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Matters 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 undertaken by the Executive Board of the clean development mechanism (CDM) from 18 September 2016 to 22 September 2017. Work focused on simplifying the mechanism and promoting its use in the international response to climate change, including through new applications in support of climate finance. The period saw a slight increase in project registrations and a 36 per cent increase in issuance of certified emission reductions (CERs) compared with 2016. Despite these increases, demand for the CDM and its CERs remains low compared with demand in the first commitment period of the Kyoto Protocol, which ended in 2012. This report includes a request for guidance from, and a recommendation for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its thirteenth session. Also included is an encouragement related to Article 6, paragraph 4, of the Paris Agreement.

* 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 CDM Executive Board (hereinafter referred to as the Board) reports 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 reviews such reports, provides guidance and takes decisions, as appropriate.

B. Scope of the report

2. This annual report provides information on progress made in implementing the CDM during the period from 18 September 2016 to 22 September 2017 (hereinafter referred to as the reporting period)² and includes recommendations for consideration at CMP 13. It describes the status of the CDM, highlights the achievements, opportunities and challenges relating to the operation of the CDM and provides information on the governance, management and financial status of the mechanism. Further information is available on the CDM web pages,³ which are the central repository of all reports and other documentation relating to the Board.

3. The outcomes of the Board's 97th meeting (EB 97⁴), to be held after the publication of this report, will be reported orally by the Chair of the Board, Mr. Frank Wolke, to CMP 13.

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

4. CMP 13, in taking note of this report, may wish:

(a) To note the work of the Board in response to requests of CMP 12 (see chapter III below and annex I);

(b) To designate operational entities that have been accredited and provisionally designated by the Board (see annex II);

(c) To provide guidance on matters covered by this report, particularly in response to the request for guidance found in paragraph 60 below;

(d) To consider the encouragement and recommendation by the Board (paragraphs 11 and 117 below respectively).

5. The CMP is to elect Board members for a term of two years, upon receiving nominations from Parties, as follows:

(a) Two members and two alternate members from Parties not included in Annex I;

(b) One member and one alternate member from the Alliance of Small Island States;

(c) One member and one alternate member from the Eastern European States;

(d) One member and one alternate member from Parties included in Annex I.

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

² The information in this report covers the period from 18 September 2016 to 22 September 2017, in accordance with decision 1/CMP.2, paragraph 11, and decision 2/CMP.3, paragraph 7, unless otherwise indicated.

³ <http://cdm.unfccc.int/>.

⁴ Other meetings will also be referred to using this abbreviation formula.

II. Status of the clean development mechanism

A. The clean development mechanism in numbers

6. In 2017, the CDM has continued to face low demand for certified emission reductions (CERs) compared with that in the first commitment period of the Kyoto Protocol, which ended in 2012. Project registration and issuance of CERs also remain low compared with those in the first commitment period. However, there has been a slight increase in project registration and issuance of CERs in 2017 compared with in 2016. Table 1 shows numbers of projects registered, projects issued with CERs and total CERs issued (including programmes of activities (PoAs)).

Table 1

Numbers of projects registered, projects issued with certified emission reductions and certified emission reductions issued (including programmes of activities)

<i>Reporting period</i>	<i>Projects registered^a</i>	<i>Projects issued with CERs^b</i>	<i>CERs issued</i>
1 October 2011 to 30 September 2012	1 747	1 256	264 495 437
1 October 2012 to 30 September 2013	2 181	1 779	379 458 772
1 October 2013 to 30 September 2014	208	575	104 113 269
1 October 2014 to 30 September 2015	122	465	129 451 024
1 October 2015 to 30 September 2016	65	434	105 331 578
1 October 2016 to 22 September 2017	53 ^c	456	144 104 689

Abbreviation: CERs = certified emission reductions.

^a The number of projects registered was calculated using the effective date of registration.

^b "Projects issued with CERs" refers to projects that completed the issuance of CERs during the reporting period.

^c Please note that this figure was calculated using the date of registration action instead of the effective date of registration.

B. Achievements and opportunities

7. The CDM was created as a Kyoto Protocol tool with the twin aims of providing flexibility to Parties included in Annex I in complying with their quantified emission limitation and reduction commitments and assisting Parties not included in Annex I to the Convention in achieving sustainable development.

8. During the first commitment period of the Kyoto Protocol, the CDM successfully fulfilled its role of providing flexibility to Parties included in Annex I, which collectively used more than 1 billion CERs towards Kyoto Protocol compliance. Almost 1.9 billion CERs have been issued in total, available for compliance in the second commitment period, or for any non-compliance use, for example as part of companies' social corporate responsibility efforts.

9. In addition, the CDM has assisted Parties not included in Annex I in moving towards their sustainable development goals by catalysing the registration of more than 8,000 projects and PoAs in 111 countries. Thus, the mechanism has demonstrated its potential as a tool for mobilizing investment in climate action and as a driver for sustainable development.

10. From its inception, the CDM has been a pioneer in the measurement, reporting and verification of the mitigation outcomes achieved by specific activities on the ground, and has evolved and continuously improved over time. The Board continues to hold the view that the CDM is the world's leading example of a baseline-and-crediting mechanism, that it provides a ready-made tool for use in the international response to climate change, with a wealth of experience and lessons learned.

11. The Board encourages the Parties to draw on the experience gained with and lessons learned from existing mechanisms and approaches as recommended by the Conference of

the Parties (COP)⁵ in preparing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement.

12. In the meantime, the CDM continues to be used both by Parties to meet their commitments under the Kyoto Protocol and by non-Party stakeholders for purposes not related to targets under the Kyoto Protocol (see chapter III.A below). The Board, with the encouragement of the CMP, continues to explore and support these expanded uses to ensure that the CDM is used in the best way by all, that its emission reductions continue to be recognized, and that it continues to assist in the achievement of sustainable development for host Parties.

C. Challenges faced by the clean development mechanism

13. Despite its successes, the CDM faces high uncertainty and very low demand. External limiters of CER demand, for example restrictions set by some buyers on the quantity, type and origin of CERs, and uncertainty regarding whether and how CERs can be used in the future have led to a drastic decrease in CER prices.

14. Owing to the low demand for CERs and the resulting generally low CER price, many CDM projects have stopped issuing CERs. Approximately 41 per cent of the projects that had CERs issued up to 31 December 2012 (the end of the first commitment period of the Kyoto Protocol) have not had further CERs issued.

15. On the other hand, new opportunities for demand have emerged, both in terms of potential use of CERs as a means to increase post-2020 ambition in nationally determined contributions (NDCs) and under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), adopted by the International Civil Aviation Organization (ICAO), to be launched in 2021.

16. The decline in CDM activity has continued to affect the mechanism's third-party validators and verifiers, namely the designated operational entities (DOEs). In the reporting period, four DOEs voluntarily withdrew their accreditation in its entirety and two DOEs did not apply for reaccreditation and let their accreditation expire. There are now 30 DOEs for the validation and verification of projects and certification of emission reductions, down from 36 as at 1 October 2016 (see para. 22 below).

17. Many Parties have developed their NDCs under the Paris Agreement on the basis of anticipated access to and participation in an international carbon market. Without continued utilization and support for the CDM, there is a risk that necessary capacity, knowledge and expertise will be further diminished. Once lost, it will either not be available to support an international carbon market in the future, or significant capacity-building will be required to re-establish it.

III. Work undertaken in the reporting period

A. Rulings, regulatory matters and various work to improve and promote the clean development mechanism

18. This section describes the work of the Board in the reporting period, including its response to requests made and encouragements given by the CMP.

19. During the reporting period, in response to decision 3/CMP.12, paragraph 5, the Board continued to improve the CDM through the adoption of new or revised regulatory documents, including the creation of two sets of the CDM project standard, the CDM validation and verification standard and the CDM project cycle procedure (one set for project activities and the other set for PoAs), the CDM glossary, the sampling standard, the CDM accreditation procedure and the procedures relating to managing the support structure of the Board.

⁵ Decision 1/CP.21, paragraph 37(f).

20. Annex I contains an overview of the deliverables of the Board in response to the requests and encouragements of CMP 12. A list of the regulatory documents (standards, procedures, guidelines, clarifications, information notes, amendments and glossaries) approved or revised by the Board during the reporting period can be found in annex III.

Rulings

(a) Rulings related to accreditation

21. The Board revised the CDM accreditation procedure to require one mandatory performance assessment every 20 months instead of every year. The Board also clarified that the launching of performance assessments is subject to a DOE making at least one submission of a request for registration or at least one monitoring report publicly available during the five-year accreditation term. The revised CDM accreditation procedure also makes the timing of the payment of accreditation fees more flexible and includes a process flow chart.

22. In the reporting period, four DOEs voluntarily withdrew their accreditation status in its entirety; two DOEs did not apply for reaccreditation and let their accreditation expire. Also, the Board suspended, on a provisional basis pending the decision of the CMP, the accreditation of two DOEs for certain sectoral scopes and subsequently lifted the suspension for one DOE. There are now 30 DOEs for the validation and verification of projects and certification of emission reductions, down from 36 as at 1 October 2016. The Board recommends the entities listed in annex II for designation or suspension at CMP 13 for the sectoral scopes indicated.

(b) Rulings related to the registration of project activities and programmes of activities and the issuance of certified emission reductions

23. In the reporting period, a total of 149,943,790 CERs were issued. Temporary certified emission reductions (tCERs) and long-term certified emission reductions (ICERs) were not issued during that period. This brings the total number of CERs issued as at 22 September 2017 to 1,872,932,084, which includes 1,861,199,130 CERs, 11,227,869 tCERs and 505,085 ICERs.

24. Of the total CERs issued as at 22 September 2017, 1,477,529,971 were issued for the first commitment period of the Kyoto Protocol and 395,402,113 for the second commitment period. Of the total tCERs issued, 11,218,844 were issued for the first commitment period and 9,025 for the second commitment period. All 505,085 ICERs were issued for the first commitment period.

25. Table 2 shows registration- and issuance-related requests in the period from 18 September 2016 to 22 September 2017 and figure 1 shows the percentage distribution of registered project activities, PoAs and component project activities (CPAs) by UNFCCC region.

Table 2

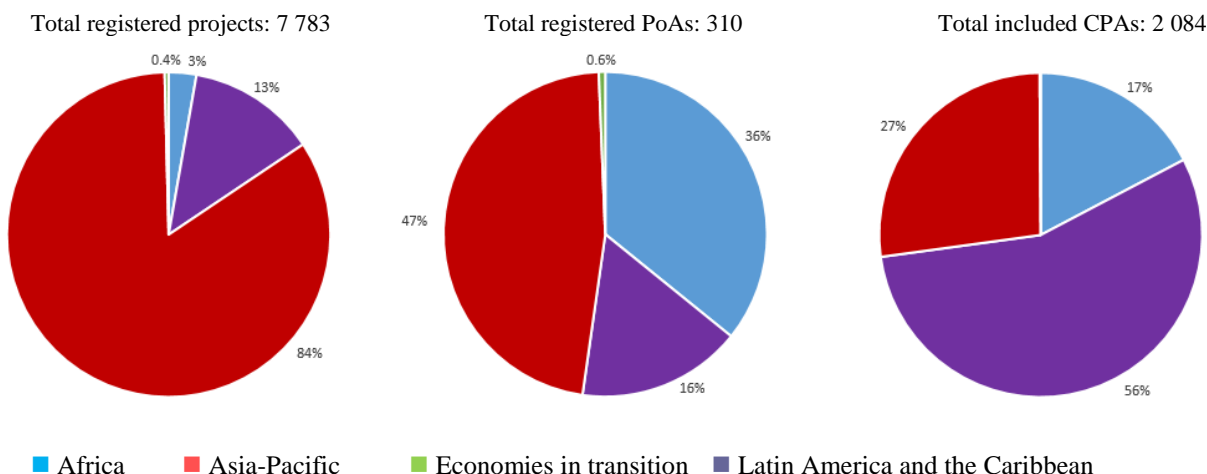
Clean development mechanism registration- and issuance-related requests in the period from 18 September 2016 to 22 September 2017

<i>Request</i>	<i>Number of requests submitted^a</i>	<i>Number of finalized requests^b</i>
Project: registration	74	59
Project: issuance	478	548
Programme of activities: registration	16	13
Programme of activities: issuance	104	40
Renewal of crediting period	101	106
Post-registration changes	50	47
Component project activities	94	103

^a "Requests submitted" comprises submissions and resubmissions after incompleteness.

^b "Finalized requests" comprises registered, withdrawn and rejected requests submitted within the reporting period and requests submitted prior to the reporting period that entered the processing pipeline during the reporting period.

Figure 1
Percentage distribution of registered project activities, programmes of activities and component project activities by UNFCCC region



Abbreviations: CPAs = component project activities, PoAs = programmes of activities

26. The number of projects and PoAs that had received issuance by the end of the reporting period is 3,086 and 49, respectively. Of the total CERs issued, 11,194,682 CERs were issued for PoAs by the end of the reporting period.

27. At the Board’s request, in early 2016 the secretariat prioritized the processing of requests for registration and issuance submissions. As a result, the waiting time for commencing completeness checks, which was around 28 days during September 2016, was reduced to less than 10 days by October 2016. Since then, the waiting time has been maintained at less than two weeks.

28. Details on transactions with CERs, including forwarding and voluntary and administrative cancellation, are provided in table 3.

Table 3

Overview of completed transactions in the clean development mechanism registry

Transaction type	Total as at 22 September 2017		18 September 2016 to 22 September 2017	
	Transactions	Units	Transactions	Units
Issuance transactions	10 078	1 872 932 084	616	149 943 790
Share of proceeds transactions to the Adaptation Fund account	9 941	37 185 945	580	2 913 304
Internal and external forwarding transactions	17 832	1 572 209 203	881	58 565 320
Transactions from the Adaptation Fund account to the registries of Parties included in Annex I	315	26 308 284	18	352 807
Voluntary cancellation transactions	2 290	23 580 678	1 085	9 853 833
Administrative cancellation transactions	6	1 035 475	0	0

29. The Board has received two requests for the voluntary deregistration of CDM project activities since the implementation of the procedure for voluntary deregistration in February 2015. No requests for deregistration were received in the reporting period.

30. Detailed figures can be found on the CDM web pages.⁶

⁶ <http://cdm.unfccc.int/Statistics/Public/index.html>.

(c) **Rulings related to share of proceeds**

31. Under the CDM rules, share of proceeds (SOP) for administrative expenses is due to the CDM Trust Fund at registration of CDM activities and at issuance of CERs. The operationalization of the rules related to issuance has required project participants to pay SOP prior to being granted access to their CERs, so that forwarding or voluntary cancellation may occur. This practice has been applied consistently since the beginning of the CDM operations.

32. With the decline of the CDM market, project participants have not initiated forwarding or voluntary cancellation of CERs for an increasing number of approved requests for issuance. As at 22 September 2017, there were more than 299 million CERs held in the pending account of the CDM registry, which represents approximately USD 53.4 million in uncollected SOP. When the SOP is not collected, the costs associated with administrative services rendered are left uncovered.

33. Considering the growing trend for uncollected SOP, at EB 95 the Board agreed to amend the SOP practice as follows:

(a) For upcoming requests for issuance, to collect SOP prior to the secretariat commencing the completeness check of the issuance requests;

(b) For approved requests for issuance with uncollected SOP, to allow partial payments of SOP to enable project participants to access the corresponding proportion of CERs for forwarding or voluntary cancellation.

34. The decision of the Board with respect to upcoming requests for issuance will better align SOP practice with decision 7/CMP.1, paragraph 37, which specifies SOP collection as being before issuance. The decision with respect to already approved requests for issuance will provide project participants with greater flexibility in meeting the costs of SOP, with a view to increasing collection for the CDM Trust Fund.

B. Regulatory matters

1. Online platform for voluntary cancellation of certified emission reductions and promotion of voluntary cancellation of certified emission reductions

35. In September 2015, the Board launched the online platform for voluntary cancellation of CERs⁷ (hereinafter referred to as the platform). The platform allows project participants to offer CERs for immediate voluntary cancellation to the public and issues cancellation certificates to the purchasers.

36. In the reporting period, a total of 95,561 CERs were cancelled in 740 individual transactions on the voluntary cancellation platform at an average price of USD 1.26. A total of 1.87 million CERs are now available from 48 projects on the platform, which offers the cancellation of CERs at prices between USD 0.38 and 8.50.

37. Work on deploying French and Spanish language versions of the platform is ongoing and expected to be completed by the end of 2017. In addition, work on improving the user experience of the platform on the basis of an independent expert review conducted in 2016 has begun and is expected to be completed in 2018.

38. The platform was promoted by the secretariat in the context of the secretariat's Climate Neutral Now initiative. In April 2017, a partnership agreement with Carbon Trade Exchange was concluded by the secretariat to allow the offering and cancellation of CERs through technical arrangements between the CDM registry and partners on a non-exclusive basis. By late July 2017, the first two CDM projects had listed CERs on Carbon Trade Exchange, and three cancellation transactions were made, for 10,600 CERs. The first transaction was executed on 9 August 2017.

39. In the reporting period, a total of 9.7 million CERs were voluntarily cancelled directly in the CDM registry. Of these, based on information uploaded to the CDM web pages, over 4.6 million CERs for use in the offset programme of the Republic of Korea and over 0.3 million CERs for use in the Verified Carbon Standard Program. The remaining 4.8

⁷ <http://offset.climateneutralnow.org/>.

million CERs were cancelled mainly by private sector entities with the aim of achieving climate neutrality. These voluntary cancellations in the CDM registry represent an increase of approximately 250 per cent over the previous reporting period. Information about CERs cancelled in national registries is not available since the registries do not share such information.

2. Accreditation system

40. In response to decision 3/CMP.12, paragraph 6, the Board consulted the CDM Accreditation Panel (CDM-AP) and the DOE and accredited independent entity (DOE/AIE) Coordination Forum, and launched a survey to analyse the overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs.

41. Based on the analysis (contained in annex IV of this report) the Board noted that the internal operational costs of the DOEs on average represent 94 per cent of the total cost. The accreditation fees and direct costs related to assessments are on average just 6 per cent of the overall costs of DOEs.

42. However, given the low response rate to the survey (around 30 per cent) and the diverse working conditions of DOEs with the resulting wide range of person-day rates, the Board recommends that the CMP exercise caution when inferring any conclusions from the findings.

3. Project cycle

43. In response to the request in decision 6/CMP.11, paragraph 6, the Board continued to consider ways to simplify and streamline the CDM and agreed on several changes, including:

(a) Clarifying the conditions for exemption from on-site inspection at the validation and verification stages, and reducing the sample size for geographically scattered project activities;

(b) Simplifying the inclusion of CPAs in a PoA, including a further simplified process for CPAs that are deemed automatically additional, and allowing the reinclusion of excluded CPAs in a PoA;

(c) Extending the validity of applied methodologies for resubmissions of requests for registration, and allowing voluntary updates and changes to an applied methodology after registration;

(d) Increasing the flexibility of changes to the start date of the crediting period, and removing the requirement for project participants and coordinating/managing entities to update the status of project or programme implementation after their registration;

(e) Simplifying the post-registration change process, allowing a free choice of the approval track irrespective of the type of changes;

(f) Clarifying the types of information required for requesting authorization of a DOE to perform both validation and verification for the same project activity or PoA; providing unlimited flexibility to verification schedules for PoAs; and allowing the change of a DOE at the validation and verification stages;

(g) Allowing debundling and flexible verification schedules for bundled project activities.

44. The Board incorporated these agreed changes into the newly adopted regulatory documents for CDM project activities and PoAs: the CDM project standard, validation and verification standard and project cycle procedure, and the revised sampling standard.

4. Programmes of activities

45. In response to the request in decision 6/CMP.11, paragraph 18, the Board developed a set of regulatory documents specifically for PoAs by separating and consolidating the requirements applicable only to PoAs from those only applicable to project activities, as referred to in paragraph 44 above.

5. Materiality

46. The Board, at EB 93, agreed to defer work on requirements relating to the application of materiality in the validation process⁸ owing to the decreased level of validation activities in the CDM and to give priority to the assessment of registration and issuance submissions (see para. 27 above).

6. Simplification and streamlining of methodological standards

47. The Board undertook a broad range of activities in 2017 to simplify and streamline methodologies. The following are more prominent examples.

48. The Board approved two new methodologies for activities that reduce losses from electricity transmission and distribution grids (e.g. using low-resistivity power transmission lines, and reactive power compensation). Energy efficiency in power transmission systems is an area underrepresented in the CDM. The approved methodologies will expand the coverage of eligible measures for energy efficiency under the mechanism.

49. The Board also approved a methodology for the introduction of new efficient district cooling systems to displace existing inefficient residential and commercial cooling systems. The new methodology also includes simplified approaches for showing additionality and baselines based on conservative benchmarks.

50. The Board revised the methodology for recovery and recycling of materials from solid waste to expand the coverage of eligible materials (e.g. recycling of metals is now covered by including conservative default factors).

51. The Board conducted a gap analysis of available methodologies for mitigation actions in cities and subsequently initiated the development of a guideline to facilitate the development of CDM project activities and PoAs in the urban context with the aim of simplifying the requirements. This included using tiered approaches for monitoring in order to reduce transaction costs, thereby offering a choice between conservative default values drawn from existing proven databases and direct measurement, in response to decision 3/CMP.12, paragraph 8.

52. The Board also conducted a gap analysis of available methodologies for transport sector applications and subsequently initiated work to develop new methodologies for lightweight, two- or three-wheeled personal transportation and for lower-emitting public transportation systems.

53. The Board further conducted a gap analysis and initiated the revision of existing agriculture methodologies to expand the types of measure eligible (e.g. to include more measures as eligible measures for reducing emissions from milk production).

54. The Board continued its work on the revision of the tool to calculate the emission factor for an electricity system. The work is to address the data barriers in small isolated grids in small island developing States and the least developed countries and to enhance the clarity of the requirements relating to the demonstration of transmission constraints.

55. The Board initiated work to revise the methodologies for clean cookstoves. The work included improved guidance on determining the project- or country-specific fraction of non-renewable biomass values.

56. The Board expanded the application of the biodiesel methodology to include biofuels and developed a user-friendly tool to estimate the emission reductions from biofuel projects.

57. The Board also expanded the positive list of technologies under the CDM by including biomass internal gasification combined cycle, and, to expand coverage, revised the procedures to demonstrate additionality for rural electrification projects.

58. In response to decision 3/CMP.12, paragraph 9, the Board took note of a demonstration of its newly developed tool for digitizing project and programme design document forms. The Board will consider further work on this matter in the context of its management plan (MAP) for 2018.

⁸ Decision 3/CMP.9, paragraph 21.

59. Further, in response to decision 6/CMP.11, paragraph 17, the Board continued its work in assessing methodologies and tools to ensure environmental integrity and additionality. During the reporting period, the Board continued its work on improving the provisions related to the common practice analysis and first-of-its-kind project activities and the existing combined tool to identify the baseline scenario and demonstrate additionality to make it applicable to all types of project activity.

60. The Board, while considering the matter of eligibility under the CDM of a shift from non-renewable biomass to liquefied petroleum gas for end users, noted that the CMP decided that the Board may, if necessary, revise the methodologies called “Switch from non-renewable biomass for thermal application by the user” and “Energy efficiency measures in thermal applications of non-renewable biomass” without the need to make recommendations to the CMP (decision 2/CMP.3, paragraphs 24 and 25). The Board considered whether it may initiate the development of a methodology on shifting from non-renewable biomass to low-carbon intensive fossil fuels, such as liquefied petroleum gas, for end-users without going back to the CMP. The Board could not reach a consensus and seeks guidance from the CMP on whether the Board may develop this methodology.

7. Cost-effective and context-appropriate approaches to monitoring, reporting and verification with a focus on project activities involving households and communities

61. In response to decision 6/CMP.11, paragraph 15, and with a view to reducing transaction costs, the Board:

(a) Simplified the requirements for sample-based surveys by allowing surveys that cover a group of project activities or PoAs, and the requirements for using sample-based surveys in validation and verification;

(b) Approved the approach to addressing data gaps in monitoring for project activities involving households and communities, for inclusion in related methodological tools.

8. Standardized baselines

62. The Board initiated work to elaborate sector-specific tools and guidelines for refrigeration, air conditioning and building energy efficiency. At EB 94, the Board considered the draft of the new methodological tool titled “Determination of standardized baselines for energy-efficient refrigerators and air conditioners”, and provided guidance to the Methodologies Panel (MP) and the secretariat on its further improvement.

63. The Board approved four standardized baselines, bringing the total approved standardized baselines to date to 39. A further 21 standardized baselines are in process, including 5 that the Board approved for development under the top-down process, initiated at the request of CDM designated national authorities (DNAs) from underrepresented countries: 3 in the power sector and 2 in the transport sector.

9. Direct communication with stakeholders

64. During the reporting period, 317 queries from stakeholders seeking clarification on CDM rules and regulations, including 39 communications addressed to the Board, were processed.

65. To further improve the stakeholder communication process, the Board, at EB 90, adopted two key performance indicators. These will be reported on annually along with two previously adopted indicators relating to the process for answering queries from external stakeholders. A report detailing the annual performance against each of these four key performance indicators in 2016, together with reporting on all other key performance indicators, was published on the CDM web pages.⁹

⁹ https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20170519145256364/CDM%20KPI%20Report%202016_19May2017.pdf.

C. Financing the clean development mechanism through international climate financing institutions and options for using the clean development mechanism as a tool for other uses

66. In response to decision 6/CMP.11, paragraph 7 and 8, and decision 3/CMP.12, paragraph 4, the Board, at EB 95, took note of an update from the secretariat on activities being undertaken to support the use of the CDM as a tool for other uses. The activities undertaken are included under the five subcategories.

67. Future role of the CDM or its elements in the context of the Paris Agreement and the use of CERs as a compliance instrument in emissions trading schemes: the Board held a side event titled “CDM and NDCs – the way forward” at the forty-sixth sessions of the subsidiary bodies, thereby contributing to increasing awareness about potential future uses of the CDM. In addition, the three regional carbon forums held during the reporting period enhanced awareness about the potential use of CERs post Paris Agreement. Further, the regional collaboration centres (RCCs) supported 21 Parties in developing their NDCs, which reflected potential use of the CDM. Also, technical inputs were provided on potential means to operationalize the use of CERs in national emissions trading systems (e.g. emissions trading systems under consideration in South Africa and Côte d’Ivoire).

68. Encouraging aviation and maritime companies to commit to greenhouse gas emission reductions: the Board requested the secretariat to monitor the development of CORSIA and to support the process, upon request by ICAO. The Board agreed to continue to work in collaboration with ICAO on the development of methodologies relevant to the aviation sector and to encourage early use of CERs for voluntary purposes in the aviation sector. Voluntary use of CERs was promoted at five aviation carbon market workshops, including using CERs for pre-2020 action under CORSIA. As part of this work, the secretariat contributed to the strategy of the International Maritime Organization for emission reduction from ships, with possible inclusion of market-based measures.

69. Engaging with the financial and investment communities to promote the use of the CDM as a tool for monitoring, reporting and verifying emission reductions: these activities primarily assist in arranging co- and refinancing of CDM project activities that face barriers to financing operations. Recognizing that this support could also benefit national financial institutions in other countries, the Board agreed in 2017 to support an additional activity: providing technical support, as well as support in convening stakeholders, requested by a national development bank in a frontier financial market.

70. Supporting additional emission reductions through voluntary cancellation of CERs (see paras. 35–39 above).

71. Further use of the CDM or its elements to verify the mitigation impact of activities supported by development agencies and multilateral development banks: the Board, through the secretariat, is supporting initiatives such as the World Bank’s Carbon Initiative for Development and Pilot Auction Facility by providing input on methodological, procedural and other implementation issues (these initiatives have created a potential demand for over 25 million CERs and more areas for coverage are being planned). The Board is also supporting various initiatives for the application of technology and innovation that can potentially facilitate further use of the CDM, for example an initiative of the United Nations Development Programme (UNDP) to use crowdfunding and blockchain technology (e.g. Alternative Financing Lab in association with SolarCoin), initiatives of the European Bank for Reconstruction and Development for automation in monitoring CDM renewable energy systems, and an initiative of the Food and Agriculture Organization of the United Nations for harmonizing residential wood fuel data collection through national and international surveys.

D. Improving the regional distribution of project activities under the clean development mechanism

1. Support to designated national authorities

72. The Board continued to provide support to DNAs, including through:

(a) Regional training events in Benin, Colombia, Honduras, Madagascar, Mongolia, Pakistan, Panama, the Philippines and Thailand through the CDM RCCs;

(b) The 17th Global DNA Forum meeting, held in Marrakech, Morocco, in November 2016 prior to CMP 12. Together with offering an opportunity for sharing information, views and experience, the forum saw the launch of the Nairobi Framework Partnership (NFP) project portfolio, consisting of 21 projects elaborated over the past year by the partners, with some 80 DNAs from Africa, Asia and Latin America and the Caribbean. The forum also elected new regional and global co-chairs. The event raised the profile of the CDM so that it can continue to contribute to climate action in developing countries under the new climate framework emerging under the Paris Agreement. Also, it laid a solid foundation for the DNA Forum to effectively contribute to shaping the future of the CDM;

(c) The 18th Global DNA Forum meeting, held in Bonn, Germany, in September 2017. At the meeting, DNAs stated that the CDM should continue to spur emission reductions and sustainable development on the ground to help countries, companies, organizations and individuals meet their climate goals under the Paris Agreement;

(d) NFP working sessions with African DNAs at the Africa Carbon Forum, held from 27 to 30 June 2017 in Cotonou, Benin;

(e) Engagement with the co-chairs of the DNA Forum in stakeholder consultations at EB 94 and EB 96.

73. In response to expressions of interest submitted by DNAs in developing standardized baselines through the top-down process, the Board approved five requests for the development of standardized baselines in the power and transport sectors.

2. Clean development mechanism Loan Scheme

74. The CDM Loan Scheme, launched in April 2012 and operated by the United Nations Office for Project Services (UNOPS) as implementing agency under the supervision of the secretariat, has completed seven periods of application for loans. As at 30 June 2016, a total of 191 applications had been received, with 78 loans approved and 63 loan agreements entered into, for a total commitment of USD 6.21 million. No further loans were entered into during the reporting period as no new windows for loan applications were opened. Six loans have already been repaid, and approximately USD 304,000 of loan funds had been repaid as at 30 June 2017. As such, there are 55 loan agreements that are still active. Two are in the process of being repaid in instalments. Another five loans are awaiting repayment, of which two have successfully issued CERs.

75. Loan agreements with the least developed countries represent 68 per cent of the total (62), and loan agreements with African countries represent 74 per cent. Most loans cover PoAs (48 per cent), followed by large-scale projects (32 per cent) and small-scale projects (20 per cent).¹⁰

76. During the reporting period, the secretariat and UNOPS implemented the guidance contained in decision 3/CMP.12, paragraphs 14 and 15. This guidance recognized the difficult situation facing the loan recipients due to low CER prices and provided approaches for flexibility when addressing issues in loan arrangements. In particular, the implementing agency has been in contact with all loan recipients to identify whether they are able to continue to develop the project as a CDM project activity within the loan agreement terms. As a result, the implementing agency has identified certain loans that should be cancelled in accordance with the loan agreement terms.

¹⁰ The annual report on the CDM Loan Scheme is contained in document CDM-EB96-AA-A06.

3. Nairobi Framework Partnership

77. In the context of the NFP,¹¹ the secretariat coordinates the activities of the partners and cooperating organizations.¹² The partners met in November 2016 on the margins of COP 22 and confirmed their commitment to continue supporting the NFP to facilitate climate action through the CDM and other market-based approaches towards the climate goals defined in the Paris Agreement.

78. In the reporting period, NFP partners elaborated a medium-term work programme. The work programme is grounded in the three thematic areas defined in a report produced by consultants on the barriers to and opportunities for implementing NDCs, focusing on markets including the CDM and economic instruments to foster climate action. The work programme thematic areas are: (1) carbon market frameworks, led by the World Bank; (2) transparency and monitoring, reporting and verification, co-led by UNDP and the United Nations Environment Programme; and (3) financing mitigation action, led by UNDP.

79. Joint efforts of partners and cooperating organizations in the reporting period included organizing the Africa Carbon Forum, during which three thematic sessions on the CDM and carbon markets and one roundtable on the implementation of NFP projects were held together with DNAs, focal points, potential investors and regional experts.

80. Other NFP coordination meetings and regional forums planned for 2017 include: Latin American and Caribbean Carbon Forum (Mexico City, Mexico, 17–20 October 2017), Asia Pacific Carbon Forum (Bangkok, Thailand, 13–15 December 2017) and the NFP 2018 planning meeting in Bonn during COP 23.

81. The Board wishes to express its gratitude to the DNA of Benin for hosting the Africa Carbon Forum and to the Nairobi Framework partners and cooperating organizations for their continued work on carbon markets and mechanisms, including the CDM.

4. Regional collaboration centres

82. The first RCC was established in Lomé, Togo, in 2013 and was followed by RCCs in Kampala, Uganda; St. George's, Grenada; Bogota, Colombia; and Bangkok, Thailand. The RCC Bogotá, which has been in operation since August 2013, was moved to Panama City, Panama, in March 2017. The RCCs work in partnership with local and regional agencies and multilateral development banks to improve the regional distribution of CDM projects.¹³

83. The work of the RCCs is organized into three areas:

- (a) Provision of direct assistance to existing projects and identification of new projects;
- (b) Promotion of the use of the CDM and its CERs;
- (c) Provision of support for:
 - (i) The identification and development of new bottom-up and top-down standardized baselines;
 - (ii) The renewal of standardized baselines.

¹¹ The Nairobi Framework was launched in December 2006 by then United Nations Secretary-General Kofi Annan to spread the benefits of the CDM, especially in sub-Saharan Africa. See http://unfccc.int/secretariat/partnerships/nairobi_framework_partnership/items/9675.php.

¹² Partner agencies: African Development Bank, Asian Development Bank, International Emissions Trading Association, United Nations Environment Programme (UNEP), UNEP DTU Partnership (formerly known as the UNEP Risoe Centre, operates under a tripartite agreement between Denmark's Ministry of Foreign Affairs, the Technical University of Denmark (DTU) and UNEP), United Nations Conference on Trade and Development, UNDP, UNFCCC and World Bank Group. Cooperating organizations: Africa Low Emission Development Partnership, Climate Markets and Investment Association, Development Bank of Latin America, Institute for Global Environmental Strategies, Inter-American Development Bank and Latin American Energy Organization.

¹³ West African Development Bank, Lomé; East African Development Bank, Kampala; Windward Islands Research and Education Foundation, St. George's; Development Bank of Latin America, Panama; and Institute for Global Environmental Strategies, Bangkok.

84. Since their inception, the RCCs have: maintained contact with more than 1,000 CDM projects and PoAs; directly supported more than 675 projects and PoAs, of which 198 projects and PoAs have moved forward one or more steps through the CDM project cycle and 104 additional projects have entered the CDM pipeline; supported the development of 94 standardized baselines, of which 34 have been approved by the Board (an additional 85 potential standardized baselines have been identified); and in this reporting provided capacity-building and training at the national level through direct technical support to eight countries and through regional and subregional events in Nairobi, Kenya; Freetown, Sierra Leone; Abidjan, Côte d'Ivoire; Bangkok, Thailand; Singapore, Republic of Singapore; Melbourne, Australia; Miami, the United States of America; Panama City, Panama; and St. George's, Grenada.

85. The RCCs have scaled up assistance to developing countries in relation to: (1) CDM methodologies and standardized baselines; (2) incentivizing projects by promoting use of CERs for voluntary climate neutrality under the Climate Neutral Now initiative; (3) promoting use of the CDM as part of development and climate strategies; (4) promoting the benefits and potential broadened use of the CDM, for example in the aviation sector and to underpin climate finance; and (5) use of the CDM sustainable development tool.

E. Sustainable development co-benefits of project activities and programmes of activities under the clean development mechanism

1. Communicating the sustainable development co-benefits of clean development mechanism project activities and programmes of activities to the public

86. In response to the encouragement in decision 6/CMP.11, paragraph 21, the Board, through the secretariat, implemented a schedule of activities via the UNFCCC Newsroom web pages and social media channels to further communicate the sustainable development co-benefits of CDM project activities and PoAs. A promotional flyer was also developed and made available on the sustainable development tool microsite and the CDM web pages and via physical means at COP 22. During the reporting period, the secretariat conducted an email campaign directed at CDM project participants, PoA coordinating/managing entities and DNAs to remind them about the availability of the sustainable development tool and the benefits of publishing a CDM sustainable development co-benefits description report.

2. Improved user-friendliness of the sustainable development co-benefits tool

87. In 2014, the secretariat launched the sustainable development tool as an online web interface where project participants can, on a voluntary basis, systematically report the sustainable development co-benefits of their CDM projects and PoAs.

88. As at 22 September 2017, a total of 50 sustainable development description reports had been published, of which 13 reports were published in the reporting period.

89. In the reporting period, the secretariat received 78 requests from project participants or coordinating/managing entities for access to the sustainable development tool, of which:

- (a) A total of 36 were granted, all for registered projects;
- (b) A total of 39 were not granted, in accordance with the provisions of the sustainable development tool, owing to invalid or insufficient information being provided by the requester;
- (c) A total of 3 were duplicate requests and accordingly not processed.

90. In response to a request from the Board, the secretariat implemented measures enhancing the sustainable development tool's workflow efficiency and online interface usability, including by making it possible to search reported co-benefits. The new version of the sustainable development tool is planned for release in October 2017.

IV. Governance and management matters

91. In November 2016, the Board adopted the CDM MAP 2017 and agreed to continue its practice from the previous year of conducting a midyear review of the status of implementation of the approved MAP.

92. Further, the Board agreed to increase the duration of the MAP from a one-year plan to a two-year plan beginning in 2018 in order to better project and manage the resources needed and to ensure that the resource management decisions taken by the Board include a longer time frame for projected resource needs. The Board also agreed to review the two-year MAP at the end of its first year to make any adjustments in the work and/or resources required.

93. The Board reviewed its management plan at EB 95 taking into consideration a document on the status of implementation of the CDM MAP 2017,¹⁴ which contains an update on achievements as at 31 May 2017 against the two business plan goals, the associated three objectives under each goal, and specific products and priorities agreed at EB 92.

94. The Board and its panels and working groups met regularly during the reporting period. In addition, the secretariat organized meetings of the DNA Forum, the DOE/AIE Coordination Forum and workshops with stakeholders (see annex V).

95. During the reporting period, the CDM-AP, the MP and the Small-Scale Working Group met three times. The Afforestation and Reforestation Working Group and the Carbon Dioxide Capture and Storage Working Group did not meet during the reporting period.

96. In the spirit of prudent management of resources, the Board merged the MP with the Small-Scale Working Group to form a new MP and expanded the scope of work of the MP to include work relating to small-scale methodologies, effective September 2017. The merged MP will operate with a reduced number of experts (see paragraph 47).

97. At EB 94, the Board appointed experts to the CDM-AP, new MP and the Registration and Issuance Team. The experts were selected from the applications received in response to a call launched in November 2016.

A. Membership issues

98. At CMP 12, 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 4.

Table 4

Members and alternate members of the Executive Board of the clean development mechanism

<i>Members</i>	<i>Alternate members</i>	<i>Nominated by</i>
Mr. Amjad Abdulla ^a	Mr. Gerald Lindo ^a	Small island developing States
Mr. Maosheng Duan ^a	Mr. José Miguez ^a	Parties not included in Annex I
Mr. Balisi Gopolang ^b	Mr. El Hadji Mbaye Diagne ^b	African States
Mr. Kazunari Kainou ^b	Mr. Lambert Schneider ^b	Parties included in Annex I
Mr. Olivier Kassi ^b	Mr. Martin Enderlin ^b	Western European and other States
Ms. Natalie Kushko ^a	Ms. Diana Harutyunyan ^a	Eastern European States
Mr. Arthur Rolle ^b	Mr. Eduardo Calvo ^b	Latin American and Caribbean States
Mr. Muhammad Tariq ^b	Mr. Daegyun Oh ^b	Asia-Pacific States
Mr. Frank Wolke ^a	Mr. Piotr Dombrowicki ^a	Parties included in Annex I

¹⁴ Available at <http://cdm.unfccc.int/Meetings/MeetingInfo/DB/WI3AR50OPCF8STQ/view>.

<i>Members</i>	<i>Alternate members</i>	<i>Nominated by</i>
Mr. Washington Zhakata ^a	Mr. Moises Alvarez ^a	Parties not included in Annex I

^a Term: two years (i.e. ending prior to the first meeting in 2018).

^b Term: two years (i.e. ending prior to the first meeting in 2019).

Election of the Chair and Vice-Chair of the Board

99. The Board, at EB 93, elected Mr. Frank Wolke, from a Party included in Annex I, as Chair and Mr. Arthur Rolle, from a Party not included in Annex I, as Vice-Chair. Their tenures will end just before the first meeting of the Board in 2018.¹⁵

100. The Board expressed its appreciation to the Chair and Vice-Chair for their excellent leadership of the Board in 2017.

B. Meetings of the Executive Board

101. In the reporting period, the Board held five meetings (see table 5). The annotated agendas for the Board meetings, documentation supporting agenda items and reports containing all agreements adopted by the Board are available on the CDM web pages.¹⁶

Table 5

Meetings of the Executive Board of the clean development mechanism from 18 September 2016 to 22 September 2017^a

<i>Meeting</i>	<i>Date</i>	<i>Location</i>
Ninety-second	31 October to 4 November 2016	Marrakech, Morocco
Ninety-third	20–23 February 2017	Bonn, Germany
Ninety-fourth	2–4 May 2017	Bonn (in conjunction with the sessions of the subsidiary bodies)
Ninety-fifth	11–13 July 2017	Bonn
Ninety-sixth	18–22 September 2017	Bonn

^a The Executive Board of the clean development mechanism will hold its 97th meeting from 30 October to 3 November 2017 in Bonn, Germany, in conjunction with the thirteenth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

C. Interaction with forums and stakeholders

102. The Board and its support structure continued their work with CDM stakeholders during the reporting period, including with DNAs through the DNA Forum and interaction with the DNA Forum's co-chairs at two meetings of the Board, and with DOEs through the DOE/AIE Coordination Forum's interaction with the Board at each meeting.

103. Stakeholders were given the opportunity to express their views on the development and implementation of the CDM rules and to seek clarification on those rules through communication with the secretariat and the Board. A report including a summary and analysis of communications with the secretariat and the Board was published on the CDM web pages.¹⁷

104. Stakeholders continue to have an opportunity to comment on the draft annotated agenda for each Board meeting and to respond to calls for input on policy issues that have an impact on stakeholders before decision-making by the Board. The Board made itself available to registered observers at its meetings.

¹⁵ In accordance with rule 12 of the rules of procedure of the Board (decision 4/CMP.1, annex I).

¹⁶ <http://cdm.unfccc.int/EB/index.html>.

¹⁷ <https://cdm.unfccc.int/UserManagement/FileStorage/H9CSZQ7BM3VYPIRW081KDL6U2054FG>.

105. The secretariat implemented five regular online teleconferences with members of the DOE/AIE Coordination Forum after each Board meeting to discuss the outcomes of the meetings and to provide clarification on decisions taken by the Board. Members of the CDM AP participated in those teleconferences as observers.

106. During the reporting period, the Board held three side events: one at CMP 12, titled “Maximizing the value of the CDM pre-2020”; and two at the forty-sixth sessions of the subsidiary bodies, titled “CDM and NDCs – the way forward” and “Catalyzing Implementation of Paris Agreement: The Regional Collaboration Centres experience”. The event agendas and presentations made are available on the UNFCCC website.¹⁸

D. Communication and outreach

107. Communication and outreach efforts in 2017 focused on promoting: (1) the usefulness and benefits of the CDM, in the broader context of the use of markets and mechanisms in the ongoing international response to climate change; and (2) the use of CERs for voluntary offsetting, in the context of the secretariat’s Climate Neutral Now initiative.

108. The core message delivered by the secretariat on behalf of the Board, with support from the RCCs, is that the CDM is a functioning tool, at the disposal of Parties and non-Party stakeholders, that can incentivize projects that reduce or avoid greenhouse gas emissions and contribute to sustainable development.

109. Activities included: the publication of CDM-specific content on the UNFCCC Newsroom web pages, with stories in English, French and Spanish; the publication of stories on the CDM web pages; the use of social media to focus attention on secretariat-generated content and relevant content from outside sources; outreach at targeted carbon market events; promotional outreach work to encourage demand for the CDM and its CERs; engagement with intergovernmental and private sector organizations; and the promotion of the online voluntary cancellation platform.

110. The period saw continued growth of the Facebook and Twitter accounts dedicated to the Kyoto Protocol mechanisms. The @UN_CarbonMechs Twitter account now has 7,071 followers and the Facebook account has had 7,792 likes.

E. Status of financial resources for work on the clean development mechanism

111. This section presents information on income and expenditure as at 31 August 2017. In accordance with decision 4/CMP.10, the Board is ensuring its ability to maintain and develop the CDM up to the end of the true-up period of the second commitment period of the Kyoto Protocol by prudently managing income received and the accumulated reserve.

112. The total fees received during the first eight months in 2017 amounted to USD 5.2 million (see table 6).¹⁹ A projected income of USD 9 million for 2017 was included in the CDM MAP 2017.²⁰ The total fees received during the same period (from January to August) in 2016 amounted to USD 6 million.

113. The total interest accrued on the Trust Fund for the Clean Development Mechanism from prior years amounted to USD 11.5 million and is included in the carry-over and balance reported in table 6. The accrued interest is currently earmarked to fund the CDM Loan Scheme to support the development of CDM project activities in countries with fewer than 10 such activities registered, in accordance with decision 3/CMP.6, paragraph 65.

¹⁸ <https://seors.unfccc.int/seors/reports/archive.html>.

¹⁹ The data presented in this report are subject to change as the financial period had not ended by the time the report was finalized.

²⁰ CDM MAP 2017, document CDM-EB92-A01-INFO, table 10, available at: <http://cdm.unfccc.int/UserManagement/FileStorage/YMFB0K8WUSPVO24XZCL36JH5QOID91>.

Table 6
Clean development mechanism status of income 2016–2017, as at 31 August 2017
 (United States dollars)

	2016	2017 ^a
Carry-over from previous year (A)	109 382 561	102 390 607
Fee income during the year		
Methodology fees ^b	2 000	–
Registration fees ^c	1 725 592	233 478
Share of proceeds ^d	4 141 744	4 747 600
Accreditation fees	82 500	37 500
Accreditation process-related fees	15 012	141 699
Subtotal – income for 1 January to 31 August 2017 (B)	5 966 848	5 160 278
Total of previous year's carry-over and current year's income (A + B)	115 349 409	107 550 885

^a 1 January to 31 August 2017. USD 45 million held in reserve is not included.

^b A non-refundable submission fee of USD 1,000 is payable when 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 or a prepayment of the share of proceeds.

^c 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 carbon dioxide 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.

^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 amounts in excess of 15,000 CERs.

114. Table 7 shows the status of budget and expenditure of the CDM for 2016 and 2017.

115. At EB 92, the Board approved the CDM MAP 2017 and the related budget, amounting to USD 19.6 million for 2017. This represents a decrease of USD 16,162.00, or 0.08 per cent, compared with the 2016 budget (see table 7).

116. Expenditure was USD 12.4 million in the eight-month period ending on 31 August 2017. The rate of expenditure for the 2017 budget is below the expected linear rate (66.7 per cent) for the period but is projected to more closely align with it as the year progresses.

Table 7
Status of budget and expenditure of the clean development mechanism for 2016 and 2017
 (United States dollars)

	2016	2017
Budget (12 months)	19 618 431	19 602 259
Expenditure (first 8 months)	11 865 808	12 403 829
Expenditure as percentage of budget	60.5%	63.3%

F. Recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

117. To give clarity to project participants – existing project participants and those pursuing validation and registration under the CDM – and those countries and constituencies interested in using the CDM in their response to climate change, the Board recommends that the CMP provide guidance to the Board on the functioning of the CDM beyond the end of the second commitment period.

Summary of the deliverables of the Executive Board of the clean development mechanism in response to the requests and encouragements of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session

[English only]

<i>Decision 3/CMP.12 paragraph reference</i>	<i>Guidance relating to the CDM and action to be taken by the CDM Executive Board</i>	<i>Status of implementation</i>
4	Encourages the Executive Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 (“Also encourages the Executive Board to continue exploring options for using the clean development mechanism as a tool for other uses and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session”) and 8 (“Further encourages the Executive Board to explore the opportunities for the financing of the clean development mechanism through international climate financing institutions, such as the Green Climate Fund, and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session”)	Completed: EB 94 (May) considered a concept note on financing and use of the CDM by international finance institutions, and initiated work in collaboration with the RCCs in 2017 EB 95 (July) took note of an update on activities being undertaken to support the use of the CDM as a tool for other purposes
5	Also encourages the Executive Board to continue the simplification of the clean development mechanism, with the aim of further simplifying and streamlining, in particular, the registration and issuance processes, and methodologies, while maintaining environmental integrity	Completed: EB 93 (February) adopted regulatory documents to simplify and streamline the CDM regulations: CDM project standard for project activities; CDM validation and verification standard for project activities; CDM project cycle procedure for project activities; CDM project standard for programmes of activities; CDM validation and verification standard for programmes of activities; and CDM project cycle procedure for programmes of activities (EB 93 report, annexes 4–9) EB 93 further considered an analysis of streamlining the registration and issuance processes, by reviewing the past and current procedures, and agreed to maintain the current procedural timeline as contained in the project cycle procedure EB 94 (May) adopted the revised glossary: CDM terms and the revised standard: sampling and surveys for CDM

<i>Decision 3/CMP.12 paragraph reference</i>	<i>Guidance relating to the CDM and action to be taken by the CDM Executive Board</i>	<i>Status of implementation</i>
		project activities and programmes of activities (EB 94 report, annex 1 and 2)
6	Requests the Executive Board to analyse the overall cost for designated operational entities and to report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its thirteenth session	Completed: EB 93 (February) agreed on the approach for an analysis of the overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs EB 96 (September) analysed the overall costs incurred by the DOEs and made a recommendation to the CMP in its annual report
8	Encourages the Executive Board to explore possibilities for reducing the transaction costs of monitoring by expanding the use of tiered approaches offering a choice between conservative default values and direct measurements	Completed: EB 94 (May) considered a concept note on cost-effective and context-appropriate approaches to monitoring, reporting and verification, and adopted the revised standard for sampling and surveys for CDM project activities and PoAs, including an option to undertake a common survey for a group of PoAs (EB 94 report, annex 2) EB 96 (September) adopted revised methodological tools as part of the work on cost-effective and context-appropriate approaches for monitoring, reporting and verification
9	Also encourages the Executive Board to continue its activities in response to decision 6/CMP.11, paragraph 14 (“Encourages the Executive Board to continue the development of digitized project and programme design document forms for clean development mechanism project activities and programmes of activities”)	Completed: EB 94 (May) and EB 95 (July) took note of the status of the work on the digitization of methodology-specific design document forms and the development of the web-based methodological digitization tool EB 96 (September) received a demonstration on the development of the web-based methodological digitization tool
10	Invites the Executive Board to further work on the development of simplified clean development mechanism methodologies and standardized baselines, while maintaining environmental integrity, in collaboration with regional collaboration centres	Ongoing: the Board continues to work on the development of simplified CDM methodologies and standardized baselines, while maintaining environmental integrity, in collaboration with the RCCs
18	Requests the Executive Board to continue to ensure the prudent management of the	Completed: EB 93 (February) agreed to increase the

*Decision
3/CMP.12
paragraph
reference*

Guidance relating to the CDM and action to be taken by the CDM Executive Board

Status of implementation

resources of the clean development mechanism, and its ability to perform its duties in maintaining and developing the mechanism up to the end of the true-up period of the second commitment period of the Kyoto Protocol

duration of the management plan from a one-year plan to a two-year plan, to better project and manage the resources needed

EB 94 (May) decided to merge the Methodologies Panel with the Small-Scale Working Group to form a new Methodologies Panel with a reduced number of experts.

EB 95 (July) took note of the status of implementation of the 2017 management plan and the management of resources

EB 96 (September) considered the CDM business plan and management plan for 2018–2019

Ongoing: EB 97 (November) to adopt the CDM business plan and management plan for 2018–2019 and an operating procedure for preparing and discussing the two-year management plan

Abbreviations: EB = Executive Board of the CDM, CDM = clean development mechanism, CMP = Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, DOEs = designated operational entities, PoA = programme of activities.

Annex II

Entities accredited and provisionally designated by the Executive Board of the clean development mechanism

[English only]

<i>Name of entity</i>	<i>Sectoral scopes (validation and verification)</i>
AENOR INTERNACIONAL, S.A.U. (AENOR) ^a (transfer of accreditation from Spanish Association for Standardisation and Certification (AENOR))	1–15
Bureau Veritas India Pvt. Ltd. (BVI) ^a (transfer of accreditation from Bureau Veritas Certification Holding SAS (BVCH))	1–15
China Quality Certification Center (CQC) ^b	1–15
Earthood Services Private Limited (Earthood) ^c	1, 3–5, 13 and 15
ERM Certification and Verification Services Limited (ERM CVS) ^b	1, 3–5, 8–10 and 13
Foundation for Industrial Development - Management System Certification Institute (Thailand) (MASCI) ^b	1 and 13
Japan Quality Assurance Organisation (JQA) ^b	1, 3–5, 10, 13 and 14
Japan Management Association (JMA) ^d	1–4, 6, 9 and 14
Korea Energy Agency (KEA) ^b	1, 3–5, 7, 9, and 11–15
Korean Standards Association (KSA) ^b	1–5, 9, 10 and 13
Perry Johnson Registrars Carbon Emissions Services (PJRCES) ^e	4, 7, 10, 12 and 15
Re Carbon Gözetim Denetim ve Belgelendirme Limited Sirketi (Re Carbon) ^d (transfer of accreditation from Re-consult Ltd. (Re-consult))	1–4, 9, 13 and 15
RINA Services S.p.A. (RINA) ^e	5
RINA Services S.p.A. (RINA) ^f	8
RINA Services S.p.A. (RINA) ^g	5
RINA Services S.p.A. (RINA) ^b	1–7, 9–11 and 13–15
SGS United Kingdom Limited (SGS) ^d	1, 4, 7, 10 and 13
SIRIM QAS INTERNATIONAL SDN.BHD (SIRIM) ^d	1 and 13
TÜV Rheinland (China) Ltd. (TÜV Rheinland) ^d	1–15

^a Transfer of accreditation from another legal entity.

^b Accreditation granted for five years.

^c Voluntary withdrawal of accreditation; the remaining sectoral scopes are indicated.

^d Voluntary withdrawal of accreditation in its entirety.

^e Entity provisionally suspended; only the suspended sectoral scopes are indicated.

^f Withdrawal of accreditation by the Board; only the withdrawn sectoral scopes are indicated.

^g Lifting of suspension; only the suspended sectoral scopes to be lifted are indicated.

Annex III

List of regulatory documents approved by the Executive Board of the clean development mechanism

[English only]

Table 8
Standards

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Sampling and surveys for CDM project activities and programmes of activities	Version 07.0	EB 94	Annex 2
CDM project standard for project activities	Version 01.0	EB 93	Annex 4
CDM project standard for programmes of activities	Version 01.0	EB 93	Annex 7
CDM validation and verification standard for project activities	Version 01.0	EB 93	Annex 5
CDM validation and verification standard for programmes of activities	Version 01.0	EB 93	Annex 8
Sampling and surveys for CDM project activities and programmes of activities	Version 06.0	EB 93	Annex 10

Notes: Approved methodological standards are available at <http://cdm.unfccc.int/methodologies/index.html>; approved standardized baselines are available at https://cdm.unfccc.int/methodologies/standard_base/index.html.

Abbreviations: CDM = clean development mechanism.

^a See <http://cdm.unfccc.int/EB/index.html>.

Table 9
Procedures

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Submission and consideration of microscale renewable energy technologies for automatic additionality	Version 03.0	EB 96	Annex 13
Terms of reference of the support structure of the CDM Executive Board	Version 05.0	EB 95	Annex 1
Selection and performance evaluation of members of panels and working groups under CDM Executive Board	Version 02.0	EB 95	Annex 2
CDM accreditation procedure	Version 13.0	EB 93	Annex 3
CDM project cycle procedure for project activities	Version 01.0	EB 93	Annex 6
CDM project cycle procedure for programmes of activities	Version 01.0	EB 93	Annex 9

Abbreviations: CDM = clean development mechanism.

^a See <http://cdm.unfccc.int/EB/index.html>.

Table 10
Information notes

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Calendar of meetings for 2017	Version 03.0	EB 95	Annex 3
Calendar of meetings for 2017	Version 02.0	EB 94	Annex 13
CDM Executive Board workplan 2017	Version 01.0	EB 93	Annex 1

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
CDM panels and working groups workplans 2017	Version 01.0	EB 93	Annex 2
Implementation plan for new CDM regulations	Version 01.0	EB 93	Annex 11
Calendar of meetings for 2017	Version 01.0	EB 93	Annex 12
CDM management plan 2017	Version 01.0	EB 92	Annex 1
Tentative calendar of meetings for 2017	Version 01.0	EB 92	Annex 13

Abbreviations: CDM = clean development mechanism.

^a See <http://cdm.unfccc.int/EB/index.html>.

Table 11
Amendments

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Amendments to version 01.0 of the CDM project cycle procedure for project activities	Version 01.0	EB 96	Annex 11
Amendments to version 01.0 of the CDM project cycle procedure for programmes of activities	Version 01.0	EB 96	Annex 12

Abbreviations: CDM = clean development mechanism.

^b See <http://cdm.unfccc.int/EB/index.html>.

Table 12
Clarification

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
New project activity in the same physical or geographical location at which a project activity whose crediting period has expired existed	Version 02.0	EB 92	Annex 2

^a See <http://cdm.unfccc.int/EB/index.html>.

Table 13
Glossary

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
CDM terms	Version 09.0	EB 94	Annex 1

Abbreviations: CDM = clean development mechanism.

^a See <http://cdm.unfccc.int/EB/index.html>.

Annex IV

Analysis of overall costs for designated operational entities

I. Procedural background

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its twelfth session, requested the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to analyse the overall costs for designated operational entities (DOEs) and to report back to CMP 13.
2. Further, at its ninety-third meeting and in the context of its workplan for 2017, the Board agreed to consult the CDM Accreditation Panel (CDM-AP) and the Designated Operational Entities/Accredited Independent Entities Coordination Forum (DOE/AIE Coordination Forum); and launch a survey to analyse overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs.
3. The survey conducted from 22 June to 28 July 2017 was prepared in consultation with the CDM-AP and took into account input from DOEs provided through the DOE/AIE Coordination Forum at the 78th meeting of the CDM-AP.¹

II. Key issues

A. Introduction

4. This is an analysis of key aspects that may be relevant for the CMP. The different sources of information used can be divided into two parts:
 - (a) Results of a survey of DOEs;
 - (b) Recent concept notes and reports considered by the Board² within the past 12 months.

B. Cost structure of the designated operational entities for clean development mechanism services

5. Figure 2 below explains the cost structure of DOEs. The costs described in the top and middle box represent the information that was collected through the survey; the information in the bottom box is already available to the Board.

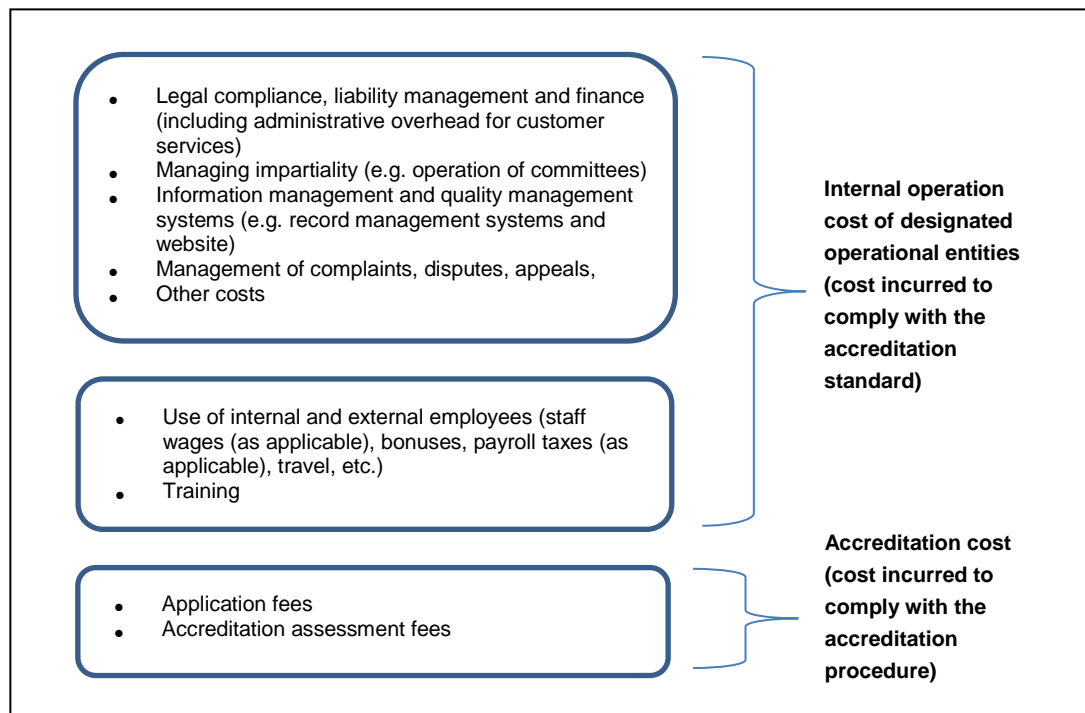
¹ See CDM-AP 78 meeting report at <https://cdm.unfccc.int/Panels/accreditation/index.html>.

² They are:

- (a) Analysis of the need for measures to ensure the continued participation of DOEs, in particular in regions underrepresented in the CDM (<https://cdm.unfccc.int/UserManagement/FileStorage/LXCGPS3UJT09VN7DFRBAQK2E4ZI51M>);
- (b) Analysis of impacts on distributing the accreditation fee across the five-year accreditation term (<https://cdm.unfccc.int/UserManagement/FileStorage/N3BZ56WDMJT7YQHCOKPAXI4L18S2F0>);
- (c) Synthesis report of the annual activity reports submitted by the DOEs 2015–2016 (<https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20161027160157286/Regular%20report%20DOE%20Synthesis%20report%202015-16.pdf>).

Figure 2

Costs structure of the designated operational entities for clean development mechanism services



C. Observations drawn from the survey of designated operational entities in relation to internal cost

6. An electronic survey of all 30 DOEs was conducted from 22 June to 28 July 2017.
7. A total of 22 DOEs at least partially responded to this survey; only 12 of these were valid responses, with the section relating to costs completed in full.
8. Of the 12 valid responses, 3 were considered outliers since the costs in the responses differed significantly from the rest. Hence only 9 responses from the DOEs were considered for the quantitative analysis. For the qualitative data, 12 responses were considered.
9. However, given the low response rate (around 30 per cent) and the diverse working conditions of DOEs with the resulting wide range of person-day rates, the Board recommends that the CMP exercise caution when inferring any conclusions from the findings.
10. The profiles of DOEs that submitted valid responses, including size, accreditation scope, volume of operation, expenditure and average cost per project (based on the last annual synthesis report of the DOEs), were analysed to confirm the suitability of data. Since these profiles were deemed to be consistent with a broader set of DOEs, conclusions can be extrapolated.
11. On average, the internal operational costs of the nine DOEs that submitted valid responses (cost incurred to comply with the CDM accreditation standard) equals to USD 243,817 per year. The costs are detailed in table 14.

Table 14
Internal costs of designated operational entities corresponding to the latest full financial year (e.g. from 1 January 2016 to 31 December 2016)

<i>Internal costs of DOEs, excluding CDM fees and assessment costs</i>	<i>Maintenance of accreditation^a (USD/year)</i>	<i>Validation and verification activities^b (USD/year)</i>	<i>Total (USD/year)</i>
<i>I. Operational costs:</i>			
For example:	38 538	60 694	99 231
(a) Legal compliance, liability management, and finance	(16%)	(25%)	(41%)
(b) Management of impartiality (operation of committees)			
(c) Information management and quality management systems			
(d) Management of complaints, disputes and appeals			
<i>2. Cost of management of human resources:</i>			
(a) Internal employees used for CDM validation/verification activities	50 144 (21%)	54 709 (22%)	104 853 (43%)
(b) Other internal employees used for other cross-cutting activities ^c	9 893 (4%)	14 329 (6%)	24 222 (10%)
(c) External resources used for CDM validation/verification activities	1 081 (<1%)	2 240 (<1%)	3 321 (<1%)
(d) Other external resources used for other cross-cutting activities	391 (<1%)	588 (<1%)	974 (1%)
(e) Training and calibration	11 211 (5%)	-	11 211 (5%)
Total: internal costs of DOEs excluding CDM fees and CDM assessment costs	111 258	132 559	243 817

Note: Costs incurred to comply with the CDM accreditation requirements (e.g. operations, systems, human resources, etc.). It does not include CDM fees and CDM assessments to maintain accreditation by the Board that are specified in the CDM accreditation procedure.

Abbreviations: CDM = clean development mechanism, DOEs = designated operational entities.

^a Includes the day-to-day operation of the back offices of the DOEs, including maintenance of systems (e.g. quality management systems (QMS) and implementation of QMS procedures, website management, marketing campaigns, contract reviews, notifications and records).

^b Includes the technical activities incurred in the CDM validation and verification processes.

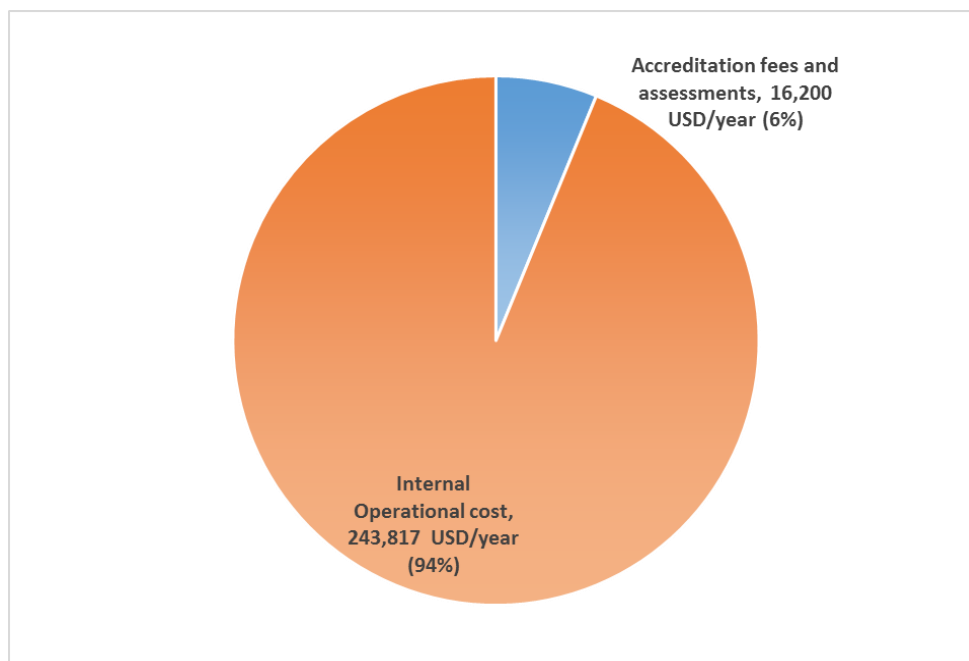
^c Includes, for example, legal, human resources and administrative support.

12. With regard to whether the DOEs deem the CDM accreditation system cost-effective in comparison with other schemes, 50 per cent (six DOEs) said “yes”, 42 per cent (five DOEs) said “no” and 8 per cent (one DOE) did not respond.

D. Comparison of internal operational costs of the designated operational entities (costs incurred to comply with the accreditation standard) versus accreditation fees/costs of assessments

13. As illustrated in figure 3, an important part of the cost of accreditation of DOEs is their own internal operational costs, which include the cost of managing their own systems and resources used to comply with the CDM accreditation requirements.

Figure 3

Internal operational costs of the designated operational entities and accreditation fees/costs of assessments

14. The DOEs reported challenges due to the low price of certified emission reductions (CERs) and the consequent reduction in the volume of the validation and verification/certification work. As per the synthesis report 2015–2016,³ 16 DOEs reported higher income than expenditure, 16 DOEs reported lower income than expenditure, and 4 reported equal income and expenditure.

15. There are still at least 13 DOEs accredited in each sectoral scope (excluding sectoral scope 16, on carbon capture and storage, where there is only 1), indicating that there are sufficient accredited DOEs in each sectoral scope. Geographic coverage is also extensive, with more than one third of DOEs working in countries with fewer than 10 registered CDM projects.

³ Available at https://cdm.unfccc.int/filestorage/e/x/t/extfile-20161027160157606-Regular_report_DOE_Synthesis_report_2015-16.pdf/Regular%20report_DOE%20Synthesis%20report%202015-16.pdf?t=U2N8b3Zobm84fDAS4zb1SUz4pSgZkqhEx29.

Annex V

Meetings of the Executive Board of the clean development mechanism, its support bodies and its forums

[English only]

Table 15

Meetings of the Executive Board of the clean development mechanism in 2017

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
EB 93	20–23 February	Bonn, Germany
EB 94	2–4 May	Bonn (in conjunction with the sessions of the subsidiary bodies)
EB 95	11–13 July	Bonn
EB 96	18–22 September	Bonn
EB 97	30 October to 3 November	Bonn (in conjunction with the session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol)

Abbreviations: EB = meeting of the Executive Board of the clean development mechanism.

Table 16

Accreditation Panel meetings in 2017

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
AP 77	7–9 February	Bonn, Germany
AP 78	5–7 June	Bonn
AP 79	11–13 October	Bonn

Abbreviations: AP = meeting of the Accreditation Panel of the clean development mechanism.

Table 17

Methodologies Panel meetings in 2017

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
MP 72	20–24 March	Bonn, Germany
MP 73	17–21 July	Bonn
MP 74	25–29 September	Bonn

Abbreviations: MP = meeting of the Methodologies Panel of the clean development mechanism.

Table 18

Small-Scale Working Group meetings in 2017

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
SSC WG 53	20–23 March	Bonn, Germany
SSC WG 54	17–20 July	Bonn

Abbreviations: SSC WG = meeting of the Small-Scale Working Group of the clean development mechanism.

Table 19

Workshops and forums organized for clean development mechanism stakeholders

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
Global DNA Forum meeting	5 and 6 November 2016	Marrakech, Morocco

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
Nairobi Framework Partnership working sessions with African DNAs at the Africa Carbon Forum	27–30 June 2017	Cotonou, Benin
Workshop on specific findings on programme of activities implementation and monitoring	27–30 June 2017	Cotonou, Benin
Workshop on the role of the CDM in promoting climate finance	27–30 June 2017	Cotonou, Benin
CDM marketplace at the Africa Carbon Forum	27–30 June 2017	Cotonou, Benin
Global DNA Forum meeting	19 and 20 September 2017	Bonn, Germany

Abbreviations: CDM = clean development mechanism, DNA = designated national authority.
