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Agenda item 4

Report of the Executive Board of the clean development mechanism
and election of members of the Executive Board

**Report of the Executive Board of the clean development mechanism
and election of members of the Executive Board**

Proposal by the President

Draft decision -/CMP.1

Further guidance relating to the clean development mechanism

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

Mindful of the objective of the Convention as set out in its Article 2,

Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Recalling decisions 2/CP.7, 15/CP.7, 17/CP.7, 21/CP.8, 18/CP.9, 19/CP.9, 12/CP.10 and 14/CP.10 and their annexes,

Cognizant of decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 12) and its annexes, -/CMP.1 (Modalities and procedures for afforestation and reforestation projects under the clean development mechanism), -/CMP.1 (Simplified modalities and procedures for small-scale afforestation and reforestation projects under the clean development mechanism), -/CMP.1 (Guidance relating to the clean development mechanism) and its annexes, -/CMP.1 (Implications of the implementation of project activities under the clean development mechanism, referred to in decision 12/CP.10, for the achievement of objectives of other environmental conventions and protocols), and -/CMP.1 (Capacity-building under the Kyoto Protocol),

Expressing appreciation to the Conference of the Parties for exercising authority over the clean development mechanism in the period from December 2001 until 29 November 2005,

Recognizing the accelerated progress in the implementation of the clean development mechanism, notably since the entry into force of the Kyoto Protocol on 16 February 2005,

Welcoming the fact that 90 Parties, among them 72 developing country Parties, have so far established designated national authorities,

Reminding Parties wishing to participate in clean development mechanism project activities of the need to identify a designated national authority,

Conscious of the importance of well-functioning designated operational entities and the need to further promote the accreditation of such entities from developing countries,

Recognizing the need to ensure the continuation of the clean development mechanism beyond 2012,

Fully aware of the need to take measures to further strengthen the clean development mechanism to allow it to meet its purposes as stated in Article 12 of the Kyoto Protocol by enhancing its institutions to facilitate efficiency, cost-effectiveness, consistency and transparency of decision-making,

Noting the importance of the issue of ensuring privileges and immunities for members and alternate members of the Executive Board of the clean development mechanism and its panels, committees and working groups,

Stressing the importance of constituencies nominating members and alternate members who have the required qualifications and sufficient time to perform functions, as indicated in a management plan for the clean development mechanism, to serve on the Executive Board of the clean development mechanism in order to ensure that the Board has expertise, including on financial and regulatory matters and executive decision-making,

Stressing the importance of the participation of Executive Board members and alternate members in the work of the Board and of their full compliance with the Board's rules of procedure, as contained in annex I to decision -/CMP.1 (*Guidance relating to the clean development mechanism*), especially with regard to conflict of interest, breach of confidentiality and attendance,

Further stressing the need to enable all members and alternate members of the Executive Board to attend its meetings and informal consultations, for a duration and as frequently as required by the process, without relying on their employers to bear the costs of travel and subsistence,

Appreciating that the fulfilment of functions requires from members and alternate members of the Executive Board significant effort and time and that the extent of meeting time required per year is the key criterion for remuneration applicable to the Executive Board,

Concerned about the lack of adequate and predictable funding during the prompt start phase and the impact thereof on the level of support services for the work of the clean development mechanism,

Noting the need to ensure adequate and predictable funding for the future,

Expressing deep appreciation to Parties that have so far contributed to funding the work of the clean development mechanism,

Conscious of the need to ensure that a share of the proceeds from clean development mechanism project activities is used to cover administrative expenses,

Stressing the importance of consistency and transparency in funding requests and in the reporting of resources allocated to support services for the work of the clean development mechanism,

General

1. *Takes note* with appreciation of the annual report (2004–2005) of the Executive Board of the clean development mechanism and its addendum, including of progress made during the prompt start of the clean development mechanism under the authority of the Conference of the Parties during the period from December 2001 to 29 November 2005 on the issuance of the first certified emission reductions; the registration of 43 clean development mechanism project activities; the accreditation/designation of operational entities; the approval of 50 baseline and monitoring methodologies, including eight consolidations; and improvements in the clean development mechanism registry;

2. *Designates* as operational entities those entities that have been accredited, and provisionally designated, as operational entities by the Executive Board to carry out sector-specific validation functions and/or sector-specific verification functions as listed in annex I to document FCCC/KP/CMP/2005/4/Add.1;

3. *Adopts*, in response to the request contained in decision 14/CP.10, the simplified baseline and monitoring methodologies for small-scale afforestation and reforestation project activities under the clean development mechanism as contained in annex II to document FCCC/KP/CMP/2005/4/Add.1;

4. *Decides* that project activities that started in the period between 1 January 2000 and 18 November 2004 and have not yet requested registration but have either submitted a new methodology or have requested validation by a designated operational entity by 31 December 2005 can request retroactive credits if they are registered by the Executive Board by 31 December 2006 at the latest;

5. *Requests* the secretariat to organize, in conjunction with the twenty-fourth session of the Subsidiary Body for Scientific and Technological Advice (May 2006), a workshop on considering carbon dioxide capture and storage as clean development mechanism project activities, taking into account issues relating to project boundary, leakage and permanence;

6. *Invites* Parties to provide to the secretariat, by 13 February 2006, submissions on the consideration of carbon dioxide capture and storage as clean development mechanism project activities, taking into account issues relating to project boundary, leakage and permanence, and on issues to be considered at the workshop referred to in paragraph 5;

7. *Requests* the Executive Board to consider proposals for new methodologies for carbon dioxide capture and storage as clean development mechanism project activities with a view to making recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its second session, on methodological issues, in particular with regard to project boundary, leakage and permanence;

8. *Decides* to consider, at its second session, submissions by Parties, the report of the workshop and the recommendations by the Executive Board as referred to in paragraphs 5, 6 and 7 with a view to adopting a decision on guidance to the Executive Board of the clean development mechanism on how to consider carbon dioxide capture and storage as clean development mechanism project activities, taking into account issues relating to project boundary, leakage and permanence;

Governance

9. *Commends* the Executive Board for the development of a management plan for the clean development mechanism pursuant to decision 12/CP.10 and for the implementation of measures already undertaken, within available resources, to streamline procedures and processes, and provide for enhanced dialogue with designated national authorities, feedback to project proponents and information to stakeholders and the general public;

10. *Requests* the Executive Board, with a view to reporting to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session, to keep the management plan for the clean development mechanism under review and make adjustments as necessary to continue ensuring the efficient, cost-effective and transparent functioning of the clean development mechanism by, inter alia:

- (a) Identifying and implementing, wherever warranted and compatible with the principles and the purpose of the clean development mechanism, further measures aimed at strengthening the clean development mechanism and its responsiveness to the needs of Parties and stakeholders;
- (b) Adopting appropriate management indicators;
- (c) Providing a breakdown of the level of resources allocated to the provision of services identified by the Executive Board in its management plan, in particular with relation to costs and geographic distribution of staff and consultancies;

11. *Requests* the Executive Board:

- (a) To develop a catalogue of, and user's guide to, its decisions, including on clarifications and guidance provided, to facilitate accessibility to information;
- (b) To ensure that decisions by the Board and recommendations by its panels, committees and working groups are accompanied by appropriate explanations in the reports of these bodies;

12. *Requests* the Executive Board to emphasize its executive and supervisory role over a strengthened support structure which includes panels on methodologies and accreditation, teams supporting registration of project activities and issuance of certified emission reductions, working groups on afforestation and reforestation and on small-scale projects, designated operational entities and a strengthened secretariat servicing this system;

13. *Decides* that the executive and supervisory role of the Executive Board over the clean development mechanism includes:

- (a) General management and organization of its work, including the establishment of panels, committees and working groups;
- (b) Definition of the services and administrative support functions required by the Executive Board and its panels, committees and working groups, and the financial resources to support this work;

14. *Commends* the secretariat for the provision of services to the Executive Board and the public, including up-to-date information on procedural requirements and operational achievements via the UNFCCC CDM web site;

15. *Requests* the secretariat to maintain and strengthen its clean development mechanism section dedicated to supporting the Executive Board through the provision of services as defined by the Executive Board;
16. *Decides* that the services provided by the secretariat to the Executive Board should include:
- (a) Preparation of draft decisions for the Executive Board and draft recommendations for its panels and working groups, including the development of options and proposals;
 - (b) Publication and maintenance of a catalogue of the decisions of the Executive Board, recommendations of the panels and working groups, and preparatory work;
 - (c) Provision of advice and the procurement of external expert advice for the Executive Board and its panels and working groups;
 - (d) Provision of services and support functions to facilitate the work of the Executive Board and its committees, panels and working groups in accordance with the prevailing rules and regulations of the secretariat;
17. *Requests* the secretariat to make appropriate arrangements, effective 1 January 2006, to remunerate members and alternate members of the Executive Board through an increased daily subsistence allowance that is 40 per cent more than the standard rate, not to exceed USD 5,000 per year, bearing in mind that this is not so much an adequate compensation for their services as an acknowledgement of the substantial sacrifice of time and financial interest on their part;
18. *Requests* the secretariat to adjust UNFCCC practices so that the costs of travel and the daily subsistence allowance of all members and alternate members of the Executive Board would be covered from the part of the Trust Fund for Supplementary Activities dedicated to funding work on the clean development mechanism;

Methodologies and additionality

19. *Requests* the Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its second session, on further progress with respect to guidelines on baseline and monitoring methodologies, as referred to in appendix C to the modalities and procedures for a clean development mechanism;
20. *Decides* that a local/regional/national policy or standard cannot be considered as a clean development mechanism project activity, but that project activities under a programme of activities can be registered as a single clean development mechanism project activity provided that approved baseline and monitoring methodologies are used that, inter alia, define the appropriate boundary, avoid double-counting and account for leakage, ensuring that the emission reductions are real, measurable and verifiable, and additional to any that would occur in the absence of the project activity;
21. *Recognizes* that large-scale project activities under the clean development mechanism can be bundled if they are validated and registered as one clean development mechanism project activity and invites the Executive Board to provide further clarification if needed;
22. *Recognizes and encourages* initiatives on methodology development by Parties and entities and invites further efforts from intergovernmental organizations, non-governmental organizations, industry and others;

23. *Encourages* project participants to develop, and the Executive Board to approve, more methodologies with broad applicability conditions to increase the validity and use of approved methodologies;
24. *Requests* the Executive Board to expand its efforts:
- (a) To broaden the applicability of approved methodologies;
 - (b) To prepare consolidated methodologies that, wherever possible, cover the full range of methodological approaches and applicability conditions as in the underlying approved methodologies;
 - (c) To provide clear guidance on small deviations from approved methodologies;
25. *Requests* the Executive Board to make a call for public input, in accordance with paragraphs 43 to 45 of the modalities and procedures for a clean development mechanism, on:
- (a) New proposals to demonstrate additionality, including options to combine the selection of the baseline scenario and the demonstration of additionality;
 - (b) Proposals to improve the “tool for the demonstration and assessment of additionality”;
26. *Requests* the Board to consider, at or before its twenty-fourth meeting, such proposals with a view to including approved approaches for the demonstration of additionality in baseline methodologies and reporting in its annual report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session;
27. *Encourages* project participants to submit new proposals to demonstrate additionality through the existing process of proposing new methodologies;
28. *Confirms* that, as stipulated in decision 12/CP.10, the use of the “tool for the demonstration and assessment of additionality” is not mandatory for project participants, and that in all cases the project participants may propose alternative methods to demonstrate additionality for consideration by the Executive Board, including those cases where the “tool for the demonstration and assessment of additionality” is attached to an approved methodology;
29. *Welcomes* the public call launched by the Executive Board for ‘alternative methods for calculating emission reductions for small-scale project activities that propose the switch from non-renewable to renewable biomass’;
30. *Requests* the Board to develop, as a priority, a simplified methodology ‘for calculating emission reductions for small-scale project activities that propose the switch from non-renewable to renewable biomass’;
31. *Invites* the Executive Board to review the simplified modalities, procedures and 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 at its second session;

Regional distribution and capacity-building

32. *Requests* Parties to submit to the secretariat, by 31 May 2006, their views on systematic or systemic barriers to the equitable distribution of clean development mechanism project activities and options to address these barriers, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session;

33. *Requests* the Executive Board, taking into consideration the submissions by Parties referred to in paragraph 32, to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session:

- (a) Information on the regional and subregional distribution of clean development mechanism project activities with a view to identifying systematic or systemic barriers to their equitable distribution;
- (b) Options to address issues referred to in the paragraph 33 (a);

34. *Reiterates* the request to Parties included in Annex I to the Convention to continue with measures to assist Parties not included in Annex I to the Convention, in particular the least developed countries and small island developing States among them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention;

35. *Reiterates* the request to the Parties, within the framework of decision 2/CP.7, to promote capacity-building with a specific view to obtaining more applications for accreditation as designated operational entities from entities located in Parties not included in Annex I to the Convention and invites intergovernmental and non-governmental organizations to contribute to this effort;

36. *Requests* the Executive Board to broaden participation in the clean development mechanism, including through meetings with a designated national authority forum on a regular basis, in conjunction with meetings of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and its subsidiary bodies;

Resources for work on the clean development mechanism

37. *Decides*, with a view to accruing resources to cover administrative expenses for operational functions as of 2008, and with the understanding that the issuance of certified emissions reductions, in accordance with the distribution agreement, shall be effected only when the share of proceeds to cover administrative expenses has been received, that the share of proceeds to cover administrative expenses of the clean development mechanism as referred to in Article 12, paragraph 8, of the Kyoto Protocol shall be:

- (a) USD 0.10 per certified emission reduction issued for the first 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year;
- (b) USD 0.20 per certified emission reduction issued for any amount in excess of 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year;

38. *Further decides* to review these arrangements at its second session and, in the case of a surplus above the level of financial resources defined by the Executive Board in paragraph 13 (b) above being available from the share of proceeds to cover administrative expenses of the clean development

mechanism, to consider lowering the rate mentioned in paragraph 37 (b), but that in no case shall the rate in paragraph 37 (b) be less than the rate in paragraph 37 (a);

39. *Requests* the Executive Board to report on revenue received from the share of proceeds for administrative expenses to assist in this review;

40. *Invites* Parties to urgently make contributions to the Trust Fund for Supplementary Activities for funding the work on the clean development mechanism in the biennium 2006–2007, at a level that would allow the full implementation of the management plan of the clean development mechanism as of early 2006, including through the strengthened capacity of the secretariat to support the Executive Board in its decision-making, and the secretariat to continue to report on the level of contributions;

41. *Further invites* Parties to make contributions for activities to broaden participation in the clean development mechanism in addition to the ones referred to in paragraph 40.
