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Issues relating to the clean development mechanism

**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 report covers the work of the Executive Board of the clean development mechanism (CDM) during the period from 25 October 2008 to 16 October 2009, during which the CDM continued to grow steadily.

More than 335 million certified emission reductions (CERs) have been issued to 576 registered project activities since the inception of the CDM. Over the reporting period, the Board considered 718 requests for registration and 510 requests for issuance, resulting in 644 additional CDM project activities and issuance of over 115 million CERs. There are now more than 5,000 CDM project activities (registered projects and those seeking registration). Were they all to deliver their estimated emission reductions, about 2.7 billion CERs would be generated during the first commitment period of the Kyoto Protocol. The report highlights achievements and challenges faced by the Board in its supervision of the mechanism. It highlights work undertaken in the areas of accreditation, methodologies and registration and issuance. It includes a number of recommendations for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

* This document was submitted after the due date in order to include information on the reporting period stipulated by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second and third sessions.

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I. Introduction

A. Mandate

1. In accordance with the modalities and procedures for a clean development mechanism (CDM),¹ the Executive Board of the CDM (hereinafter referred to as the Board) shall report on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). In exercising its authority over the CDM, the CMP will review these annual reports, provide guidance and take decisions, as appropriate.

B. Scope of the report

2. This annual report of the Board provides information on progress made towards the implementation of the CDM during its eighth year of operation (2008–2009),² hereinafter referred to as the reporting period, and recommends decisions for adoption by the CMP at its fifth session. It 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 streamline and scale up the CDM, resource requirements, and actual resources available for the work on the CDM during the reporting period.

3. The report highlights successes and challenges over the reporting period and summarizes work on the CDM and matters agreed by the Board. Full details on operations and functions are available on the UNFCCC CDM website,³ which is the central repository for reports of meetings of the Board and for documentation on all matters agreed by the Board.

4. The challenges and achievements during the eighth year of operation of the CDM, as well as the challenges lying ahead, will be highlighted by the Chair of the Board, Mr. Lex de Jonge, in his oral presentation to the CMP.

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

5. In exercising its authority over, and in providing guidance to, the CDM in accordance with the CDM modalities and procedures,⁴ the CMP, at its fifth session, taking note of the annual report of the Board, may wish:

- (a) To note that the Board has responded to guidance provided by the CMP at its fourth session, concluded most response actions and made progress on resolving the few remaining issues;
- (b) To designate operational entities that have been accredited, and provisionally designated, by the Board (see chapter III A below);
- (c) To provide guidance on matters arising from this report.

6. The CMP may also wish to consider the work relating to the CDM being carried out by the Subsidiary Body for Scientific and Technological Advice.

¹ Decision 3/CMP.1, annex, paragraph 5 (c).

² The report covers the period from 25 October 2008 to 16 October 2009, in accordance with decision 1/CMP.2, paragraph 11, and decision 2/CMP.3, paragraph 7.

³ <<http://cdm.unfccc.int>>.

⁴ Decision 3/CMP.1, paragraphs 2 and 3.

7. The CMP will elect the following to the Board for a term of two years upon nominations being received from Parties:

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

II. Achievements and challenges

A. Milestones and achievements

8. The CDM saw steady progress throughout the reporting period as the Board, with support from its panels, working groups and the secretariat, took action on an unprecedented number of mandates given to it by the CMP at its fourth session.

9. An important milestone passed during the reporting period was the registration of the first programme of activities (PoA), an energy-efficient lighting programme in Mexico. There was also a fundamental change in the way that the mechanism's third-party certifiers, the designated operational entities (DOEs), are accredited and their performance assessed (see para. 16 below). The change resulted in a substantial increase in the number of DOEs available to validate and verify on behalf of the Board. These two achievements are a result of Parties' expressed desire for the CDM to be scaled up and made more efficient.

B. Challenges and opportunities

1. The context of the work

10. The CDM continued to grow during the reporting period, which saw an almost 32 per cent increase in the number of requests for registration. There are now 1,860 registered CDM projects in 58 countries. In addition, almost 400 requests for registration are currently being considered and approximately 2,900 further project activities are in the process of being validated by DOEs. The number of registered projects for which CERs have been issued has increased by 32 per cent, with some 335 million CERs now having been generated from 576 projects.

11. The challenge for the Board, and the secretariat as part of its support structure, remains unchanged: to efficiently implement and administer the mechanism while ensuring its environmental integrity. It remains the case that, to ensure environmental integrity, the Board is required to review an unacceptably high proportion of projects. During the reporting period, the workload of the Board frequently required that the Board be in session or in consultations for well over the eight hours planned for a typical meeting day. Finding adequate time for policy issues or forward-looking initiatives was a serious challenge for the Board given the high volume of case work relating to registration and issuance.

12. Parties have requested the Board to take on a more executive role. Efforts described in this report to improve the functioning of the mechanism, and ultimately the quality of requests for registration and issuance, are part of the Board's response to that request.

2. Looking forward

13. Since its inception, the CDM has been in a state of constant improvement, guided by a learning-by-doing approach in which further guidance has been added as needs have been identified.

For the mechanism to reach its potential, this iterative manner of work needs to give way to a more proactive and systematic approach to the development of guidance and the supervision of activities under the CDM.

14. Looking forward, the Board sees the critical need to play an executive and supervisory role in the CDM. This needs to be enabled by a clear policy framework of standards and procedures that, among other things, systematically captures lessons learned, translates them into policy and shares the outcomes in a regular, continuous programme of capacity-building at all levels and for all key stakeholder groups. It further requires the Board to enhance its monitoring of the quality of work undertaken under the CDM.

15. The secretariat and the remainder of the support structure are prepared to support the Board in this goal, through being assigned more responsibility for technical issues and ensuring that they present their work to the Board in a manner that recognizes its executive and supervisory nature. However, for the secretariat it remains a challenge to recruit a sufficient number of experienced staff members.

3. Accreditation system enhancements

16. During the reporting period, the Board adopted a streamlined accreditation procedure, which resulted in an increase in the number of DOEs available to serve the CDM. DOEs applying for re-accreditation are now granted accreditation for all sectoral scopes (project types), for both validation and verification, on successful completion of an on-site assessment, where previously they had to apply separately for each scope and for validation and verification work and also to undergo a witnessing process in order to obtain accreditation.

17. For this new approach to work, and ultimately to ensure the quality of CERs, the Board had to put in place a robust system of continuous, consistent monitoring and appraisal of DOEs. It is also essential that DOEs receive from the Board the information they need to do their work.

18. The Board adopted the “CDM accreditation standard for operational entities”. This has improved understanding of CDM accreditation by providing users with a compilation of all the CDM accreditation requirements in a single document. It will also contribute significantly to achieving consistency and uniformity in the assessment of the DOEs.

4. Consideration of cases

19. In its consideration of individual cases, the Board works to ensure that only projects that fully qualify under the CDM are granted registration, and that CERs issued represent real reductions in greenhouse gas (GHG) emissions. Nevertheless, the Board notes that the system is quite overloaded as result of submissions that do not comply with the key CDM requirements, resulting in 6 per cent of requests for registration being rejected.

20. The Board’s challenge is to make sure that the lessons learned from its consideration of cases feed into the policies that guide the project participants, the Board and the entire regulatory support structure, including the DOEs. By translating experience into better policies and procedures, the Board expects to see a continual improvement in the quality of submissions, and thus a reduction in its volume of case work, which will allow it more time to focus on policy matters.

5. Improving the methodologies process

21. Methodologies for setting emissions baselines and monitoring project emissions have become more and more complex. Environmental integrity has been the overriding priority, often achieved after lengthy approval processes and at the expense of usability and applicability of methodologies.

22. Recognizing this, the Board placed greater emphasis during the reporting period on usability, applicability, timeliness and objectivity of methodologies, alongside quality. The Board has opted for a

process of prioritization that focuses the mechanism's limited regulatory resources on those methodologies that are most likely to be used and broadly applied, and for which quality can be assured.

6. Transparency

23. Transparency is an essential feature of the CDM regulatory process. The need to increase transparency has been expressed by stakeholders, recognized by Parties and taken on as a key priority of the Board.

24. Specifically, stakeholders have requested more detailed rationales of Board decisions and the ability to access those documented decisions more easily. In response, the Board took steps during the reporting period to put in place a system that is fully accessible, clear and consistent, building on what has been done in the past, and to provide more clarity on case decisions.

7. Regional distribution

25. CDM projects are concentrated in a small number of countries, in a pattern that closely matches international direct investment. Despite calls by Parties to improve regional distribution of the CDM, there is limited scope for action by the Board on this matter.

26. Nonetheless, the Board has taken steps to help spread the CDM, which are detailed in this report. An important part of the Board's efforts involves working with designated national authorities (DNAs), which have a key role to play in promoting the CDM and facilitating participation.

8. Cooperation with stakeholders

27. The efficiency and effectiveness of the CDM is facilitated by constructive input from stakeholders. For example, six public calls⁵ prompted valuable input from stakeholders, while the submission of comments assisted the Board in its consideration of proposed new methodologies and application of operational entities.

28. The Board is committed to engaging further with CDM stakeholders, to create a truly user-driven mechanism that benefits from, and builds upon, experiences gained in its day-to-day operation. As part of this work the Board responds to all unsolicited letters received.

III. Work undertaken in the reporting period

29. This chapter describes ongoing work of the Board and its responses to requests and encouragement by the CMP.

A. Accreditation of operational entities

1. Procedures, standards and training

30. In the reporting period, the Board adopted a radically streamlined procedure for accrediting DOEs, the third-party certifiers used by project participants to validate projects and verify emission reductions. The procedure allows DOEs applying for re-accreditation to be accredited for all sectoral scopes and for both validation and verification or certification functions. These accredited DOEs are subject to an agreed regimen of monitoring and assessment, which includes a desk review, performance assessment of projects and spot checks, to ensure quality.

31. The new procedure has increased substantially the number of accredited entities in the marketplace to 27 as at 16 October 2009, thus removing a serious bottleneck faced by project developers.

⁵ All public calls and input received are available at <http://cdm.unfccc.int/public_inputs/index.html>. Public input to methodologies is recorded in the historical information of each methodology.

32. The Board also adopted a “CDM accreditation standard for operational entities”. The standard can be expected to enhance the consistency and uniformity of the assessment process. To foster understanding of accreditation requirements, the Board, with the assistance of the secretariat, conducted a training session for members of DOE assessment teams. The Board intends to hold such sessions regularly.

33. A policy framework for monitoring the performance of DOEs is under consideration by the Board. The framework covers both the compliance of a DOE with the various CDM standards and any failure of a DOE to deliver expected outcomes in terms of validation and verification of CDM project activities. As well, an electronic workflow management system was developed and introduced that will increase the Board’s oversight of the accreditation process and allow for new ways to monitor DOE performance.

34. The *Clean Development Mechanism Validation and Verification Manual* (VVM), adopted by the Board at its forty-fourth meeting,⁶ will make an important contribution to the quality assurance process by assisting DOEs in their work and providing a benchmark for measuring their performance. The Board requested DOEs to fully implement its requirements into their management systems with immediate effect.

35. A work plan for disseminating and improving the VVM has been created. The Board has requested the secretariat to investigate the possibility of regular updates for minor changes, between periodic comprehensive revisions. As part of future improvements to the VVM, the Board is investigating various topics, such as the concepts of materiality and level of assurance, and how they might be incorporated to further improve the work of the DOEs.

36. A series of workshops on the implementation of the VVM, focused initially on outreach to the auditors working for DOEs, has been agreed by the Board. The initial workshops are scheduled to take place in four different regions in order to maximize participation.

37. As in any regulatory system, sanctions for non-performance are important. A range of enforcement options are available, and others are under consideration, including introduction of recovery costs related for requests for review. The Board has already begun to make public the names of DOEs that are the subject of a spot check. Two such spot checks were performed during the period, which led to the suspension of two DOEs. Facilitating the accreditation of more applicants from developing countries, impartiality of DOEs and arrangements to be undertaken by DOEs under suspension are all still under discussion by the CDM Accreditation Panel.

38. The Board agreed to a set of measures⁷ to minimize the impact on projects under validation and verification by the suspension of a DOE. The Board noted that some impact of the suspension of a DOE on projects is inevitable. The Board also recognized that the systematic non-compliance that normally leads to a suspension can have an impact on all CDM-related activities of a DOE, including project activities in the pipeline.

39. The Board noted an analysis undertaken by the Accreditation Panel which concluded that the understanding of the applicant and designated entities (AEs and DOEs) with respect to impartiality and independence of validation and verification had considerably improved with the adoption of the accreditation standard. The Board agreed to a set of measures⁸ in this area and requested the Accreditation Panel to incorporate them into the revision of the accreditation procedure and other associated documents.

⁶ See <<http://cdm.unfccc.int/Reference/Manuals/index.html>>.

⁷ See paragraph 10 of the fiftieth report of the Board. Reports of the meetings of the Board can be found at <<http://cdm.unfccc.int/EB/index.html>>.

⁸ See paragraph 11 of fiftieth report of the Board.

40. The Board also agreed on a set of recommendations to the CMP that aim to facilitate accreditation of more applicant entities from developing countries, as reflected in the recommendations for enhancing regional distribution (see annex III). It may be noted that the number of applications from entities in developing countries is already improving.

2. Entities recommended for designation

41. In the reporting period, the Board accredited and provisionally designated 21 operational entities for validation and 23 for verification (see table 1). If these designations are confirmed, it would take the total number of operational entities accredited for validation of projects to 27, and the number of entities accredited for verification and certification of emission reductions to 25.

42. The Board recommends the entities listed in table 1 for designation by the CMP at its fifth session, for the sectoral scopes indicated.

43. The geographical distribution of the total 42 designated and applicant entities is reflected in table 2, together with the number from non-Annex I Parties by region. Of the seven applications received in the reporting period, five were from entities in non-Annex I Parties. Information on all applications, and the stage of consideration reached, is available on the UNFCCC CDM website.

**Table 1. Entities accredited and provisionally designated by the Executive Board
in the reporting period**

Name of entity	Provisionally designated and recommended for designation for sectoral scopes^a	
	Project validation	Emission reduction verification
Japan Quality Assurance Organization	1–15	1–15
JACO CDM Ltd.	1–15	1–15
Det Norske Veritas Certification AS	1–15	1–15
TÜV SÜD Industrie Service GmbH	1–15	1–15
Deloitte Tohmatsu Evaluation and Certification Organization		1
Japan Consulting Institute	4, 5, 10	
SGS United Kingdom Ltd.	1–15	1–15
Korea Energy Management Corporation	1–15	1–15
TÜV Rheinland Japan Ltd.	1–15	1–15
ERM Certification and Verification Services Ltd.	1–5, 8–10, 13	1–5, 8–10, 13
TÜV NORD CERT GmbH		4–7, 10–12
Lloyd's Register Quality Assurance Ltd.	1–13	1–13
Colombian Institute for Technical Standards and Certification	1–5, 8, 13–15	1–5, 8, 13–15
Korean Foundation for Quality		13
Swiss Association for Quality Management Systems	1–15	1–15
China Environmental United Certification Center Co Ltd.	1–3, 8, 10	1–3, 8, 10
RINA SpA	1–8, 10, 11, 13–15	1–8, 10, 11, 13–15
SIRIM QAS INTERNATIONAL SDN. BHD	1–4, 13	1–4, 13
Korean Standards Association	1–5, 13	1–5, 13
Environmental Management Corp.	1–8, 13–15	1–8, 13–15
Japan Management Association	1–4, 6, 8, 9, 14	1–4, 6, 8, 9, 14
Germanischer Lloyd Certification GmbH	1–3, 7, 10, 13	1–3, 7, 10, 13
China Quality Certification Center	1–13	1–13
Ernst & Young Associes (France)	14	14

^a The numbers indicate sectoral scopes. For details see <<http://cdm.unfccc.int/DOE/scopelist.pdf>>.

Table 2. Geographical distribution of entities that are designated or have applied to validate clean development mechanism projects and verify and certify emission reductions

Region	Total number of designated/applicant entities	Number of designated/applicant entities from non-Annex I Parties
Western Europe and Other	13/16	0/0
Asia and the Pacific	13/24	7/14
Latin America and the Caribbean	1/1	1/1
Eastern Europe	0/0	0/0
Africa	0/1	0/1

Abbreviation: non-Annex I Parties = Parties not included in Annex I to the Convention.

3. Meetings of the Accreditation Panel

44. The CDM Accreditation Panel met eight times during the reporting period as part of its work in support of the Board. The Board appointed Mr. Martin Hession as Chair and Mr. Samuel Adeoye Adejuwon as Vice-Chair of the Panel.

B. Methodologies for setting and monitoring emission baselines

1. Enhancing use and ensuring quality of emission reductions

Applicability of methodologies

45. The Board studied the use of methodologies in CDM projects and the potential emission reductions of methodologies. The study found that a few methodologies account for most of the projects. For example, 13 methodologies account for 88 per cent of the emission reductions from large-scale projects registered and under validation. Furthermore, the grid-connected electricity generation related methodologies, industrial gas destruction methodologies, methane emission avoidance methodologies and waste energy recovery methodologies account for 92 per cent of all emission reductions from projects registered and under validation. Eighty-three per cent of large-scale projects registered or under validation use one of 10 approved methodologies out of the 81 non-afforestation and reforestation large-scale methodologies available.

46. Taking into account the responses to a call for public input on the reasons for some methodologies rarely or never being applied, the Board decided to increase its interaction with project developers when considering methodology submissions, to help ensure usability. The Board also started working on reducing the complexity of methodologies.

47. Also with a view to broadening applicability, the Board revised nine approved methodologies and released six new guidelines. The following are examples of efforts taken by the Board to broaden the application of methodologies:

- (a) Revision of the biofuel approved methodology for emission reduction through production and consumption of biofuel, to expand its application to the production of biodiesel from oil seeds cultivated in dedicated plantations on degraded or degrading land for use as fuel;
- (b) Broadening of the applicability conditions of bus rapid transit methodologies to include new projects.

48. The Board also revised 15 small-scale methodologies and related guidelines to broaden applicability and ease implementation, while maintaining environmental integrity. The following are examples of this work:

- (a) Adding to the configurations of renewable biomass-based cogeneration (heat and power);
- (b) Establishment of a broad range of eligible incandescent and compact fluorescent lamp wattages for efficient lighting in residences;
- (c) Creation of more options to accurately determine technical energy losses in rural electricity distribution systems to facilitate electricity loss reduction projects.

Usability and objectivity of methodologies

49. The following four methodological tools were approved by the Board in the reporting period to ensure simplicity and consistency of methodologies and to enhance their usability and objectivity:

- (a) A tool to determine the mass flow of a GHG in a gaseous stream under various conditions. The tool can be applied to all methodologies related to industrial gas abatement projects and landfill gas capture and utilization (or flaring projects);
- (b) A tool to determine the baseline efficiency of a thermal or electrical energy generation system, for the purpose of estimating baseline emissions;
- (c) A tool to assess the continued validity of the baseline and to update the baseline when the crediting period is renewed;
- (d) A tool to determine the remaining lifetime of baseline equipment that is replaced by new equipment as a part of a CDM project. The tool is intended to ensure conservative determination of the crediting period.

Additionality

50. Among other criteria, emission reductions achieved under the CDM must be additional to the reduction that would have occurred without the CDM. The Board took steps in the reporting period to enhance objectivity in the demonstration and assessment of additionality and the determination of the baseline, including:

- (a) Approving further guidance on what constitutes “real and continuous action” to secure registration as a CDM project activity, which relates to the demonstration that CDM was a consideration in the decision-making that led to an activity;
- (b) Approving guidance on the use of quantitative approaches to the demonstration of barriers in the additionality tool and combined tool;
- (c) Ensuring that its Methodologies Panel progressed substantially in its development of guidance on methods for financial benchmarks;
- (d) Progressing substantive discussions on guidance to make common practice analysis and technology used as first-of-its-kind an acceptability condition of claiming a barrier;
- (e) Ensuring that its Methodologies Panel progressed substantially in revising the “Combined tool to identify the baseline scenario and demonstrate additionality” in order to broaden its applicability.

Improving regional distribution of clean development mechanism projects

51. As part of efforts to facilitate the development and approval of new and revised methodologies to address the under-representation of the CDM in some countries, the Board approved a fuel-switch small-scale methodology for the brick manufacturing industry, a small-scale methodology for energy efficiency and renewable energy measures in new residential buildings, and a small-scale methodology focused on transportation energy efficiency activities using retrofit technologies for higher fuel efficiency in commercial passenger transport (e.g. fuel injection to substitute carburetted fuel supply in tricycle taxis).

52. The Board also mandated the secretariat to organize a workshop aimed at achieving better understanding of the methodological constraints on the application of small-scale end-use energy efficiency methodologies and methodologies for saving non-renewable biomass. (See also chapter III E on regional distribution.)

Development of off-grid emission factors

53. The Board approved a revision to the “Tool to calculate the emission factor for an electricity system” in order to incorporate methodological approaches to estimating emission reductions achieved

by project activities that affects the operation of off-grid generation capacity. The revision of the tool may significantly help to improve regional distribution of CDM project activities.

Promoting transportation projects under the clean development mechanism

54. The Board approved one new methodology for “Mass Rapid Transit Projects”, further opening up the CDM for mass transportation projects. This methodology applies to project activities that establish and operate rail-based mass rapid transit systems or segregated bus lanes in urban or suburban regions, including bus rapid transit systems.

55. The Board has also broadened the applicability of the existing approved methodology for bus rapid transport projects to include situations in which the baseline public transport system and other public transport options include rail-based systems and where electricity is used in the transport system.

Promoting energy efficiency

56. Five new methodologies to promote energy efficiency and one to encourage renewable energy project activities were developed in the reporting period. Revisions to enhance the applicability of one existing energy efficiency methodologies and four renewable energy methodologies were approved.

57. In addition, to help ensure simplicity and consistency in approaches in energy efficiency methodologies, the Board contracted the development of, and subsequently approved, the two methodological tools referred to in paragraph 49 (b) and (d) above.

58. The Methodologies Panel is also developing a tool for the determination of energy efficiency benchmark of domestic appliances, which could be used in methodologies proposed by manufacturers of domestic appliances when they introduce new energy efficient appliances into the market.

59. In response to a request from Parties to explore the use of default operating parameters for small-scale end-user energy efficiency methodologies, the Board:

- (a) Revised methodology AMS-II.J, “Demand-side activities for efficient lighting technologies”, to include an option to use a conservative default for the operating hours of lamps, avoiding the need for a survey;
- (b) Undertook similar efforts in other areas; for example, methodology AMS-III.F, “Avoidance of methane emissions through controlled biological treatment of biomass”, was revised to include an option to use a default operating parameter to demonstrate stable composting operation.

60. The Board also revised methodology AMS-II.A, “Supply side energy efficiency improvements – transmission and distribution”, to include an option to determine technical energy losses in rural electricity distribution systems by using a well-established, peer reviewed method included in the guidelines of a relevant national agency (e.g. the rural electrification agency of the country).

2. Afforestation and reforestation methodologies

61. During the reporting period, the Board approved the second consolidated methodology for afforestation and reforestation (A/R) project activities. In total, 12 A/R methodologies have been approved. Two were withdrawn in the reporting period after they were consolidated with other approved methodologies. A further eight were revised to broaden their applicability, to make them consistent with existing guidance and tools and/or to simplify them.

62. The Board also adopted guidance that allows for flexibility in fixing an A/R project boundary, and thus further simplifies development of methodologies for A/R project activities and their eventual application.

63. Other guidance adopted by the Board included guidance to simplify the estimation of biomass stocks and change in woody vegetation present within the boundary of an A/R project activity, guidelines on making a conservative choice of default data for estimating net anthropogenic GHG removals by sinks in A/R project activities, and guidance on accounting as zero the GHG emissions from several negligible GHG sources, which further simplified development of new A/R CDM methodologies and application of the approved methodologies to A/R project activities.

64. The Board also approved one user-friendly A/R tool and revised two others. There are now 14 A/R tools.⁹

65. In response to a request by the CMP (decision 2/CMP.4, para. 42), the Board conducted a study on the implications of the possible inclusion of reforestation of lands with forests in exhaustion as CDM project activities and agreed to the recommendation contained in annex I to this report.

3. Small-scale afforestation and reforestation methodologies

66. During the reporting period, the Board developed three new simplified methodologies for small-scale A/R project activities. The methodologies could broaden the participation of small-scale land owners in projects, while allowing them to continue pastoral activities on their lands.

67. The Board also revised two simplified methodologies for small-scale A/R project activities, to facilitate their use by low-income communities and individuals.

4. Small-scale methodologies

68. During the reporting period, the Board brought to 49 the number of methodologies for small-scale project activities (excluding small-scale A/R) with the approval of nine new methodologies, among them a methodology for energy efficiency and renewable energy measures in new, grid-connected residential buildings, including efficient building design practices and use of renewable energy technologies. The methodology contains options for using calibrated computer simulation to determine baseline emissions.

69. The Board also requested the secretariat to organize a workshop aimed at identifying options to enhance the usability of CDM methodologies for projects related to household cooking energy supply. The workshop brought together various stakeholders with a view to identifying the methodological constraints and options for solutions to remove the barriers that prevent wider use of these methodologies.

70. The Board noted that despite the high potential, opportunities to implement end-use energy efficiency measures under the CDM have not been fully captured. In this regard a side event to be held during CMP 5 will aim to describe the potential and the issues associated with incorporating more end-use efficiency projects into the CDM.

71. The Board took note of the sustainable development benefits related to these type of projects and the particularly positive impacts they may have on the livelihoods of women.

72. The Board also broadened the applicability of the first methodology for the agriculture sectoral scope, “Urea offset by inoculant application in soybean-corn rotations on acidic soils on existing cropland”.

73. Lastly, the Board provided guidelines and clarification on:

- (a) Use of sampling and survey in distributed renewable energy generation and energy efficiency projects;

⁹ A list of all tools is available at <<http://cdm.unfccc.int/goto/Tools>>.

- (b) Consideration of leakage in biomass project activities.

5. Meetings of the Methodologies Panel and working groups

74. The Methodologies Panel, the Afforestation and Reforestation Working Group (A/R WG) and the Small-Scale Working Group (SSC WG) met six, four and five times, respectively, during the reporting period as part of their work in support of the Board. The Board appointed Mr. Philip Gwage as Chair and Mr. Pedro Martins Barata as Vice-Chair of the Methodologies Panel. Board members Mr. Xuedu Lu and Mr. Thomas Bernheim were selected to support the Chair and Vice-Chair. The Board appointed Mr. Hugh Sealy as Chair of the SSC WG and Mr. Peer Stiansen as Vice-Chair. The Board also appointed Mr. José Domingos Miguez as Chair of the A/R WG and Ms. Diana Harutyunyan as Vice-Chair.¹⁰ During the reporting period, the Methodologies Panel, A/R WG and SSC WG named one, two and one new member, respectively.

C. Carbon dioxide capture and storage

75. In response to a request by the CMP (decision 2/CMP.4, para. 41), the Board conducted a study on the implications of the possible inclusion of carbon dioxide capture and storage in geological formations as CDM project activities. It agreed that this issue may be considered from different perspectives summarized in annex II to this report.

D. Programmes of activities

76. Development of PoAs continued throughout the reporting period. With a PoA, several project activities are administered under a single administrative umbrella, which is seen as a means to scale up the CDM. Responding to input from stakeholders, the Board adopted the following to provide greater clarity on rules and to streamline processes:

- (a) “Procedures for registration of a PoA as a single CDM project activity and issuance of certified emission reductions for a programme of activities” (version 03) (EB 47 report, annex 29);
- (b) “Procedures for review of erroneous inclusion of a CPA” (version 01) (EB 47 report, annex 30);
- (c) “Procedures for approval of the application of multiple methodologies to a programme of activities” (version 01) (EB 47 report, annex 31);
- (d) “Guidelines on the de-bundling for SSC project activities” (version 02) (EB 47 report, annex 32).

77. To facilitate early movers in this area, the Board granted an exemption regarding the start date of component project activities to PoAs that began validation before 31 December 2009 (EB 47 report, para. 72).

78. The first three requests for registration of PoAs were submitted during the reporting period, leading to registration of the first PoA, an energy-efficient lighting programme in Mexico. As at 16 October 2009, two further PoAs had been submitted for registration and a further 12 were undergoing validation.

¹⁰ Details of the membership of panels and working groups are available at <<http://cdm.unfccc.int/Panels/index.html>>.

E. Registration of project activities and issuance of certified emission reductions

1. Management of work

79. During the reporting period, the Board considered an average of 73 registration and 20 issuance cases per meeting. The Board was able to consider all of these cases within the timelines specified by the CMP, and by improving the efficiency of its consideration of such case-specific matters was able to dedicate a greater portion of its meeting time to policy issues.

80. To cope with the caseload, the Board continued to rely on the support of the secretariat. Additional resources, approved by the Board in its management plan for 2009, and structural changes within the secretariat have strengthened its technical support to the Board on registration and issuance matters.

81. Ensuring availability of human resources and managing sudden peaks in requests for registration and sustained increases in requests for issuance remains a challenge. Peaks typically occur at the end of the validity period of methodologies (e.g. 116 requests were received in June 2009, primarily due to the expiration of methodology AMS-III.H, version 10). In addition, the fact that a large number of submissions by DOEs were incomplete meant that the agreed timelines for completeness checks could not always be adhered to. Another consequence of these caseload pressures is that for one remaining area of the registration and issuance processes, the revision of monitoring plans, it has not been possible for the Board to adopt timelines for completeness checks until the current backlog has been cleared.

82. As part of its support, the secretariat recommends guidance to address recurring issues in the registration and issuance process (see paras. 92 and 98 below), provides analytical input to each case and recommends decisions. The Registration and Issuance Team (RIT) continues to provide valuable input to these decisions.

83. Guided by decision 2/CMP.4, the Board focused its work on the following two areas:

- (a) Enhancing the consistency of its operations and those of its support structure;
- (b) Increasing the transparency of decision-making processes and increasing understanding by external stakeholders of the standards expected for submissions of requests for registration and issuance and related processes.

84. To address these focus areas the Board adopted guidelines or procedures on completeness checks and consideration of requests for review and review cases. It continued to substantiate its decisions on case-specific matters and expand upon the rationale for decisions to enhance transparency.

85. The Board requested the secretariat to expand the scope of the completeness check of requests for registration and issuance in accordance with revised procedures adopted by the Board at its forty-eighth meeting. These revised procedures will be applied to requests submitted after 1 September 2009 and are expected to result in fewer requests for review and a more streamlined and efficient process.

86. The Board also adopted timelines for the elements of the registration and issuance processes that did not previously have them, such as requests for revision of monitoring plans and requests for deviation. The Board has started monitoring the timelines and decided to make the results of this monitoring public, as part of its efforts to enhance transparency.

87. To respond to the emerging needs of project participants, the Board agreed to adopt procedures and guidelines on changes from the project activity as described in the registered PDD. It also revised the procedures for requesting deviations and the revision of monitoring plans at the verification stage.

The adoption of these procedures represent a step forward in improving the system by allowing adjustments to reflect real situations that occur in the implementation of a project after registration.

2. Projects registered in the reporting period

88. During the reporting period, 718 requests for registration were submitted to the Board, and 644 were registered, taking the total number of projects submitted for registration to 2,276 and the total number registered to 1,860.

89. The eight-week period (four weeks for small-scale projects) within which a Party involved or three Board members may request a review has ended for 634 of the 718 requests for registration submitted during the reporting period. The Board has finalized its consideration of 480 of these project activities. Adding the 225 requests for registration that had not been finalized by the Board by the end of the previous reporting period, but which have since been finalized, takes the total number of requests finalized during this reporting period to 705. Of these:

- (a) Two hundred and eighteen (31 per cent) were registered automatically;
- (b) One (0.1 per cent) was registered after the Board had considered a request for review, taking into account any additional submissions from the project participant and/or DOE;
- (c) Two hundred and ninety-seven (42 per cent) were registered after corrections were made to the submitted request for registration, as called for by the Board in its consideration of a request for review;
- (d) One hundred and twenty-eight (18 per cent) were registered after the Board had conducted a review to ensure that guidance from the Board and the CDM modalities and procedures had been followed;
- (e) Forty-two (6 per cent) could not be registered by the Board following a review;
- (f) Nineteen (3 per cent) were withdrawn by the project participant and DOE.

90. During the reporting period, 1,355 project design documents (PDDs) were published on the UNFCCC CDM website, an average of 113 per month. This is part of the stakeholder consultation process, which is an important aspect of project validation.

91. In addition, 19 requests for renewal of the crediting period were submitted. The Board approved seven requests, four automatically and three following a request for review that was not pursued by the Board.

3. Matters relating to registration of project activities

92. The Board adopted or provided guidance and/or clarification on the following:¹¹

- (a) Modalities of communication between project participants and the Board (EB 45 report, annexes 59 and 60);
- (b) Revision of the terms of reference and procedure for the RIT, to remove the reference to an expiry period and indicate that appointed members are contracted for a maximum of 12 months (EB 46 report, annex 58);
- (c) “Guidelines on completeness checks of requests for registration” (EB 48 report, annex 60);

¹¹ Reports of the meetings of the Board can be found at <<http://cdm.unfccc.int/EB/index.html>>.

- (d) Revision of the “Guidelines on the demonstration and assessment of prior consideration of the CDM”, to standardize the means of notification and provide for an online database (EB 48 report, annex 61). A form was also agreed (EB 48 report, annex 62). The guidelines were subsequently revised to provide further clarification on the means of validation of prior consideration of the CDM (EB 49 report, annex 22);
- (e) “Guidelines for the consideration of requests for review and review cases” (EB 49 report, annex 21);
- (f) Revision of the “Procedures for processing and reporting on validation of CDM project activities” (EB 50 report, annex 48).

4. Issuance of certified emission reductions in the reporting period

93. During the reporting period, 510 requests for issuance were submitted to the Board and 115,260,936 CERs were issued on the basis of 433 requests, taking the total number of CERs issued as at 16 October 2009 to 335,319,007.

94. The 15-day period within which a Party involved or three Board members may request a review has ended for 489 of the 510 requests for issuance of CERs submitted during this reporting period. The Board has finalized its consideration of 471 of these requests. Adding the 61 requests for issuance that had not been finalized by the Board by the end of the previous reporting period, but which have since been finalized, takes the total number of requests for issuance finalized during this reporting period to 532. Of these:

- (a) Three hundred and forty-six (65 per cent) resulted in automatic issuance;
- (b) Two (0.4 per cent) resulted in issuance after the Board had considered a request for review, taking into account any additional submissions from the project participant and/or DOE;
- (c) One hundred and thirty-five (25.4 per cent) resulted in issuance after corrections were made to the submitted request for issuance, as called for by Board members (in 20 of these cases the corrections are pending);
- (d) Thirty-four (6.4 per cent) resulted in issuance after the Board had conducted a review to ensure that guidance from the Board and the CDM modalities and procedures had been followed (in three of these cases corrections are pending);
- (e) Four (0.8 per cent) could not be approved by the Board following a review;
- (f) Eleven (2 per cent) were withdrawn by the project participant and DOE.

95. Ninety-one requests for deviation were submitted during the reporting period; they are related to deviations from provisions in the registered project activity discovered during the verification. The Board responded to 87 of these requests and is still considering the remaining four.

96. During the reporting period, 117 requests for revision of monitoring plans were submitted. The Board approved 66 of those requests.

97. Lastly, 830 monitoring reports were published as part of the verification process, an average of 69 reports per month.

5. Matters relating to issuance of certified emission reductions

98. The Board adopted or provided guidance and/or clarification on the following:

- (a) “Procedures for notifying and requesting approval of changes from the project activity as described in the registered PDD” (EB 48 report, annex 66);
- (b) “Guidelines on assessment of different types of changes from the project activity as described in the registered PDD” (EB 48 report, annex 67);
- (c) “Guidelines on conducting a completeness check of a request for issuance” (EB 48 report, annex 68);
- (d) Clarification on the acceptability of suitability test QAL 1 for automatic monitoring systems¹² (EB 48 report, para. 77);
- (e) “Guidelines for the consideration of requests for review and review cases” (EB 49 report, annex 21);
- (f) “Procedures for requests for deviation prior to submitting request for issuance” (EB 49 report, annex 26);
- (g) Revision of the “Procedures for revising monitoring plans in accordance with paragraph 57 of the Modalities and Procedures of the CDM” (EB 49 report, annex 28);
- (h) Revision of the terms of reference and procedure for the RIT, to remove the reference to an expiry period and indicate that appointed members are contracted for a maximum of 12 months (EB 46 report, annex 58).

6. The clean development mechanism registry

99. The operation of the CDM registry continued during the reporting period and, by 16 October 2009, 335,319,007 CERs had been issued. Of these, 316,191,740 CERs were forwarded to holding accounts of Annex I Parties; 4,990,808 CERs were forwarded to permanent holding accounts of non-Annex I Parties in the CDM registry; and 6,706,369 CERs were forwarded to the holding account of the Adaptation Fund. The number of CERs issued but not yet forwarded at the end of the reporting period was 11,215,056.

100. The CDM registry currently has 56 fully operational holding accounts, of which 46 are associated with non-Annex I Parties, and five temporary holding accounts associated with Annex I Parties. Following from its nomination by the CMP in decision 1/CMP.4 as the trustee of the Adaptation Fund, the World Bank was registered as the representative of the Share of Proceeds for Adaptation account. Thirty-eight transactions have been originated so far from this account.

101. As mentioned in paragraph 92 (a) above, the Board, at its forty-fifth meeting, adopted “Procedures for modalities of communication between project participants and the Executive Board”, which define a focal point entity and establish the scopes of authority that these entities can be granted. Following adoption of the new modalities, an online interface for nominating project focal points was developed. The interface allows project participants to agree on their representation and communicate their decision to the Board without going through a DOE. Work was also begun on a process to electronically authenticate representatives of project participants.

F. Regional distribution of project activities under the clean development mechanism

102. Responding to a request by Parties, the Board issued a call for public input from 30 March to 4 May 2009 to DNAs on how to streamline the CDM process in countries with fewer than 10 registered projects, in particular in least developed countries (LDCs), small island developing States and countries in Africa.

¹² Acceptable if the measures and method used are in accordance with ISO 14956.

103. Drawing on the input received, the Board developed recommendations on regional distribution for consideration by the CMP at its fifth session (see annex III).

104. Also as part of this effort, DNAs were surveyed on their training needs. The results of the survey may lead to new activities.

105. In addition, the Board discussed the possibility of translating some of the key methodological documents into other languages.

106. The Nairobi Framework took on two new members in the reporting period: the United Nations Conference on Trade and Development and the United Nations Institute for Training and Research. The framework was designed to increase participation in the CDM, principally in Africa.¹³

107. The secretariat has responsibility for coordinating the Nairobi Framework, as well as meetings of the Designated National Authorities Forum (DNA Forum), which also helps to improve the regional distribution of the CDM. As part of this work, the secretariat organized or is organizing:

- (a) The seventh meeting of the DNA Forum, which was held in April 2009 in Bonn, Germany, directly before the annual CDM Joint Workshop, and attracted 150 participants;
- (b) The first subregional meeting of the DNA Forum for the Caribbean, held in July 2009 in St. George's, Grenada, which focused on highlighting the challenges in the subregion;
- (c) A side event on regional distribution, held at the June 2009 sessions of the Convention subsidiary bodies in Bonn;
- (d) The eighth regular meeting of the DNA Forum, to be held in October 2009 in Singapore, in conjunction with the industry event Carbon Forum Asia.

108. The Board was regularly updated on a study sponsored by the Government of Denmark on the potential use of microfinancing in support of CDM projects in LDCs. The possible areas of synergy between the CDM and microfinance may offer new opportunities that need to be further explored.

109. Another initiative in the work on regional distribution is the web platform CDM Bazaar,¹⁴ which is in its second year of operation and has 1,791 registered users. The site's software was improved and its usability enhanced during the year.

110. The geographical distribution of project activities and issuance of CERs can be found on the UNFCCC CDM website.¹⁵

IV. Governance matters

A. Evolution of the role and functions of the Executive Board

Improving the efficiency of the clean development mechanism

111. In response to a number of requests made by the CMP at its fourth session, the Board embarked on a series of activities to identify measures to improve efficiency in the operation of the CDM and allow the Board to further emphasize its executive and supervisory role. These activities have proven valuable and the Board believes that the agreed measures will make a significant impact on the way the Board and its support structure conduct their work.

¹³ <http://cdm.unfccc.int/Nairobi_Framework/index.html>.

¹⁴ <<http://www.cdmbazaar.net>>.

¹⁵ <<http://cdm.unfccc.int/Statistics/index.html>>.

112. The Board launched a public call for inputs in March 2009 on efficiency in the operation of the CDM and opportunities for improvement. The call attracted 42 submissions from a wide range of CDM stakeholders and these contributed a set of ideas, covering regulatory decisions, case rulings, governance issues and the oversight and outreach activities of the Board, as a basis for the Board's work.

113. Two policy retreats were held in conjunction with the forty-eighth and forty-ninth meetings of the Board. These provided opportunities for the Board to draw upon the inputs from stakeholders and its own experience to identify and agree on measures to be implemented directly and recommendations to be made to the CMP. Annex IV contains the results of the Board's deliberations on improving efficiency in the operation of the CDM.

Transparency

114. Building upon the oath made by Board members and alternate members when they join the Board, the Board adopted during the reporting period a code of conduct to further define its approach in implementing the mechanism.

115. The Board also continued to work on improving transparency and access to information. In response to requests by stakeholders for more detailed rationales of Board decisions and the ability to access those decision documents more easily, the Board:

- (a) Further enhanced the detail and clarity of its requests for review relating to requests for registration or issuance;
- (b) Adopted a classification system for documents, decisions and rulings of the Board;
- (c) Approved a work plan for enhancing the online catalogue of decisions and expanding its search capabilities.

116. The Board also decided to limit its informal consultations from two days to one day per meeting, and extend its formal meeting time from three days to four. Though progress has been made towards holding more discussions in open sessions, it may be noted that to respect confidentiality the Board must go into closed session at various times even during the formal meeting days.

117. In order to improve the transparency of its decision-making, the Board requested the secretariat to begin to publish information notes to provide appropriate background and explanations of Executive Board decisions on requests for registration or issuance where the Board agreed not to register the project or not to approve the issuance of CERs. It also asked the secretariat to provide information notes on other rulings on requests for registration or issuance considered through the review process.

Communication with project participants and other stakeholders

118. During the reporting period, the Board discussed ways to improve the effectiveness of its communication with project participants. It requested the secretariat to prepare a proposal for how the Board could communicate with participants directly. This proposal will be considered by the Board after the reporting period.

119. In addition to its regular question and answer sessions at sessions of the Convention bodies, in April 2009 the Board held a joint coordination meeting with its panels and working groups, DNAs, DOEs, desk reviewers and assessment teams (220 participants). In addition, members of the Board participated in a process of consultation with key stakeholders, which was initiated during this year.

120. Also during the reporting period, the Board adopted a comprehensive, targeted communications strategy to raise public awareness of the CDM and correct misconceptions. Aspects of the strategy, which is now being implemented, include: enhanced press outreach; giving a human face to the CDM through photo and video contests; targeting Africa with recorded stories made available free to radio

stations; making the CDM easier to understand through recordings of experts posted online; and working with DNAs to reach potential project participants. In support of the strategy, the Chair of the Board frequently attended international conferences to present progress of the Board's achievements and to explain and defend policy decisions.

B. Membership issues

121. At CMP 4, new members and alternate members of the Board were elected to fill vacancies arising from the expiration of terms of tenure. During the reporting period, the Board comprised the members and alternate members listed in table 3.

**Table 3. Members and alternate members of the Executive Board
of the clean development mechanism**

Members	Alternate members	Nominated by
Mr. Kamel Djemouai ^b	Mr. Samuel Adeoye Adejuwon ^b	African regional group
Ms. Natalia Berghi (resigned end May 2008 and was replaced by Mr. Victor Nicolae ^a for the remainder of the term)	Ms. Diana Harutyunyan ^a	Eastern European regional group
Mr. Lex de Jonge ^a	Mr. Pedro Martins Barata ^a	Annex I Parties
Mr. Philip M. Gwage ^a	Mr. Xuedu Lu ^a	Non-Annex I Parties
Mr. Martin Hession ^b	Mr. Thomas Bernheim ^b	Western European and other States regional group
Mr. Shafqat Kakhakel ^b	Mr. Rajesh Kumar Sethi ^b	Asian regional group
Mr. Clifford Mahlung ^a	Mr. Tuiloma Neroni Slade (resigned on 29 November 2009 and was replaced by Mr. Noah Idechong ^a for the remainder of the term)	Small island developing States
Mr. Paulo Manso ^a	Mr. Hussein Badarin ^a	Non-Annex I Parties
Mr. Hugh Sealy ^{b,c}	Mr. José Domingos Miguez ^{b,c}	Latin America and the Caribbean regional group
Mr. Peer Stiansen ^b	Mr. Akihiro Kuroki ^b	Annex I Parties

^a Term: two years ending at the first meeting in 2010.

^b Term: two years ending at the first meeting in 2011.

^c Member may not be re-elected in the same role.

122. The Board reiterates its concern that neither the Conference of the Parties nor the CMP has established an international legal framework for privileges and immunities for Board members performing their functions relating to the CDM. Members enjoy privileges and immunities only in Germany, in accordance with the Headquarters Agreement of the secretariat, and in countries where Board meetings are convened pursuant to an agreement with the host country that contains provisions on privileges and immunities. The Board urges the CMP to take further action as a matter of urgency to ensure that Board members are fully protected when taking decisions for which they have been mandated. The Board notes the progress of deliberations at CMP 4 and requests the CMP to find an interim solution at CMP 5, even if a long-term solution cannot be concluded during the present commitment period.

123. Board members and alternate members are required to dedicate a considerable amount of time to the work of the Board. Currently, the time that they must devote to attend Board meetings and related travel amounts to two months in a year. Members who assume additional roles and functions, such as chairing panels and working groups or serving as members on panels, invest even more time. During the reporting period, the Chair of the Board spent 75 per cent of his work time on Board-related matters.

124. To help achieve an even distribution of the workload, the Board requests that Parties and the CMP, when assigning new members to the Board, take into special consideration the specific skills and expertise needed for the Board's work as well as whether the candidate is able to devote sufficient time.

C. Election of the Chair and the Vice-Chair of the Board

125. The Board, at its forty-fifth meeting, elected Mr. Lex de Jonge, a member from an Annex I Party, and Mr. Clifford Mahlung, from a non-Annex I Party, as Chair and Vice-Chair, respectively. Their tenures as Chair and Vice-Chair will end at the first meeting of the Board in 2010.¹⁶

126. The Board expressed its appreciation to the outgoing Chair, Mr. Rajesh Kumar Sethi, and Vice-Chair, Mr. de Jonge, for their excellent leadership of the Board during its seventh year of operation.

D. Calendar of meetings of the Board

127. The Board, at its forty-fifth meeting, adopted its calendar of meetings for 2009 (table 4).

128. The annotated agendas for the Board meetings, supporting documentation and reports containing all decisions reached by the Board are available on the UNFCCC CDM website.¹⁷ To ensure efficient organization and management of work, meetings of the Board are preceded by informal consultations lasting one or two days. The Board has tentatively agreed to the schedule of meetings for 2010 (table 5).

Table 4. Meetings of the Executive Board in 2009^a

Meeting	Date	Location
Forty-fifth	11–13 February	Bonn, Germany
Forty-sixth	23–25 March	Bonn
Forty-seventh	26–28 May	Bonn (in conjunction with the thirtieth sessions of the SBSTA and the SBI)
Forty-eighth	15–17 June	St. George's, Grenada
Forty-ninth	8–11 September	Bonn
Fiftieth	13–16 October	Bangkok, Thailand
Fifty-first	1–4 December	Copenhagen, Denmark (in conjunction with the fifth session of the CMP)

Abbreviations: CMP = Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, SBI = Subsidiary Body for Implementation, SBSTA = Subsidiary Body for Scientific and Technological Advice.

^a Meetings of the Board are preceded by one or two days of consultations.

Table 5. Tentative schedule of meetings of the Executive Board in 2010^a

Meeting	Date	Location (subject to change)
Fifty-second	8–12 February	Bonn, Germany
Fifty-third	22–26 March	Bonn
Fifty-fourth	24–28 May	Bonn (in conjunction with the thirty-second sessions of the SBSTA and the SBI)
Fifty-fifth	19–23 July	Bonn
Fifty-sixth	6–10 September	Bonn
Fifty-seventh	1–5 November	To be determined (in conjunction with the sixth session of the CMP)
Fifty-eighth	13–17 December	Bonn

Abbreviations: CMP = Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, SBI = Subsidiary Body for Implementation, SBSTA = Subsidiary Body for Scientific and Technological Advice.

^a Meetings of the Board are preceded by one or two days of consultations.

¹⁶ Rule 12 of the rules of procedure of the Board

<<https://cdm.unfccc.int/Reference/COPMOP/08a01.pdf#page=31>>.

¹⁷ <<http://cdm.unfccc.int/EB/>>.

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

A. Budget and expenditures for work on the clean development mechanism

129. At each of its meetings during the reporting period, the Board reviewed the requirements and status of resources for work on the CDM, based on reports by the secretariat. The CDM management plan 2009, version 01,¹⁸ shows that fees and share of proceeds were to cover USD 28.1 million of the 2009 budget. In the first nine months of 2009, the expenditure level in the fee-based budget was USD 15.4 million (55 per cent of the budget for 2009). A further USD 0.3 million was to come from the secretariat's core budget. This amount was fully expended in the first nine months of 2009. The CDM also received contributions of USD 0.2 million from Parties to support DNA activities, namely the subregional meeting of the DNA Forum in Grenada.

130. The costs in 2009 indicate that the main expenditures were for staff and related costs (57 per cent), followed by fees and travel for experts and consultants (19 per cent). As reported in paragraph 129 above, the current fee-based expenditure rate is 55 per cent, which is lower than the 75 per cent (USD 21.06 million) expected as at 30 September 2009. This lower expenditure is attributable mainly to the difficulties in recruiting new staff and natural attrition of staff, which mean that staff-related costs have been lower than budgeted. Currently 36 per cent of CDM positions in the Sustainable Development Mechanisms programme (SDM) of the secretariat are unfilled.

131. In the first nine months of 2009, the CDM subprogramme in SDM employed 43 consultants (39 contracts) at a cost of USD 1 million. Of these, 18.6 per cent were from non-Annex I Parties.

132. The total costs of the support for work on methodologies amounted to USD 80,400. The work was carried out by 43 desk reviewers, of whom 20 were experts from non-Annex I Parties. In the first nine months of 2009, the total costs of the support by RIT members amounted to USD 260,400, of which 83 per cent was paid to members from non-Annex I Parties.

133. Over the past two years, the programme has been able to improve both its geographical distribution and the gender balance of staff, as indicated in table 6.

**Table 6. Trend in geographical and gender balance of staff
in the clean development mechanism subprogramme**
(percentage of staff at Professional level and above)

	July 2006	December 2006	December 2007	September 2008	September 2009
Non-Annex I Party staff	30	33	51	56	68
Staff from each regional group					
Africa	5	4	5	6	8
Asia and the Pacific	20	25	29	37	44
Latin America and the Caribbean	5	4	15	15	16
Eastern Europe	10	8	10	11	10
Western Europe and Other	60	59	41	31	21
Female staff	15	21	31	31	38

134. In the first nine months of 2009, expenditure was USD 2.5 million higher than in the same period in 2008 (USD 12.9 million); this is due to an increase in the number of activities and posts. This trend is shown in table 7.

¹⁸ <http://cdm.unfccc.int/EB/045/eb45_repan71.pdf>.

Table 7. Clean development mechanism supplementary resources: expenditure trends
(United States dollars)

Resource items	2004–2005	2006	2007	2008	As at 30 September 2009
Budget	10 242 134	9 053 763	13 065 281	21 679 358	28 116 403 (2009 budget)
Expenditure	3 071 617	5 102 901	10 250 849	17 612 093	15 364 019
Expenditure as a percentage of budget	30	34	78	81	55
Expenditure from core budget	3 877 894 ^a	1 684 521	2 217 648	335 328	335 328

^a The amount for 2004–2005 is an estimate of the portion expended on clean development mechanism activities and of the Kyoto Protocol Interim Allocation.

B. Resources available as at 30 September 2009, and current balance

135. The resources to support the Board in 2009 came from the Convention programme budget, contributions by Parties, fees and share of proceeds and a carry-over of unspent income from fees and share of proceeds from 2008 (as shown in table 8).

136. Expenditure in 2009, up to 30 September, was USD 15.4 million; this means that the CDM has USD 27.6 million available for the last quarter of 2009. In the light of projected expenditure and an income forecast of about USD 2.7 million from 1 October until the end of 2009, it is expected that there will be a carry-over from 2009 to 2010 of around USD 25.1 million, excluding the USD 45 million reserve.

Table 8. Fee-based resources
(United States dollars)

Carry-over figure from 2008 (excluding USD 30 million reserve)		31 479 420
Less reserve USD 15 million (EB 45)		(15 000 000)
Carry-over (less USD 45 million reserve)		16 479 420
Less carry-over from activities of the DNA Forum in 2008		(417 106) ^a
Subtotal		16 062 314
Fees from Application Operational Entities	127 412	
Fees from the accreditation process	11 533	
Registration fees ^b	11 436 098	
Methodology fees ^c	32 764	
Share of proceeds ^d	15 253 008	
Subtotal		26 860 815
Total		42 923 129
Less expenditure as at 30 September 2009		(15 364 019)
Balance available		27 559 110^e

^a In 2009 contributions were received from Belgium (USD 34,646) and the European Commission (USD 174,253), giving a total of USD 626,005 available for regional meetings of designated national authorities. After deducting the cost of the subregional meeting of the Designated National Authorities Forum (DNA Forum) in Grenada in July 2009 (USD 48,085), the balance is USD 557,920.

^b This fee is based on the average annual issuance of certified emission reductions (CERs) over the first crediting period and is calculated as a share of proceeds to cover administrative expenses, as defined in decision 7/CMP.1, paragraph 37. Projects with annual average emission reductions of less than 15,000 tonnes of CO₂ equivalent are exempt from the registration fee, and the maximum fee applicable is USD 350,000. This fee is considered to be a prepayment of the share of proceeds to cover administrative expenses.

^c A methodology fee of USD 1,000 is payable at the time a new methodology is proposed. If the proposal leads to an approved methodology, the project participants receive a credit of USD 1,000 against payment of the registration fee.

^d The share of proceeds, payable at the time of issuance of CERs, is USD 0.10 per CER issued for the first 15,000 CERs for which issuance is requested in a given calendar year, and USD 0.20 per CER issued for any amount in excess of these per year.

^e This amount excludes the accrued interest, which will be calculated at the end of 2009. The estimated amount from 1 January to 30 June 2009 is USD 394,545.

Annex I

Recommendation on the implications of the possible inclusion of reforestation of lands with forests in exhaustion as afforestation and reforestation clean development mechanism project activities, taking into account technical, methodological and legal issues

1. Following the request contained in paragraph 42 of decision 2/CMP.4, the Executive Board of the clean development mechanism has assessed the implications of the possible inclusion of reforestation of lands with forests in exhaustion as afforestation and reforestation clean development mechanism project activities, taking into account technical, methodological and legal issues.

2. The Board agreed that “forest in exhaustion” is an area of land that contained forest – established through planting, seeding and/or the human-induced promotion of natural seed sources – on 31 December 1989 and/or at the starting date of the project activity. If the land at the starting date of the project activity is forest then, in the absence of the project activity, it would be converted to non-forested land through final harvesting within [5] years of the proposed starting date of the project activity. If the land at the starting date of the project activity is non-forested land then, in the absence of the project activity, it is expected to remain as non-forested land.

3. The Board further agreed that the legal implication of the above definition is a revision of decision 16/CMP.1, annex, section D, in order to introduce a new paragraph 13 (bis) as follows: For the first commitment period, reforestation activities shall be limited to reforestation occurring on those lands that did not contain forest or contained forest in exhaustion on 31 December 1989.

4. The Board noted that if this revision is applied, reforestation of lands with forests in exhaustion would meet all requirements contained in the modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol.¹

¹ Decision 5/CMP.1, annex.

Annex II

Possible implications of the inclusion of carbon dioxide capture and storage as clean development mechanism project activities

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 2/CMP.4, requested the Executive Board of the clean development mechanism (CDM) to assess the implications of the possible inclusion of carbon dioxide capture and storage (CCS) in geological formations as project activities, taking into account technical, methodological and legal issues, and report back to the CMP at its fifth session.
2. The Board has conducted a study on the matter and agreed that the implications of the possible inclusion of CCS might be considered from different perspectives, as summarized in table 9.
3. It noted that the possible inclusion of CCS is on the agenda of other Convention bodies and recommends that further consideration be given by the CMP Bureau to this issue.
4. The Board also recommends that the CMP request it not to consider any proposal for CCS-related CDM baseline and monitoring methodologies until further guidance is provided.

Table 9. Possible implications of the inclusion of carbon dioxide capture and storage as clean development mechanism project activities

Issues	Positive implications	Negative implications
Technical issues		
Emission reductions resulting from any CDM project activity must be real, measurable and of long-term benefit (Article 12 of the Kyoto Protocol, para. 5)	A system that allows emission reductions to be real and measurable can be designed for CCS projects through proper site characterization and selection processes, procedures for operation and monitoring and seepage remediation options	Detailed criteria for assessment of the site characterization are still lacking CCS does not necessarily mean long-term emission reductions because the storage might not be permanent Stored carbon is not measured but modelled
Environmental issues		
An EIA must be undertaken if the impacts of the project activities are considered significant (decision 3/CMP.1, annex, para. 37 (c))	For any CCS project it would be possible to conduct a comprehensive EIA as required by the CDM modalities and procedures	The lack of experience with CCS, the long lifetime of the projects and the uncertainty concerning the risk of seepage would pose challenges for conducting a CCS EIA The terms of reference and review process for IEEs and EIAs is currently solely within the purview of the host country. A faulty EIA could have regional or international implications if it leads to poor site selection or operating practices that result in leakage

Table 9 (continued)

Issues	Positive implications	Negative implications
Methodological issues		
<p>The project boundary must encompass all anthropogenic emissions by sources of GHGs under the control of the project participants that are significant and reasonably attributable to the CDM project activity (decision 3/CMP.1, annex, para. 52)</p> <p>The project design document must include a description and a justification of the project boundary (decision 3/CMP.1, annex, appendix B)</p>	<p>A predictive modelling and simulation of CO₂ migration to determine a larger ‘storage complex’ might ensure that the CO₂ plume will stay within the project boundary</p> <p>The CO₂ capture installation and the storage site can be entirely located within the same host country, thereby minimizing the risk that any project boundary moves beyond the boundaries of the host country</p>	<p>A reservoir may cover different countries or international waters, and after storage the plume may migrate irrespective of plans or political borders</p> <p>There would be difficulties in defining the project boundaries if there are several injection points from different project activities at different times</p> <p>It may be necessary to change the project boundary during the lifetime of the project</p> <p>A project boundary would be difficult to define in a situation in which leakage or seepage could have international impacts</p> <p>Project boundaries for CCS are determined by modelling. The uncertainty inherent in a model approach may be difficult to manage within the CDM system</p>
<p>Project emissions, baseline emissions and leakage emissions are to be determined (by estimation or measurements) during the crediting period (decision 3/CMP.1, annex, para. 53 (a–c))</p>	<p>It would be possible to determine the project emissions through modelling and simulation</p> <p>The monitoring would be based on measurement</p>	<p>Project emissions as well as leakage can occur a long time after the crediting period</p> <p>Instead of a precise monitoring plan, only a dynamic monitoring approach may be defined</p> <p>Accurately quantifying the project emissions in the form of seepage might be a challenge</p>
<p>Project emissions, baseline emissions and leakage emissions are to be determined (by estimation or measurements) during the crediting period (decision 3/CMP.1, annex, para. 53 (a–c))</p> <p>The CDM modalities and procedures include no provisions for enforcing post-crediting period monitoring</p>	<p>The monitoring techniques are already available for the majority of possible storage sites</p> <p>Post-crediting period monitoring and endorsement of liability is possible</p>	<p>Protocols for long-term monitoring have not been established</p> <p>A time frame for the monitoring activity has not been determined</p>

Table 9 (continued)

Issues	Positive implications	Negative implications
There is also a need for verification (through periodic independent review and the ex-post determination by the designated operational entity) of the monitored reduction in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period (decision 3/CMP.1, annex, para. 61)	<p>It is possible to determine the project emissions through modelling and simulation</p> <p>As the monitoring would be based on measurement, verification of monitored emissions would be possible</p>	The time period for the verification and the dynamic nature of the monitoring would make verification challenging. Furthermore, only the quantity of CO ₂ captured and injected can be monitored and verified
Legal issues		
The CDM modalities and procedures do not provide provisions for enforcing post-crediting period liability because the crediting concerns either a permanent emission reduction already achieved or temporal credits that expire after a given period of time	<p>The host country may assume long-term liability via, inter alia:</p> <ul style="list-style-type: none"> (i) Buffer credit; (ii) Temporary credit; or (iii) A long-term institutional arrangement <p>Investor countries could also assume the long-term liability</p>	<p>Host countries may not be guaranteed to accept the long-term liability</p> <p>Actions required to ensure liability of the host country in the long term have not been defined</p> <p>Stable political, economic and institutional structures are required to be liable for surrendering credits. Stability in the long term does not necessarily exist in the liable institutional structure</p> <p>It is not clear how liability would be transferred in the event of a change in political administration</p> <p>An international regulatory and institutional framework may be required to deal with the international implications</p>
Market issues		
The risk of CCS unbalancing the carbon market would need to be explored	<p>There is no indication that CCS under the CDM would introduce a risk of unbalancing the carbon market</p> <p>CER prices would only be affected if CCS projects affected the marginal price in the market</p>	<p>There are no studies to assess possible impacts of CCS in the CDM market but credits from CCS coming to the market may affect CER prices. CCS deployment may also affect the development and deployment of renewable energy and energy efficiency technologies</p>
The possible impact on the regional distribution of CDM projects should be considered	<p>The impact of CCS on regional distribution of CDM projects is not yet known. However, it is likely that it will benefit mainly countries that are fossil fuel producers and/or users, some of which are currently underrepresented in the CDM</p>	<p>The impact of CCS on regional distribution of CDM projects is not yet fully known. However, it is likely that it will benefit mainly countries that are fossil fuel producers and/or users</p>

Table 9 (continued)

Issues	Positive implications	Negative implications
Availability of other funding mechanisms for CCS	<p>For the power sector in developing countries, additional financial incentives combined with market-based mechanisms would be needed to stimulate investment in CCS. For the other sectors, market-based mechanisms might be sufficient to stimulate investment</p>	<p>The only mature market technology for geological storage listed by the IPCC in its Special Report on CCS is enhanced oil recovery, and this type of project may not depend on CDM incentives and/or may not be additional</p> <p>Enhanced oil recovery may result in breakthrough of CO₂ and may bias site selection against more stable geological sites</p> <p>Inclusion of CCS within the CDM may place less emphasis on finding other more suitable financial mechanisms or government policies, including those within the UNFCCC</p> <p>Policies to promote CCS may be challenging to be considered under the (E+/E-) CDM rule</p>

Abbreviations: CCS = carbon dioxide capture and storage, CDM = clean development mechanism, EIA = environmental impact assessment, GHG = greenhouse gas, IEE = initial environmental examination.

Annex III

Recommendations on regional distribution of clean development mechanism project activities

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 7/CMP.1, requested the Executive Board of the clean development mechanism (CDM) to provide at its second session information on systematic or systemic barriers to the equitable regional and subregional distribution of CDM project activities, and options to address these issues. By its decisions 1/CMP.2 and 2/CMP.3, the CMP took note of recommendations on this matter made by the Board in response and encouraged it and the secretariat to continue to facilitate equitable distribution. At its most recent session,¹ the CMP noted the work undertaken by the Board to date and outlined further actions to be taken, with a focus on countries that have had limited access to the CDM.

B. Progress to date

2. In its report to the CMP at its second session,² the Board highlighted decisions it had taken in order to alleviate some of the concerns on this issue, including:

- (a) Adoption of simplified modalities and procedures for small-scale projects;
- (b) Establishment of the Designated National Authorities Forum (DNA Forum).

3. In its report to the CMP at its third session,³ the Board noted progress made in several areas, including:

- (a) The CDM Bazaar was launched to provide a web-based information exchange platform that facilitates access to, and sharing of, information among all stakeholders involved in the CDM process, in particular those from developing countries;
- (b) The Nairobi Framework was launched to bring together United Nations organizations and other international organizations with the aim of assisting developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the CDM;
- (c) The Executive Board provided guidance on CDM programmes of activities and on procedures for their registration and the issuance of certified emission reductions (CERs).

4. In its report to the CMP at its fourth session,⁴ the Board noted that enhancing the regional and subregional distribution of the CDM is a complex challenge, as factors beyond the control of the Board play an important role. Highlights from this reporting period include:

- (a) Effective interaction between designated national authorities through the DNA Forum;
- (b) Progress under the Nairobi Framework, in particular the organization of the first Africa Carbon Forum, in Dakar, Senegal;

¹ Decision 2/CMP.4, paragraphs 26 and 48–63.

² FCCC/KP/CMP/2006/4.

³ FCCC/KP/CMP/2007/3

⁴ FCCC/KP/CMP/2008/4.

- (c) Reduction of the transaction costs for least developed countries (LDCs) through abolition of the registration fee and the need to pay a share of the proceeds at issuance for CDM projects hosted in these countries.
5. The Board has continued this year in its work on enhancing regional distribution of CDM project activities, by facilitating information sharing, by focusing on the usability and applicability of methodologies and by providing additional guidance on various aspects of the CDM project cycle. Details of the work undertaken are contained in this document.

C. Recommendations

6. In order to further facilitate a more equitable distribution of CDM project activities and CDM programmes of activities and bearing in mind that an unequal regional distribution may be attributed not to the CDM rules but to other factors that influence general investment flows, the Board agreed to recommend that the CMP, at its fifth session:

- (a) Extend the abolition of the payment of the registration fee and share of proceeds at issuance to CDM projects hosted in small island developing States (SIDS);
- (b) Defer the payment of the registration fee until after the first issuance for countries (other than LDCs and SIDS) with fewer than 10 registered CDM project activities.

7. The Board further agreed to recommend that the CMP consider at its fifth session, without jeopardizing environmental integrity, the following options for countries with fewer than 10 registered projects, especially LDCs, SIDS and countries in Africa:

- (a) To request the increased use of standardized baseline and additionality benchmarks in certain sectors for CDM project activities;
- (b) To request the development of more small-scale methodologies with the potential for application in these countries;
- (c) To create a CDM project development fund, potentially revolving, by using part of the administrative proceeds of the CDM and voluntary contributions from donors, in partnership with the private sector as appropriate:
 - (i) To identify and use potential CDM project activities to facilitate related capacity-building activities, including the development of project design documents (PDDs);
 - (ii) To pay the cost of validation for these projects;

In accordance with principles and guidelines to be established by the Executive Board;

- (d) To request the development, based on the potential of CDM projects of these countries, of a positive list of project types for which compliance with the additionality tool can be assessed through the use of conservative criteria including checklists, in accordance with principles and guidelines to be established by the Board;
- (e) To authorize the top-down development of methodologies that are particularly suited for application in these countries and in relevant sectors in accordance with principles and guidelines to be established by the Board;
- (f) To introduce a requirement for designated operational entities (DOEs) to indicate all work they are undertaking on projects originated in these countries as part of their annual

activity reports, and to request this information to be included in the subsequent synthesis report presented by the secretariat to the Board for appropriate follow-up;

- (g) To encourage Parties, in a position to do so:
 - (i) To include better geographical distribution of projects as an additional criterion in the purchasing of CERs from CDM projects;
 - (ii) To provide these countries with financial support to cover the start-up costs and, if required, technical expertise required for the development of CDM project activities;
 - (iii) To provide further financial support to the activities of the Nairobi Framework;
 - (iv) To explore possible areas of synergy between CDM and microfinance through CDM programmes of activities;
- (h) To encourage Parties, where applicable, to enhance their internal procedures for issuing letters of approval;
 - (i) To encourage United Nations organizations and, in particular, partners in the Nairobi Framework to focus their capacity-building efforts on areas that are relevant to the development of CDM project activities. This should be done in close consultation with the recipient countries and in a coordinated fashion between bilateral and multilateral activities, and would include:
 - (i) Identifying potential CDM project activities, developing PDDs, assessing proposals, raising awareness, sharing information and developing methodologies that are more suitable for these countries;
 - (ii) Supporting these Parties in the creation of the necessary infrastructure, such as DNAs or CDM promotion offices;
 - (iii) Developing, and making publicly available, studies on the potential of the CDM in these countries.

8. The Board also recommends that the CMP, at its fifth session:

- (a) Recognize the ongoing efforts of Parties cooperating in the development and implementation of CDM project activities and further encourage all Parties to cooperate bilaterally to develop and implement CDM project activities, and in particular to facilitate South-South cooperation and capacity transfer;
- (b) Encourage Parties not included in Annex I to the Convention (non-Annex I Parties) to create enabling environments for CDM projects and facilitate the operations of DOEs;
- (c) Encourage closer cooperation between the DNAs of Parties included in Annex I to the Convention and non-Annex I Parties, in particular through the DNA Forum;
- (d) Encourage DOEs to establish offices in developing countries in line with the provisions of the CDM accreditation standard in order to reduce the transaction costs for those countries and contribute to a more equitable distribution of CDM project activities;
- (e) Request the secretariat to enhance the functionality of the CDM Bazaar in order to meet users' needs on the basis of the feedback received and to promote the website's use in developing countries;

- (f) Request the secretariat to enhance its support to DNAs by, inter alia:
- (i) Providing training opportunities for CDM stakeholders on the different elements of the CDM project cycle;
 - (ii) Facilitating information exchange and awareness-raising at the regional and subregional levels;
 - (iii) Developing and making publicly available studies on the potential of the CDM in these countries, working in close cooperation with local authorities.
9. In addition, the Board agreed on the following recommendations in the area of accreditation for consideration by the CMP:
- (a) To explore further enhancement of local skills through review of provisions for allocation of certain CDM functions to non-central sites by the DOEs and accredited entities (AEs);
 - (b) To consider reducing, and even subsidizing fully, the travel costs of accreditation team members by making greater use of local assessors and/or increased use of economy class tickets for short flights;
 - (c) To promote broader understanding of CDM requirements through the publication of simple, informal guides and materials;
 - (d) To encourage and provide online training material in respect of the requirements and make it available to assessment team members, DOEs, AEs and potential applicants as well as the general public;
 - (e) To invite representatives of those organizations located in developing countries that are interested in applying for accreditation to attend workshops organized for AEs and DOEs;
 - (f) To explore the possibility of collaborating with other development and capacity-building agencies to both increase local expertise and raise awareness of the CDM accreditation requirements in developing countries;
 - (g) To invite other agencies and the secretariat to conduct further analysis of the potential of the CDM in regions where there is a limited number of CDM projects.

Annex IV

Measures and recommendations to improve the efficiency of the operation of the clean development mechanism

A. Mandate

1. By its decision 2/CMP.4, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP):

- (a) Requested the Executive Board of the clean development mechanism (CDM), based on its relevant experience, to make recommendations to the CMP, for consideration at its fifth and subsequent sessions, for improving the efficiency of the operation of the CDM;
- (b) Requested the Board 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 (DOEs);
- (c) Requested the Board to make use of and further develop performance and management-level indicators and enhance the provision of information derived from these;
- (d) Reiterated its encouragement to the 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;
- (e) Requested the Board to continue to closely monitor the adequacy of the operation of its support structure, particularly should the size and value of the CDM increase as expected, to take action, as appropriate, to ensure the effectiveness of its service and to report on actions taken to the CMP at its fifth session.

2. This annex contains measures agreed by the Board during the current reporting period and recommendations for the CMP in response to these requests.

B. Measures to improve the performance of the Executive Board

Matters relating to policy guidance and the supervision of the clean development mechanism

3. The Board agreed to ensure a tight policy framework of standards and procedures (as defined in the hierarchy of decisions adopted by the Board) within which stakeholders and members of the support structure, including the secretariat, panels, working groups and other outside expertise, can conduct their work. In particular, the Board agreed:

- (a) To develop and implement a work programme, including consultation with stakeholders, for undertaking a stocktaking and systematic review of the completeness, clarity and consistency of the guidance so far established on the operation of the CDM, including the appropriateness of timelines and communication measures, and to take steps to address any issues that emerge from the review;
- (b) To consolidate and summarize all guidance provided by the CMP and the Board concerning the registration of CDM project activities and issuance of certified emission reductions, and organize it in a structured and user-friendly way;
- (c) To introduce a process to ensure that lessons learned in the operation of the CDM, including common problems identified in the course of reviews, are fed into the ongoing development of guidance;

4. The Board also agreed to strengthen its supervision of its support structure, including the secretariat, panels, working groups and other outside expertise, including by reviewing the terms of reference of panels and working groups.

5. The Board will contribute to the establishment of a training process which could raise levels of professionalism in the CDM field, based on the *Clean Development Mechanism Validation and Verification Manual*¹ and taking into account issues identified in the registration and issuance processes in relation to DOE performance. It encourages private and public institutions to develop and provide training programmes in support of this process. The Board further agreed that, if a certification process became operational, it would make the employment of certified staff a requirement under the accreditation standard for DOEs.

6. The Board agreed to make information publicly available on the performance of DOEs, including statistics.

7. The Board agreed on a policy framework to monitor performance and address non-compliance by DOEs in a more systematic manner and will be considering, at its fifty-first meeting, a proposal for the implementation of the framework, including proposed thresholds, categories of non-compliance and applicable sanctions.

8. The Board agreed to establish an appeals process against DOEs under which a project participant may refer a case to the Board where it considers that a DOE has not performed its duties in accordance with the established guidance.

Matters relating to methodologies for baselines and monitoring plans

9. The Board agreed to prioritize the consideration of large-scale methodologies submitted for approval and the development of small-scale and afforestation and reforestation methodologies in order to improve the management of the methodologies process. The Board further agreed that this prioritization of methodologies should be informed by the analysis of the use of methodologies currently being undertaken. The criteria for setting these priorities could be on the basis of emissions impact, regions and/or whether there are fewer than 10 projects in a host Party.

10. To facilitate the use of methodologies while safeguarding the environmental integrity of the CDM, the Board will continue developing conservative default parameters for use in baseline methodologies, as an alternative to setting project-specific parameters that are difficult to determine.

11. The Board agreed to increase the direct interaction between the secretariat and entities involved in developing methodologies, including project proponents, during the assessment of methodologies, in advance of panel and working group meetings, and to establish terms of reference for this interaction.

12. It further agreed to promote the awareness of methodologies, focusing on the methodologies that are used most frequently. To make methodologies more accessible to users, the Board will introduce a meaningful naming convention, classify methodologies into categories, publish summary descriptions and information on individual methodologies, and improve the search engine on the UNFCCC CDM website with regard to methodologies.

Matters relating to additionality

13. The Board agreed to establish a positive list of sectors for which conservative criteria could be used to assess additionality initially for small-scale renewable energy and energy efficiency projects, as an alternative to using the additionality tool. The Board requested the secretariat to conduct a study to determine project thresholds for this list.

¹ <<http://cdm.unfccc.int/Reference/Manuals/index.html>>.

14. The Board agreed to provide more guidance on the use of the additionality tool, such as best practice in barrier analysis, including first-of-its-kind analysis, and detail on the application of investment and common practice analysis.

Matters relating to registration of project activities and issuance of certified emission reductions

15. The Board agreed that the scopes of reviews are to include more comprehensive information that clearly indicates the reasons for the review. The Board further agreed that, in ensuring that reviews focus on the defined scopes, the reviews are to clearly reference previous rulings, to the extent possible, and be clearly documented in the reports of the meetings of the Board.

16. It also agreed to increase the interaction (including by telephone) between DOEs and the secretariat once a review has been requested and the scope has been defined, and to establish terms of reference for this interaction.

17. The Board reaffirmed its interest in receiving more information on the impact of its rulings and wishes to remind CDM stakeholders, in particular project participants, of their right to raise concerns with the Board, including grievances over validation, completeness checks and rulings in specific cases. The Board will establish a formal procedure for its consideration of such correspondence, including through an item on the agenda of each Board meeting.

18. The Board shall strive to ensure that rulings, to the extent possible, are consistent with previous rulings of the Board for similar cases.

Matters relating to the Executive Board

19. The Board agreed to focus its meetings on establishing guidance in the form of mandatory standards and procedures (as defined in the hierarchy of decisions adopted by the Board), modifying and adding to them as necessary, and ensuring that the operation of the CDM conforms to this guidance.

20. The Board agreed that it will implement a structured way of recording its decisions and rulings, and the rationale behind them. The Board further agreed that its meeting reports should summarize the policy discussions it holds during meetings.

21. To enhance the CDM communications strategy, the Board plans to publicize exemplary CDM projects and develop, through a competition involving designated national authorities (DNAs) and other stakeholders, a CDM project plaque to identify CDM projects.

Matters relating to the Board's support structure

22. In order to improve the efficiency of its work, the Board agreed to assign further work on technical issues to members of its support structure, including the secretariat, panels, working groups and other outside expertise.

23. The Board agreed that the secretariat should ensure it has access to all the technical expertise it requires, through internal or external resources, in order to support the Board in its case rulings and other decisions. The Board further agreed that relevant international organizations should be engaged in an advisory capacity to supplement the expertise of the support structure.

24. In addition to adopting its annual management plans, and with a view to improving its forward planning of activities and resources, the Board will adopt a rolling prospective plan for the subsequent two years and review this plan every six months.

25. The Board agreed that its management plans should include the provision of dedicated training resources to ensure the development of required skills and expertise in secretariat staff, Board members and alternates, and external experts included in the support structure.

26. The Board requested the secretariat to ensure that:
- (a) It provides new members and alternates of the Board with a thorough orientation process;
 - (b) It employs staff with expertise in technical analysis, executive presentation of issues to the Board, and public communication;
 - (c) It strengthens its quality management system to ensure a high quality of the work that it presents for the consideration of the Board.

C. Recommendations

27. The Board recommends that the CMP:
- (a) Request the Board to streamline the registration and issuance processes;
 - (b) Further request the Board to adopt as soon as possible, and subsequently apply on an interim basis, revised procedures for registration, issuance and review, under which alternative timelines to those defined in decision 3/CMP.1, annex, paragraphs 41 and 65, and decision 4/CMP.1, annex II, paragraph 24, can be applied;
 - (c) Revoke annexes III and IV to decision 4/CMP.1 containing the existing procedures for review;
 - (d) Request the Board to ensure that the revised procedures for review:
 - (i) Provide DOEs and project participants with adequate opportunity to address issues raised in reviews;
 - (ii) Include an independent technical assessment;
 - (iii) Include a process for the Board to consider objections raised by members of the Board to outcomes of assessments;
 - (e) Request the Board to continue applying its existing procedures for registration, issuance and review, pending adoption of the revised procedures referred to in subparagraph (b) above;
 - (f) Further request the Board to report to the CMP at its sixth session on the impact of the interim implementation of the revised procedures;
 - (g) Take note of the Board's decision to allow each member to delegate the authority to request a review to his or her alternate for a limited period;
 - (h) Request the Board to establish a procedure for considering appeals in relation to rulings on registration and issuance brought by any stakeholders directly affected by the ruling in question.
28. The Board further recommends that the CMP:
- (a) Encourage DNAs to publish the criteria they use in assessing the contribution of project activities to sustainable development;
 - (b) Reiterate to Parties the importance of members and alternates of the Board possessing the appropriate competence to supervise the CDM and being in a position to commit a significant portion of their time to the matters of the Board;

- (c) Encourage Parties to give active consideration to the nomination of women as Board members and alternates, in accordance with decision 36/CP.7.
- - - - -