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Item 4 of the provisional agenda

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

**Annual report of the Executive Board of the clean development mechanism
to the Conference of the Parties serving as the meeting of the Parties
to the Kyoto Protocol***

Summary

This annual report of the Executive Board of the clean development mechanism (CDM) to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) covers activities from the end of November 2004 to the end of September 2005. In the wake of the entry into force of the Kyoto Protocol, the implementation of the CDM made notable progress. There are now 25 registered CDM project activities, 11 operational entities performing validation of projects and two such entities undertaking verification and requesting issuance of certified emission reductions (CERs). Among the 46 approved methodologies for baselines and monitoring, there are six consolidated ones, up from two less than a year ago. Simplified methodologies for small-scale projects, including afforestation and reforestation, were further developed. The CDM registry is ready to receive CERs. Access to information through the UNFCCC CDM web site, including for 4,500 subscribers to the CDM News facility, has been further improved.

The report also highlights the areas of governance, management and resources which are critical to ensuring the efficient, cost-effective and transparent functioning of the CDM. The Board has adopted a CDM management plan until the end of 2006 and reiterates the urgent need for adequate and predictable resources to implement its activities.

The report recommends decisions to be taken at COP/MOP 1, including on the designation of operational entities and on the share of proceeds to cover administrative expenses of the CDM. It also refers to CDM-related issues under items 3 and 12 (c) of the provisional agenda. The work of the Board from the beginning of October until late November 2005 will be covered in an addendum to this report. Ms. Sushma Gera, Chair of the Board, will highlight achievements and future challenges of the CDM in her presentation to the session.

* The report has been delayed to reflect important developments in the third quarter of 2005.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), at its seventh session, facilitated a prompt start for a clean development mechanism (CDM) by adopting decision 17/CP.7. With the entry into force of the Kyoto Protocol and the adoption of draft decision -/CMP.1 (*Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto Protocol*) and the annex thereto (hereinafter referred to as the “CDM modalities and procedures”), the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) will assume the responsibilities as set out in that draft decision and its annex. It will further confirm, and give full effect to, any actions taken pursuant to any other relevant decisions by the COP.¹

2. In accordance with the provisions of paragraphs 2–5 of the CDM modalities and procedures, the Executive Board of the CDM (hereinafter referred to as “Executive Board” or “Board”) shall report on its activities to each session of the COP/MOP. In exercising its authority over the CDM, the COP/MOP shall review these annual reports, provide guidance and take decisions, as appropriate.

3. This annual report for 2004–2005 is the first one which the Board will present to the COP/MOP. Since the start of the CDM in December 2001, the Executive Board has submitted three annual reports to the COP, which reviewed them and provided guidance through decisions 21/CP.8, 18/CP.9 and 12/CP.10. Provisions regarding afforestation and reforestation (A/R) project activities, including for those of small-scale, are contained in decisions 19/CP.9 and 14/CP.10.

B. Scope of the report

4. This annual report by the Executive Board provides information to the COP/MOP on progress made towards the implementation of the CDM during its fourth year of operation (2004–2005) – specifically from the end of November 2004 to the end of September 2005 – and recommends decisions to be taken by the COP/MOP at its first session. This report refers to operational achievements leading to the registration of CDM project activities and the issuance of certified emission reductions (CERs), governance matters, measures taken and anticipated to strengthen the management of the CDM, resource requirements and actual resources available for the work on the CDM during that period. The work of the Board from October to late November 2005 will be covered in an addendum to this document. The challenges and achievements during the fourth year of CDM operations, as well as challenges lying ahead, will be highlighted by the Chair of the Board, Ms. Sushma Gera, in her oral presentation to the COP/MOP.

5. The action taken by the Board was based on the following decisions of the COP, each of which recommended a draft decision, covering also the annexes referred to below, for adoption by the COP/MOP at its first session (see also footnote 1 below):

- (a) Decision 17/CP.7 and the annex containing the CDM modalities and procedures
- (b) Decision 21/CP.8 and the annexes on the rules of procedure of the Executive Board of the CDM and the simplified modalities and procedures for small-scale CDM project activities

¹ The relevant draft decisions forwarded for adoption to COP/MOP 1 are contained as text L and texts P to S in document FCCC/KP/CMP/2005/3/Add.3 and Add.4, which will be considered under item 3 of the provisional agenda of the COP/MOP 1.

- (c) Decision 18/CP.9 and the annex on procedures for review as referred to in paragraph 41 of the CDM modalities and procedures
- (d) Decision 19/CP.9 and the annex on modalities and procedures for A/R project activities under the CDM in the first commitment period of the Kyoto Protocol
- (e) Decision 12/CP.10 and the annexes on procedures for review as referred to in paragraph 65 of the CDM modalities and procedures and amendments to the rules of procedure of the Executive Board of the CDM
- (f) Decision 14/CP.10 and the annex on simplified modalities and procedures for small-scale A/R project activities under the CDM.

6. Resources required for administering the CDM were referred to in decision 16/CP.9 on the programme budget for the biennium 2004–2005. The urgency of providing resources to enable the Board and its support structure to perform the required tasks was again underlined in decision 12/CP.10. With regard to future resource requirements, this report refers to the proposed programme budget for the biennium 2006–2007,² recommended by the Subsidiary Body for Implementation (SBI) at its twenty-second session for adoption by the COP at its eleventh session and endorsement by the COP/MOP at its first session, and to additional needs arising from the CDM management plan (CDM-MAP) for a period covering the second half of 2005 and all of 2006.

7. This annual report to the COP/MOP summarizes the work on the CDM and matters agreed by the Board during the reporting period. Full details on operations and functions are available on the UNFCCC CDM web site³ which serves as the central information and communication point on CDM matters falling under the supervision of the Board. This annual report therefore needs to be seen in conjunction with the UNFCCC CDM web site as the central repository which contains reports of meetings of the CDM Executive Board, including documentation on all matters agreed by the Board, notably regarding the registration of CDM project activities and the issuance of CERs, the accreditation and provisional designation of operational entities, and the approval of methodologies for baselines and monitoring. The web site allows Parties and stakeholders to track documentation relating not only to operations and functions performed by the Board, but also to its panels and working groups, designated operational entities, project participants, experts, the public and the secretariat. It also presents information made available by the 89 designated national authorities (DNAs) which Parties have established to date. In addition, it contains a wide range of background documentation (from COP decisions to application forms for experts) and the CDM-MAP which includes the work schedule until the end of 2006. Linked to the web site is the CDM News facility which sends latest information on the CDM to more than 4,500 of the 5,757 subscribers to the UNFCCC CDM web site.

8. The concern of the Board relating to privileges and immunities of members and alternate members of the CDM Executive Board will be taken up in the context of item 12 (c) of the provisional agenda of COP/MOP 1, “Privileges and immunities for individuals serving on constituted bodies established under the Kyoto Protocol”. The secretariat has prepared a note as a basis for the COP/MOP to take a decision on this critical matter.⁴

² FCCC/SBI/2005/10/Add.1, pages 7–19.

³ <<http://cdm.unfccc.int>>.

⁴ FCCC/KP/CMP/2005/6.

**C. Action to be taken by the Conference of the Parties
serving as the meeting of the Parties to the Kyoto Protocol**

9. In exercising its authority over, and in providing guidance to, the CDM in accordance with paragraphs 2 and 3 of the CDM modalities and procedures, the COP/MOP, at its first session, may wish to decide, inter alia, on the following:

- (a) The provision of guidance relating to the CDM, notably to the Executive Board, having reviewed the annual report of the Executive Board, in accordance with paragraph 4 of the CDM modalities and procedures, and having taken note of all matters agreed by the Board
- (b) The designation of operational entities which have been accredited, and provisionally designated, by the Executive Board (see section II.A below)
- (c) The share of proceeds to cover administrative expenses of the CDM as recommended by the Board (see annex 2 of this report)
- (d) The reiteration of the invitation to Parties to make timely contributions to the UNFCCC Trust Fund for Supplementary Activities to ensure that mandated activities relating to the CDM, including for the operation of the CDM registry, can be implemented in full and without delay in the biennium 2006–2007, in accordance with provisions in the proposed programme budget and additional needs identified in the CDM-MAP
- (e) Issues relating to privileges and immunities of members and alternate members of the CDM Executive Board (see item 12 (c) of the provisional agenda of COP/MOP 1).

10. Simplified baseline and monitoring methodologies for small-scale A/R project activities were adopted by the Board at its twenty-first meeting and, once edited, will be available on the UNFCCC CDM web site from mid-November 2005. They will be formally submitted, as an annex to the addendum to this report, to the COP/MOP at its first session for adoption.

11. The COP/MOP may wish to consider the outcome of work by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its twenty-third session regarding the development of a recommendation relating to implications of the implementation of CDM project activities for the achievement of objectives of other environmental conventions and protocols, in particular the Montreal Protocol on Substances that Deplete the Ozone Layer, and which imply the establishment of new hydrochlorofluorocarbon-22 facilities which seek to obtain certified emission reductions.

12. In addition, in accordance with paragraphs 7–9 of the CDM modalities and procedures and rules 3 and 4.1 (b) of the rules of procedure of the Executive Board, the COP/MOP shall, at its first session, elect the following to the Executive Board for a term of two years upon nominations being received by Parties:⁵

- (a) One member and one alternate member from the small island developing States
- (b) One member and one alternate member from the Eastern Europe region
- (c) Two members and two alternate members from Parties not included in Annex I to the Convention (non-Annex I Parties)
- (d) One member and one alternate member from Parties included in Annex I to the Convention (Annex I Parties).

⁵ Parties refers to Parties to the Kyoto Protocol, unless otherwise specified.

II. Work undertaken since the tenth session of the Conference of the Parties

13. This chapter highlights key achievements in implementing the CDM. The CDM has attracted considerable increase in interest since the Kyoto Protocol entered into force on 16 February 2005. The most noted milestone is the up-swing in registrations of CDM project activities: although only one CDM project activity had been registered at the time of COP 10, the number of registered CDM project activities had risen to 10 within the first six months of 2005 and to 25 by the end of the third quarter, thus more than doubling each quarter. Designated operational entities (DOEs), which are aware of projects seeking validation, indicate that a further large increase in the number of projects requesting registration is to be expected by the time of COP/MOP 1. This may lead to yet another doubling over the previous quarter by the end of the year. The current list of registered CDM project activities can be consulted on the UNFCCC CDM web site.⁶

14. Furthermore, steady progress was made in the accreditation of operational entities and the approval of baseline and monitoring methodologies in new areas. A wider scope of potential CDM project activities can therefore be submitted for validation to DOEs and for subsequent registration. Apart from entities for validation increasing from four to 11, two have also been accredited for verification/certification. This enables them to make requests for issuance of CERs. Forty-six approved methodologies for baseline and monitoring methodologies are available in a wide range of sectors. In the period after COP 10, six additional methodologies were approved. In addition, considerable effort went into the elaboration and approval of the following four consolidated methodologies, increasing the number of such widely applicable methodologies from two to six:

- (a) Emission reductions through partial substitution of fossil fuels with alternative fuels in cement manufacture
- (b) Waste gas and/or heat for power generation
- (c) Increasing the blend in cement production
- (d) Grid-connected electricity generation from biomass residues.

15. In order to ensure that information on decisions by the Board, and on the processes leading thereto, was well communicated, members of the Board, notably the Chair and Vice-Chair, and the secretariat convened and/or took part in a number of events at which results were presented and processes were explained. Through such intensified dialogue, the Board took note of interests and concerns of stakeholders and, wherever feasible and compatible with the Marrakesh Accords, sought to address them through streamlining and facilitating processes and procedures.

16. Major tasks accomplished since COP 10 can be summarized as follows:

- (a) The accreditation process and the communication with DOEs and applicant entities (AEs) were improved so that the accreditation of qualified operational entities could proceed smoothly. The central importance of a common understanding between the Board and the DOEs was repeatedly underlined as DOEs are essential for the proper operational functioning of the CDM. They are responsible for requesting registration of proposed project activities that they have validated as meeting the requirements of the CDM, and for verifying/certifying monitored emission reductions before requesting issuance of CERs

⁶ In addition, as at 30 September 2005, the cut off date for the report, 11 requests for registration had just been submitted and were under initial consideration. In one case, a review had been triggered and in another case, where a review had been conducted, the Board was awaiting remedial action from the project participants.

- (b) The consideration of proposed baseline and monitoring methodologies was accelerated wherever possible. The work on their consolidation continued as requested by the COP at its tenth session to the extent that suitable proposals were available. Clarifications and guidance were provided to facilitate the submission and consideration of new proposed methodologies, including those for potential A/R project activities, inter alia, through the development of tools for assessing additionality for such activities
- (c) Provisions for facilitating the submission of small-scale CDM project activities were reviewed and updated, including guidance on bundling
- (d) Simplified baseline and monitoring methodologies for small-scale A/R project activities were developed for consideration and adoption at COP/MOP 1
- (e) Procedures relating to the issuance of CERs – needed for making publicly available the monitoring report, verification report, and certification report and for requesting issuance – were developed
- (f) The development of version 2 of the CDM registry by the secretariat was guided as necessary, resulting in a demonstration of its function to the Board at its twenty-first meeting. Version 1 of the CDM registry is fully operational, allowing the issuance and forwarding of CERs
- (g) Procedures relating to requests for registration of CDM project activities were streamlined in order to facilitate public availability of the CDM project design document (PDD) and registration and review processes
- (h) Matters of mutual interest were pursued in close liaison with the SBSTA, in particular on the issues of implications of the implementation of project activities under the CDM, referred to in decision 12/CP.10, for the achievement of objectives of other environmental conventions and protocols, and registry systems of which the CDM registry is part.

17. In order to ensure that the available capacity is optimally used, and to indicate increased activity levels and resources required to meet the challenges of the future, the Board, with the assistance of the secretariat, elaborated a CDM management plan covering the 18-month period from mid-2005 to the end of 2006. Key features of this management plan are summarized in chapter IV.

18. In summary, work on the CDM has advanced well in all areas under the Board's purview and supervision. These achievements were, however, only possible due to an unsustainable level of time and effort put in by members of the Board and its panels and working groups, and by the secretariat. Specifically, the increase in volume and complexity of cases was not matched by a commensurate increase in resources. Throughout the reporting period, financial and hence human resources fell far short of requirements as the necessary capacity to handle the workload could not be installed as planned. This resulted in delays in the consideration of cases. If the challenges of the future are to be met, it is essential that adequate and predictable resources are available.

A. Accreditation process for operational entities

1. Mandate and background

19. The Executive Board is responsible for the accreditation of operational entities and for the provisional designation of such entities pending their designation by the COP/MOP. The accreditation and designation functions of the Board are defined in paragraphs 2, 3 (b), 4 and 6 (b) of

decision 17/CP.7, paragraph 5 (f) of the CDM modalities and procedures, paragraph 1 (d) of decision 21/CP.8 and paragraph 1 (d) of decision 18/CP.9.

20. Further, in accordance with paragraph 5 (g) of the CDM modalities and procedures, the Board is responsible for the review of the accreditation standards contained in appendix A to the CDM modalities and procedures, and, if necessary, for making recommendations to the COP/MOP.

21. In its work on accreditation, the Board has been aware that, in accordance with paragraph 4 (b) of the CDM modalities and procedures, the COP/MOP is to review the regional and subregional distribution of DOEs and take appropriate decisions to promote the accreditation of such entities from developing country Parties. In this context, the COP, by its decision 12/CP.10, while welcoming efforts made, reiterated its request to Parties to promote capacity-building, within the framework of decision 2/CP.7, and to invite intergovernmental organizations (IGOs) and non-governmental organizations (NGOs) to contribute to this effort.

2. Work undertaken and action taken, including decisions, as appropriate

22. The key achievement of the Board in the area of accreditation has been the accreditation and provisional designation of seven additional operational entities for validation, bringing the total of these DOEs to 11. In addition, the accreditation of two DOEs for verification/certification enables DOEs to request issuance of CERs, which is expected to occur before COP/MOP 1. Furthermore the sectoral scope of four entities accredited prior to the reporting period for sector-specific validation functions was extended. At least two DOEs exist, therefore, for all scope(s) for which methodologies are approved (see table 1 below). The Board allows phased accreditation of DOEs for validation and verification/certification, thus reducing the overall costs of accreditation.⁷ In order to facilitate the submission of applications for accreditation and the work of assessment teams, the CDM accreditation panel (CDM-AP) maintains a list of clarifications and guidance provided by the panel and the Board. It has also elaborated a handbook.

Table 1. Number of designated operational entities per sectoral scope

	Number of designated operational entities per sectoral scope														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Validation	10	10	10	3	3	3	3	-	-	3	3	3	5	-	3
Verification/ certification	2	2	2	1	1	1	1	-	-	1	1	1	1	-	1

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

23. Thirty-two entities have so far submitted applications, of which three were subsequently withdrawn. Of the 29 AEs that have applied to date, 11 are awaiting designation by the COP/MOP at its first session. The entities listed in table 2, accredited and provisionally designated by the Board, are recommended to be designated by the COP/MOP at its first session as DOEs for “sector-specific validation” and/or “sector-specific verification/certification”.

⁷ In order to facilitate applications, an operational entity can be accredited initially either for validation or for verification/certification. In each instance, accreditation occurs on a sector-by-sector basis, hence the term “sector-specific”. Details on the sectoral scopes are available on the UNFCCC CDM web site at <<http://cdm.unfccc.int/DOE/>>.

Table 2. Entities, accredited and provisionally designated by the Board, and recommended for designation by the COP/MOP for validation (VAL) or verification/certification (VER)

Name of entity	Designated by COP 10 for sectoral scopes		Provisional designation for sectoral scopes	
	VAL	VER	VAL	VER
Bureau Veritas Quality International Holding SA (BVQI)			1, 2, 3	
Det Norske Veritas Certification Ltd. (DNV Certification)	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13		15	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15
JACO CDM LTD (JACO)			1, 2, 3	
Japan Consulting Institute (JCI)			13	
Japan Quality Assurance Organization (JQA)	4, 5, 6, 7, 10, 11, 12		1, 2, 3, 13	
KPMG Sustainability B.V. (KPMG)			1, 2, 3	
RWTÜV Systems GmbH (RWTUEV)			1, 2, 3	
SGS United Kingdom Ltd. (SGS UK)	4, 5, 6, 7, 10, 11, 12		1, 2, 3, 13, 15	
Spanish Association for Standardisation and Certification (AENOR)			1, 2, 3	
TÜV Industrie Service GmbH, TÜV SÜD Group (TÜV SUD)	1, 2, 3		13, 15	1, 2, 3
TÜV Industrie Service GmbH, TÜV Rheinland Group (TÜV Rheinland)			1, 2, 3	

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

24. In order to indicate the state of progress towards accreditation, an AE receives, prior to accreditation, upon the successful completion of the desk review and the on-site assessment, a letter indicating that it has reached this advanced point in the process. The Board was informed by its CDM-AP that such “indicative letters” were issued during the reporting period to 11 – and overall to 19 – of the 29 AEs whose applications have been or are being processed. The detailed list with the date of issuance is available on the UNFCCC CDM web site <<http://cdm.unfccc.int/DOE/ListIL>>.

25. Of the 29 active applications, six have been received since COP 10. At the time of writing this report, the 19 applications which have not yet been forwarded for consideration to the Board for sector-specific accreditation are at various stages of the CDM accreditation process: one AE has undergone the on-site assessment and reports are being finalized; one AE is implementing corrective action as a result of non-conformities identified during on-site visits by the CDM Assessment Teams (CDM-ATs) which are assisting the CDM-AP in its work; one AE has advanced to the stage where an on-site assessment of its premises is imminent; for one AE, CDM-ATs are being identified or have been launched; and for one AE, the documentation submitted was found to be incomplete and resubmission was requested. Of the 19 entities that received an indicative letter, eight have not yet managed to identify witnessing opportunities. Three AEs withdrew their application since the start of the accreditation process, leaving 29 cases under consideration. During this period, the CDM-AP considered the results of five on-site assessments and 21 witnessing cases for sector-specific accreditation carried out by 15 CDM-ATs.

26. The geographical distribution of the 29 applications is as follows: 14 from the Western Europe and Other region, 13 from the Asia and the Pacific region, two from the Latin America and the Caribbean region and one from the Africa region. Six applications came from companies in non-Annex I Parties:

three from the Asia and the Pacific region, two from the Latin America and the Caribbean region and one from the Africa region. Of the 10 most recent applications, four are from companies in developing countries. All applications, and the stage of consideration reached, can be seen on the UNFCCC CDM web site <<http://cdm.unfccc.int/DOE/accrappl.html>>.

27. Given the critical role of DOEs in the CDM process, the Board established the practice of meeting DOEs and AEs to discuss issues of mutual concern. The Board further requested the secretariat to convene meetings with a view to providing a forum to DOEs and AEs to exchange information and to facilitate communication with the Board and its panels. At the first meeting of DOEs and AEs, held on 10 December 2004, in Buenos Aires, Argentina, a joint coordination forum was established and a Chair for DOEs and a separate Chair for AEs were selected. The secretariat maintains an electronic mailing list to facilitate communication among DOEs and AEs. The second meeting of the forum was held in Bonn, Germany, on 10 May 2005. The Board, at its nineteenth and twentieth meetings, invited Mr. Einar Telnes, Chair of the DOEs, to provide a brief report of the meeting and inputs by DOEs/AEs to the Board and its panels. The Board took note of issues and concerns identified by the forum and encouraged continuous inputs to, and exchanges with, the Board and its panels, so that common understanding and consistent approaches could be achieved.

28. In order to be able to address methodological issues during the accreditation process, the Board agreed to involve experts on methodologies for baselines and monitoring, identified by the Chair of the CDM Methodologies Panel, in the assessment of witnessing activities. Furthermore, the CDM-AP will be enlarged by one methodologies expert. These new functions will be backstopped by the secretariat to the extent that resources permit.

29. Being aware of the need to facilitate applications from companies from developing countries, and for further capacity-building efforts relating to accreditation, as referred to in paragraph 1 (h) of decision 18/CP.9, the Board continued its efforts to promote involvement of developing country companies.⁸ Opportunities to present the CDM accreditation scheme to professional audiences were seized by members of the CDM-AP and secretariat staff who participated in relevant international meetings. Awareness about opportunities in this area of work has increased. This can be seen, inter alia, in the number of AEs from developing countries, now amounting to about a quarter of the total.

30. In carrying out its accreditation functions, the Board was supported by the CDM-AP, which met four times during the reporting period. The Board confirmed Mr. John S. Kilani as Chair of the CDM-AP and Ms. Marina Shvangiradze as Vice-Chair. In accordance with the terms of reference of the CDM-AP, five members had been appointed in 2004 for a second term (1 July 2004 to 30 June 2006): Mr. Takashi Otsubo, Mr. Vijay Mediratta, Ms. Maureen Mutasa, Mr. Raúl Prando and Mr. Arve Thendrup. Mr. Mediratta and Mr. Prando volunteered, however, to step down in June 2005 so that new members could take their places. Based on the response to a first call for experts, the Board designated Mr. Satish Rao to replace Mr. Mediratta. As no suitable candidate was identified in the first call to replace Mr. Prando, a second call had to be launched. As a result, Ms. Mercedes Irueste was designated. The Board thanked Mr. Mediratta and Mr. Prando for their excellent work and dedication to the panel from its inception in 2002 until their replacement.

31. The Board expressed its high appreciation for the excellent advice and professional support it received from the members of the CDM-AP and its Chair and Vice-Chair and from the secretariat. Their professional commitment allowed the efficient implementation of the accreditation procedures and the handling of a large and complex body of applications. The Board urged the CDM-AP to continue, with

⁸ The Board, at its fourteenth meeting, in considering matters relating to the relationship with IGOs and NGOs, designated Mr. Richard Muyungi to follow up on issues relating to capacity-building and to keep the Board informed of developments in this respect.

the support of the secretariat, its efforts to increase the number of applications by experts, especially those from developing countries, for inclusion in the roster of experts for CDM-ATs. It noted that efforts to alert the professional community around the world were bearing fruit as can be seen from the marked increase in applications from developing country entities.

32. The Board also expressed its gratitude to members of the CDM-ATs undertaking operational tasks in the field on its behalf.

33. The Board further conveyed its appreciation to the DOEs and AEs for engaging in the CDM process and for showing their commitment to ensuring the environmental credibility and operational flexibility of the CDM. At the same time, efforts to strengthen mutual understanding on the respective roles of the DOEs and the Board need to continue so that the DOEs can fully assume their critical role and allow the CDM to function as expected. The Board noted that no public comments were received on any matter relating to accreditation during the reporting period.

B. Methodologies for baselines and monitoring plans

1. Mandate and background

34. The Executive Board has key responsibilities on methodological matters, notably, in accordance with paragraph 38 of the CDM modalities and procedures, relating to the approval of methodologies for baselines and monitoring plans and the implementation of provisions contained in the CDM modalities and procedures on related matters. These responsibilities entail the following functions:

- (a) Developing and making recommendations to the COP/MOP on guidance relating to methodological issues (see appendix C of the CDM modalities and procedures)
- (b) Approving new methodologies relating to, inter alia, baselines, monitoring plans and project boundaries (see paragraphs 5 (d) and 38, and appendix C, of the CDM modalities and procedures).

35. By its decision 18/CP.9, the COP encouraged the Executive Board, where appropriate, to intensify its work on methodologies and to provide further guidance for the development of methodologies which have a broader applicability.

36. Further, by its decision 12/CP.10, the COP:

- (a) Encouraged the Executive Board to keep under review the “Tool for the demonstration and assessment of additionality”, taking into consideration inputs from Parties, and to include its conclusions in its report to the COP/MOP at its first session;
- (b) Encouraged project participants to make proposals for new baseline and monitoring methodologies for types of project activities in sectors not yet covered by approved methodologies, such as transport, energy efficiency and district heating, and the Executive Board to consider such proposals with priority and to continue its work on elaborating consolidated methodologies for new sectors;
- (c) Requested the Executive Board to start the development of a database of approved methodologies organized by project category and condition of applicability;
- (d) Welcomed work in progress by the Executive Board to operationalize the procedure for amendment of approved methodologies, on the basis of experience gained, bearing in mind paragraph 39 of the CDM modalities and procedures.

2. Work undertaken and action taken, including decisions, as appropriate

Work on methodologies

37. Since the Board launched its invitation to project proponents in March 2003 to submit baseline and monitoring methodologies for its consideration, there have been 12 rounds of submissions, the latest one concluding on 13 July 2005. The methodologies proposed in each round can be found on the UNFCCC web site together with the history of their consideration.

38. A total of 150 proposals have been submitted through DOEs or AEs. Of these, 132 proposals were considered to be complete and were forwarded for consideration to the Executive Board, and 18 proposals were returned because the pre-assessment by a member of the Methodologies Panel found them to be insufficiently elaborated for further consideration.⁹ Of the 132 submissions dealt with by the Board, 67 were received during the reporting period. In addition, 12 cases requiring revision were resubmitted (so called “B” cases).

39. Six new methodologies and four consolidated methodologies were approved during the reporting period. Twelve previously approved methodologies were revised. This brings the total of approved methodologies to 25 and approved consolidated methodologies to six. Therefore, in addition to the approved methodologies for 15 categories of small-scale CDM project activities, an increasing spectrum of approved methodologies and consolidated methodologies are ready to be used by project proponents to develop CDM project activities in a wide range of sectors.¹⁰ The following list shows approved consolidated and approved methodologies indicating with an asterisk those that were approved in the reporting period, and with a plus symbol the previously approved but subsequently revised ones:

- (a) Methodologies for baselines and monitoring (consolidated):
 - (i) + ACM0001: Consolidated methodology for landfill gas project activities (version 02) (revised at EB 21)
 - (ii) + ACM0002: Consolidated methodology for grid-connected electricity generation from renewable sources (version 03) (revised at EB 21)
 - (iii) * ACM0003: Consolidated methodology for emission reductions through partial substitution of fossil fuels with alternative fuels in cement manufacture (approved at EB 19)
 - (iv) * ACM0004: Consolidated methodology for waste gas and/or heat for power generation (approved at EB 20)
 - (v) * ACM0005: Consolidated methodology for increasing the blend in cement production (approved at EB 21)
 - (vi) * ACM0006: Consolidated methodology for grid-connected electricity generation from biomass residues (approved at EB 21)
- (b) Methodologies for baselines and monitoring:
 - (i) + AM0001: Incineration of HFC-23 waste streams (version 03) (revised at EB 19)
 - (ii) AM0002: Greenhouse gas emission reductions through landfill gas capture and flaring where the baseline is established by a public concession contract

⁹ See paragraph 6 of the “Procedures for submission and consideration for a proposed new baseline and monitoring methodology” <<http://cdm.unfccc.int/Reference/Procedures>>.

¹⁰ Approved methodologies are posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies>>.

- (iii) + AM0003: Simplified financial analysis for landfill gas capture projects (version 03) (revised at EB 20 and 21)
- (iv) AM0004: Grid-connected biomass power generation that avoids uncontrolled burning of biomass (version 02)
- (v) AM0005: Small grid-connected zero-emissions renewable electricity generation
- (vi) AM0006: GHG emission reductions from manure management systems
- (vii) AM0007: Analysis of the least-cost fuel option for seasonally operating biomass cogeneration plants
- (viii) AM0008: Industrial fuel switching from coal and petroleum fuels to natural gas without extension of capacity and lifetime of the facility
- (ix) + AM0009: Recovery and utilization of gas from oil wells that would otherwise be flared (version 02) (revised at EB 19)
- (x) AM0010: Landfill gas capture and electricity generation projects where landfill gas capture is not mandated by law
- (xi) + AM0011: Landfill gas recovery with electricity generation and no capture or destruction of methane in the baseline scenario (version 02) (revised at EB 21)
- (xii) AM0012: Biomethanation of municipal solid waste in India, using compliance with municipal solid waste (MSW) rules
- (xiii) + AM0013: Natural-gas-based package cogeneration (version 02) (revised at EB 19)
- (xiv) AM0014: Forced methane extraction from organic waste-water treatment plants for grid-connected electricity supply
- (xv) AM0015: Bagasse-based cogeneration connected to an electricity grid
- (xvi) AM0016: Greenhouse gas mitigation from improved animal waste management systems in confined animal feeding operations (version 02)
- (xvii) + AM0017: Steam system efficiency improvements achieved by replacing steam traps and returning condensate (version 02) (revised at EB 19)
- (xviii) AM0018: Steam optimization systems
- (xix) AM0019: Renewable energy project activities replacing part of the electricity production of one single fossil-fuel-fired power plant that stands alone or supplies electricity to a grid, excluding biomass project activities
- (xx) * AM0020: Baseline methodology for water pumping efficiency improvements (approved at EB 18)
- (xxi) * AM0021: Baseline methodology for decomposition of N₂O from existing adipic acid production plants (approved at EB 18)
- (xxii) * + AM0022: Avoided waste-water and on-site energy use emissions in the industrial sector (version 02) (approved at EB 19 and revised at EB 20)
- (xxiii) * AM0023: Leak reduction from natural gas pipeline compressor or gate stations (approved at EB 20)
- (xxiv) * AM0024: Greenhouse gas reductions through waste heat recovery and utilization for power generation at cement plants (approved at EB 21)
- (xxv) * AM0025: Avoided emissions from organic waste composting at landfill sites (approved at EB 21)

40. The number of approved methodologies that can be used by project developers in the sectors to which they are linked is presented in table 3 below. It should be noted that one methodology can be relevant to more than one sector. Therefore, the 46 approved methodologies cover 53 activity areas.

Table 3. Approved methodologies by sector

Sector	Number of approved methodologies
Energy industries (renewable/non-renewable sources)	17
Energy distribution	1
Energy demand	6
Manufacturing industries	7
Chemical industries	1
Construction	0
Transport	1
Mining/mineral production	0
Metal production	0
Fugitive emissions from fuels (solid, oil and gas)	3
Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride	1
Solvent use	0
Waste handling and disposal	13
Afforestation and reforestation	0
Agriculture	3

41. Since the Board started to consider methodologies for baselines and monitoring in April 2003, approval had been denied to 56 cases. During the reporting period, 33 proposals, or about half of the submissions, were found not to address fundamental requirements. Had the Board undertaken further work to improve these proposed methodologies, it would have incurred considerable costs for the recruitment of experts and would have diverted time from the already stretched resources of the Methodologies Panel. This would have resulted in delays in the consideration of cases which were of better quality.

42. The Board has instituted a number of measures to help promising cases be approved. The Board has established the practice of allowing the reconsideration of proposed methodologies that require further work of a well-defined nature without further desk reviews. It allows for interaction with project participants through a feedback loop. For such cases, which may be approved if required changes are implemented, there is direct interaction of the Methodologies Panel with project participants. Although this practice allows for project participants to benefit from expert input in order to further develop their methodology – a methodology which had been imperfect can thereby be improved for re-appraisal – it does consume time. This facilitating practice has therefore resulted in extensive delays in the processing of cases as the resources of the Board and the panel could not be commensurately expanded.

43. As at 30 September 2005, 31 cases are at different stages of consideration:¹¹
- (a) Seven recently submitted cases were positively pre-assessed and have received public comments
 - (b) Eight cases may be revised, resubmitted within a maximum five-month period and directly reconsidered by the Methodologies Panel without undergoing additional desk reviews
 - (c) Seven cases received a preliminary recommendation by the Methodologies Panel and, in cases where project participants provided clarifications, will be considered at the next meeting of the Methodologies Panel
 - (d) Four cases will be considered at the next meeting of the Methodologies Panel as further technical expertise is needed
 - (e) Five cases are subject to consolidation.

Guidance to project developers

44. In addition to considering proposed methodologies and elaborating consolidated methodologies, wherever possible, the Board, supported by the Methodologies Panel and the secretariat, further intensified its work on methodologies as requested by the COP at its ninth and tenth sessions. Specifically, it provided further guidance for the development of methodologies which have a broader applicability and it facilitated the preparation of new proposals by project participants. The Board has:

- (a) Provided clarifications on:¹²
 - (i) Use of the “Tool for the demonstration and assessment of additionality”;
 - (ii) Information to be considered by a project activity requesting retroactive credits, such as for assessing additionality and setting the baseline scenario;
 - (iii) Procedures and documentation to be used for the renewal of a crediting period;
 - (iv) The definition of biomass and the consideration of changes in carbon pools in project activities other than A/R project activities;
 - (v) Project activities that may temporarily result in “negative emission reductions”;
 - (vi) Multiple regression analysis to estimate baseline emissions or project emissions.
- (b) Started work and requested expert analyses to be prepared on:
 - (i) The weighted average of the operating margin (OM) and the build margin (BM) emission factors to calculate the baseline emission factors for project activities generating electricity to the grid;
 - (ii) Conditions of use of measurement instruments in the monitoring of project activities (i.e. calibration issues);

¹¹ See status and history of each proposed and approved methodology on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies>>.

¹² See <<http://cdm.unfccc.int/Reference/Guidclarif>>.

- (iii) An optional tool to be used by project developers proposing a new methodology to assist them in selecting a baseline scenario from among a set of alternatives.

45. The “Tool for the demonstration and assessment of additionality”¹³ was kept under review by the Board as requested by the COP at its tenth session. The Board took note of views expressed by Parties at COP 10 as well as of one input made by a Party since then.

Refinement of procedures for submission and consideration of new methodologies

46. In order to further facilitate the submission of proposed CDM project activities and new methodologies by project proponents, the Board also agreed on the following:

- (a) Revisions to the procedures for the submission and consideration of a proposed new methodology¹⁴
- (b) Revisions of the form “CDM proposed new methodology: baseline (CDM-NMB), version 01” and the guidelines for completing it. The latest version of the form and the guidelines is available on the UNFCCC CDM web site¹⁵
- (c) Development of a “summary” recommendation form with succinct information on proposed new methodologies to be filled by the Methodologies Panel in addition to the standard recommendation form so that expeditious and consistent decision-making by the Board is facilitated.¹⁶

47. The Board, as requested by the COP at its tenth session, agreed on “Procedures for the revision of an approved methodology”, on the basis of experience gained, bearing in mind paragraph 39 of the CDM modalities and procedures.¹⁷

Enhancement of interaction and documentation

48. With a view to making its work on methodologies as efficient, transparent and cost-effective as possible, addressing the excessive workload of its Methodologies Panel, and ensuring that newly proposed methodologies are considered in a timely and consistent manner and that those approved meet the required standards, the Board adjusted its approach and work processes as needs arose. Facilitating measures, aimed at improving the quality of products and easing the workflow, included the following:

- (a) The forms for the submission of new methodologies were revised to align them with the ultimate format required for an approved methodology
- (b) Guidelines for using the forms were further elaborated so that the required detail of technical information was provided when a new methodology was submitted
- (c) Detailed criteria were developed so that the Methodologies Panel could better pre-assess proposed new methodologies

¹³ The latest version of the “Tool for the demonstration and assessment of additionality” is posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies/PAmethodologies/approved.html>>.

¹⁴ See <<http://cdm.unfccc.int/Reference/Procedures>>.

¹⁵ The current version of CDM-NMB guideline is part of the “Guidelines for completing the project design document (CDM-PDD), the proposed new methodology: baseline (CDM-NMB) and the proposed new methodology: monitoring (CDM-NMM)”, and the CDM-NMB forms are posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/Reference/Documents>>.

¹⁶ The form is available on the UNFCCC CDM web site <<http://cdm.unfccc.int/reference/Forms>>.

¹⁷ See <<http://cdm.unfccc.int/Reference/Procedures>>.

- (d) The forms used by the Methodologies Panel for its recommendations were revised so that one part provides succinct information for the consideration of the case by the Board, and a second part contains detailed technical recommendations to be forwarded to project developers
- (e) Detailed criteria were elaborated for the non-approval of methodologies
- (f) The Methodologies Panel and the DOEs met to exchange views on the application of currently approved methodologies
- (g) Procedural clarification was provided to limit to five months the period for resubmitting a proposed methodology once the Board has invited the resubmission of that methodology with the required changes being incorporated
- (h) The secretariat was requested, subject to the availability of resources, to undertake the following tasks:
 - (i) Prepare detailed technical summaries of the outcome of Methodologies Panel meetings, including comments on the recommendations by the Methodologies Panel. This was not yet possible due to the lack of resources
 - (ii) Revise and edit forms for the submission of proposed new methodologies for consideration of the Board, the Methodologies Panel and the afforestation and reforestation working group (A/R WG)
 - (iii) Develop further an online database which contains specific information regarding methodologies (e.g. applicability). A searchable database for approved methodologies is now available on the UNFCCC CDM web site and one for proposed new methodologies is under development.
- (i) Two members (or alternate members) of the Board, one from an Annex I Party and one from a non-Annex I Party, were appointed to the Methodologies Panel to support the Chair and Vice-Chair of the panel. At its twenty-first meeting, the Board designated Mr. Rajesh Kumar Sethi and Ms. Anastasia Moskalenko to perform these functions
- (j) A proposed methodology on which changes have to be made (i.e. so called "B" cases) can be resubmitted once to the Board provided that the revision incorporates the changes required
- (k) A fee of USD 1,000 is due from project participants submitting a proposed new methodology for regular project activities (not applicable to methodologies for small-scale and A/R project activities). If a methodology is approved and the project activity for which it was developed is registered, the fee for requesting registration shall be lowered by that amount. The amount of this fee will be reviewed and, if necessary, revised in the third quarter of 2006
- (l) A DOE/AE may voluntarily undertake a pre-assessment of a newly proposed methodology. The Methodologies Panel only undertakes the pre-assessment if no voluntary pre-assessment has been undertaken by the DOE/AE
- (m) A panel member responsible for pre-assessing a proposed new methodology receives a fee (half of a daily fee) as remuneration.

Support structure

49. The Board is supported in its methodological work by the Methodologies Panel, which has met three times since COP 10. The Board continues to draw on the recommendations of its Methodologies Panel which, apart from its own expertise, takes into account the results of desk reviews by experts (two for each methodology) and public input. In order to ensure utmost transparency and the broadest possible engagement of experts and the public, each newly submitted methodology is made available on the UNFCCC CDM web site and is announced through the UNFCCC CDM News facility. The secretariat provides process management coordination, including by identifying candidates performing expert tasks.

50. In response to the increased workload, the Board, at its nineteenth meeting, in May 2005, increased the membership of the Methodologies Panel from 10 to 15 members. The Board expresses its deep appreciation for the excellent quality of technical advice which it continues to receive from members of the Methodologies Panel and from its Chair, Mr. Jean Jacques Becker, and Vice-Chair, Mr. José Domingos Miguez. It equally acknowledges the valuable inputs provided by experts, for example the desk reviewers and the public, as well as the process management and coordination by the secretariat. Only through a collective effort and exceptional commitment was it possible to cope with an enormous workload and the many challenges that the work on methodologies poses.

51. In accordance with the revised terms of reference of the Methodologies Panel, a new call for experts was undertaken and the Board confirmed members and designated new members as of July 2005. The panel is now composed of: Mr. Amr-Omar Abdel-Aziz, Mr. Felix Babatunde Dayo, Ms. Jane Ellis, Mr. Christophe de Gouvello, Mr. Michael Lazarus, Mr. Stanford Johanne Mwakasonda, Mr. Paata Janelidze, Mr. Daniel Perczyk, Mr. Braulio Pikman, Mr. Ashok Sarkar, Mr. Roberto Schaeffer, Mr. Lambert Richard Schneider, Mr. Christoph Sutter, Mr. Zhihong Wei and Mr. Kenichiro Yamaguchi.¹⁸

52. The Board expressed its deep appreciation to the outgoing member of the Methodologies Panel, Ms. Sujata Gupta, for her excellent work and dedication to the panel from its inception in 2002 until September 2005.

53. The work on CDM methodologies has been greatly hampered by a lack of resources. It was only in April 2005 that the minimum level of resources became available to enable measures such as the expansion of the Methodologies Panel and the recruitment of at least part of the professional officers foreseen to strengthen the CDM team in the secretariat to be contemplated. Great efforts have been made to have the first officers on board in the course of the fourth quarter 2005. These new staff are to complement the two professionals who have so far been supporting not only all aspects of the work of the Methodologies Panel, the A/R WG and the Small-Scale Projects Working Group, but also carried out functions relating to requests for registration of CDM project activities and issuance of CERs.

54. Updated information on further submissions of methodologies and results of the consideration process, as well as on any other issue relating to methodologies, will be reported to the COP/MOP at its first session by the Chair of the Board, orally and/or through an addendum to this document, as necessary.

¹⁸ For more information on this panel, see <<http://cdm.unfccc.int/Panels/meth>>.

C. Afforestation and reforestation project activities

1. Mandate and background

55. The Board has key responsibilities for implementing the provisions of decision 19/CP.9 and those contained in the annex on modalities and procedures for A/R project activities under the CDM in the first commitment period of the Kyoto Protocol (hereinafter referred as CDM modalities and procedures for A/R project activities). Further, it is to implement the provisions of decision 14/CP.10 and the annex on simplified modalities and procedures for small-scale A/R project activities under the CDM in the first commitment period of the Kyoto Protocol and measures to facilitate their implementation. In this context, it has to fulfil the following functions:

- (a) Develop and make recommendations to the COP/MOP on guidance on methodological issues relating to A/R project activities under the CDM (in accordance with section C of the CDM modalities and procedures for A/R project activities)
- (b) Approve new methodologies for A/R project activities relating to, inter alia, baselines, monitoring plans and project boundaries (in accordance with section C of the CDM modalities and procedures for A/R project activities and paragraph 5 of the CDM modalities and procedures)
- (c) Develop, for the consideration of the COP/MOP at its first session, default factors for assessing the existing carbon stocks and for simplified baseline methodologies, simplified monitoring methodologies and guidelines to estimate leakage for small-scale A/R project activities under the CDM (in accordance with paragraph 2 of decision 14/CP.10).

2. Work undertaken and action taken, including decisions, as appropriate

Work on methodologies

56. Since the Board launched its invitation to project proponents in November 2004 to submit proposed new methodologies for A/R project activities, there have been six rounds of submission. Fourteen proposals have been submitted through accredited or applicant entities, of which one did not pass the pre-assessment and 13 were seen as formally complete and are being considered by the Board.

57. As at 30 September 2005, four cases were at different stages of consideration: two newly received ones were positively pre-assessed and have received public comments; one case has obtained preliminary recommendations by the A/R WG and another one will be considered at the next meeting of the A/R WG once further technical expertise is available. The status and history of each proposed and approved methodology is available on the UNFCCC CDM web site.¹⁹

58. The Board has denied approval to nine A/R baseline and monitoring methodologies as the proposals did not address fundamental requirements.

59. In addition to considering methodologies, the Board, supported by the A/R WG and the secretariat, has agreed on:

- (a) A tool for the demonstration and assessment of additionality of A/R project activities;²⁰
- (b) Simplified methodologies for small-scale A/R project activities under the CDM in accordance with decision 14/CP.10. The final versions of these methodologies will be

¹⁹ See <<http://cdm.unfccc.int/methodologies>>.

²⁰ See <http://cdm.unfccc.int/methodologies/ARmethodologies/approved_ar.html>.

made available on the UNFCCC CDM web site by mid-November 2005. These simplified methodologies will be incorporated in an addendum to this report and will be considered by the COP/MOP at its first session with a view to taking a decision on them.

Work on procedures

60. In order to facilitate the submission and consideration of proposed new methodologies for A/R project activities under the CDM, the Board agreed on the following:

- (a) Clarifications regarding submissions of proposed new baseline and monitoring methodologies for A/R project activities under the CDM²¹
- (b) Criteria to be used in the screening process to assess proposed new methodologies in accordance with paragraph 5 of the procedures for submission and consideration of proposed new methodologies for A/R project activities
- (c) Development of a “summary” recommendation form with succinct information on proposed new methodologies to be filled by the A/R WG in addition to the standard recommendation form so that expeditious and consistent decision-making by the Board is facilitated²²
- (d) Revision of procedures for the submission and consideration of a proposed new baseline and monitoring methodology for A/R project activities²³
- (e) Revisions to the guidelines for completing the project design document for A/R project activities (CDM-AR-PDD), the proposed new methodology for A/R baseline (CDM-AR-NMB), and the proposed new methodology for A/R monitoring (CDM-AR-NMM).²⁴

Support structure

61. The Board is supported in its methodological work relating to A/R project activities by the A/R WG, which has met twice since COP 10. The Board draws on the recommendations of the A/R WG which, apart from its own expertise, takes into account the results of desk reviews by experts (two for each methodology) and public input. In order to ensure utmost transparency and the broadest possible engagement of experts and the public, each newly submitted methodology is made available on the UNFCCC CDM web site and is announced through the UNFCCC CDM News facility.

62. The Board expresses its deep appreciation for the excellent quality of technical advice which it has received from members of the A/R WG and from its current Chair, Mr. Martin Enderlin, as well as from his predecessor, Mr. Eduardo Sanhueza. It equally acknowledges the valuable inputs provided by experts (desk reviewers) and the public as well as the assistance by the secretariat.

63. At its twentieth meeting, the Board nominated Mr. José Domingos Miguez to assume the function of Vice-Chair of the A/R WG until the first meeting of the Board in 2006.

64. In accordance with the revised terms of reference of the A/R WG, a new call for experts was made and the Board confirmed and designated the following working group members for a period of one year (July 2005–July 2006): Ms. Carmenza Robledo Abad, Mr. Wojtek Seweryn Galinski,

²¹ See <<http://cdm.unfccc.int/Reference/Guidclarif>>.

²² The form is available on the UNFCCC CDM web site <<http://cdm.unfccc.int/reference/Forms>>.

²³ See <<http://cdm.unfccc.int/Reference/Procedures>>.

²⁴ See <<http://cdm.unfccc.int/Reference/Documents>>.

Mr. Frank Werner, Mr. Shailendra Kumar Singh, Mr. Hilton Thadeu Zarate Couto and Mr. Nagmeldin G. Elhassan.²⁵

65. The Board expressed its deep appreciation to the outgoing members of the working group, Mr. Michael Dutschke, Mr. Walter Oyhantcabal and Mr. Paul Victor Desanker for their excellent work.

66. Updated information on further submissions of methodologies and results of the consideration process, as well as on any other issue relating to methodologies, will be reported to the COP/MOP at its first session by the Chair of the Board, orally and/or through addenda to this document, as necessary.

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

1. Mandate and background

67. Simplified modalities and procedures for small-scale CDM project activities were adopted by the COP by decision 21/CP.8 and annex II of that decision. In accordance with that annex, the Board shall review and amend, as necessary, appendix B on “Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories” at least once a year.

2. Work undertaken and action taken, including decisions, as appropriate

68. In 2004 the Board established the Small-Scale Project Activities Working Group (SSC WG) and appointed Mr. Georg Børsting and Mr. Richard Muyungi as Chair and Vice-Chair, respectively. At the beginning of the reporting period, Ms. Gertraud Wollansky was appointed as Chair to replace the outgoing member Mr. Børsting.

69. During the reporting period, the membership of the SSC WG remained as in 2004: Mr. Gilberto Bandeira De Melo, Mr. Felix Babatunde Dayo (delegated by the Methodologies Panel), Mr. Binu Parthan, Mr. Daniel Perczyk (delegated by the Methodologies Panel) and Mr. Kazuhito Yamada.

70. The SSC WG met once in the reporting period.²⁶ The Board, based on recommendations by the group, agreed on the following:

- (a) Amendments to the “Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories” contained in appendix B of the simplified modalities and procedures for small-scale CDM project activities²⁷
- (b) Revisions to the simplified project design document for small-scale CDM project activities (CDM-SSC-PDD) and development of guidelines to complete the CDM-SSC-PDD²⁸
- (c) Clarifications on bundling of small-scale CDM project activities.²⁹

²⁵ For more information on this working group see <<http://cdm.unfccc.int/Panels/ar>>.

²⁶ See <http://cdm.unfccc.int/Panels/ssc_wg>.

²⁷ The full list of approved methodologies for small-scale CDM project activities is posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies/SSCmethodologies/approved.html>>.

²⁸ The current version of the “Guidelines for completing the simplified project design document for small-scale CDM project activities (CDM-SSC-PDD)” is posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/Reference/Documents>>. The “CDM-SSC-PDD form” is available at <<http://cdm.unfccc.int/Reference/Forms>> and <<http://cdm.unfccc.int/Reference/Documents>>.

²⁹ See <<http://cdm.unfccc.int/Reference/Guidclarif>>.

71. The Board further took note of the elaboration by the SSC WG of forms for:
- (a) Project participants and/or DOEs/AEs to submit questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories (CDM: Form for submissions on small-scale methodologies and procedures (version 01));³⁰
 - (b) SSC WG members to present recommendations on questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories (CDM: Recommendation form for small-scale methodologies (version 01)).³¹
72. As at 30 September 2005, the Board had received 31 queries and proposals for new categories for small-scale CDM project activities and/or amendments or revisions to existing simplified methodologies.³² The Board will continue to review appendix B and amend it, as necessary, at least once a year. The Board will continue to keep issues relating to small-scale CDM project activities under review and provide clarifications and guidance as necessary.

E. Matters relating to the registration of clean development mechanism project activities

1. Mandate and background

73. The Executive Board is responsible for the registration of CDM project activities. In accordance with paragraph 41 of the CDM modalities and procedures, a project activity for which a DOE has requested registration is automatically registered after eight weeks from the date when the request was made (or four weeks for small-scale CDM project activities) unless three Board members, or one of the Parties involved in the project activity, make a request for review relating to issues associated with the validation requirements.
74. Upon the recommendation of the Board, made in accordance with paragraph 5 (o) of the CDM modalities and procedures, procedures for conducting such a review were approved by the COP at its ninth session.
75. As reported in its second report to the COP,³³ the Board also instituted a number of procedures and clarifications for facilitating validation and registration.

2. Work undertaken and action taken, including decisions, as appropriate

Work relating to requests for registration of project activities

76. On 1 September 2004, the first request for registration was submitted³⁴ and on 16 November 2004 the first CDM project activity was registered. By the end of the third quarter of 2005, 25 CDM project activities had been registered. A list of such projects is contained in the annex to this report.³⁵
77. In addition, 13 recently made requests for registration were within the eight-week-period (four weeks for small-scale projects) within which a Party involved or three Board members may request a review. Of the total of 41 requests for registration received to date – 34 having been made after COP 10 (including one resubmission as a result of a review by the Board) – the Board is currently undertaking a review in one case. In two cases, it could not proceed as one request was withdrawn and, in the other

³⁰ The current version of the form is available at <<http://cdm.unfccc.int/Reference/Forms>>.

³¹ The current version of the form is available at <<http://cdm.unfccc.int/Reference/Forms>>.

³² See <<http://cdm.unfccc.int/methodologies/SSCmethodologies>>.

³³ FCCC/CP/2003/2 and Add.1.

³⁴ See <<http://cdm.unfccc.int/Projects>>.

³⁵ More detailed information on registered CDM project activities is available at <<http://cdm.unfccc.int/Projects/registered.html>>.

case, project participants failed to re-submit documentation as suggested (i.e. making a new request for registration with a shortened request for review period). Documentation on requests for registration is available for comments in accordance with paragraph 40 (b) and (c) of the CDM modalities and procedures.³⁶

78. The acceleration of CDM activity over the past 12 months can be traced through the number of registrations, which more than doubled each quarter: only one CDM project activity had been registered by the end of the last quarter of 2004, whereas four, 10 and 25 CDM project activities had been registered in the first, second and third quarters of 2005. Of these 25 CDM project activities, 13 are of small-scale.

79. In 21 of the 25 cases, registration took effect once the eight-week period (four for small-scale projects) had elapsed during which reviews could have been requested. This means that fast-track registration occurred in well over 80 per cent of the cases. Four cases were registered after the Board had conducted a review to ensure that guidance and rules were implemented appropriately. In order to determine whether a review is required, two Board members/alternate members, on a rotating basis, undertake an initial appraisal when a request for registration is made. This appraisal is shared with all Board members who individually determine whether or not they wish to request a review. In some cases, the Board was able to make the final assessment of a review case electronically, thus reducing the period needed to arrive at a decision. As the project participants, DOEs and Board are gaining experience with issues relating to registration, the proportion of cases being registered without review is likely to further increase.

80. As at 30 September 2005, 295 proposed CDM project activities had been submitted for validation to DOEs.³⁷ Information on proposed project activities at the validation stage is accessible through an interface in the "Project activity" section on the UNFCCC CDM web site.

Work on procedures

81. The Board has facilitated and clarified tasks relating to the registration of proposed CDM project activities by issuing the following procedures and clarifications.³⁸

- (a) Validation-related: Procedures for making the CDM PDD publicly available for receiving comments as referred to in paragraph 40 (b) and (c) of the CDM modalities and procedures (version 04). The processing time for project activities was reduced by 7–9 days by revising the procedure for making the CDM PDD available through the secretariat at the validation stage
- (b) Registration-related: The Board clarified issues relating to the approval by Parties which are reflected in the glossary of CDM terms³⁹ which is part of the guidelines for completing the CDM PDD. The Board also clarified that a project activity may be registered without written approval by an Annex I Party.

82. Furthermore, the Board is in the process of streamlining the "Clarifications to facilitate the implementation of the procedures for review as referred to in paragraph 41 of the CDM modalities and procedures".

³⁶ See <<http://cdm.unfccc.int/Projects/Validation>>.

³⁷ Details on proposed project activities are available for comments at <<http://cdm.unfccc.int/Projects/Validation>>.

³⁸ See <<http://cdm.unfccc.int/Reference/Procedures>> and <<http://cdm.unfccc.int/Reference/Guidclarif>>.

³⁹ See <http://cdm.unfccc.int/Reference/Documents/Guide1_Pdd/English/Guidelines_CDM_PDD_NMB_NMM.pdf>.

83. In order to strengthen the assessment of DOEs in their validation work, in particular with regard to the application of methodologies, the Board enhanced the accreditation process by involving methodologies experts.

**F. Matters relating to the issuance of certified emission reductions
and the clean development mechanism registry**

1. Mandate and background

84. In accordance with paragraph 5 (l) of the CDM modalities and procedures, as well as decision 19/CP.9, the Executive Board is to establish and maintain a CDM registry to ensure the accurate accounting of CERs, temporary certified emission reductions (tCERs) and long-term certified emission reductions (lCERs) by non-Annex I Parties that are Parties to the Kyoto Protocol.

85. The Executive Board is also responsible for and has a critical function in the process leading to the issuance of CERs, tCERs and lCERs. In accordance with paragraph 65 of the CDM modalities and procedures, CERs, tCERs and lCERs which a DOE requested to be issued are automatically issued after 15 days unless three Board members or one of the Parties involved in the project make a request for review relating to issues of fraud, malfeasance or incompetence of the DOE concerned.

86. Upon the recommendation of the Board, made in accordance with paragraph 5 (o) of the CDM modalities and procedures, procedures for conducting such a review were approved by the COP at its tenth session.

2. Work undertaken and action taken, including decisions, as appropriate

Matters relating to the issuance of certified emission reductions

87. As indicated in the section on accreditation above, two operational entities were accredited for sector-specific verification/certification functions which allows them to submit requests for issuance of CERs. In order to facilitate the issuance of CERs and to simplify related administrative steps by DOEs, the Board adopted the following:

- (a) Procedures for making the monitoring report available to the public in accordance with paragraph 62 of the CDM modalities and procedures (version 01)
- (b) Procedures relating to verification report and certification report/request for issuance of CERs (version 01)
- (c) Procedural clarification: a DOE shall, prior to requesting registration of a project activity or issuance of CERs, notify the Board of deviations from approved methodologies and/or provisions of registered project documentation and explain how it intends to address such deviations. The DOE shall only proceed with further actions after receipt of guidance from the Board. The Chairs of the panels shall provide an input as to whether or not the issue should be considered by the panels. The Board shall, if needed, address these issues by electronic decision. When providing such guidance, the Board shall consider issuing general clarifications to all DOEs and project participants, as appropriate.

CDM registry

88. Version 1 of the CDM registry was completed in November 2004. It is able to issue CERs, tCERs and lCERs and distribute them to accounts for project participants and accounts holding the share of proceeds to cover administrative expenses of the CDM and to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

89. Version 2 of the CDM registry was completed and demonstrated to the Board at its twenty-first meeting. In addition to the functions of version 1, this version will enable the CDM registry to perform functions relating to the forwarding of units to national registries of Annex I Parties that are Parties to the Kyoto Protocol. Although already incorporated into the CDM registry, these additional functions can only be carried out once the international transaction log has become operational. In the meantime, version 1 is available to accommodate any issuance of CERs occurring beforehand.

90. The Board provided guidance to the secretariat in order to clarify the manner in which the CDM registry is to be operated. The Board agreed in particular on the following:

- (a) Permanent holding accounts for project participants in the CDM registry shall be marked as being associated with the non-Annex I Party which provided the written approval to participate in the CDM project activity. Temporary holding accounts for project participants in the CDM registry shall be marked as being associated with the Annex I Party which provided the written approval to participate in the CDM project activity. This would facilitate the reporting to the DNA of unit holding and transaction data for all accounts associated with each Party. The Board further agreed that each non-Annex I Party providing an entity with written approval to participate in a CDM project activity may request a holding account for that Party in the CDM registry and specify representatives for the account
- (b) Any unit remaining undistributed to project participants, as a result of rounding the percentage shares contained in a forwarding request to the nearest whole unit, shall be forwarded to an account specified in the forwarding request or, where no such account is specified, to an account for the share of proceeds relating to the costs of adaptation
- (c) Provided the letters of approval from relevant Annex I Parties have been submitted to the Board, the CDM registry administrator shall forward CERs, tCERs and ICERs to accounts in national registries upon the request of representatives of holding accounts of entities authorized by non-Annex I Parties to participate in the project activity
- (d) The CDM registry administrator is to make reports available to the Board, on a monthly basis, containing aggregate information on unit holdings and transactions, by unit, transaction and account type. The Board further agreed that the CDM registry administrator is to make reports available to each DNA, on a monthly basis, containing aggregate information on unit holdings and transactions, by unit and transaction type, in relation to the accounts in the CDM registry associated with the Party of the relevant DNA.
- (e) Once an issuance of CERs, tCERs and ICERs into the pending account of the CDM registry has been made, the distribution into holding accounts of project participants may incur in installments upon their request. The Board further agreed that information on undistributed units from a CDM project activity, aggregated at the Party level, is to be included in the monthly reports provided by the CDM registry to DNAs of respective Parties involved.

G. Modalities for collaboration with the Subsidiary Body for Scientific and Technological Advice

1. Mandate and background

91. In paragraph 6 (e) of decision 17/CP.7, the COP requested the Executive Board to identify modalities for seeking collaboration with the SBSTA on methodological and scientific issues.

92. By its decision 12/CP.10, the COP requested the SBSTA to develop, in collaboration with the Executive Board, a recommendation to the COP/MOP, at its first session, relating to implications of the implementation of CDM project activities for the achievement of objectives of other environmental conventions and protocols, in particular the Montreal Protocol, and which imply the establishment of new hydrochlorofluorocarbon (HCFC-22) facilities which seek to obtain certified emission reductions for the destruction of hydrofluorocarbon (HFC-23), taking into account the principles established in Article 3, paragraph 1, and the definitions in Article 1, paragraph 5, of the Convention.

93. The SBSTA, at its twenty-second session, had discussed implications of the establishment, under the CDM, of new HCFC-22 facilities seeking to obtain CERs for the destruction of HFC-23 for the achievement of the objective of the Montreal Protocol, taking into account the principles established in Article 3, paragraph 1, and the definitions in Article 1, paragraph 5, of the Convention. The SBSTA invited Parties and admitted observers and relevant IGOs to submit to the secretariat, by 5 August 2005, their inputs on these implications and means to address them. The SBSTA, at its twenty-third session, will consider the submissions by Parties and an information document prepared by the secretariat laying out options based on submissions by Parties and containing input by the Executive Board.⁴⁰ The submissions by Parties are compiled in FCCC/SBSTA/2005/MISC.10.

2. Work undertaken and action taken, including decisions, as appropriate

94. In accordance with rule 14 of its the rules of procedure, the Board agreed to designate members, as necessary, to follow work undertaken by the SBSTA on methodological and scientific issues relating to the work of the Executive Board. The Board took action as follows:

Issues relating to registry systems (see also section F. above)

- (a) Ms. Anastassia Moskalenko and Mr. Rajesh Kumar Sethi were designated to follow deliberations by the SBSTA and to update the Board on developments;
- (b) Note was taken of progress made by the SBSTA at its twenty-second session and of further work to be undertaken until COP/MOP 1.

Implications of the implementation of project activities under the CDM, referred to in decision 12/CP.10, for the achievement of objectives of other environmental conventions and protocols (see also section G.1 above)

- (c) Mr. Martin Enderlin and Mr. José Domingos Miguez were designated to follow deliberations by the SBSTA, and to update the Board on developments;
- (d) The Board considered a draft of the information document prepared by the secretariat, in accordance with the request referred to in paragraph 93 above, and agreed that the paper provided a balanced analysis of the submissions by Parties. The input by the Board is reflected in the final version of the document.

⁴⁰ FCCC/SBSTA/2005/INF.8.

III. Governance matters

A. Membership issues

95. At COP 10, members and alternate members were elected to fill the vacancies arising from the expiration of terms of tenure after a period of two years. During the reporting period, the Board thus comprised the members and alternate members shown in table 4 (in alphabetical order by member).

Table 4. Members and alternate members of the CDM Executive Board

Members	Alternate members	Nominated by
Mr. John W. Ashe ^a	Ms. Desna Solofa ^a	Small island developing States
Mr. Jean-Jacques Becker ^b	Ms. Gertraud Wollansky ^b	Western Europe and Other regional group
Mr. Martin Enderlin ^a	Mr. Hans Jürgen Stehr ^a	Annex I Parties
Ms. Sushma Gera (Chair) ^b	Mr. Masaharu Fujitomi ^b	Annex I Parties
Mr. John Shaibu Kilani ^b	Mr. Ndiaye Cheikh Sylla ^b	African regional group
Mr. Xuedu Lu (Vice-Chair) ^a	Mr. Juan Pablo Bonilla ^a	Non-Annex I Parties
Mr. José Domingos Miguez ^b	Mr. Clifford Anthony Mahlung ^b	Latin America and Caribbean regional group
Mr. Richard Muyungi ^a	Mr. Hernán Carlino ^a	Non-Annex I Parties
Mr. Rajesh Kumar Sethi ^b	Mr. Liana Bratasida ^b	Asian regional group
Ms. Marina Shvangiradze ^a	Ms. Anastasia Moskalenko ^a	Eastern European regional group

^a Term: two years ending at the first meeting in 2006.

^b Term: two years ending at the first meeting in 2007.

96. The Board, at its twentieth meeting, noted its concern regarding the issue of privileges and immunities for persons engaging in official business relating to the CDM. It urged the COP/MOP at its first session to address the issue with urgency to ensure that the Board and its members were fully protected when taking decisions for which they have been mandated, and enabling them to take such decisions in a manner fully safeguarding the integrity of the process. Further to initial deliberations by Parties at COP 10, and the request to the secretariat to provide further background information, a document on this issue (FCCC/KP/CMP/2005/6) will be available to the COP/MOP at its first session.

B. Election of the Chair and the Vice-Chair of the Executive Board

97. In accordance with paragraph 12 of the CDM modalities and procedures and rule 12 of the rules of procedure of the Executive Board, the Board, at its eighteenth meeting, elected by consensus Ms. Sushma Gera, member from Annex I Parties, and Mr. Xuedu Lu, member from non-Annex I Parties, as Chair and Vice-Chair, respectively, of the Executive Board. Their tenure as Chair/Vice-Chair will end at the first meeting of the Board in 2006.

98. On behalf of the Board, the new Chair expressed the deep appreciation of the Board to the outgoing Chair, Mr. John Shaibu Kilani, and Vice-Chair, Mr. Georg Børsting, for their excellent leadership of the Board during its third year of operation.

C. Calendar of meetings of the Executive Board in 2005

99. The Executive Board, at its eighteenth meeting, adopted its calendar of meetings for 2005. One meeting scheduled for April 2005 could not be held due to the precarious resource situation at that time. The adjusted schedule is shown in table 5.

Table 5. Executive Board meetings in 2005

Number of meeting	Date	Location
Eighteenth	23–25 February	UNFCCC headquarters in Bonn, Germany
Nineteenth	11–13 May	UNFCC headquarters (in conjunction with the twenty-second sessions of the subsidiary bodies)
Twentieth	6–8 July	UNFCCC headquarters
Twenty-first	28–30 September	UNFCCC headquarters
Twenty-second	23–25 November	Montreal, Canada (in conjunction with COP/MOP 1)

100. The annotated agendas for the Executive Board meetings, including documentation supporting agenda items, as well as reports containing all agreements reached by the Board, are available on the UNFCCC CDM web site.⁴¹

101. To ensure the efficient organization and management of work, the three-day meetings of the Board are preceded by informal consultations of 1–2 days. During the reporting period, the workload before the Board commonly required that the Board be in session or in consultations for well over eight hours (more than 14 hours on one occasion) during a meeting day.

D. Implementation of the rules of procedure of the Executive Board

102. The Executive Board, at its eighteenth meeting, noted the adoption by the COP at its tenth session of the amendments to rules 27, 30 and 38 of the rules of procedure of the Executive Board (decision 12/CP.10, annex I).

103. Based on its experience with the implementation of the rules of procedure to date, the Board currently does not perceive the need to recommend any changes to the COP/MOP. For the matters so far before the Board, the rules allowed the administration of the CDM in an efficient, cost-effective and transparent manner. Provisions which are central to the proper functioning of the CDM have been implemented as elaborated below.

1. Expertise in support of the work of the Executive Board (rule 32)

104. The Board continues to draw on expertise needed to perform its functions. It receives technical support and recommendations from two panels and two working groups which, in turn, call on additional specialized expertise, for example from CDM-ATs and desk reviewers on methodologies. The following panels and working groups are in place: the CDM Accreditation Panel (six members, plus two Board members as its Chair and Vice-Chair); the CDM Methodologies Panel (15 members, plus two Board members as its Chair and Vice-Chair, plus two Board members as additional support) the A/R WG (seven members, plus one Board member and one alternate member as its Chair and Vice-Chair, respectively); and the SSC WG (five members, plus one Board member and one alternate member as its Chair and Vice-Chair, respectively). In accordance with the CDM management plan, a body to handle registration of projects and the issuance of CERs is also to be set up.

⁴¹ <<http://cdm.unfccc.int/EB/Meetings>>.

2. The role of the secretariat (rule 33)

105. The secretariat, in accordance with paragraph 19 of the CDM modalities and procedures and rule 33 of the rules of procedure, services the Executive Board. The Acting Coordinator of the Cooperative Mechanisms (COOP) programme assumes the functions of secretary to the CDM Executive Board. Staff of the COOP Project-based Mechanisms subprogramme, funded partially from the core budget but predominantly from extra-budgetary resources, provide technical and organizational support, drawing on services and expertise from other programmes of the secretariat as necessary and feasible. The major tasks relate to the servicing of the Board and its two panels and two working groups, in all their functions. In addition, the secretariat manages associated experts for specialized technical input (120 desk reviewers, 22 consultants and 30 members of ATs during the reporting period), maintains the UNFCCC CDM web site and responds to external queries. It undertakes fund-raising efforts to mobilize resources for the work on the CDM and manages contributions from Parties and the income from fees for accreditation and registration. Regular reports are provided to the Board on the status of resources for work on the CDM (see also chapter IV below).

3. The communications network (rules 24–26 and 32–33)

106. In order to allow for the efficient, cost-effective and transparent exchange of information between the Board, its panels, working groups and experts, and the secretariat, several electronic communication facilities are provided by the secretariat: nine extranets, listservers (more than 60) and discussion tools (see table 6 below). These facilities are connected to the UNFCCC CDM web site, which also provides communication facilities to designated and applicant operational entities and to project developers. In addition, there are links to DNAs (89 in total, 71 from non-Annex I Parties and 18 from Annex I Parties) and for public input (see table 6 below). The routine use of these electronic facilities for the provision of information and the day-to-day operation of the CDM is essential to the smooth and cost-effective functioning of the CDM. Telephone conferences for panels and working groups also allowed efficiency to be enhanced.

Table 6. Facilities for electronic communication (via extranet, internet and e-mail)

User group	Extranet	Listserver (e-mail)	Discussion tool (web)	Other
CDM Executive Board	✓	✓	✓	x
CDM Methodologies Panel	✓	✓	✓	Online input
CDM Accreditation Panel	✓	✓	✓	Online input
CDM Afforestation and Reforestation Working Group	✓	✓	✓	Online input
CDM Small-Scale Projects Working Group	✓	✓	✓	x
CDM Assessment Teams (CDM-ATs)	✓	✓	✓	Online input
Desk reviewers (experts on methodologies)	✓	✓	✓	Online input
Designated operational entities	✓	✓	✓	Online input
Applicant operational entities	✓	✓	x	Online submission of proposed new methodologies
Designated national authorities	x	✓	x	x
Public	x	x	x	UNFCCC CDM web site UNFCCC CDM News facility Online submission for call for inputs

4. Transparency and attendance (rules 26 and 27)

107. The COP, in the preamble to its decision 21/CP.8, which provides guidance to the Executive Board, encouraged the Board to continue reporting on the implementation of rules 26 and 27 of the rules of procedure. In decisions 18/CP.9 and 12/CP.10, further reference was made (in preambular paragraph and operative paragraphs 1 (e) and 2, respectively) to the implementation of rules 26 and 27 of the rules of procedure. In accordance with paragraph 5 (b) of the CDM modalities and procedures, the Board is to keep its rules of procedure under review, including rules 26 and 27, and, if necessary, make recommendations on any amendments or additions aimed at safeguarding the efficient, cost-effective and transparent functioning of the CDM:

- (a) Further to the provisions of the CDM modalities and procedures for the Executive Board to make information publicly available (in particular, paragraph 5 (i), (j), (k) and (m)), rule 26 stipulates that, subject to the need to protect confidential information, the principle of transparency should apply to all the work of the Board. This encompasses 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 information on the Board's meetings on the Internet is one way to ensure such transparency;
- (b) Further to paragraph 16 of the CDM modalities and procedures, rule 27 stipulates that 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 Board. It further foresees that observers may, upon invitation by the Board, make presentations relating to matters under consideration by the Board;
- (c) The Board has been very encouraged by the increasing scope and depth of interactions on CDM issues and appreciates the feedback and useful contributions received from the ever-widening CDM community. Increased global interest in the CDM was, inter alia, evident from the use made of the Internet to view Board meetings (live or as video-on-demand), which allows relatively cheap and equitable access on a global scale. On average, the UNFCCC CDM web cast was visited for this purpose more than 1,200 times and close to 200 individuals follow the live proceedings of the Board through the web cast. To the extent that they are traceable, such visits were made from Africa (2 per cent), Asia (46 per cent), Europe (31 per cent), Middle East and Oceania (2 per cent), North America (9 per cent) and South America (4 per cent);
- (d) Bearing in mind decisions 21/CP.8, 18/CP.9 and 12/CP.10, and the Board's continued efforts to improve its interaction with Parties, stakeholders and the public, the Board considers that the current application of rules 26 and 27 of its rules of procedure during the reporting period allowed it to achieve the multiple principles of efficiency, cost-effectiveness and transparency;
- (e) The results of efforts to further the implementation of rules 26 and 27 – among them the enhancement of the UNFCCC CDM web site; meetings between the Board and Parties and accredited observers; and the review by the Board of modalities for attendance by observers at its meetings – are shown in box 1 below.

Box 1. Implementation of rules 26 and 27**Rule 26. Transparency**

The UNFCCC CDM web site is the primary means for providing readily available and cheap first-hand information on the CDM and for communicating to a worldwide audience. More than 6,500 registered and 20,000 unregistered users consulted the web site during the first nine months of 2005 to find information on a broad range of CDM-related issues – including agendas, annotated agendas and the reports of the Board meetings with its decisions. In addition, stakeholders and the public are alerted by the secretariat on current CDM matters through the UNFCCC CDM News facility (more than 4,500 subscribers). Resources permitting, the secretariat also follows up on an ever-increasing number of specialized requests for information.

The secretariat has set up and enhanced electronic means for providing input and automated electronic work processes. This greatly facilitates communication and interaction among the Board, its panels, working groups and experts, operational entities, designated national authorities and project proponents, the secretariat and the public. All these tools are integrated into the UNFCCC CDM web site. The online features/functions include:

- Submission and processing of proposed new methodologies
- Project validation process
- Submission and processing of requests for registration
- Submission and processing of monitoring reports and requests for issuance
- Three permanent and four on-demand rosters of experts
- Design and preparation for deployment of a contact database
- Application for accreditation.

During the reporting period, 50 public comments were made by electronic means. They pertained to 68 proposed new methodologies. No comments were received relating to applicant entities.

Rule 27. Attendance

Further to paragraph 1 (e) of decision 18/CP.9, the Board, bearing in mind the need to ensure the efficient, cost-effective and transparent functioning of the CDM, requested the secretariat to continue the agreed practice of securing meeting space sufficient to accommodate about 70 observers at its meetings. Accredited observers need to register with the secretariat at least three weeks before a meeting to allow appropriate logistical and administrative arrangements to be made. The Board keeps the functioning of this arrangement under review, and can revise this policy at any meeting for the subsequent meeting.

Altogether, 55 observers registered during the reporting period – an average of 18 per meeting. One third of these represented Parties and most others came from environmental and business NGOs. Two observers were nationals of non-Annex I Parties and 53 were from Annex I Parties, with the following regional distribution: Asia (20 per cent), Europe (67 per cent) and North America (13 per cent). During the reporting period, three stakeholders attended Board meetings as observers (two from non-Annex I Parties and one from an Annex I Party).

In its efforts to promote dialogue and provide specific information to Parties and registered accredited observers, the Board conducted informal briefings in conjunction with its meetings. Observers have expressed satisfaction with the arrangements made and with the opportunities given for direct exchanges with the Board.

In addition to the regularly scheduled informal briefings for observers, the Board organized question-and-answer sessions at COP 10 and at the twenty-second sessions of the subsidiary bodies. These information events were well attended and provided an opportunity for dialogue on critical issues before the Board. Moreover, communications received from Parties, IGOs and NGOs on an ad hoc basis were reflected under the agenda item “other matters”, if appropriate. The Board has asked two of its members to follow up on these communications, as necessary, and has developed a procedure for handling such communication.

IV. The clean development mechanism management plan and resources for the work on the clean development mechanism

A. Mandate and background

108. The COP, by its decision 12/CP.10, commended the Executive Board for the successful operationalization of the prompt start of the CDM. In order to intensify its work to ensure the proper functioning of the CDM, it requested the Board, subject to the availability of sufficient resources, to develop, inter alia, a management plan, to strengthen institutional capacity, and to facilitate efficient, transparent and substantiated decisions by the Executive Board and its panels and working groups.

109. With regard to required resources for the work on the CDM, the COP, by its decision 16/CP.9, had provided – in the context of the UNFCCC programme budget for 2004–2005 – for limited resources from the core budget for the developmental work on project-based mechanisms, including the CDM. That same decision stipulated that the operational work under the CDM would be supported from the Kyoto Protocol Interim Allocation and contributions by Parties made to the UNFCCC Fund for Supplementary Activities (decision 17/CP.7 providing for the possibility of reimbursement upon request for the latter). Case-specific fees would complement these resources, i.e. non-reimbursable fees from applicant entities for accreditation services (fixed at USD 15,000) and from project proponents for the processing of requests for registration of projects (ranging from USD 5,000 to USD 30,000 as reported to and noted by the COP at its eighth session).

110. Taking stock of activities needed and resources available in November 2004, the COP at its tenth session expressed its concern about a shortfall in resources for work on the CDM for the remainder of the biennium 2004–2005 vis-à-vis requirements which had been contained in decision 16/CP.9 and in the light of additional operational, procedural and managerial demands. The COP therefore urged Parties to make contributions in an expeditious manner.

111. According to Article 12, paragraph 8, of the Kyoto Protocol, the COP/MOP shall ensure that a share of the proceeds from CDM project activities is used, inter alia, to cover administrative expenses. The COP, by its decision 17/CP.7, stipulated that the COP shall determine the level of the share of proceeds to cover administrative expenses, upon the recommendation of the Executive Board.

B. Work undertaken and action taken, including decisions, as appropriate

1. CDM management plan 2005–2006

112. The Board considered, at its nineteenth meeting, elements for a CDM management plan (CDM-MAP) and, at its twentieth meeting, a first draft that had been elaborated by the secretariat even though resources were not fully available. At its twenty-first meeting, the Board adopted the CDM-MAP for the period from mid-2005 to the end of 2006, as contained in annex 25 of the report of that meeting. The key features of the CDM MAP 2005-2006 are presented below.

Objective

113. The CDM-MAP spells out how the CDM Executive Board and its support structure, as well as interaction among them and CDM stakeholders, need to be strengthened to meet the challenges of implementing a growing CDM.

Service to be provided

114. The mandated functions of the Board can be distinguished as being policy-related, procedural and case-related. From these functions arise three tiers of work, undertaken either directly by the Board or by the support structure under the Board's supervision and responsibility. The tier relating to case-specific work is most prone to variability and lack of predictability. Surveys of DOEs and DNAs are therefore carried out by the secretariat each quarter in order to project the expected workload. Current indications are that, until the end of 2006, 400 requests for registration and issuance, some 80 proposals for methodologies and 20 applications for accreditation can be expected.

The Board and its support structure – performance factors

115. When considering the capacity to perform, key elements, apart from the timely availability and adequacy of resources, are as follows:

- (a) Actors and their roles: the CDM Executive Board and its support structure;
- (b) Status and commitments of members and alternate members of the Board, members of the panels and working groups, and the secretariat;
- (c) Modalities for undertaking the work of the Board – including through the panels, working groups and committees as well as the nature of services and commensurate human resource requirements of the secretariat – and facilitating communications both among the Board and its support structure and with project proponents and stakeholders in general.

Actors and their roles

116. The CDM-MAP foresees that the CDM Executive Board continues to draw on the following support structure: a system of experts working together in panels on methodologies and accreditation, and in working groups for A/R project activities and small-scale project activities, DOEs (as the “extended arm of the Board” for validation of projects and verification/certification of CERs) and the secretariat. The CDM-MAP includes a chart depicting the governance and support structure of the CDM.

Status and commitments

117. The availability of Board members and alternates is limited as they need to pursue their regular employment. On average, each member or alternate is able to devote 7.5 working days per month to CDM work. This limitation necessitates the strengthening of other elements of the support structure, notably the secretariat, to ensure that the required workload can be handled within the tight timelines set by the Marrakesh Accords and the Board. The sine qua non for ensuring a well-functioning support structure is the adequate and predictable endowment with resources. Frequent monitoring of resources and operational requirements is needed and early warning is required on an emerging mismatch.

Modalities for undertaking work

118. The CDM-MAP acknowledges that the CDM is designed largely as a bottom-up process and engages multiple actors in many sectors and at country and international levels. A continuous learning and adjustment process on all sides is essential so that the quality of input and output are improved. This requires proficient communication, clear and consistent procedures and guidance, clarity on technical issues and documentation of high quality. The Board and its support structure aim at strengthening their capacity to comply with these objectives and to be as responsive as possible. As their effectiveness to deliver depends to a large extent on the initial quality of cases submitted and proposals made, the full and

bi-directional use of communication facilities is essential. Still, in a highly dynamic system such as the CDM, shortfalls and bottlenecks may occur even with best effort applied. Also, the complexity and political sensitivity of cases may, at times, require referral to the COP/MOP.

The CDM support scenario until the end of 2006

119. The CDM-MAP has been devised to allow the Board and its support structure to handle the expected range of functions as forecast. The key features of this CDM support scenario are the following:

- (a) The Board's primarily executive role and its capacity limits are acknowledged. It sets up an Executive Committee of the Executive Board to facilitate decision-making
- (b) The panels and working groups have been expanded in mid-2005 (in the case of the Methodologies Panel), and are being further strengthened to respond to expanded functions and to improve their functioning. A body to handle registration of projects and the issuance of CERs is to be set up
- (c) The secretariat is to shoulder the bulk of the increasing caseload. It is to increase the technical and procedural input into the process, in addition to continuing its process management and communication support functions. This requires appropriate financial resources to be available on time and in a sustained manner so that sufficient qualified human capacity can be put in place. In addition to increased staff levels, the existing network of specialized experts needs to be further built up so that the secretariat can draw on them at short notice for obtaining in-depth technical input. High standards of technical competence, flexibility and quick turn-around times, and, hence, efficiency and cost-effectiveness in handling a rising demand for CDM services, can thus be achieved
- (d) The CDM support structure within the secretariat, located in the CDM section within the Project-based Mechanisms programme in the future Mechanisms, Adaptation, Compliance, Technology and Science (PACTS) cluster, requires the enlargement of staff to work on substantive issues (methodologies, registration and issuance, accreditation): in phase 1 (late 2005/early 2006), the increase from four to 10 professional officers; in phase 2 (early 2006), the recruitment of the CDM Manager, two additional officers for accreditation and methodologies and two general service staff; and in phase 3 (before mid 2006), in accordance with additional needs identified in the CDM-MAP, three additional professional officers for registration and issuance and one for IT support, and four general service staff in the respective units. The secretariat support structure for the work on the CDM, including strengthened managerial and technical capacity, is therefore planned to be fully built up in the first half of 2006
- (e) The expansion of capacity and activity will occur as resources become available. The proposed programme budget 2006–2007 had already foreseen resources for some measures in 2006, such as an enlarged Methodologies Panel, more meetings per year and strengthened secretariat support for methodological work and documentation. The stepped-up activity level described in this CDM-MAP 2005–2006 requires, however, additional resources from supplementary funding (see table 7 below).

Strengthening the functioning of the wider CDM community

120. The CDM-MAP concentrates on the strengthening of the Board and its support structure. In order to make the CDM function as intended in the Marrakesh Accords, it is essential that other parts of the system, such as project developers/participants, AEs and DNAs, have the required capacity.

Although the building up and strengthening of the capacity of individual actors is not within the scope of this CDM-MAP, awareness of and familiarity with the CDM is being promoted through the UNFCCC CDM web site and the CDM News facility as well as through outreach efforts of the Board and the secretariat. The CDM-MAP will bring further improvements in this respect. For specific capacity-building needs, it is expected that interested parties will make full use of existing initiatives that are offered at various levels.

2. Resources for the work on the CDM

121. During the reporting period, the Executive Board monitored and reviewed the requirements and status of resources for the work on the CDM, based on reports by the secretariat at each of the Board's meetings. Comprehensive information on the four major activity areas (meeting and activities of the CDM Executive Board, activities relating to panels and working groups, facilitating access to assistance in arranging funding (Article 12.6), activities by the secretariat in support of above areas of work) and resource requirements, is contained in the project document entitled "Support to the operations of the clean development mechanism" which spans the period 2005–2007 and has been used for fundraising. The document contains information on resource provisions made in the UNFCCC programme budget 2004–2005 and on those in the proposed one for 2006–2007 and spells out the requirements to be covered from supplementary funding. Details are provided in table 7 below, which also contains expenditure information for the year 2004.

Table 7. Expenditure in 2004 and budgets for 2005–2007

Activity area	2004 (expenditure)	Budget 2005	Budget 2006	TOTAL 2005–2006	Budget 2007	TOTAL 2006–2007
Meetings and activities of the CDM Executive Board	250 874	300 000	300 000	600 000	300 000	600 000
Activities relating to panels and working groups	735 506	1 346 300	1 550 500	2 896 800	1 515 600	3 066 100
Facilitating access to assistance in arranging funding (Article 12.6)	0	150 000	132 000	282 000	132 000	264 000
Activities by the secretariat in support of above areas of work	711 276	3 241 535	5 546 680	8 788 215	5 546 680	11 093 360
Sub-total	1 697 656	5 037 835	7 529 180	12 567 015	7 494 280	15 023 460
Overhead (13 per cent)	220 695	654 919	978 793	1 633 712	974 256	1 953 050
TOTAL (from supplementary funding)	1 918 351	5 692 754	8 507 973	14 200 727	8 468 536	16 976 510
TOTAL (from UNFCCC programme budget^a)	600 000	1 350 508	2 296 645	3 382 937	2 262 068	4 558 712
TOTAL	2 518 351	7 043 262	10 804 618	17 583 664	10 730 604	21 535 222

^a The amount for 2004 is an estimate for the portion expended on CDM activities. The amount for 2005 refers to the Kyoto Protocol Interim Allocation. The amounts for 2006–2007 cover activities referred to in the UNFCCC programme budget recommended for adoption by the COP at its eleventh and endorsement by the COP/MOP at its first session.

Supplementary resources available in 2004–2005 (30 September 2005) and current shortfall

122. Since the inception of the CDM, in response to invitations by the COP, repeated calls by the Executive Board and communications from the Executive Secretary to Parties, a total of 17 Parties, 13 of which (marked by an asterisk in the list below) during the reporting period have generously contributed or pledged to contribute to the CDM: Austria*, Belgium*, Canada*, Denmark, the European Community*, France*, Germany*, Ireland*, Italy, Japan, Luxembourg, Netherlands*, Norway*, Spain*, Sweden*, Switzerland* and the United Kingdom of Great Britain and Northern Ireland*. This brings voluntary contributions by Parties since 2002 to USD 6.02 million (USD 3 million in 2002–2003, USD 1.24 million in 2004, and USD 1.78 million in the first nine months of 2005 – against pledges of USD 3.40 million). These contributions are acknowledged with great appreciation.

123. Furthermore, fees were received for applications for accreditation and requests for registration. An application fee of USD 15,000 is payable by an AE at the time it applies. Since the start of the accreditation process, a total of USD 449,809 has been received from 30 applicant entities, with two applicant entities from developing countries opting to pay in instalments. During the first nine months of 2005, USD 74,994 has been received from five applicant entities. The registration fee is considered as a down payment against the future share of proceeds to cover administrative expenses. The fee depends on the size of a proposed CDM project activity: it can range from a minimum of USD 5,000 (for a project producing a reduction of up to 15,000 tonnes CO₂ equivalent per year on average over the crediting period) to a maximum of USD 30,000 (for a project producing a reduction exceeding 200,000 tonnes CO₂ equivalent per year on average over the crediting period). Since the start of the registration process, a total of USD 579,524 has been received, USD 439,600 of this during the first nine months of 2005.

124. As at 30 September 2005, the total amount of supplementary resources available fell considerably short of the resources required to carry out the full scope of activities planned in 2005. Resources received to date amount to USD 3.87 million against the estimated requirements of USD 5.69 million. The resource gap was therefore USD 1.82 million for the remainder of 2005 and USD 10.33 million until the end of 2006.

125. Given the precarious resource situation the Executive Board, at its eighteenth meeting, in February 2005, requested the Executive Secretary and the Chair of the Executive Board to address a joint letter to ministers of potential contributors. The Board continuously reiterated the call by the COP to Parties to make contributions for the work of the CDM so that it could be carried out in a predictable and sustainable manner.

Expenditure in 2004–2005 (to 30 September 2005)

126. In 2004, expenditure for work on the CDM amounted to a total of USD 2.5 million, comprising USD 1.9 million covered by supplementary funding and an estimated USD 0.6 million covered under the core budget. During the first nine months of 2005, expenditures for operational activities amounted to USD 2.21 million, covered by supplementary funding. In addition, there is a USD 1.35 million provision under the UNFCCC core budget for work on the CDM (under the Kyoto Protocol Interim Allocation). The total expenditure in 2005 to date therefore amounts to about USD 3.6 million and that for the first 21 months of the biennium 2004–2005 to about USD 6 million.

Resource requirements until 2007

127. Taking into consideration requirements arising from the CDM-MAP for 2005, resource requirements for CDM operations were estimated at USD 7 million until the end of the year, of which USD 5.69 million were to come from supplementary resources. Requirements for supplementary resources in 2006–2007, arising from the expected surge in activities and including the provisions of the CDM-MAP, are estimated to be USD 17 million (USD 8.5 million per year, in 2005 prices). The

provisions for the CDM in the UNFCCC programme budget for the biennium 2006–2007, for adoption by the COP at its eleventh session and endorsement by the COP/MOP at its first session, amount to USD 4.6 million. Total resource requirements in 2006–2007 are therefore about USD 21.5 million.

128. Even with a considerable flow of fees from expected requests for registration, there is a pronounced need for continued voluntary contributions from Parties to support work on the CDM in 2005 and in 2006–2007. In order to allow the CDM to be operated in a planned and sustainable manner, the Board therefore recommends that the COP/MOP urgently appeals to Parties to make further contributions to the UNFCCC Trust Fund for Supplementary Activities. This support is essential for coping with the expected further surge in activities in 2006–2007.

Share of proceeds to cover administrative expenses of the CDM

129. At its twenty-first meeting, the CDM Executive Board developed a recommendation on the share of proceeds to cover administrative expenses of the CDM to be presented to the COP/MOP for adoption at its first session. If the COP/MOP agrees with the recommended approach, these proceeds are expected to grow in importance as the CDM case flow and the CERs generated reach a high level. They are to cover expenditures for operational activities to a large extent starting with the biennium 2008–2009.

V. Summary of decisions

130. In accordance with rule 38 of the rules of procedure of the Executive Board, the report of each Board meeting has been made available on the UNFCCC CDM web site.

131. The Board agreed to implement the provision contained in paragraph 17 of the CDM modalities and procedures, whereby decisions of the Board shall be made publicly available, in all six official languages of the United Nations, by including the decisions or referring to them (indicating their placement on the UNFCCC CDM web site) in its annual report to the COP (see also section I. B).

Annex I

**List of registered clean development mechanism project activities
in 2005, as at 1 October 2005**

Registered	Title	Host Parties	Other Parties	Methodology^a	Reductions^b
1 October	Vaturu and Wainikasou Hydro Projects	Fiji	United Kingdom	AMS-I.D	24 928
1 October	Los Algarrobos Hydroelectric Project (Panama)	Panama	Spain	AMS-I.D	37 213
23 September	SRS Bagasse Cogeneration Project	India	United Kingdom	AMS-I.D	22 000
23 September	Tétouan Wind Farm Project for Lafarge Cement Plant	Morocco	France	AMS-I.D	28 651
17 September	Landfill Gas Extraction and Utilization at the Matuail landfill site, Dhaka, Bangladesh	Bangladesh		ACM0001 ACM0002	80 000
17 September	Landfill gas extraction on the landfill Villa Dominico, Buenos Aires, Argentina	Argentina	Netherlands	AM0011	588 889
2 September	Methane capture and combustion from swine manure treatment for Corneche and Los Guindos	Chile	Canada Japan	AM0006	84 083
2 September	Methane capture and combustion from swine manure treatment for Pocillas and La Estrella	Chile	Canada Japan	AM0006	247 428
2 September	Methane capture and combustion from swine manure treatment for Peralillo	Chile	Canada Japan	AM0006	78 867
27 August	Kuyasa low-cost urban housing energy upgrade project, Khayelitsha (Cape Town; South Africa)	South Africa		AMS-I.C AMS-II.C AMS-II.E	6 580
19 August	La Esperanza Hydroelectric Project	Honduras	Italy	AMS-I.D	37 032
15 August	Salvador da Bahia Landfill Gas Management Project	Brazil	Japan United Kingdom	AM0002	664 674
6 August	Clarion 12 MW (Gross) Renewable Sources	India		AMS-I.D	26 300

Registered	Title	Host Parties	Other Parties	Methodology ^a	Reductions ^b
	Biomass Power Project				
18 July	5 MW Dehar Grid-connected SHP in Himachal Pradesh, India	India		AMS-I.D	16 374
18 July	Graneros Plant Fuel Switching Project	Chile	Japan	AM0008	19 438
26 June	Huitengxile Windfarm Project	China	Netherlands	AM0005	51 429
3 June	Santa Cruz landfill gas combustion project	Bolivia	– ^c	AM0003	82 680
3 June	Cortecito and San Carlos Hydroelectric Project	Honduras	– ^c	AMS-I.D	37 466
23 May	Biomass in Rajasthan – Electricity generation from mustard crop residues	India	Netherlands	AMS-I.D	31 374
23 May	e7 Bhutan Micro Hydro Power CDM Project	Bhutan	Japan	AMS-I.A	524
23 April	Cuyamapa Hydroelectric Project	Honduras	– ^c	AMS-I.D	35 660
24 March	HFC decomposition project in Ulsan	Republic of Korea	Japan	AM0001	1 400 000
8 March	Project for GHG emission reduction by thermal oxidation of HFC 23 in Gujarat, India.	India	Japan Netherlands United Kingdom	AM0001	3 000 000
11 January	Rio Blanco Small Hydroelectric Project	Honduras	Finland	AMS-I.D	17 800
18 November 2004	Brazil NovaGerar Landfill Gas to Energy Project	Brazil	Netherlands	AM0003	670 133

^a AM – Approved methodology for regular-scale project activity, ACM – Approved consolidated methodology, AMS – Approved methodology for small-scale project activity.

^b Tonnes CO₂ equivalent per annum (as stated by the project participants).

^c No other Parties involved.

Annex II**Recommendations on the share of proceeds to cover administrative expenses of the clean development mechanism**

1. The recommendations by the CDM Executive Board to the COP/MOP at its first session on the share of proceeds to cover administrative expenses (SOP-Admin) of the clean development mechanism (CDM) are based on the following principles:
 - (a) The approach should be straightforward and simple for the paying and the receiving side
 - (b) There should be predictability of costs for project developers
 - (c) No additional transaction costs should be incurred
 - (d) The approach should result in fairness across project sizes, bearing in mind preferences stipulated by COP decisions (reduced rate for small-scale CDM project activities and A/R small-scale project activities)
 - (e) The result should be predictability of revenue to cover operational expenses so that CDM services can be delivered as and when required.
2. The share of proceeds to cover administrative expenses of the CDM shall be USD 0.20 per CER issued.
3. The recommended SOP-Admin does not change the requirements of the CDM Registry.
4. Issuance of CERs, in accordance with the distribution agreement, shall be effected only when the SOP-Admin has been received.
5. The revised registration fee shall be the share of proceeds multiplied by the expected average annual emission reduction for the project activity over its crediting period. No registration fee has to be paid for CDM project activities with an average annual emission over the crediting period below 15,000 tonnes CO₂ equivalent.
6. The registration fee shall be deducted from the SOP-Admin expenses. In effect, the registration fee is an advance payment of the SOP-Admin for the emission reductions achieved during the first year. If an activity is not registered, any registration fee above USD 30,000 is reimbursed.
7. The review of the registration fee and the SOP-Admin, including the periodicity of future reviews, is to be considered by COP/MOP 3.
8. The Board will recommend at a later date the share of proceeds for A/R and small-scale A/R project activities.
9. Until the COP/MOP has taken a decision on the recommendations above the Board continues to apply its current practice of registration fees, and the CDM Registry Administrator executes issuance instructions so that CERs are issued into the pending account, thus ensuring that CERs are created and attributed to a specific CDM project activity. Once the COP/MOP has taken a decision, the CDM Executive Board and the CDM Registry Administrator shall implement the required steps.
