particular environmental and socio-economic, relevant to validation, verification and certification of afforestation and reforestation project activities under the CDM, as appropriate”
  - (b) Paragraph 1 (f) (iii) is replaced with “The technical aspects of afforestation and reforestation project activities under the CDM relevant to environmental and socio-economic issues, including expertise in the setting of baseline net greenhouse gas removals by sinks and monitoring of emissions and removals”
  - (c) Paragraph 1 (f) (v) is replaced with “Methodologies for accounting of greenhouse gas emissions by sources and removals by sinks”.



APPENDIX B

**Project design document for afforestation and reforestation  
project activities under the CDM**

1. The provisions of this appendix shall be interpreted in accordance with the present annex on modalities and procedures for afforestation and reforestation project activities under the CDM.
2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail in a project design document, taking into account the provisions for afforestation and reforestation project activities under the CDM as set out in the present annex, in particular, section G on validation and registration and section H on monitoring. The description shall include the following:
  - (a) A description of the afforestation or reforestation project activity comprising the project purpose; a technical description of the project activity, including species and varieties selected and how technology and know-how will be transferred, if appropriate; a description of the physical location and boundaries of the project activity; specification of the gases whose emissions will be part of the project activity
  - (b) A description of the present environmental conditions of the area including a description of climate, hydrology, soils, ecosystems, and the possible presence of rare or endangered species and their habitats
  - (c) A description of legal title to the land, rights of access to the sequestered carbon, current land tenure and land use
  - (d) Carbon pools selected, as well as transparent and verifiable information, in accordance with paragraph 21 of the present annex
  - (e) A proposed baseline methodology in accordance with the present annex, including:
    - (i) In the case of the application of an approved methodology:
      - A statement of which approved methodology has been selected
      - A description of how the approved methodology will be applied in the context of the proposed project activity.
    - (ii) In the case of the application of a new methodology:
      - A description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology
      - A description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties
      - Projections of the baseline net greenhouse gas removals by sinks for a proposed project activity
      - Potential sources of leakage attributable to the project activity.
    - (iii) Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account and an explanation of how the baseline was established in a transparent and conservative manner.

- (f) Measures to be implemented to minimize potential leakage
- (g) Start date for the project activity, with justification, and the choice of crediting periods during which the project activity is expected to result in net anthropogenic greenhouse gas removals by sinks
- (h) Statement of which approach for addressing non-permanence was selected in accordance with paragraph 38 of the present annex
- (i) Description of how the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM afforestation or reforestation project activity
- (j) Environmental impacts of the project activity:
  - (i) Documentation on the analysis of the environmental impacts, including impacts on biodiversity and natural ecosystems, and impacts outside the project boundary of the proposed afforestation or reforestation project activity under the CDM. This analysis should include, where applicable, information on, inter alia, hydrology, soils, risk of fires, pests and diseases
  - (ii) If any negative impact is considered significant by the project participants or the host Party, a statement that project participants have undertaken an environmental impact assessment, in accordance with the procedures required by the host Party, including conclusions and all references to support documentation.
- (k) Socio-economic impacts of the project activity:
  - (i) Documentation on the analysis of the socio-economic impacts, including impacts outside the project boundary of the proposed afforestation or reforestation project activity under the CDM. This analysis should include, where applicable, information on, inter alia, local communities, indigenous peoples, land tenure, local employment, food production, cultural and religious sites, and access to fuelwood and other forest products
  - (ii) If any negative impact is considered significant by the project participants or the host Party, a statement that project participants have undertaken a socio-economic impact assessment, in accordance with the procedures required by the host Party, including conclusions and all references to support documentation.
- (l) A description of planned monitoring and remedial measures to address significant impacts referred to in paragraph 2 (j) (ii) and (k) (ii) above
- (m) Information on sources of public funding for the project activity from Annex I Parties which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties
- (n) Stakeholder comments, including a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received

- (o) A monitoring plan that meets the requirements of paragraph 25 of the present annex:
  - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity
  - (ii) Methodologies to be used for data collection and monitoring, including quality assurance and quality control provisions for monitoring, collecting, reporting, and assurance that verification does not coincide with peaks in carbon stocks
  - (iii) In the case of a new monitoring methodology, a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere
  - (iv) Collection of other information as required to comply with paragraph 25 of the present annex.
  
- (p) Calculations, including a discussion of how uncertainties have been addressed:
  - (i) A description of formulae used to estimate the baseline net greenhouse gas removals by sinks for the project activity
  - (ii) A description of formulae used to estimate leakage
  - (iii) A description of formulae used to calculate the actual net greenhouse gas removals by sinks
  - (iv) A description of formulae used to calculate the net anthropogenic greenhouse gas removals by sinks
  - (v) References to support the above, if any.

APPENDIX C

**Terms of reference for establishing guidelines on baselines  
and monitoring methodologies for afforestation and reforestation  
project activities under the CDM**

1. All provisions of appendix C to the CDM modalities and procedures, contained in the annex to decision 17/CP.7, shall apply to afforestation and reforestation project activities.

APPENDIX D

**Additional requirements for the CDM registry to address  
afforestation and reforestation project activities**

1. The CDM registry established and maintained by the Executive Board shall be used to ensure the accurate accounting of the issuance, holding, transfer, acquisition and cancellation of tCERs and ICERs from afforestation and reforestation project activities under the CDM.
2. All provisions of appendix D to the annex to decision 17/CP.7 that apply to CERs shall also apply to tCERs and ICERs, unless stated otherwise in this appendix.
3. In addition to the registry accounts specified in paragraph 3 of appendix D to the annex of decision 17/CP.7, the CDM registry shall have a cancellation account to which tCERs and ICERs that have expired in a holding account of the CDM registry, and ICERs that have become ineligible in accordance with paragraphs 49 and 50 of the present annex, are transferred.
4. Each tCER and ICER shall have an expiry date, specifying day, month and year, as an additional element in its serial number.
5. The CDM registry administrator will record the date in which each certification report for an afforestation or reforestation project activity under the CDM is received. The CDM registry administrator shall notify the Executive Board of cases where a certification report for an afforestation or reforestation project activity for which ICER are issued, has not been provided within five years of the last certification.
6. All information referred to in paragraphs 9 to 12 of appendix D to the annex to decision 17/CP.7 that applies to tCERs and ICERs shall include, as an additional element, the expiry date of each such tCER and ICER.

## Text R

### Draft decision -/CMP.1\*

#### **Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol and measures to facilitate their implementation**

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 12) and its annex, -/CMP.1 (Land use, land-use change and forestry) and its annex as well as -/CMP.1 (Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol) and its annex,*

*Cognizant of decisions 11/CP.7 and its annex, 15/CP.7, 17/CP.7 and its annex, 21/CP.8 and its annex II, 18/CP.9 and its annexes, 19/CP.9 and its annex, 12/CP.10 and its annexes, and 14/CP.10 and its annex,*

1. *Decides* to confirm and give full effect to any actions, including measures to facilitate the implementation of afforestation and reforestation project activities under the clean development mechanism, taken pursuant to decision 14/CP.10;
2. *Adopts* the simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol as contained in the annex below;
3. *Invites* the Executive Board of the clean development mechanism to review the simplified modalities and procedures for small-scale afforestation and reforestation project activities and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
4. *Invites* the Executive Board to review the measures to facilitate the implementation of small-scale afforestation and reforestation project activities referred to in this decision and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

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\* This draft decision was originally attached to decision 14/CP.10 (FCCC/CP/2004/10/Add.2).

## ANNEX

# **Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism**

## **A. Introduction**

1. Small-scale afforestation and reforestation project activities under the clean development mechanism (CDM) shall follow the stages of the project cycle specified in the modalities and procedures for afforestation and reforestation project activities under the CDM contained in the annex to decision 19/CP.9 (hereinafter referred to as the modalities and procedures for afforestation and reforestation project activities under the CDM). In order to reduce transaction costs, these modalities and procedures are simplified for small-scale afforestation and reforestation project activities under the CDM as follows:

- (a) Project activities may be bundled or portfolio-bundled at the following stages in the project cycle: the project design document, validation, registration, monitoring, verification and certification. The size of the total bundle should not exceed the limits stipulated in paragraph 1 (i) of the modalities and procedures for afforestation and reforestation project activities under the CDM;
- (b) The requirements for the project design document are reduced;
- (c) Baseline methodologies by project type are simplified to reduce the cost of developing a project baseline;
- (d) Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs;
- (e) The same operational entity may undertake validation as well as verification and certification.

2. Simplified baseline and monitoring methodologies may be developed for types of small-scale afforestation and reforestation project activities under the CDM, as presented in the list in appendix B. This list shall not preclude other types of small-scale afforestation and reforestation project activities under the CDM. If a proposed small-scale afforestation or reforestation project activity under the CDM does not fall into any of the types in appendix B, the project participants may submit a request to the Executive Board of the CDM (hereinafter referred to as the Executive Board) for approval of a proposed simplified baseline and/or monitoring plan, bearing in mind the provisions in paragraph 8 below.

3. The modalities and procedures for afforestation and reforestation project activities under the CDM shall apply to small-scale afforestation and reforestation project activities under the CDM except for paragraphs 12–30. The following paragraphs 4–29 apply instead. Appendix A should replace, as appropriate, the provisions in appendix B of the modalities and procedures for afforestation and reforestation project activities under the CDM.

## **B. Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism**

4. To use simplified modalities and procedures for small-scale afforestation and reforestation CDM project activities, a proposed project activity shall:

- (a) Meet the eligibility criteria for small-scale afforestation and reforestation project activities under the CDM set out in paragraph 1 (i) of the modalities and procedures for afforestation and reforestation project activities under the CDM;

- (b) Conform to one of the project types in appendix B;
  - (c) Not be a debundled component of a larger project activity, as determined through appendix C.
5. Project participants shall prepare a project design document in accordance with the format specified in appendix A.
  6. Project participants may use the simplified baseline and monitoring methodologies specified in appendix B.
  7. Project participants involved in small-scale afforestation and reforestation project activities under the CDM may propose changes to the simplified baseline and monitoring methodologies specified in appendix B or propose additional project types for consideration by the Executive Board.
  8. Project participants willing to submit a new type of small-scale afforestation or reforestation project activity under the CDM or revisions to a methodology shall make a request in writing to the Executive Board providing information about the activity and proposals on how a simplified baseline and monitoring methodology would be applied to this type. The Executive Board may draw on expertise, as appropriate, in considering new project types and/or revisions of and amendments to simplified methodologies. The Executive Board shall expeditiously, if possible at its next meeting, review the proposed methodology. Once it is approved, the Executive Board shall amend appendix B.
  9. The Executive Board shall review and amend, as necessary, appendix B at least once a year.
  10. Any amendments to appendix B shall apply only to small-scale afforestation and reforestation project activities under the CDM which are registered subsequent to the date of amendment and shall not affect already registered small-scale afforestation and reforestation project activities under the CDM during the crediting periods for which they are registered.
  11. Several small-scale afforestation or reforestation project activities under the CDM may be bundled for the purpose of validation. An overall monitoring plan that monitors performance of the constituent project activities on a sample basis may be proposed for bundled project activities. If bundled project activities are registered with an overall monitoring plan, this monitoring plan shall be implemented and each verification/certification of the net anthropogenic removals by sinks achieved shall cover all of the bundled project activities.
  12. A single designated operational entity (DOE) may perform validation as well as verification and certification for a small-scale afforestation or reforestation project activity under the CDM or for bundled small-scale afforestation and reforestation project activities under the CDM.
  13. The Executive Board shall stipulate a reduced level of the non-reimbursable fee for requesting registration and, when recommending to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) the share of proceeds to cover administrative expenses as required by decision 17/CP.7, propose a reduced rate of the share of proceeds to cover administrative expenses for small-scale afforestation and reforestation project activities under the CDM.

### **C. Validation and registration**

14. The DOE selected by project participants to validate a proposed small-scale afforestation or reforestation project activity under the CDM, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:



- (a) The participation requirements set out in paragraphs 28–30 of the annex to decision 17/CP.7 and paragraphs 8 and 9 of the modalities and procedures for afforestation and reforestation project activities under the CDM are satisfied
  - (b) Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the DOE on how due account was taken of any comments has been received
  - (c) Project participants have submitted to the DOE documentation on the analysis of the socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and impacts outside the project boundary, of the proposed small-scale afforestation or reforestation project activity under the CDM. If any negative impact is considered significant by the project participants or the host Party, project participants have undertaken a socio-economic impact assessment and/or an environmental impact assessment in accordance with the procedures required by the host Party. Project participants shall submit a statement that confirms that they have undertaken such an assessment in accordance with the procedures required by the host Party and include a description of the planned monitoring and remedial measures to address them
  - (d) The proposed small-scale afforestation and reforestation project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered small-scale afforestation or reforestation project activity under the CDM, in accordance with paragraphs 18–19 below
  - (e) Project participants have specified the approach proposed to address non-permanence in accordance with paragraph 38 of the modalities and procedures for afforestation and reforestation project activities under the CDM
  - (f) The proposed small-scale afforestation or reforestation project activity under the CDM conforms to one of the types in appendix B and uses one of the simplified baseline and monitoring methodologies specified in appendix B, and the estimation of the existing carbon stock is conducted in an appropriate manner
  - (g) A bundle of small-scale afforestation and reforestation project activities satisfies the conditions for bundling and the overall monitoring plan for the bundled small-scale afforestation and reforestation project activities is appropriate
  - (h) Project participants provide information regarding leakage in accordance with appendix B
  - (i) The proposed project activity conforms to all requirements, including monitoring, verification and reporting, for afforestation and reforestation project activities under the CDM in decision 19/CP.9, its annex on modalities and procedures for afforestation and reforestation project activities under the CDM that are not replaced by these simplified modalities and procedures, and relevant decisions by the COP/MOP and the Executive Board.
15. The DOE shall:
- (a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the

designated national authority of each Party involved, including confirmation by the host Party that the proposed small-scale afforestation or reforestation project activity under the CDM assists it in achieving sustainable development;

- (b) Prior to the submission of the validation report to the Executive Board, have received from the project participants a written declaration that the proposed small-scale afforestation or reforestation project activity under the CDM is developed or implemented by low-income communities and individuals as determined by the host Party;
- (c) In accordance with the provisions on confidentiality contained in paragraph 27 (h) of the annex to decision 17/CP.7, make the project design document publicly available;
- (d) Receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC-accredited non-governmental organizations, and make them publicly available;
- (e) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the proposed small-scale afforestation or reforestation project activity under the CDM should be validated;
- (f) Inform project participants of its determination on the validation of the small-scale afforestation or reforestation project activity under the CDM. The notification to the project participants will include a confirmation of validation and the date of submission of the validation report to the Executive Board, or an explanation of reasons for non-acceptance if the proposed small-scale afforestation or reforestation project activity under the CDM, as documented, is judged not to fulfil the requirements for validation;
- (g) Submit to the Executive Board, if it determines the proposed small-scale afforestation or reforestation project activity under the CDM to be valid, a request for registration in the form of a validation report including the project design document, the written approval of voluntary participation from the designated national authority of each Party involved, as referred to in paragraph 15 (a) above, and an explanation of how it has taken due account of comments received;
- (h) Make this validation report publicly available upon transmission to the Executive Board.

16. The registration by the Executive Board shall be deemed final four weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the proposed small-scale afforestation or reforestation project activity under the CDM, or at least three members of the Executive Board, request a review of the proposed small-scale afforestation or reforestation project activity under the CDM. The review by the Executive Board shall be made in accordance with the following provisions:

- (a) It shall be related to issues associated with the validation requirements
- (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

17. A proposed small-scale afforestation or reforestation project activity under the CDM that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions,

provided that this project activity follows the procedures and meets the requirements for validation and registration, including those relating to public comments.

18. A small-scale afforestation or reforestation project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered small-scale afforestation or reforestation project activity under the CDM.

19. The baseline for a proposed small-scale afforestation or reforestation project activity under the CDM is the scenario that reasonably represents the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the proposed project activity. A baseline shall be deemed to reasonably represent the sum of the changes in carbon stocks in the carbon pools within the project boundary that would occur in the absence of the proposed small-scale afforestation or reforestation project activity under the CDM if it is derived using a baseline methodology referred to in appendix B.

20. A simplified baseline and monitoring methodology listed in appendix B may be used for a small-scale afforestation or reforestation project activity under the CDM if the project participants are able to demonstrate to a DOE that the project activity would otherwise not be implemented due to the existence of one or more of the barriers listed in attachment A to appendix B. Where specified in appendix B for a project type, quantitative evidence that the project activity would otherwise not be implemented may be provided instead of a demonstration based on the barriers listed in attachment A to appendix B.

21. The crediting period shall begin at the start of the small-scale afforestation or reforestation project activity under the CDM. The crediting period for a proposed small-scale afforestation or reforestation project activity under the CDM shall be either of the following:

- (a) A maximum of 20 years which may be renewed at most two times, provided that, for each renewal, a DOE determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable
- (b) A maximum of 30 years.

22. A small-scale afforestation or reforestation project activity under the CDM shall be designed in such a manner as to minimize leakage.

#### **D. Monitoring**

23. Project participants shall include, as part of the project design document for a small-scale afforestation or reforestation project activity under the CDM or a bundle of small-scale afforestation or reforestation project activities under the CDM, a monitoring plan that provides for:

- (a) The collection and archiving of all relevant data necessary for estimating or measuring the actual net greenhouse gas removals by sinks during the crediting period as specified in appendix B;
- (b) The collection and archiving of all relevant data necessary for determining the baseline net greenhouse gas removals by sinks during the crediting period as specified in appendix B;
- (c) Unless project participants have successfully shown to the DOE that significant leakage is not expected to occur, as specified in appendix B, the identification of potential

sources of, and the collection and archiving of data on, leakage during the crediting period;

- (d) Changes in circumstances within the project boundary that affect legal title to the land or rights of access to the carbon pools;
- (e) Quality assurance and quality control procedures for the monitoring process in accordance with appendix B;
- (f) Procedures for the periodic calculation of the net anthropogenic greenhouse gas removals by sinks due to the small-scale afforestation or reforestation project activity under the CDM, and documentation of the steps involved in those calculations;
- (g) Procedures for the review of implementation of relevant measures to minimize leakage where the circumstances of the project activity have changed in a manner that may result in, or increase, leakage.

24. The monitoring plan for a proposed small-scale afforestation or reforestation project activity under the CDM may use the monitoring methodology specified in appendix B for the relevant project activity if the DOE determines at validation that the monitoring methodology reflects good monitoring practice appropriate to the circumstances of the project activity.

25. If small-scale afforestation or reforestation project activities under the CDM are bundled, a separate monitoring plan shall apply for each of the constituent project activities in accordance with paragraphs 23 and 24 above, or an overall monitoring plan shall apply for the bundled projects, as determined by the DOE at validation to reflect good monitoring practice appropriate to the bundled project activities and to provide for the collection and archiving of the data needed to calculate the net anthropogenic greenhouse gas removals by sinks achieved by the bundled project activities. Good practice may include monitoring of a sample of projects in a bundle.

26. Project participants shall implement the monitoring plan contained in the registered project design document, archive the relevant monitored data and report the relevant monitoring data to a DOE contracted to verify the net anthropogenic greenhouse gas removals by sinks achieved during the crediting period specified by the project participants.

27. Revisions, if any, to the monitoring plan to improve the accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a DOE.

28. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of temporary certified emission reductions (tCERs) or long-term certified emission reductions (lCERs).

29. The project participants shall provide to the DOE contracted by the project participants to perform the verification a monitoring report in accordance with the registered monitoring plan set out in paragraph 23 above for the purpose of verification and certification.

APPENDIX A

**Project design document for small-scale afforestation and reforestation project activities under the clean development mechanism**

1. The purpose of this appendix is to outline the information required in the project design document for small-scale afforestation and reforestation project activities under the clean development mechanism (CDM). A project activity shall be described in detail in a project design document, taking into account the provisions for small-scale afforestation and reforestation project activities under the CDM as set out in the present annex, in particular in its section C on validation and registration and in its section D on monitoring. The description shall include the following:
  - (a) A description of the small-scale afforestation or reforestation project activity under the CDM comprising the project purpose; a technical description of the project activity, including species and varieties selected and how technology and know-how will be transferred, if appropriate; a description of the physical location and boundaries of the project activity; and a specification of the gases whose emissions will be part of the project activity
  - (b) A description of the present environmental conditions of the area including a description of climate, hydrology, soils, ecosystems, and the possible presence of rare or endangered species and their habitats
  - (c) A description of legal title to the land, rights of access to the sequestered carbon, and current land tenure and land use
  - (d) Carbon pools selected, as well as transparent and verifiable information, in accordance with paragraph 21 of the modalities and procedures for afforestation and reforestation project activities under the CDM
  - (e) A statement of which baseline and monitoring methodologies in appendix B have been selected
  - (f) A description of how the simplified baseline methodology in appendix B will be applied in the context of the small-scale afforestation or reforestation project activity
  - (g) Measures to be implemented to minimize potential leakage, as applicable
  - (h) The start date for the project activity, with justification, and the choice of crediting periods during which the project activity is expected to result in net anthropogenic greenhouse gas removals by sinks
  - (i) A statement of which approach for addressing non-permanence was selected in accordance with paragraph 38 of the modalities and procedures for afforestation and reforestation project activities under the CDM
  - (j) A description of how the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered small-scale afforestation or reforestation project activity under the CDM
  - (k) Environmental impacts of the project activity:
    - (i) Documentation on the analysis of the environmental impacts, including impacts on biodiversity and natural ecosystems, and impacts outside the project

boundary, of the proposed small-scale afforestation or reforestation project activity under the CDM. This analysis should include, where applicable, information on, inter alia, hydrology, soils, risk of fires, pests and diseases

- (ii) If any negative impact is considered significant by the project participants or the host Party, a statement that project participants have undertaken an environmental impact assessment adequate to scale, in accordance with the procedures required by the host Party, including conclusions and all references to support documentation
- (l) Socio-economic impacts of the project activity:
  - (i) Documentation on the analysis of the socio-economic impacts, including impacts outside the project boundary, of the proposed small-scale afforestation or reforestation project activity under the CDM. This analysis should include, where applicable, information on, inter alia, local communities, indigenous peoples, land tenure, local employment, food production, cultural and religious sites, and access to fuelwood and other forest products
  - (ii) If any negative impact is considered significant by the project participants or the host Party, a statement that project participants have undertaken a socio-economic impact assessment adequate to scale, in accordance with the procedures required by the host Party, including conclusions and all references to support documentation
- (m) A description of planned monitoring and remedial measures to address significant impacts referred to in paragraph 1 (k) (ii) and (l) (ii) above
- (n) Information on sources of public funding for the project activity from Annex I Parties which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties
- (o) Stakeholder comments, including a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received
- (p) A description of how the simplified monitoring methodology of appendix B will be applied in the context of the small-scale afforestation or reforestation project activity under the CDM.

## APPENDIX B

### **Indicative simplified baseline and monitoring methodologies for selected types of small-scale afforestation and reforestation project activities under the clean development mechanism**

1. The Executive Board shall develop an indicative list of simplified methodologies for selected types of small-scale afforestation and reforestation project activities under the clean development mechanism (CDM), in accordance with the following guidance:

#### **A. Baseline methodology**

2. If project participants can provide relevant information that indicates that, in the absence of the small-scale afforestation or reforestation project activity under the CDM, no significant changes in the carbon stocks within the project boundary would have occurred, they shall assess the existing carbon stocks prior to the implementation of the project activity. The existing carbon stocks shall be considered as the baseline and shall be assumed to be constant throughout the crediting period.

3. If significant changes in the carbon stocks within the project boundary would be expected to occur in the absence of the small-scale afforestation or reforestation project activity, project participants shall use simplified baseline methodologies to be developed by the Executive Board.

4. The Executive Board shall develop simplified baseline methodologies for the following types of small-scale afforestation or reforestation project activities:<sup>1</sup>

- (a) Grassland to forested land
- (b) Cropland to forested land
- (c) Wetland to forested land
- (d) Settlement to forested land.

5. The Executive Board shall consider the types referred to in paragraph 4 above and develop, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) at its first session, default factors for assessing the existing carbon stocks and for simplified baseline methodologies, taking into account, if appropriate, types of soils, lifetime of the project and climatic conditions. Project participants may use either the default factors or project specific methods, provided they reflect good practice appropriate to the type of the project activity.

#### **B. Monitoring methodology**

6. No monitoring of the baseline is requested.

7. The Executive Board shall develop, for consideration by the COP/MOP at its first session, simplified monitoring methodologies based on appropriate statistical methods to estimate or measure the actual net greenhouse gas removals by sinks. As appropriate, the Executive Board may indicate different methods for different types of afforestation and reforestation project activities under the CDM and propose default factors, if any, to facilitate the estimation or measurement of actual net greenhouse gas removals by sinks.

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<sup>1</sup> The land categories shall be consistent with those defined in chapter 2 (Basis for consistent representation of land areas) of the IPCC *Good Practice Guidance for Land Use, Land-Use Change and Forestry*.

8. The Executive Board shall consider ways to simplify the information requirements needed to determine that one or more carbon pools and/or greenhouse gas emissions can be excluded from the estimation of the baseline net greenhouse gas removals by sinks and/or the actual net greenhouse gas removals by sinks.

### **C. Leakage**

9. If project participants demonstrate that the small-scale afforestation or reforestation project activity under the CDM does not result in the displacement of activities or people, or does not trigger activities outside the project boundary, that would be attributable to the small-scale afforestation or reforestation project activity under the CDM, such that an increase in greenhouse gas emissions by sources occurs, a leakage estimation is not required. In all other cases leakage estimation is required. The Executive Board shall develop guidelines to estimate leakage.

### **ATTACHMENT A TO APPENDIX B**

(The attachment A to appendix B, referred to in paragraph 20 of the simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM, shall be developed by the Executive Board, taking into consideration the existing list of barriers for non-afforestation and reforestation CDM project activities, as contained in attachment A to appendix B of annex II to decision 21/CP.8.)



## APPENDIX C

### **Criteria for determining the occurrence of debundling**

1. Debundling is defined as the fragmentation of a large project activity into smaller parts. A small-scale project activity that is part of a large project activity is not eligible to use the simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism (CDM). A large project activity or any of its components shall follow the regular modalities and procedures for afforestation and reforestation project activities under the CDM.
2. A proposed small-scale afforestation or reforestation project activity under the CDM shall be deemed to be a debundled component of a large project activity if there is a registered small-scale afforestation or reforestation project activity under the CDM or an application to register another afforestation or reforestation small-scale project activity under the CDM:
  - (a) With the same project participants;
  - (b) Registered within the previous two years;
  - (c) Whose project boundary is within 1 km of the project boundary of the proposed small-scale afforestation or reforestation activity under the CDM at the closest point.
3. If a proposed small-scale afforestation or reforestation project activity under the CDM is deemed to be a debundled component in accordance with paragraph 2 above, but the total size of such an activity combined with the previously registered small-scale afforestation or reforestation project activity under the CDM does not exceed the limits for small-scale afforestation or reforestation project activities under the CDM as set out in paragraph 1 (i) of the annex to decision 19/CP.9, the project activity can qualify to use simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM.

## Text S

### Draft decision -/CMP.1\*

#### Guidance relating to the clean development mechanism

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*  
*Aware of its decisions -/CMP.1 (Mechanisms) and -/CMP.1 (Article 12) and its annex,*

*Cognizant of decisions 15/CP.7, 17/CP.7 and its annex, 19/CP.7 and its annex, 21/CP.8 and its annexes, 18/CP.9 and its annexes, 19/CP.9 and its annex, 12/CP.10 and its annex, and 14/CP.10 and its annex,*

*Decides to confirm and give full effect to any actions taken pursuant to decisions 21/CP.8, 18/CP.9 and 12/CP.10, and their annexes:*

- (a) Annex I, containing the rules of procedure of the Executive Board;
- (b) Annex II, containing the simplified modalities and procedures for small-scale clean development mechanism project activities;
- (c) Annex III, containing the procedures for review as referred to in paragraph 41 of the modalities and procedures of the clean development mechanism;
- (d) Annex IV, containing the procedures for review referred to in paragraph 65 of the modalities and procedures of the clean development mechanism.

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\* This draft decision refers to guidance arising from decisions taken by the Conference of the Parties (COP) at its eighth, ninth and tenth sessions, that is, while the COP was assuming the responsibilities of the Conference of the Parties meeting as the Parties to the Kyoto Protocol (COP/MOP) in accordance with paragraph 2 of decision 17/CP.7 (FCCC/CP/2001/13/Add.2). The draft -/CMP decisions which were attached to and recommended for adoption by decisions 21/CP.8 (FCCC/CP/2002/7/Add.3), 18/CP.9 (FCCC/CP/2003/6/Add.2) and 12/CP.10 (FCCC/CP/2004/10/Add.2) have been integrated into one draft decision with the preambular references being consolidated, as appropriate. The annexes attached to these COP decisions are attached as annexes I–IV to this draft decision. For ease of reference, annex I has been consolidated. The annexes are as follows:

- Annex I to this decision was originally annex I to decision 21/CP.8 and was amended as set out in annex I to decision 18/CP.9 and annex II to decision 12/CP.10
- Annex II to this decision was originally set out in annex II to decision 21/CP.8
- Annex III to this decision was originally set out in annex II decision 18/CP.9
- Annex IV to this decision was originally set out in annex I to decision 12/CP.10

It is anticipated that the COP/MOP will, at its first session, not only confirm and give full effect to these decisions and respective annexes, but also adopt a further decision entitled “Guidance relating to the clean development mechanism” which emanates from item 5 of the proposed agenda item on the Report of the Executive Board of the clean development mechanism.

ANNEX I

**Rules of procedure of the Executive Board of the  
clean development mechanism**

**I. Scope**

Rule 1

These rules of procedures shall apply to all activities of the Executive Board of the clean development mechanism (CDM) undertaken in accordance with decision 17/CP.7, and the annex thereto on the modalities and procedures for a CDM, as defined in Article 12 of the Kyoto Protocol.

**II. Definitions**

Rule 2

For the purpose of these rules:

1. “Decision 17/CP.7” means the decision taken by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its seventh session on the modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol;<sup>1</sup>
2. “CDM modalities and procedures” means modalities and procedures for a clean development mechanism contained in the annex to decision 17/CP.7;<sup>2</sup>
3. “UNFCCC” means the United Nations Framework Convention on Climate Change;
4. “COP” means the Conference of the Parties to the United Nations Framework Convention on Climate Change;
5. “COP/MOP” means the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
6. “CDM” means the clean development mechanism as defined in Article 12 of the Kyoto Protocol;
7. “Executive Board” means the Executive Board of the clean development mechanism as defined in Article 12 of the Kyoto Protocol;
8. “Chair” and “Vice-Chair” mean the members of the Executive Board elected as Chair and Vice-Chair by the Executive Board of the clean development mechanism;
9. “Member” means member of the Executive Board of the clean development mechanism;
10. “Alternate member” means alternate member of the Executive Board of the clean development mechanism;
11. “Secretariat” means the secretariat referred to in Article 14 of the Kyoto Protocol and the paragraph 19 of the CDM modalities and procedures;
12. “Technical reports commissioned” refers to reports commissioned by the Executive Board to obtain outside expertise other than reports produced by committees, panels and working groups specified in section VII of these rules of procedure;

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<sup>1</sup> FCCC/CP/2001/13/Add.2.

<sup>2</sup> FCCC/CP/2001/13/Add.2.

Paragraph 1 (e) of the CDM modalities and procedures:

13. “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity;

14. For the purpose of rules 26 and 27, Parties to the Convention that are not Parties to the Kyoto Protocol may exercise the same rights as all other observers.

### **III. Members and alternate members**

#### **A. Nomination, election and re-election**

##### Rule 3

Paragraph 7 of the CDM modalities and procedures:

The Executive Board shall comprise 10 members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

##### Rule 4

Paragraph 8 (a) to (d) of the CDM modalities and procedures:

1. Members, including alternate members, of the Executive Board shall:
  - (a) Be nominated by the relevant constituencies referred to in paragraph 7 {of the CDM modalities and procedures} and be elected by the COP/MOP. Vacancies shall be filled in the same way;
  - (b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 {of the CDM modalities and procedures} shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;
  - (c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity;
  - (d) Be bound by the rules of procedure of the Executive Board.

2. The term of service of a member, or an alternate member, shall start at the first meeting of the Executive Board in the calendar year following his/her election and shall end immediately before the first meeting of the Executive Board in the calendar year in which the term ends.

#### Rule 5

Paragraph 9 of the CDM modalities and procedures:

1. The COP/MOP shall elect an alternate for each member of the Executive Board based on the criteria in paragraphs 7 and 8 {of the CDM modalities and procedures}. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

2. Any reference in these rules to a member shall be deemed to include his/her alternate when such alternate acts for the member.

3. In the absence of a member from a meeting of the Board, his/her alternate shall serve as the member for that meeting.

#### Rule 6

Paragraph 8 (c) of the CDM modalities and procedures:

1. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the Executive Board.

2. Funding for participation shall be provided in accordance with the financial regulations of the United Nations and the financial procedures of the UNFCCC.

### **B. Suspension, termination and resignation**

#### Rule 7

Paragraph 10 of the CDM modalities and procedures:

1. The Executive Board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, inter alia, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the Executive Board without proper justification.

2. Any motion calling for the suspension of, and recommendation to the COP/MOP to terminate the membership of, a member, or an alternate member, shall immediately be put to the vote in accordance with the voting rules in chapter V below. When the motion concerns the suspension of, and recommendation to the COP/MOP to terminate the membership of, the Chair, the Vice-Chair shall act as Chair until the voting has been conducted and its result announced.

3. The Executive Board shall suspend and recommend termination of the membership of a member, or an alternate member, only after the member, or alternate member, has been afforded the opportunity of a hearing by the Board in a meeting.

Rule 8

Paragraph 11 of the CDM modalities and procedures:

1. If a member, or an alternate member, of the Executive Board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the Executive Board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

2. The Executive Board shall request the relevant constituency to nominate the new member, or the new alternate member, to be appointed in accordance with paragraph 1 of this rule.

**C. Conflict of interest and confidentiality**

Rule 9

Paragraph 8 (f) of the CDM modalities and procedures:

{Members, including alternate members, of the Executive Board shall} {h}ave no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity.

Rule 10

Paragraph 8 (e) of the CDM modalities and procedures:

1. {Members, including alternate members, of the Executive Board shall} take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties.

2. The written oath of service shall read as follows:

"I solemnly declare that I will perform my duties as a member/alternate member of the Executive Board of the clean development mechanism pursuant to Article 12 of the Kyoto Protocol, honourably, faithfully, impartially and conscientiously.

"I further solemnly declare and promise that I shall have no financial interest in any aspect of the clean development mechanism, including accreditation of operational entities, registration of CDM project activities and/or the issuance of related certified emission reductions. Subject to my responsibilities to the Executive Board, I shall not disclose, even after the termination of my functions, any confidential or proprietary information which is transferred to the Executive Board in accordance with the CDM modalities and procedures, or any other confidential information coming to my knowledge by reason of my duties for the Executive Board.

“I shall disclose to the Executive Secretary of the United Nations Framework Convention on Climate Change and to the Executive Board any interest in any matter under discussion before the Executive Board which may constitute a conflict of interest or which might be incompatible with the requirements of integrity and impartiality expected of a member of the Executive Board and I shall refrain from participating in the work of the Board in relation to such matter.”

Rule 11

Paragraph 8 (g) of the CDM modalities and procedures:

1. {Members, including alternate members of the Executive Board shall,} subject to their responsibilities to the Executive Board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the Executive Board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the Executive Board.

Paragraph 6 of the CDM modalities and procedures:

2. Information obtained {by members, and alternate members} from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 {of the CDM modalities and procedures}, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) {of the CDM modalities and procedures}, shall not be considered as proprietary or confidential.

**D. Officers**

Rule 12

Paragraph 12 of the CDM modalities and procedures:

1. The Executive Board shall elect its own {Chair} and {Vice-Chair}, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of {Chair} and {Vice-Chair} shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

2. At the first Executive Board meeting of each calendar year, the Board shall elect a Chair and a Vice-Chair from among its members. The secretary of the Board shall preside over the opening of the first Executive Board meeting of a calendar year and conduct the election of the new Chair and Vice-Chair.

Rule 13

1. The Chair and Vice-Chair shall serve in their respective capacities at any meeting of the Executive Board.

2. If the elected Chair is not able to serve in that capacity for a meeting, the Vice-Chair shall serve as Chair. If both are unable to serve in their respective capacities, the Board shall elect a member from among its members present to serve as Chair for that meeting.
3. If the Chair or Vice-Chair ceases to be able to carry out his or her functions, or ceases to be a member, a new Chair or Vice-Chair shall be elected for the remainder of the term.

#### Rule 14

1. The Chair shall preside over the meetings of the Executive Board as provided for under this rule.
2. In addition to exercising the functions conferred upon the Chair elsewhere by these rules, the Chair shall declare the opening and closing of meetings, preside at meetings, ensure the observance of these rules, accord the right to speak, put questions to the vote and announce decisions. The Chair shall rule on points of order and, subject to these rules, shall have complete control of the proceedings and over the maintenance of order at the meeting.
3. The Chair may propose to the Executive Board a limitation on the time to be allowed to speakers and on the number of times each member may speak on a question, the adjournment or closure of the debate and the suspension or adjournment of a meeting.
4. The Chair, or any other member designated by the Executive Board, shall represent the Board as necessary, including at sessions of the COP/MOP.

### **IV. Meetings**

#### **A. Dates**

#### Rule 15

Paragraph 13 of the CDM modalities and procedures:

The Executive Board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 {of the CDM modalities and procedures.}

#### Rule 16

1. At the first Executive Board meeting of each calendar year, the Chair shall propose for the approval of the Board a schedule of meetings for that calendar year. To the extent possible, these meetings shall be held in conjunction with sessions of the COP, the COP/MOP or their subsidiary bodies.
2. If changes to the schedule or additional meetings are required, the Chair shall, after consultations with all members, give notice of any changes in the dates of scheduled meetings, and/or of the dates of additional meetings.

#### Rule 17

The Chair shall convene and give notice of the date of each meeting of the Executive Board not less than eight weeks prior to the date of such meeting.



Rule 18

The secretariat shall promptly notify all those invited to the meeting.

**B. Venue**

Rule 19

Meetings of the Executive Board held in conjunction with meetings of the COP, the COP/MOP or their subsidiary bodies shall be held at the same location as the meetings of these bodies. Other meetings of the Executive Board shall take place at the location of the secretariat, unless the Executive Board decides otherwise or other appropriate arrangements are made by the secretariat in consultation with the Chair.

**C. Agenda**

Rule 20

The Chair, assisted by the secretariat, shall draft the provisional agenda of each meeting of the Executive Board and transmit a copy of such provisional agenda, agreed upon by the Executive Board at its previous meeting, to all those invited to the meeting.

Rule 21

Additions or changes to the provisional agenda of a meeting may be proposed to the secretariat by any member, or alternate member, and incorporated in the proposed agenda provided that the member, or alternate member, shall give notice thereof to the secretariat not less than four weeks before the date set for the opening of the meeting. The proposed agenda for the meeting shall be transmitted by the secretariat to all those invited to the meeting three weeks before the date set for the opening of the meeting.

Rule 22

The Executive Board shall, at the beginning of each meeting, adopt the agenda for the meeting.

Rule 23

Any item included on the agenda for a meeting of the Executive Board, consideration of which has not been completed at that meeting, shall be included automatically on the provisional agenda for the next meeting, unless otherwise decided by the Executive Board.

**D. Documentation**

Rule 24

1. All documentation for an Executive Board meeting shall be made available to members and alternate members through the secretariat at least two weeks before the meeting.
2. Documentation shall be made publicly available by the secretariat via the Internet soon after transmission to members and alternate members. Availability of such documentation shall be subject to confidentiality provisions.

Rule 25

Paragraph 5 (j) of the CDM modalities and procedures:

{The Executive Board shall} make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration.

**E. Transparency**

Rule 26

Subject to the need to protect confidential information, the principle of transparency should apply to all the work of the Executive Board, encompassing the timely public availability of documentation and channels through which external comments by all Parties and all UNFCCC accredited observers and stakeholders can be submitted for consideration by the Board. The posting of the Board's meetings on the Internet is one way to ensure transparency.

**F. Attendance**

Rule 27

Paragraph 16 of the CDM modalities and procedures:

1. Meetings of the Executive Board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the Executive Board.

2. In the context of paragraph 1 above, the Executive Board may decide, in the interest of economy and efficiency, to limit attendance at its meetings to members, alternate members and secretariat support staff. In such instances, the Executive Board shall take all practicable steps to accommodate in other ways the interests of Parties, non-Parties to the Kyoto Protocol that are Parties to the Convention and accredited UNFCCC observers and stakeholders to observe its proceedings, except when the Executive Board decides to close all or a portion of a meeting.

3. Observers may, upon invitation by the Board, make presentations relating to matters under consideration by the Board.

**G. Quorum**

Rule 28

Paragraph 14 of the CDM modalities and procedures:

At least two thirds of the members of the Executive Board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

## V. Voting

### Rule 29

Paragraph 15 of the CDM modalities and procedures:

1. Decisions by the Executive Board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.
2. The Chair shall ascertain whether consensus has been reached. The Chair shall declare that a consensus does not exist if there is a stated objection to the proposed decision under consideration by a member of the Executive Board or by an alternate member acting for a member.
3. Each member shall have one vote. For the purpose of this rule, the phrase “members present and voting” means members present at the meeting at which voting takes place and casting an affirmative or negative vote.
4. Alternate members may participate in the proceedings of the Board without the right to vote. An alternate member may cast a vote only if acting for the member.

### Rule 30

1. Whenever, in the judgment of the Chair, a decision must be taken by the Executive Board which cannot be postponed until the next meeting of the Executive Board, the Chair shall transmit to each member a proposed decision, with an invitation to approve the decision by consensus. Together with the proposed decision, the Chair shall provide, subject to the applicable confidentiality requirements, the relevant facts that, in the Chair’s judgement, justify decision-making pursuant to this rule 30. The proposed decision shall be transmitted in the form of an electronic message through the listserv of the Executive Board. A quorum of the Board is required to confirm the receipt of the message. Such message shall also be transmitted to alternate members for information.
2. Members, and/or alternate members, shall be given two weeks from the date of receipt of the proposed decision for comments. These comments shall be made available to members and alternate members via the Executive Board listserv.
3. At the expiration of the period referred to in paragraph 2 above, the proposed decision shall be considered approved if there is no objection by any member. If an objection is raised, the Chair shall include consideration of the proposed decision as an item on the proposed agenda for the next meeting of the Executive Board and inform the Board accordingly.
4. Any decision made using the procedure specified in paragraphs 1 to 3 of this rule shall be included in the report of the Board at its next meeting and shall be deemed to have been taken at the seat of the UNFCCC secretariat in Bonn, Germany.

## **VI. Languages**

### **Rule 31**

Paragraph 17 of the CDM modalities and procedures:

The full text of all decisions of the Executive Board shall be made publicly available. The working language of the Executive Board shall be English. Decisions shall be made available in all six official languages of the United Nations.

## **VII. Committees, panels and working groups**

### **Rule 32**

Paragraph 18 of the CDM modalities and procedures:

1. The Executive Board may establish committees, panels or working groups to assist it in the performance of its functions. The Executive Board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

2. The panel shall be composed of an appropriate number of panel members determined by the Executive Board. Members of a panel shall have demonstrated and recognized technical expertise in the relevant field of work.

3. In establishing a panel, the Executive Board shall appoint two Executive Board members to act as Chair and Vice-Chair of the panel, one from a Party included in Annex I and one from a Party not included in Annex I. The Executive Board may appoint additional members and alternate members to participate in a panel.

4. In establishing a panel, the Executive Board shall determine its terms of reference. The terms of reference shall include a work plan, the deadline for submission of documents, the criteria for the selection of the panel members and the necessary budgetary provisions.

5. Reports of committees, panels and working groups to the Executive Board shall be made publicly available, subject to confidentiality provisions.

## **VIII. Secretariat**

### **Rule 33**

Paragraph 19 of the CDM modalities and procedures:

The secretariat shall service the Executive Board.

Rule 34

The Executive Secretary of the UNFCCC shall arrange for the provision of staff and services required for the servicing of the Executive Board from within available resources. The Executive Secretary shall manage and direct such staff and services and provide appropriate support and advice to the Executive Board.

Rule 35

An official of the secretariat designated by the Executive Secretary shall serve as secretary to the Executive Board.

Rule 36

In addition to the functions specified in the CDM modalities and procedures and/or any subsequent decision by the COP/MOP, the secretariat shall, in accordance with these rules, and subject to the availability of resources:

- (a) Receive, reproduce and distribute to members and alternate members the documents of a meeting;
- (b) Receive and translate decisions into all six official languages of the United Nations and make publicly available the full texts of all decisions of the Executive Board;
- (c) Assist the Executive Board in fulfilling tasks relating to the maintenance of files and the collection, processing and public availability of information;
- (d) Perform all other work that the Executive Board may require.

Rule 37

The financial regulations of the United Nations and the financial procedures of the UNFCCC shall apply.

## **IX. Conduct of business**

Rule 38

The Executive Board shall undertake any tasks assigned to it by decision 17/CP.7, in accordance with the CDM modalities and procedures, and by any subsequent decision taken by the COP/MOP.

Rule 39

1. The Executive Board, and the UNFCCC secretariat, in its mandated role of support to the Executive Board, may use electronic means for transmission and storage of documentation.
2. The documentation submitted using electronic means is subject to the transparency and confidentiality provisions of the CDM modalities and procedures. In submitting any application, registration or other documentation through electronic means (e.g. the UNFCCC CDM web site), the submitter shall acknowledge that he or she has read the relevant procedures and agrees to be bound by the terms and conditions of submission of documentation, including with respect to the submitter's sole responsibility for the content of his or her submission and the waiver of all claims associated with use of electronic means of submitting and transmitting documentation.
3. The Executive Board, its panels, committees and working groups, and respective members and alternate members, shall not be made responsible for any claim or loss arising from the transmission, storage or use of documentation obtained through electronic means. Neither the confidentiality nor the

integrity of the documentation submitted can be guaranteed following electronic transmission and storage.

## **X. Record of the meeting**

### Rule 40

Before the end of each meeting, the Chair shall present draft conclusions and decisions of the meeting for consideration and approval by the Executive Board. Any written records of the Executive Board or recordings of proceedings shall be kept by the secretariat in accordance with United Nations rules and regulations.

## **XI. Amendments to the rules**

### Rule 41

Paragraph 5 (b) of the CDM modalities and procedures:

{The Executive Board shall} make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the Executive Board contained in the {CDM modalities and procedures}, as appropriate.

ANNEX II

**Simplified modalities and procedures for  
small-scale clean development mechanism project activities**

**I. Further clarifications on definitions of eligible activities**

**A. Type (i) project activities: renewable energy project activities with a maximum output capacity equivalent to up to 15 megawatts (or an appropriate equivalent) (decision 17/CP.7, paragraph 6 (c) (i))**

1. Definition of “renewable energy”: the Executive Board agreed to draw up an indicative list of energy sources/eligible project activities,<sup>1</sup> as proposed in the attachment to annex 2 of the annotated agenda of its third meeting.<sup>2</sup> In drawing up such a list, the Board shall consider recognized classifications of renewable energy technologies/sources and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the “bottom-up” project cycle approach of the clean development mechanism (CDM), this list shall evolve and be further elaborated over time as new project activities are proposed and registered.

2. Definition of “maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent)”:

- (a) Definition of “maximum output”: the Board agreed to define “output” as installed/rated capacity, as indicated by the manufacturer of the equipment or plant, disregarding the actual load factor of the plant;
- (b) Definition of “appropriate equivalent” of 15 megawatts: the Board agreed that, whereas decision 17/CP.7, paragraph 6 (c) (i), refers to megawatts (MW), project proposals may refer to MW(p), MW(e) or MW(th).<sup>3</sup> As MW(e) is the most common denomination, and MW(th) only refers to the production of heat which can also be derived from MW(e), the Board agreed to define MW as MW(e) and otherwise to apply an appropriate conversion factor.

**B. Type (ii) project activities: energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatt hours per year (decision 17/CP.7, paragraph 6 (c) (ii))**

3. Definition of “energy efficiency improvement project activities”:

- (a) The Executive Board agreed to draw up an indicative list of eligible project activities/sectors, as proposed in the attachment to annex 2 of the annotated agenda of its third meeting. In drawing up such a list, the Board shall consider recognized classifications of energy efficiency and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the CDM “bottom-up” approach, this list shall evolve and be further elaborated over time as new project activities are proposed and registered;

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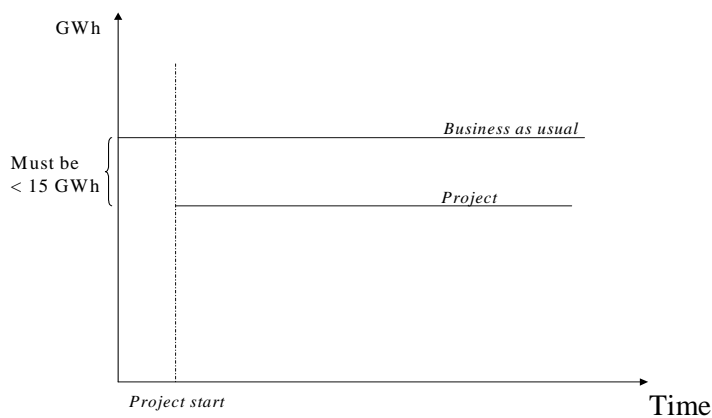
<sup>1</sup> Project activities referring to the burning of peat and non-biogenic waste should not be included in the indicative list.

<sup>2</sup> Please refer to <http://unfccc.int/cdm/ebmeetings/eb003/eb03annan2.pdf>.

<sup>3</sup> Where (p) stands for peak, (e) stands for electric and (th) stands for thermal.

- (b) The Board further agreed on the following clarifications:
  - (i) Energy efficiency is the improvement in the service provided per unit power, that is, project activities which increase unit output of traction, work, electricity, heat, light (or fuel) per MW input are energy efficiency project activities;
  - (i) Energy consumption is the consumption reduced and measured in watt-hours with reference to an approved baseline. Lower consumption as a result of lower activity shall not be taken into consideration;
- (c) Demand side, as well as supply side, projects shall be taken into consideration, provided that a project activity results in a reduction of maximum 15 gigawatt hours (GWh), as illustrated by figure 1. A total saving of 15 GWh is equivalent to 1000 hours of operation of a 15 MW plant or  $15 \times 3.6 \text{ TJ} = 54 \text{ TJ}$ , where TJ stands for terajoules.

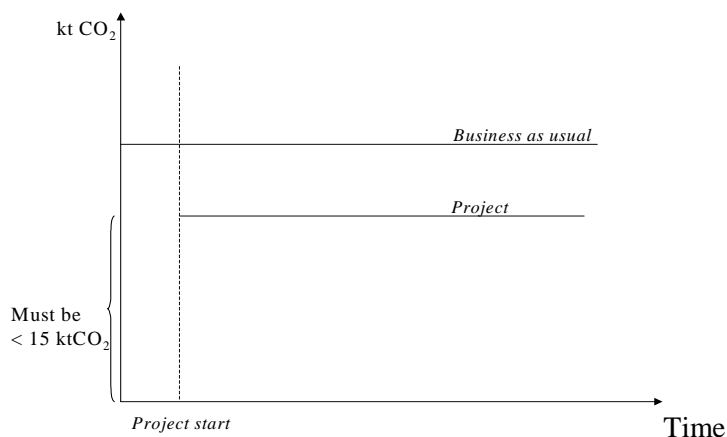
**Figure 1: Eligibility for type (ii) project activities**



**C. Type (iii) project activities: other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually (decision 17/CP.7, paragraph 6 (c) (iii)):**

4. As figure 2 illustrates, type (iii) projects shall not exceed total direct emissions of 15 kilotonnes (kt) of carbon dioxide (CO<sub>2</sub>) equivalent annually, and must reduce greenhouse gas emissions.

**Figure 2: Eligibility for type (iii) project activities**





5. As presented in the attachment to annex 2 of the annotated agenda of the third meeting of the Executive Board, type (iii) CDM project activities could include agricultural projects, fuel switching, industrial processes and waste management. Possible examples in the agricultural sector include improved manure management, reduction of enteric fermentation, improved fertilizer usage or improved water management in rice cultivation.

6. Other project activities that could qualify include CO<sub>2</sub> recycling, carbon electrodes, adipic acid production and the use of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) making reference to the emission reductions generated by such projects expressed in CO<sub>2</sub> equivalent. In order for these to be calculated in a consistent and transparent manner, appropriate baseline methodologies need to be developed.

**D. Interpretation of types of project activity to be mutually exclusive  
(decision 17/CP.7, paragraph 6 (c), (i), (ii) and (iii))**

7. The Board agreed that the three types of project activities outlined in decision 17/CP.7, paragraph 6 (c), are mutually exclusive. In a project activity with more than one component that will benefit from simplified CDM modalities and procedures, each component shall meet the threshold criterion of each applicable type, e.g. for a project with both a renewable energy and an energy efficiency component, the renewable energy component shall meet the criterion for “renewable energy” and the energy efficiency component that for “energy efficiency”.

**E. Point in the project activity lifetime at which reference values are to be applied  
(decision 17/CP.7, paragraph 6 (c), (i), (ii) and (iii))**

8. The Board agreed that if the maximum reference value of a small-scale CDM project activity is exceeded on an annual average basis during any verified period, CERs should be issued only up to the maximum value.

**II. Draft simplified modalities and procedures for small-scale  
CDM project activities**

**A. Introduction**

9. Small-scale CDM project activities shall follow the stages of the project cycle specified in the modalities and procedures for a clean development mechanism contained in the annex to decision 17/CP.7 (hereinafter referred as the CDM modalities and procedures). In order to reduce transaction costs modalities and procedures are simplified for small-scale CDM project activities, as follows:

- (a) Project activities may be bundled or portfolio bundled at the following stages in the project cycle: the project design document, validation, registration, monitoring, verification and certification. The size of the total bundle should not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7;
- (b) The requirements for the project design document are reduced;
- (c) Baselines methodologies by project category are simplified to reduce the cost of developing a project baseline;
- (d) Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs;
- (e) The same operational entity may undertake validation, and verification and certification.

10. Simplified baseline and monitoring methodologies have been developed for 14 small-scale CDM project activity categories related to types (i) to (iii).<sup>4</sup> They are presented in appendix B. This list shall not preclude other types of small-scale CDM project activities. If a proposed small-scale CDM project activity does not fall into any of the categories in appendix B, the project participants may submit a request to the Executive Board for approval of a simplified baseline and/or monitoring plan developed bearing in mind provisions in paragraph 16 below.

11. The CDM modalities and procedures shall apply to small-scale CDM project activities except for its paragraphs 37 to 60. The following paragraphs 12 to 39 apply instead. Appendix A to this annex should replace, as appropriate, provisions in appendix B of the CDM modalities and procedures.

### **B. Simplified modalities and procedures for small-scale CDM project activities**

12. To use simplified modalities and procedures for small-scale CDM project activities, a proposed project activity shall:

- (a) Meet the eligibility criteria for small-scale CDM project activities set out in paragraph 6 (c) of decision 17/CP.7;
- (b) Conform to one of the project categories in appendix B to this annex;
- (c) Not be a debundled component of a larger project activity, as determined through appendix C to this annex.

13. Project participants shall prepare a project design document in accordance with the format specified in appendix A to this annex.

14. Project participants may use the simplified baseline and monitoring methodologies specified in appendix B for their project category.

15. Project participants involved in small-scale CDM project activities may propose changes to the simplified baseline and monitoring methodologies specified in appendix B or propose additional project categories for consideration by the Executive Board.

16. Project participants willing to submit a new small-scale project activity category or revisions to a methodology shall make a request in writing to the Board providing information about the technology/activity and proposals on how a simplified baseline and monitoring methodology would be applied to this category. The Board may draw on expertise, as appropriate, in considering new project categories and/or revisions of and amendments to simplified methodologies. The Executive Board shall expeditiously, if possible at its next meeting, review the proposed methodology. Once approved, the Executive Board shall amend appendix B.

17. The Executive Board shall review and amend, as necessary, appendix B at least once a year.

18. Any amendments to appendix B shall apply only to project activities registered subsequent to the date of amendment and shall not affect registered CDM project activities during the crediting periods for which they are registered.

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<sup>4</sup> Type (i): Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent); Type (ii): Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatthours per year; and Type (iii): Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually.

19. Several small-scale CDM project activities may be bundled for the purpose of validation. An overall monitoring plan that monitors performance of the constituent project activities on a sample basis may be proposed for bundled project activities. If bundled project activities are registered with an overall monitoring plan, this monitoring plan shall be implemented and each verification/certification of the emission reductions achieved shall cover all of the bundled project activities.

20. A single designated operational entity may perform validation as well as verification and certification for a small-scale CDM project activity or bundled small-scale CDM project activities.

21. The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, may consider proposing lower fees for small-scale CDM project activities.

### **C. Validation and registration**

22. The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:

- (a) The participation requirements set out in paragraphs 28 to 30 of the CDM modalities and procedures are satisfied
- (b) Comments by local stakeholders have been invited and a summary of the comments received has been provided to the designated operational entity together with a report indicating how due account was taken of any comments received
- (c) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, if required by the host Party
- (d) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 26 to 28 below
- (e) The small-scale project activity conforms to one of the project categories in appendix B and uses the simplified baseline and monitoring methodology for that project activity category as specified in appendix B, or a bundle of small-scale project activities satisfies the conditions for bundling and the overall monitoring plan for the bundled small-scale project activities is appropriate
- (f) The project activity conforms to all other requirements for CDM project activities in the CDM modalities and procedures that are not replaced by these simplified modalities and procedures.

23. The designated operational entity shall:

- (a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;
- (b) In accordance with provisions on confidentiality contained in paragraph 27 (h) of the CDM modalities and procedures, make publicly available the project design document;

- (c) Receive, within 30 days, comments on the project design document from Parties, stakeholders and UNFCCC accredited non-governmental organizations, and make them publicly available;
- (d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;
- (e) Inform project participants of its determination on the validation of the project activity. Notification to the project participants shall include either:
  - (i) Confirmation of validation and date of submission of the validation report to the Executive Board; or
  - (ii) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation.
- (f) Submit to the Executive Board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party as referred to in paragraph 23 (a) above, and an explanation of how it has taken due account of comments received;
- (g) Make this validation report publicly available upon transmission to the Executive Board.

24. The registration by the Executive Board shall be deemed final four weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed CDM project activity. The review by the Executive Board shall be made in accordance with the following provisions:

- (a) It shall be related to issues associated with the validation requirements
- (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

25. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

26. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

27. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A simplified baseline for a small-scale CDM project activity specified in appendix B shall be deemed to reasonably represent the anthropogenic emissions that would occur in the absence of the proposed small-scale project activity. If a simplified baseline is not used, the baseline proposed shall cover emissions from all gases, sectors and source categories listed in Annex A to the Kyoto Protocol within the project boundary.

28. A simplified baseline and monitoring methodology listed in appendix B may be used for a small-scale CDM project activity if the project participants are able to demonstrate to a designated operational entity that the project activity would otherwise not be implemented due to the existence of one or more of the barriers listed in attachment A to appendix B. Where specified in appendix B for a project category,

quantitative evidence that the project activity would otherwise not be implemented may be provided instead of a demonstration based on the barriers listed in attachment A to appendix B.

29. Project participants shall select a crediting period for a proposed small-scale CDM project activity from one of the following alternatives:

- (a) A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable
- (b) A maximum of 10 years with no option of renewal.

30. Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity. Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the provisions of appendix B for the relevant project categories. The Executive Board shall consider simplification of the leakage calculation for any other project categories added to appendix B.

31. The project boundary shall encompass significant anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are reasonably attributable to the small-scale CDM project activity, in accordance with provisions of appendix B for the relevant project category.

#### **D. Monitoring**

32. Project participants shall include, as part of the project design document for a small-scale CDM project activity or bundle of small-scale CDM project activities, a monitoring plan. The monitoring plan shall provide for the collection and archiving of the data needed to:

- (a) Estimate or measure anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period as specified in appendix B for the relevant project category;
- (b) Determine the baseline of anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period, as specified in appendix B for the relevant project category;
- (c) Calculate the reductions of anthropogenic emissions by sources by the proposed small-scale CDM project activity, and for leakage effects, in accordance with provisions of appendix B for the relevant project category.

33. The monitoring plan for a small-scale CDM project activity may use the monitoring methodology specified in appendix B for the relevant project category if the designated operational entity determines at validation that the monitoring methodology reflects good monitoring practice appropriate to the circumstances of the project activity.

34. If project activities are bundled, a separate monitoring plan shall apply for each of the constituent project activities in accordance with paragraphs 32 and 33 above, or an overall monitoring plan shall apply for the bundled projects, as determined by the designated operational entity at validation to reflect good monitoring practice appropriate to the bundled project activities and to provide for collection and archiving of the data needed to calculate the emission reductions achieved by the bundled project activities.

35. Project participants shall implement the monitoring plan contained in the registered project design document, archive the relevant monitored data and report the relevant monitoring data to a designated operational entity contracted to verify the emission reductions achieved during the crediting period specified by the project participants.
36. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.
37. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of certified emission reductions (CERs).
38. Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a small-scale CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions, and adjusting for leakage, as appropriate, in accordance with appendix B for the relevant project category.
39. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 32 above for the purpose of verification and certification.

APPENDIX A

**Simplified project design document for small-scale CDM project activities**

*(The full appendix developed by the Executive Board can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

APPENDIX B

**Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories**

*(The full appendix developed by the Executive Board can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

Project types <sup>a</sup>	Project categories	Technology/ Measure	Boundary	Baseline	Leakage	Monitoring
<b>Type (i): Renewable energy projects</b>	A. Electricity generation by the user/household					
	B. Mechanical energy for the user/enterprise					
	C. Thermal energy for the user					
	D. Electricity generation for a system					
<b>Type (ii): Energy efficiency improvement projects</b>	E. Supply-side energy efficiency improvements – transmission and distribution activities					
	F. Supply-side energy efficiency improvements – generation					
	G. Demand-side energy efficiency programmes for specific technologies					
	H. Energy efficiency and fuel switching measures for industrial facilities					
<b>Type (iii): Other project activities</b>	I. Energy efficiency and fuel switching measures for buildings					
	J. Agriculture					
	K. Switching fossil fuels					
	L. Emission reductions in the transport sector					
<b>Types (i)–(iii)</b>	M. Methane recovery					
	N. Other small-scale project <sup>b</sup>					

<sup>a</sup> In accordance with paragraph 6 (c) of decision 17/CP.7.

<sup>b</sup> Paragraphs 8 to 10 of the simplified modalities and procedures for small-scale CDM project activities allow for project participants to submit a new small-scale project activity category or revisions to a methodology to the Executive Board for consideration and amendment of appendix B by the Executive Board, as appropriate.

**Attachment A to appendix B**

*(The full attachment A to appendix B, referred to in paragraph 28 of the simplified modalities and procedures for small-scale CDM project activities, can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*



APPENDIX C

**Decision tree for determining the occurrence of debundling**

*(The full appendix developed by the Executive Board, with the title “Determining the occurrence of debundling,” can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

ANNEX III

**Procedures for review as referred to in paragraph 41 of the modalities and procedures for a clean development mechanism**

**A. Background**

1. In accordance with paragraph 5 (o) of the modalities and procedures for a clean development mechanism (CDM modalities and procedures), the Executive Board shall elaborate and recommend to the Conference of the Parties (Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol), for adoption at its next session, procedures for conducting the reviews referred to in paragraphs 41 and 65 of the CDM modalities and procedures including procedures to facilitate consideration of information from Parties, stakeholders and UNFCCC accredited observers.
2. Paragraph 41 of the CDM modalities and procedures stipulates that the registration by the Executive Board shall be deemed final eight weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed CDM project activity. The review by the Executive Board shall be made in accordance with the following provisions:
  - (a) It shall be related to issues associated with the validation requirements
  - (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.
3. The draft procedures for review proposed below aim at elaborating on the provisions in paragraph 41, in particular by specifying detailed provisions for requesting a review, the scope of review, modalities for communicating with project participants and the designated operational entity (DOE) in question, possible outcomes of a review, and the coverage of costs relating to the review.

**B. Request for review**

4. A request for review by a Party involved in the proposed project activity shall be sent by the relevant designated national authority to the Executive Board, through the secretariat, using official means of communication (such as recognized official letterhead and signature or an official dedicated e-mail account). The secretariat shall acknowledge the receipt of a request for review and promptly forward the request to the Executive Board via the listserv.
5. A request for review by a member of the Executive Board shall be made by notifying the Executive Board through the secretariat. The secretariat shall acknowledge the receipt of a request for review and promptly forward the request to the Executive Board via the listserv.
6. In accordance with paragraph 41 of the CDM modalities and procedures, a review shall be related to issues associated with the validation requirements and a request for review shall, therefore, be specific in this regard.
7. A request for review shall:
  - (a) Include the CDM project activity registration review form (F-CDM-RR) contained in the appendix to these procedures;<sup>1</sup>

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<sup>1</sup> This form can be downloaded from the section on "References/procedures" on the UNFCCC CDM web site (<http://cdm.unfccc.int/Reference/Procedures>) and/or obtained electronically from the UNFCCC secretariat.

- (b) Provide reasons for the request for review and any supporting documentation.
8. A request for review shall be considered to be received by the Executive Board on the date it has been received by the secretariat. A request for review will not be considered by the Executive Board if it is received after 17:00 GMT of the last day of the eight-week period after the receipt of the request for registration.
9. As soon as a Party involved in a proposed CDM project activity or three Executive Board members request a review of a proposed project activity, the following action shall be taken:
- (a) The consideration of a review of the proposed project activity shall be included in the proposed agenda of the next Executive Board meeting
  - (b) The Executive Board shall notify the project participants and the DOE which validated the proposed project activity that a review has been requested. The project participants and the DOE shall be informed about the date and venue of the next and the subsequent Executive Board meetings at which the request for review shall be considered. Stakeholders interested in the review process shall also be given an opportunity to attend the next or the subsequent Executive Board meeting
  - (c) The project participants and the DOE shall each provide a contact person for the review process, including for a conference call, in case the Executive Board wishes to address questions to them during the consideration of a review at its meeting
  - (d) The proposed project activity shall be marked as being “under review” on the UNFCCC CDM web site and a notification shall be sent through the UNFCCC CDM News facility.

### **C. Scope and modalities of review**

10. The Executive Board shall consider, at its next meeting, a request for review, and either decide to undertake a review of the proposed project activity or register it as a CDM project activity.
11. If the Executive Board agrees to undertake a review of a proposed project activity, it shall, at the same meeting, decide on:
- (a) The scope of the review relating to issues associated with validation requirements, based on the consideration in the request for a review;
  - (b) The composition of a review team. The review team shall consist of two Board members, who will be responsible for supervising the review, and outside experts, as appropriate.
12. The review team, under the guidance of the Board members responsible for supervising the review, shall provide inputs, prepare requests for clarification and further information to the DOE and project participants, and analyse information received during the review.

### **D. Review process**

13. The decision by the Board on the scope of the review shall be made publicly available as part of the report of its meeting.
14. Project participants and the DOE which validated the proposed project activity shall be notified of the decision by the Executive Board.

15. Requests for clarification and further information may be sent to the DOE and the project participants. Answers shall be submitted to the review team, through the secretariat, within five working days after the receipt of the request for clarification. The secretariat shall acknowledge the receipt of the answers and forward them to the review team.

16. The two Board members supervising the review shall be responsible for compiling inputs and comments and preparing the recommendation to be forwarded to the Executive Board via listserv at least two weeks before the next Executive Board meeting.

#### **E. Review decision**

17. In accordance with paragraph 41 of the CDM modalities and procedures, the review by the Board shall be finalized no later than at the second meeting following a request for review.

18. Taking into consideration recommendations by the two Board members responsible for the review, the Board shall decide on whether:

- (a) To register the proposed project activity;
- (b) To request the DOE and project participants to make corrections based on the findings from the review before proceeding with registration; or
- (c) To reject the proposed project activity.


19. In accordance with paragraph 41, the Board shall communicate the decision to the project participants, the DOE that validated the proposed project activity and the public.

20. If the review indicates any issues relating to performance of the DOE, the Board shall consider whether or not to trigger a spot-check of the DOE, in accordance with the procedures for accrediting operational entities.

#### **F. Coverage of costs of the request for review**

21. The Executive Board shall bear the costs for reviewing a proposed project activity. If the Executive Board decides to reject the registration of a proposed project activity and if a DOE is found to be in the situation of malfeasance or incompetence, the DOE shall reimburse the Board for the expenses incurred as a result of the review. This provision is subject to review as experience accrues.

APPENDIX

	<p><b>CDM project activity registration review form (F-CDM-RR)</b>  <i>(By submitting this form, a Party involved (through the designated national authority) or an Executive Board member may request that a review is undertaken)</i></p>
<p><b>Designated national authority/Executive Board member submitting this form</b></p>	
<p><b>Title of the proposed CDM project activity submitted for registration</b></p>	
<p><b>Please indicate, in accordance with paragraphs 37 and 40 of the CDM modalities and procedures, which validation requirement(s) may require review. A list of requirements is provided below. Please provide reasons in support of the request for review, including any supporting documentation.</b></p>	
<p><input type="checkbox"/> <i>The following are requirements derived from paragraph 37 of the CDM modalities and procedures:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The participation requirements as set out in paragraphs 28 to 30 of the CDM modalities and procedures are satisfied;</li> <li><input type="checkbox"/> Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity (DOE) on how due account was taken of any comments has been received;</li> <li><input type="checkbox"/> Project participants have submitted to the DOE documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;</li> <li><input type="checkbox"/> The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 of the CDM modalities and procedures;</li> <li><input type="checkbox"/> The baseline and monitoring methodologies comply with requirements pertaining to methodologies previously approved by the Executive Board;</li> <li><input type="checkbox"/> Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the CDM modalities and procedures and relevant decisions of the COP/MOP;</li> <li><input type="checkbox"/> The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the CDM modalities and procedures and relevant decisions by the COP/MOP and the Executive Board.</li> </ul> <p><input type="checkbox"/> <i>The following are requirements derived from paragraph 40 of the CDM modalities and procedures:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The DOE shall, prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;</li> <li><input type="checkbox"/> In accordance with provisions on confidentiality contained in paragraph 27 (h) of the CDM modalities and procedures, the DOE shall make publicly available the project design document;</li> <li><input type="checkbox"/> The DOE shall receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;</li> <li><input type="checkbox"/> After the deadline for receipt of comments, the DOE shall make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;</li> <li><input type="checkbox"/> The DOE shall inform project participants of its determination on the validation of the project activity. Notification to the project participants will include confirmation of validation and the date of submission of the validation report to the Executive Board;</li> <li><input type="checkbox"/> The DOE shall submit to the Executive Board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party and an explanation of how it has taken due account of comments received.</li> </ul>	
<p><b>Section below to be filled in by UNFCCC secretariat</b></p>	
<p>Date received at UNFCCC secretariat</p>	

## ANNEX IV

### **Procedures for review referred to in paragraph 65 of the modalities and procedures for a clean development mechanism**

#### **I. Background**

1. In accordance with paragraph 5 (o) of the modalities and procedures for a clean development mechanism (CDM modalities and procedures), the Executive Board shall elaborate and recommend to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, or to the Conference of the Parties (pending entry into force of the Kyoto Protocol), procedures for conducting the reviews referred to in paragraphs 41 and 65 of the CDM modalities and procedures, including procedures to facilitate consideration of information from Parties, stakeholders and UNFCCC accredited observers.
2. Paragraph 65 of the CDM modalities and procedures stipulates that the issuance of certified emission reductions (CERs) by the Executive Board shall be considered final 15 days after the date of receipt by the Executive Board of the request for issuance, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:
  - (a) Upon receipt of a request for such a review, the Executive Board, at its next meeting, shall decide on its course of action. If it decides that the request has merit, it shall perform a review and decide whether the proposed issuance of CERs should be approved
  - (b) The Executive Board shall complete its review within 30 days following its decision to perform the review
  - (c) The Executive Board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.
3. The procedures for review below aim at elaborating on the provisions in paragraph 65, in particular by specifying detailed provisions for requesting a review, the scope of review, modalities for communicating with project participants and the designated operational entity (DOE) in question, possible outcomes of a review, and the coverage of costs relating to the review.

#### **II. Request for review**

4. A request for review by a Party involved in the CDM project activity concerned shall be sent by the relevant designated national authority to the Executive Board, through the secretariat, using official means of communication. The secretariat shall acknowledge the receipt of a request for review and promptly forward the request to the Executive Board via the list server.
5. A request for review by a member of the Executive Board shall be sent to the Executive Board through the secretariat. The secretariat shall acknowledge the receipt of a request for review and promptly forward the request to the Executive Board via the list server.
6. In accordance with paragraph 65 of the CDM modalities and procedures, a review shall be limited to issues of fraud, malfeasance or incompetence of the DOEs and a request for review shall, therefore, be specific in this regard.
7. A request for review shall provide reasons for the request for review and any supporting documentation.

8. A request for review shall be considered received by the Executive Board on the date it has been received by the secretariat. The Executive Board will not consider a request for review if it is received after 1700 GMT on the last day of the 15-day period after the receipt of the request for issuance of CERs.
9. As soon as a review of a proposed issuance of CERs is requested by a Party involved in the CDM project activity concerned or by three Executive Board members, the following action shall be taken:
- (a) The consideration of a review of the proposed issuance of CERs shall be included in the proposed agenda of the next Executive Board meeting
  - (b) The Executive Board shall notify the project participants and the DOE that verified the monitored reductions and certified the reductions achieved by the CDM project activity that a review has been requested. The project participants and the DOE shall be informed about the date and venue of the Executive Board meeting at which the request for review will be considered. Stakeholders interested in the review process shall also be given an opportunity to attend the Executive Board meeting
  - (c) The project participants and the DOE shall each provide a contact person for the review process, including for a conference call, in case the Executive Board wishes to address questions to them during the consideration of a review at its meeting
  - (d) The proposed issuance of CERs shall be marked as being “under review” on the UNFCCC CDM web site and a notification shall be sent through the UNFCCC CDM News facility.

### **III. Scope and modalities of review**

10. The Executive Board shall consider, at its next meeting, a request for review, and shall decide either to perform a review of the proposed issuance of CERs, if there is sufficient evidence indicating a case of fraud, malfeasance or incompetence of the DOE, or to approve the issuance.
11. If the Executive Board agrees to perform a review of a proposed issuance of CERs, it shall, at the same meeting, decide on:
- (a) The scope of the review relating to issues of fraud, malfeasance or incompetence of the DOE, based on the consideration in the request for a review;
  - (b) The composition of the review team. The review team shall consist of two Board members, who will be responsible for supervising the review and, as appropriate, outside experts.
12. The review team, under the guidance of the Board members responsible for supervising the review, shall provide inputs, prepare requests for clarification and further information to the DOE and project participants, and analyse information received during the review.

### **IV. Review process**

13. The decision by the Board, including on the scope of a review and the composition of a review team, shall be made publicly available as part of the report of its meeting.
14. A notification of the decision by the Executive Board shall be sent to the project participants and the DOE that verified the monitored reductions and certified the reductions achieved by the CDM project activity.

15. Requests for clarification and further information may be sent to the DOE and the project participants. Answers shall be submitted to the review team, through the secretariat, within five working days after the receipt of the request for clarification. The secretariat shall acknowledge the receipt of the answers and forward them to the review team.

16. The two Board members supervising the review shall be responsible for compiling inputs and comments and preparing the recommendation to be forwarded to the Executive Board via list server.

## **V. Review decision**

17. In accordance with paragraph 65 of the CDM modalities and procedures, the Board shall complete its review within 30 days following its decision to perform the review.

18. Taking into consideration recommendations by the two Board members responsible for the review, the Board shall decide on whether:

- (a) To approve the proposed issuance of CERs;
- (b) To request the DOE to make corrections based on the findings from the review before approving the issuance of CERs;
- (c) To decline to approve the proposed issuance of CERs.

19. In accordance with paragraph 65 of the CDM modalities and procedures, the Board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

20. If the review indicates any issues relating to the performance of the DOE, the Board shall consider whether or not to trigger a spot-check of the DOE, in accordance with the procedures for accrediting operational entities.

## **VI. Coverage of costs of the request for review**

21. If the Executive Board decides not to approve a proposed issuance of CERs and if a DOE is found to be in the situation of fraud, malfeasance or incompetence, the DOE shall reimburse the costs incurred as a result of the review. This provision is subject to review as experience accrues.

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