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Fourth session
Poznan, 1–12 December 2008

Agenda item 5
Issues relating to the clean development mechanism

Draft decision -/CMP.4

Further guidance relating to the clean development mechanism

Proposal by the President

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

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

Cognizant of decisions 7/CMP.1, 1/CMP.2 and 2/CMP.3,

Cognizant also of the provisions in decision -/CMP.4¹ relating to the scope, effectiveness and functioning of the flexibility mechanisms,²

Recognizing the rapidly expanding portfolio of clean development mechanism project activities and the increasing volume of work for the Executive Board of the clean development mechanism,

Welcoming the establishment of 137 designated national authorities, 109 among them in developing country Parties,

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

Reiterating the importance of ensuring the efficient, cost-effective and transparent functioning of the clean development mechanism and the executive and supervisory role of its Executive Board,

¹ Draft decision to be adopted under agenda item 13 of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

² In the event that the decision referred to in this paragraph is not adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fourth session, this paragraph will be deleted from the decision when it is included in the addendum to the report on the session.

Affirming that it is the host Party's prerogative to confirm whether a clean development mechanism project activity assists it in achieving sustainable development,

I. General

1. *Takes note with appreciation* of the annual report for 2007–2008 of the Executive Board of the clean development mechanism,³ in particular information on:

- (a) The registration of an additional 359 clean development mechanism project activities, which brings the total of registered project activities to 1,186;
- (b) The issuance of an additional 107,604,113 certified emission reductions, which brings the total of certified emission reductions to 202,845,016;
- (c) The accreditation and designation of one additional operational entity, which brings the total of operational entities to 19;
- (d) The approval of an additional 27 baseline and monitoring methodologies, including the consolidation of four methodologies into two consolidated methodologies, which brings the total of approved baseline and monitoring methodologies to 121;

2. *Designates* as operational entities those entities that have been accredited, and provisionally designated, as operational entities by the Executive Board to carry out sector-specific validation functions and/or sector-specific verification functions as listed in the annex to this decision;

3. *Requests* the Executive Board, based on its relevant experience, to make recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for consideration at its fifth and subsequent sessions for improving the efficiency of the operation of the clean development mechanism;

II. Governance

4. *Reaffirms* that the Executive Board shall adopt revisions of its management plan as necessary and shall submit the management plan for 2009 to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for its information pursuant to the provisions in decision 1/CMP.2, paragraph 8;

5. *Requests* the Executive Board:

- (a) To keep the management plan under review and make adjustments to it as necessary to continue ensuring the efficient, cost-effective, transparent and consistent functioning of the clean development mechanism;
- (b) To take action that allows it to emphasize its executive and supervisory role by, inter alia, ensuring effective use of its support structure, including its panels, other outside expertise and the secretariat, and by strengthening the role of designated operational entities;
- (c) To revise the management plan according to the workload for 2009 and adopt this revision in a timely manner, no later than its forty-sixth meeting, and implement its provisions efficiently;

³ FCCC/KP/CMP/2008/4.

- (d) To make use of and further develop performance and management-level indicators and enhance the provision of information derived from these;
6. *Welcomes* the approval of the *Clean Development Mechanism Validation and Verification Manual*,⁴ which is intended to promote quality and consistency in verification and validation work;
7. *Also welcomes* the adoption by the Executive Board of timelines for tasks carried out by the secretariat, such as completeness checks;
8. *Notes with serious concern* the delays in project registration and certified emission reduction issuance caused by, inter alia, the completeness check processes;
9. *Urges* the Executive Board to take effective action to speed up the completeness check processes;
10. *Requests* the Executive Board to establish timelines for each of its procedures including revision of and deviation from approved methodologies and approval of revised monitoring plans by the Executive Board, its supporting structures and the secretariat;
11. *Welcomes* the work started by the Executive Board to enhance consistency and transparency in its decision-making, such as its adoption of a workplan to categorize documentation, including a clear history of changes in documents approved by the Executive Board, in order to improve the transparency of and access to documents of the Executive Board;
12. *Requests* the Executive Board, as early as possible in 2009, with a view to further improving transparency and consistency in decision-making, to classify, index and publish decisions, clarifying the hierarchy of its decisions, to demonstrate the relationship between new and previous decisions, to further substantiate decisions and make public the rationale for its decisions, taking into account that the information provided may encompass background information, examples, depending upon the nature of the decision, without compromising the confidentiality of the opinion of any individual Executive Board member;
13. *Also requests* the Executive Board to review its experience gained in the project registration and certified emission reductions issuance processes, to summarize systematically the major issues that trigger a request for review and corresponding justification, to develop a dedicated document compiling the major criteria for decision-making during the review process and make it publicly available through the UNFCCC CDM website;
14. *Further requests* the Executive Board to adhere to the principle that any decision, guidance, tool and rule shall not be applied retroactively;
15. *Commends* the Executive Board on its efforts to deal with the steadily growing workload under the current governance structure;
16. *Reiterates* its encouragement to the Executive Board to ensure a balance in applying its resources between satisfying caseload needs and making general policy and system improvements pursuant to decision 2/CMP.3, paragraph 11;
17. *Takes note with appreciation* of the satisfaction expressed by the Executive Board with regard to the high quality of work and dedication of its support structure, including the secretariat;

⁴ Report of the forty-fourth meeting of the Executive Board of the clean development mechanism, annex 3. Available at <<http://cdm.unfccc.int/EB/index.html>>.

18. *Requests* the Executive Board:
- (a) To maintain and regularly update the *Clean Development Mechanism Validation and Verification Manual* and carry out outreach and implementation activities in order to enhance the understanding among designated operational entities of the requirements of the manual and facilitate its implementation; the initial update will take into account, as its highest priority, an assessment conducted by the Executive Board on the implication of the possible inclusion in the *Clean Development Mechanism Validation and Verification Manual* of the concepts of materiality and level of assurance;
 - (b) To continue to streamline the registration and issuance processes of the clean development mechanism by assessing the existing timelines and take the necessary action to ensure the efficient and timely consideration of requests for registration and issuance;
 - (c) To explore ways and means to enhance the effectiveness of its communication with project participants without going through designated operational entities and to report on actions taken to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;
 - (d) To continue to closely monitor the adequacy of the operation of its support structure, particularly should the size and value of the clean development mechanism increase as expected, to take action, as appropriate, to ensure the effectiveness of its service and to report on actions taken to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;

III. Accreditation

19. *Reaffirms* the important role of designated operational entities in the implementation of the clean development mechanism, as indicated in decision 3/CMP.1, paragraph 27;

20. *Commends* the enhanced cooperation and communication between the Executive Board and the designated operational entities by involving the designated operational entities in Executive Board meetings and relevant workshops;

21. *Takes note* of the work of the Executive Board in revising the accreditation process to provide a more simplified system of accreditation;

22. *Commends* the Executive Board for its work to enhance the operationalization of the accreditation procedure by developing an accreditation standard and revising procedures, while continuing to ensure that designated operational entities comply with the required standards, including by continuously monitoring the performance of designated operational entities in order to improve performance incentives for designated operational entities;

23. *Requests* the Executive Board to complete, as its highest priority, its revision of the accreditation process with a view to simplifying and streamlining the process in order to ensure the effective and efficient application of standards and that sufficient numbers of designated operational entities, especially in developing countries, are available to meet the continuously increasing demand for their services;

24. *Also requests* the Executive Board to complete, in parallel, its accreditation standard;

25. *Decides* that the Executive Board may recover the costs related to a request for review of a request for registration of a proposed project activity or a request for issuance of certified emission reductions in cases where the Executive Board decides to reject such a request and the designated operational entity repeatedly fails to comply with the requirements of the Executive Board;

26. *Requests* the Executive Board:

- (a) To develop and apply, as a priority, a system for continuous monitoring of the performance of designated operational entities and a system to improve the performance of designated operational entities;
- (b) To develop and apply measures to ensure that designated operational entities comply with the requirements and meet the standards established by the Executive Board for designated operational entities;
- (c) To facilitate the accreditation of more applicant entities from developing countries by, inter alia, reducing the costs for the necessary accreditation procedures incurred by applicant entities from developing countries, in order to address the shortage of validation and verification services and enhance the equitable regional distribution of clean development mechanism project activities;
- (d) To finalize, prior to the fifth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, its work on a policy framework to address non-compliance by designated operational entities in a systematic manner, including transparent criteria for the application of sanctions in cases of non-compliance;
- (e) To enhance the transparency of the performance of designated operational entities, including by regularly publishing statistics on their performance on the UNFCCC CDM website and report on actions taken to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth and subsequent sessions;

27. *Also requests* the Executive Board to analyse the means to enhance the impartiality and independence of designated operational entities and to report on its findings to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;

28. *Decides* that the Executive Board may provide in its procedures for the suspension of accreditation in respect of specific scopes or functions of a designated operational entity;

29. *Requests* the Executive Board to analyse possible arrangements for ensuring that projects under validation and verification by a suspended designated operational entity are not prejudiced by the suspension, and report on its findings to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;

30. *Urges* designated operational entities to speed up the process of validation and verification, while ensuring the quality of validation and verification;

IV. Methodologies and additionality

31. *Takes note* of the increasing number of consolidated, approved methodologies and methodological tools covering a wide range of methodological approaches and applicability conditions, as well as the optional tools for demonstrating additionality and identifying the baseline scenario;⁵

32. *Also takes note* of the importance of maintaining the broad applicability of small-scale methodologies in order to ensure the relative ease of implementation of small-scale project activities while maintaining environmental integrity;

33. *Reiterates* its encouragement:

- (a) To project participants to develop and submit, and the Executive Board to approve, more methodologies with broad applicability conditions, in order to increase the availability of different technologies and measures, ensuring ease of use without jeopardizing the environmental integrity of the clean development mechanism;
- (b) To project participants to submit methodologies for the transport, agriculture, afforestation and reforestation and demand-side energy efficiency sectors with innovative approaches to determining baselines and facilitating monitoring;
- (c) To project participants to prepare and submit programmes of activities;
- (d) To Parties, intergovernmental organizations, non-governmental organizations, industry and others to support the development by project participants of broadly applicable methodologies;

34. *Encourages* the Executive Board:

- (a) To continue its efforts to broaden the application of methodologies while maintaining their environmental integrity; and to ensure that consolidated methodologies cover the full range of methodological approaches and applicability conditions covered by the underlying approved methodologies, while enhancing ease of use;
- (b) To further develop generic and user-friendly methodological tools that can assist project participants in designing or applying methodologies, thereby ensuring the simplicity and consistency of methodologies;
- (c) To intensify its work relating to energy efficiency and renewable energy activities as clean development mechanism project activities, given that such project activities contribute to sustainable development but face difficulties under the clean development mechanism, while continuing to ensure environmental integrity;

⁵ Available at <<http://cdm.unfccc.int/methodologies/index.html>>.

35. *Requests* the Executive Board to examine the large proportion of approved methodologies which have never been utilized, identify the reasons for non-utilization, and to take the lessons learned into account in the approval and revision of methodologies;
36. *Requests* the Executive Board to further enhance the objectivity of approaches used to assist in the demonstration and assessment of additionality while ensuring environmental integrity, including, where appropriate:
- (a) Standardized methods to calculate financial parameters;
 - (b) Quantitative approaches to the demonstration of barriers;
 - (c) Assessment of common practice, including the definition of the applicable region and similar technologies;
37. *Requests* the Executive Board to further enhance the objectivity in the determination of emission baselines;
38. *Requests* the Executive Board to continue its work, as a matter of urgency, on the provision of guidance on programmes of activities, including: guidance on institutional responsibilities; guidance for designated operational entities undertaking validation and/or verification of a programme of activities; and definition of liabilities and requirements for the different stakeholders involved in the process of developing a programme of activities, with a view to swiftly overcoming the identified barriers to the implementation of programmes of activities;
39. *Also requests* the Executive Board to take fully into account, in its work and in the work of its support structure, the laws, regulations, policies, standards and guidelines that apply in the host countries;
40. *Commends* the Executive Board for its consideration and subsequent approval of a new small-scale energy efficiency methodology that decreased the monitoring cost significantly by allowing default factors;
41. *Requests* the Executive Board to assess the implications of the possible inclusion of carbon dioxide capture and storage in geological formations as clean development mechanism project activities, taking into account technical, methodological and legal issues, and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;
42. *Requests* the Executive Board to assess the implications of the possible inclusion of lands with forests in exhaustion as afforestation and reforestation clean development mechanism project activities, taking into account technical, methodological and legal issues, and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session;
43. *Requests* that the Executive Board explore the use of default emission factors for small-scale end-user energy efficiency methodologies, where appropriate;
44. *Commends* the Executive Board for identifying issues and constraints for the application of methodologies relating to demand-side energy efficiency measures, energy efficiency improvements in supply-side domestic appliances and mass transport;
45. *Requests* that these issues and constraints are addressed with due priority in view of their importance;
46. *Encourages* the Executive Board to expand the applicability of methodologies for programmes of activities by allowing a combination of small-scale methodologies;

47. *Requests* the Executive Board to develop options to assist in the calculation of emission factors for off-grid electricity generation;

V. Regional and subregional distribution and capacity-building

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

49. *Notes* the work undertaken by the Executive Board with respect to regional and subregional distribution of clean development mechanism project activities, systematic or systemic barriers to their equitable distribution and options to address these, and recommendations that were made by the Executive Board in response to decision 2/CMP.3, paragraph 29;

50. *Emphasizes* that further efforts are necessary to promote equitable regional and subregional distribution of clean development mechanism project activities;

51. *Encourages* the Executive Board and the secretariat to continue to facilitate the equitable regional and subregional distribution of project activities;

52. *Requests* the secretariat to enhance capacity-building activities in the context of the Designated National Authorities Forum and to facilitate closer cooperation between the designated national authorities of Parties included in Annex I to the Convention and Parties not included in Annex I to the Convention (non-Annex I Parties), as well as capacity-building activities between designated national authorities of non-Annex I Parties;

53. *Also requests* the Executive Board to develop, in consultation with designated national entities, ways to streamline the process relating to clean development mechanism project activities in countries hosting fewer than 10 registered clean development mechanism project activities, especially in the least developed countries, small island developing States and Africa, without compromising environmental integrity;

54. *Further requests* the Executive Board, taking into account its workload and that of its support structure, to facilitate the development and approval of new and revised existing methodologies, based on the specific needs of, and potential for, application in countries underrepresented in the clean development mechanism, in order to assist those countries in realizing their clean development mechanism potential by expanding project activity types, while ensuring environmental integrity;

55. *Encourages* Parties and United Nations organizations, in particular partner agencies of the Nairobi Framework,⁶ to focus their capacity-building activities on the development of clean development mechanism project activities, in close consultation with the recipient countries and in a coordinated fashion across bilateral and multilateral activities, especially in the least developed countries, small island developing States and Africa;

56. *Also encourages* Parties and entities in the private sector, in a position to do so, to support the identification and development of project design documents in countries hosting fewer than 10 registered clean development mechanism project activities, especially in the least developed countries, small island developing States and Africa, and to meet the cost of validating these projects, while acknowledging that some Parties provide such support through their national purchase programmes and/or their bilateral and multilateral capacity-building activities;

⁶ Launched at the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

57. *Further encourages* Parties to cooperate bilaterally in the development and implementation of clean development mechanism project activities, in particular through South–South cooperation and capacity transfer, and to facilitate the participation by the private sector in the clean development mechanism by creating the appropriate enabling environment;

58. *Encourages* the private sector to further engage in the clean development mechanism process by paying particular attention to a more equitable regional distribution of clean development mechanism project activities;

59. *Also encourages* designated operational entities to establish offices and partnerships in developing countries in order to reduce the transaction costs for those countries and contribute to a more equitable distribution of clean development mechanism project activities;

60. *Acknowledges* the work undertaken in the context of the Nairobi Framework to catalyse the clean development mechanism in Africa;

61. *Encourages* project participants, stakeholders and experts to make use of the CDM Bazaar and provide feedback to improve its functionality;

62. *Requests* the secretariat to enhance the CDM Bazaar in order to increase its use in developing countries;

63. *Also requests* the secretariat to continue its work in facilitating coordination among the partner agencies in the implementation of the Nairobi Framework;

VI. Resources for work on the clean development mechanism

64. *Requests* the Executive Board to continue to provide information in its annual report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the status and forecast of the revenue from the share of proceeds to cover administrative expenses;

65. *Expresses its appreciation* to the Governments of Austria, Belgium, Spain and the United Kingdom of Great Britain and Northern Ireland for having provided financial resources in support of the Africa Carbon Forum held in Dakar, Senegal, on 3 to 5 September 2008 and in support of the meeting of the Designated National Authorities Forum held in Santiago, Chile, on 27 to 28 October 2008, and to the Government of Chile for hosting the meeting;

66. *Invites* Parties included in Annex I to the Convention to make contributions to the CDM Trust Fund for funding work in support of the Designated National Authorities Forum.

ANNEX

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

Name of entity	Designated and recommended for designation for sectoral scopes	
	Project validation	Emission reduction verification
Bureau Veritas Certification Holding SAS (BVC)	14	
JACO CDM, Ltd. (JACO)	14	
Japan Quality Assurance Organization (JQA)	15	
Japan Consulting Institute (JCI)	4, 5, 10	
Rina S.p.A (RINA)	1, 2, 3	
SGS United Kingdom Ltd. (SGS)	13 (re-accreditation)	14

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