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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 1 September 2018 to 12 September 2019. Work focused on further simplifying the mechanism and facilitating its use. The reporting period saw a decrease in project registrations and issuance of certified emission reductions compared with the previous reporting period, but an increase in the number of projects entering validation and in the number of component project activities being added to programmes of activities. Demand for the CDM and its certified emission reductions remains low compared with demand in the first commitment period of the Kyoto Protocol, which ended in 2012. The document includes a report, requested by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its fourteenth session, on the financial situation of the CDM, and a recommendation that CMP 15 provide guidance on the functioning of the CDM beyond the end of the second commitment period of the Kyoto Protocol.

* This document was scheduled for publication after the standard publication date owing to circumstances beyond the submitter's control.

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Abbreviations and acronyms

AIE	accredited independent entity
AP	Accreditation Panel
CDM	clean development mechanism
CDM-MAP	clean development mechanism business and management plan
CER	certified emission reduction
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPA	component project activity
DNA	designated national authority
DOE	designated operational entity
DTU	Technical University of Denmark
EB	meeting of the Executive Board of the clean development mechanism
EC	electronic consultation
ICAO	International Civil Aviation Organization
ICER	long-term certified emission reduction
MP	Methodologies Panel
NFP	Nairobi Framework Partnership
PDD	project design document
PoA	programme of activities
PoA-DD	programme of activities design document
RCC	regional collaboration centre
SB	sessions of the subsidiary bodies
SOP	share of proceeds
SSC	small-scale
tCER	temporary certified emission reduction
UNEP	United Nations Environment Programme
UNOPS	United Nations Office for Project Services

I. Introduction

A. Mandate

1. In accordance with the CDM modalities and procedures, the CDM Executive Board (hereinafter referred to as the Board) reports on its activities to each session of the CMP.¹ 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 in implementing the CDM from 1 September 2018 to 12 September 2019 (hereinafter referred to as the reporting period) and includes recommendations for consideration at CMP 15.²

3. The report describes the status of the CDM, highlights achievements, opportunities and challenges related to its operation and provides information on the governance, management and financial status of the mechanism.

4. A comprehensive report on the present financial situation of the CDM and the foreseen budgets for CDM activities until the end of 2023 is contained in annex I.³ Annex II contains a summary of the deliverables of the Board in response to the requests and encouragements of CMP 14. The entities accredited and provisionally designated by the Board as operational entities are listed in annex III, a list of the regulatory documents approved or revised by the Board in the reporting period is provided in annex IV and a list of meetings of the Board and its support bodies and forums is provided in annex V.

5. The report also includes information on the Board's review of methodological approaches for calculating emission reductions from project activities resulting in reduced use of non-renewable biomass in households.⁴

6. Further information is available on the CDM web pages,⁵ the central repository for all reports and other documentation relating to the Board.

7. The outcomes of EB 105, to be held after the publication of this report, will be presented orally by the Chair of the Board at CMP 15.

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

8. In taking note of this report, the CMP may wish to:

(a) Note the work undertaken by the Board in the reporting period, including in response to the requests of CMP 14 (see chaps. III and IV below and annexes I and II);

(b) Note the report on the present financial situation of the CDM and the foreseen budgets for activities until the end of 2023, as referred to in paragraph 4 above (see annex I);

(c) Designate operational entities that have been accredited and provisionally designated by the Board (see annex III);

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

² The information in this report covers the period from 1 September 2018 to 12 September 2019, in accordance with decision 1/CMP.2, para. 11, and decision 2/CMP.3, para. 7, unless otherwise indicated.

³ In response to decision 4/CMP.14, para. 5.

⁴ In response to decision 4/CMP.14, para. 4.

⁵ <http://cdm.unfccc.int/>.

(d) Provide guidance on matters covered in this report, particularly in relation to the request for clarity on the functioning of the CDM beyond the end of the second commitment period of the Kyoto Protocol (see para. IV.F.112 below).

9. The CMP is to elect the following Board members for a term of two years, upon receiving nominations from Parties:

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

II. Status of the clean development mechanism

A. Clean development mechanism in numbers

10. In the reporting period, the CDM continued to face low demand for CERs compared with demand in the first commitment period of the Kyoto Protocol (2008–2012). In line with the low demand, registration of CDM activities and issuance of CERs in the reporting period remained low compared with that in the first commitment period. Table 1 presents the number of newly registered CDM activities, activities issued with CERs and CERs issued in total per reporting period since the start of the second commitment period.

Table 1

Activities registered, activities issued with certified emission reductions, and certified emission reductions issued under the clean development mechanism

<i>Reporting period</i>	<i>Number of activities registered^a</i>	<i>Number of activities issued with certified emission reductions^b</i>	<i>Total certified emission reductions issued</i>
Inception to 31 August 2012 (aggregated data)	4 576	1 717	994 936 460
1 September 2012 to 31 August 2013	2 856	1 801	382 789 220
1 September 2013 to 31 August 2014	388	596	104 600 851
1 September 2014 to 31 August 2015	134	497	136 347 421
1 September 2015 to 31 August 2016	78	421	99 567 071
1 September 2016 to 31 August 2017	62	473	146 363 540
1 September 2017 to 31 August 2018	32	334	102 551 281
1 September 2018 to 31 August 2019	11	218	45 327 516
Total	8 137	3 260	2 012 483 360

Note: Figures include project activities and PoAs (in previous reports, only project activities were reported on in this table).

^a The number of activities registered in a reporting period was determined using their date of registration.

^b Activities that completed issuance of CERs in a reporting period. An activity may issue in more than one period. The total of 3,260 reflects all activities with issuance at the end of the crediting period.

11. As a result of the change in the SOP collection policy since 1 June 2018 whereby SOP is now received up front, the percentage of issued CERs for which SOP due has been paid has risen from less than 45 per cent (between 1 September 2013 and 31 August 2018) to 100 per cent for the current reporting period. Although the presented number of CERs issued in the current reporting period is lower than that in the previous reporting period, the forwarding and voluntary cancellation of CERs was in the same order of magnitude. This is evident from the CDM income, which was higher in the current reporting period than in the previous one.

B. Achievements and potential

12. The CDM was created to provide flexibility to Parties included in Annex I in meeting their quantified emission limitation and reduction commitments under the Kyoto Protocol and to assist Parties not included in Annex I in achieving sustainable development.

13. The incentive created by the CDM has catalysed the registration of more than 8,100 projects and PoAs in 111 countries and has led to the issuance of over 2 billion CERs.

14. The mechanism has thus shown that it can incentivize investment in emission reduction and removal projects, contribute to sustainable development and mobilize funds for global climate action more broadly, such as for adaptation through its contributions to the Adaptation Fund.⁶

15. Another strength of the CDM lies in the broad range of stakeholders that it engages:

(a) DNAs, which approve projects and attest to their sustainable development benefits;

(b) DOEs, which are accredited third-party entities that validate projects and verify emission reductions;

(c) Constituted panels and working groups of technical experts that support the Board's functions, including by considering standards and procedures and making informed recommendations to the Board;

(d) Private and public entities, such as multilateral development banks and companies of varying scale and specialization, that make use of the CDM;

(e) Project participants that have responded to the incentive provided by the CDM to create projects that reduce emissions and assist countries in achieving sustainable development.

16. The CDM has shown and is showing what a market instrument backed by a robust monitoring, reporting and verification system can achieve through its use by Parties in domestic market-based systems and its use as part of corporate responsibility efforts.

17. The CDM also continues to inform the development of other emissions baseline-and-crediting systems and to create valuable international public goods, in the form of a rules, standards and governance structure, that are a result of the Board's efforts to evolve and improve the mechanism, especially in the areas of clarity, consistency and efficiency.

18. The Board remains of the view that the CDM, as a functioning and useful tool for identifying mitigation opportunities, generating climate finance and evaluating mitigation outcomes, can continue to contribute to the international response to climate change and help Parties and non-Party stakeholders to respond to the urgent need for scaled-up global climate action.

C. Challenges and opportunities

19. As in recent years, use of the CDM in the reporting period was low compared with its use in the first commitment period of the Kyoto Protocol, when demand was driven by use of CERs for compliance.

20. The low demand continues despite a small increase in 2019 compared to 2018 in the number of validations initiated, which is a precursor to project registration, and in the number of CPAs included in registered CDM PoAs.⁷

⁶ Two per cent of all CERs issued go to the Adaptation Fund, which are monetized by the World Bank and used by countries to fund projects that address or build resilience to the inevitable effects of climate change.

⁷ Thirty-two new publications of PDDs for validation of project activities in 2019 compared with 23 in 2018, 20 new publications of PoA-DDs for validation of PoAs in 2019 compared with 16 in 2018 and 141 new inclusions of CPAs in registered PoAs in 2019 compared with 98 in 2018.

21. Owing to the low demand for CERs and the resulting generally low CER price, many CDM projects stopped issuing CERs early in the second commitment period. Approximately 69 per cent of the projects that had CERs issued up to 31 August 2013 have not had further CERs issued.

22. The general decline in CDM activity continues to affect the mechanism's infrastructure, principally the DOEs. The number of validation and verification companies engaged in any CDM work has declined from 44 in 2014 to 31 as at 12 September 2019. However, a new DOE based in India was recently accredited, and new CDM methodologies, and clarifications to existing methodologies, have been submitted for consideration.

23. The CDM continues to function despite challenges and can continue to contribute to the international response to climate change.

D. The evolving external environment

24. An increasing number of subnational and national governments, as well as international organizations, are using carbon-pricing instruments as part of efforts to address greenhouse gas emissions in their jurisdictions. Emissions trading systems have been established and are operational in, for example, Canada, certain regions in China, Europe, New Zealand, the Republic of Korea, Switzerland and the United States of America. Carbon tax schemes have also been established and are operating in Chile, Colombia, Mexico, Singapore and South Africa.

25. Some of these established instruments, including the Colombian emissions trading system and carbon tax, the European Union Emissions Trading System, the Korean emissions trading system, the South African carbon tax and the Swiss emissions trading system, have been using CERs as eligible offset units that emitters in these jurisdictions can use for compliance with emission obligations.

26. In addition, carbon-pricing instruments are under development at the national level in China, Indonesia, Mexico and Thailand, and international organizations such as ICAO and the International Maritime Organization are also considering such instruments (such as CORSIA). The CDM is one potential offset provider for such schemes.

III. Work in the reporting period

27. This chapter describes the work of the Board in the reporting period, including its response to requests and encouragements from CMP 14 (see also annex II for an overview of the deliverables, and annex IV for a list of regulatory documents approved or revised by the Board during the reporting period).

A. Rulings

1. Accreditation

28. In the reporting period, the Board accredited one applicant entity as a DOE and reaccredited seven DOEs whose accreditations were about to expire, bringing the number of DOEs accredited for the validation and verification of projects and certification of emission reductions to 31 as at 12 September 2019, compared with 30 in the previous reporting period. The Board recommends the entities listed in annex III for designation as operational entities at CMP 15 for the sectoral scopes indicated.

2. Registration of project activities and programmes of activities and issuance of certified emission reductions

29. From 1 September 2018 to 31 August 2019, 45,327,516 CERs were issued, of which 1,128,947 tCERs and 351,668 ICERs. The total number of CERs issued as at 31 August 2019 was thus 2,012,483,360, of which 1,996,508,230 CERs, 15,118,377 tCERs and 856,753 ICERs.

30. Of the total CERs, excluding tCERs and ICERs, issued as at 31 August 2019, 1,467,443,162 were issued for the first commitment period of the Kyoto Protocol and 529,065,068 for the second commitment period. Of the total tCERs issued, 12,405,185 were issued for the first commitment period and 2,713,192 for the second commitment period. Of the total ICERs issued, 505,085 ICERs were issued for the first commitment period and 351,668 for the second commitment period.

31. Table 2 shows numbers of registration- and issuance-related requests submitted and finalized from 1 September 2018 to 31 August 2019, and the figure below shows the percentage distribution of registered project activities, PoAs and CPAs by UNFCCC region as at 31 August 2019.

Table 2
Clean development mechanism registration- and issuance-related requests from 1 September 2018 to 31 August 2019

<i>Request type</i>	<i>Number of requests submitted^a</i>	<i>Number of requests finalized^b</i>
Project: registration	17	4
PoA: registration	17	7
Project: issuance	276	202
PoA: issuance	105	58
Renewal of crediting period	237	138
Renewal of PoA period	3	1
Post-registration changes	75	69
Inclusion of CPAs	180	180

^a Including submissions and resubmissions due to incompleteness.

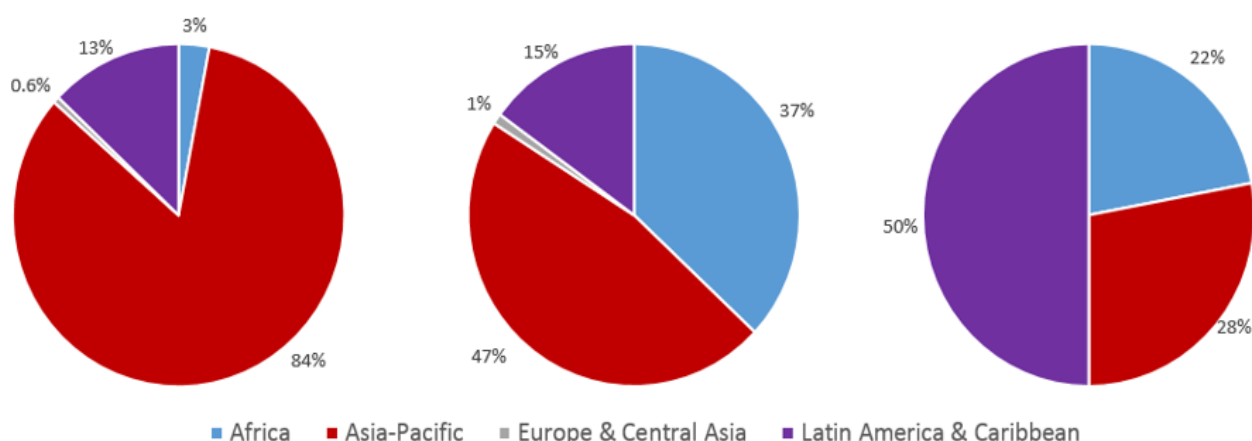
^b Registered, withdrawn and rejected requests submitted within the period 1 September 2018 to 31 August 2019, as well as requests submitted prior to but that entered the processing pipeline during the period.

Percentage distribution of registered clean development mechanism project activities, programmes of activities and component project activities by UNFCCC region, as at 31 August 2019

Total registered projects: 7 808

Total registered PoAs: 322

Total included CPAs: 2 350



32. As at 31 August 2019, 3,194 projects and 66 PoAs had been issued CERs; and of the total CERs issued, 21,064,092 had been issued for PoAs.

33. During the reporting period, the waiting time for commencement of project assessments for registration and issuance was consistently below 15 days, as mandated by the Board and the CMP, except for a few weeks in July and August 2019 owing to a sudden increase in the number of submissions and operational exigencies.

34. Details on CER transactions, including forwarding and voluntary and administrative cancellation, are provided in table 3.

Table 3

Completed transactions in the clean development mechanism registry

<i>Transaction type</i>	<i>As at 31 August 2019</i>		<i>From 1 September 2018 to 31 August 2019</i>	
	<i>Total transactions</i>	<i>Total units</i>	<i>Total transactions</i>	<i>Total units</i>
Issuance	10 715	2 012 483 360	275	45 327 516
SOP to the Adaptation Fund account	10 503	39 732 346	226	758 942
Internal and external forwarding	17 889	1 656 024 303	424	51 465 691
Transaction from the Adaptation Fund account to registry of Party included in Annex I	342	27 347 521	16	617 828
Voluntary cancellation	9 149	44 828 504	5 395	10 415 631
Administrative cancellation	6	1 035 475	0	0

35. The Board has received 10 requests, including 3 in the reporting period, for the voluntary deregistration of CDM project activities since the implementation of the procedure for voluntary deregistration in February 2015.

36. Additional data on projects and PoAs can be found on the CDM web pages.⁸

3. Share of proceeds

37. The SOP for administrative expenses is due to the Trust Fund for the Clean Development Mechanism (hereinafter referred to as the Trust Fund) at registration of CDM activities and issuance of CERs. Since 1 June 2018, it has been collected prior to the commencement of completeness checks for issuance requests. As a result, the total amount of SOP due but not paid from CDM activities has declined since its peak in August 2018. For approved requests for issuance submitted before 1 June 2018 where SOP was still due, the option of partial SOP payment was introduced on 1 January 2018. In the reporting period, the partial payment option was used in the case of 20 projects for a total of USD 1.767 million.

B. Regulatory matters

1. Online platform for voluntary cancellation of certified emission reductions

38. In September 2015, the Board launched the online platform for voluntary cancellation of CERs⁹ (hereinafter referred to as the platform). The platform allows project participants to offer CERs for voluntary cancellation to the public and issues cancellation certificates to the purchasers. It is available in English, French and Spanish and supports both online and offline payments. The Spanish version of the platform was released in the reporting period.

39. At the end of the reporting period, 49 projects were offering around 2.3 million CERs on the platform at prices between USD 0.28 and 9 per CER. The platform has been visited by people in most of the countries in the world, with purchasers in 90 countries completing cancellations so far.

40. After the release of the second version of the platform in August 2018, which featured industry-best standards for user experience and usability, enhanced capabilities and a new carbon footprint calculator, the number of CERs cancelled through the platform increased significantly. More than 620,000 CERs were cancelled in the reporting period through more than 4,600 individual orders, which represents about 60 per cent of all orders and all CERs

⁸ <http://cdm.unfccc.int/Statistics/Public/index.html>.

⁹ <https://offset.climateneutralnow.org/>.

cancelled on the platform since its launch. The high number of orders during the reporting period led to the need for further automation of the order process workflow. The average price per CER on the platform continued to be around USD 1. Most of the orders came from Germany, Sweden, Switzerland and the United States, accounting for almost 50 per cent of all CERs cancelled through individual orders, and it is notable that Sri Lanka was the fifth highest contributor of orders.

2. Promoting voluntary cancellation of certified emission reductions

41. The Board requested the secretariat, in launching the platform, to explore and pursue opportunities for increasing demand for CERs, including among non-Party stakeholders (see also chap. IV.D below).

42. In the reporting period, in addition to the cancellations through the platform, a total of 9.8 million CERs were voluntarily cancelled directly in the CDM registry. Of those, 2.9 million were converted to Korean offset credits and 0.9 million were cancelled under the Colombian carbon tax scheme. The remaining 6 million CERs were cancelled, mainly by the private sector, as part of voluntary efforts towards carbon neutrality, which represents an increase of 70 per cent in cancellations for carbon neutrality since the previous reporting period. Information about CERs cancelled in national registries is not available because the registries do not share such information.

3. Accreditation system

43. The Board requested the secretariat and the CDM Accreditation Panel to, as a matter of priority, revise the “Procedure: Performance monitoring of designated operational entities”, including the indicators and thresholds, with the aim of enabling systematic performance monitoring of DOEs even when the volume of submissions is low. The work is progressing well and the revised monitoring procedure is due to be considered by the CDM Accreditation Panel in October 2019 at its 85th meeting and by the Board in November 2019 at EB 105.

44. A DOE calibration workshop will be organized for the fourth quarter of 2019 to strengthen the capacity of DOEs and provide opportunities for sharing experience of validation and verification under the new CDM regulations approved by the Board.

45. A calibration workshop for the CDM accreditation roster of experts for lead assessors will be organized in conjunction with the 85th meeting of the CDM Accreditation Panel to update lead assessors on the latest CDM regulations and share findings from recent accreditation assessments.

4. Project cycle

46. The Board adopted version 02.0 of the following framework regulatory documents for the CDM, incorporating all previously issued amendments and reflecting all previously agreed changes for streamlining and strengthening the integrity or improving the clarity of the requirements since the first versions were released:

- (a) “CDM project standard for project activities”;
- (b) “CDM project standard for programmes of activities”;
- (c) “CDM validation and verification standard for project activities”;
- (d) “CDM validation and verification standard for programmes of activities”;
- (e) “CDM project cycle procedure for project activities”;
- (f) “CDM project cycle procedure for programmes of activities”.

47. The Board later adopted the amendments to version 02.0 of the “CDM project standard for programmes of activities”, the “CDM validation and verification standard for programmes of activities” and the “CDM project cycle procedure for programmes of activities” and version 10.0 of the “Glossary: CDM terms” to clarify the rules relating to requests for issuance for PoAs and to correct errors and inconsistencies in these documents.

5. Methodological standards

48. In response to the encouragement by the CMP to review methodological approaches for calculating emission reductions from project activities resulting in reduced use of non-renewable biomass in households,¹⁰ EB 102 considered a concept note prepared by the secretariat and requested the CDM Methodologies Panel to analyse the use of fossil fuel emission factors as surrogates for biomass combustion; the inclusion of non-carbon-dioxide greenhouse gas emissions, such as methane and nitrous oxide emissions; and the integration of harmonized standards for stove tests. The Board considered other issues identified in the note, such as the uncertainty of estimates of emission reductions, the development of default factors for baseline biomass consumption, the extent to which default factors could be considered to be conservative, the monitoring of retention rates of stoves and stove stacking, and approaches to incorporating black carbon on the basis of literature review and stakeholder inputs.

49. At its 79th meeting, the CDM Methodologies Panel held a half-day workshop with approximately 20 participants,¹¹ representing project developers, DOEs and experts, to exchange views on various topics related to clean cookstoves, safe drinking water and sampling, including approaches for calculating the share of non-renewable biomass in the biomass consumption in households.

50. At EB 103, the Board considered a concept note prepared by the CDM Methodologies Panel on methodological approaches for calculating emission reductions from project activities resulting in reduced use of non-renewable biomass in households. The Board requested the CDM Methodologies Panel to conduct further work on the matter and recommend revised versions of the two cookstove small-scale methodologies for consideration by the Board at its 105th meeting.¹²

51. The Board adopted a standard for the establishment of sector-specific standardized baselines, thereby ensuring that requirements related to standardized baselines are set out in a standard consistently with the hierarchy of regulatory documents as defined by the Board.

52. To simplify and streamline the methodologies for and guidance on demonstrating additionality, the Board:

(a) Approved the new methodological tool “TOOL32: Positive lists of technologies”, which clarifies the conditions under which automatic additionality is conferred on certain technologies, the period of validity, and the procedures and timelines for update or renewal;

(b) Conducted work to understand the status, market share trends, penetration and cost of various renewable energy technologies and fossil fuel alternatives, with a view to making informed decisions on the periodic update of the positive list of technologies defined in CDM methodologies and standards;

(c) Initiated work to develop precise definitions of the terms ‘market share’, ‘market saturation’ and ‘penetration rate’ in relation to technologies, often referred to in demonstrating their additionality, with a view to establishing consistent approaches to setting qualifying thresholds.

53. To simplify and standardize methods and broaden the applicability of the methodologies covering cities, transport, buildings and energy for households, the Board:

(a) Revised a number of methodologies covering energy-efficiency measures in residential, commercial and institutional buildings to enable the application of the new “TOOL31: Determination of standardized baselines for energy-efficiency measures in residential, commercial and institutional buildings”;

(b) Approved the new small-scale methodology “AMS-III.BN: Efficient operation of public transportation” covering activities that improve the efficiency of public transportation systems, such as using intelligent transportation systems and improving bus

¹⁰ Decision 4/CMP.14, para. 4.

¹¹ Remote participation was possible via electronic means.

¹² See the report of the 103rd meeting of the Board in CDM document CDM-EB103, paras. 27–28.

routes (including redesigning routes, implementing priority bus lanes, installing high-quality pavement and constructing viaducts and tunnels);

(c) Revised the approved methodology “AMS-II.T: Emission reduction through reactive power compensation in power distribution network” to provide an additional option of calculating emission reductions using a modelling approach, thus broadening the applicability of the methodology;

(d) Revised the approved methodology “AM0031: Bus rapid transit projects” to remove restrictions and enable changes to the number of vehicles retired as a result of increase in population and consequent increase in demand for buses in the project city or region;

(e) Approved the new small-scale methodology “AMS-III.BO: Trip avoidance through equipment improvement of freight transport”, covering activities that implement measures for improved freight transportation through implementing new technologies for trailers and loading equipment (e.g. use of lighter materials);

(f) Considered the draft new guideline on using the CDM in urban sectors to facilitate integrated approaches covering multiple sectors in the urban mitigation context, and provided guidance to the CDM Methodologies Panel for improving the guideline and enhancing its usability.

54. The Board revised “TOOL30: Calculation of the fraction of non-renewable biomass” to clarify aspects related to the collection of biomass data, to simplify requirements for the calculation of the fraction of non-renewable biomass (such as by providing options for data sources for parameters that can be used by DNAs and project participants to establish the fraction) and to clarify the required data vintage of the parameters used in the calculation of the fraction.

55. The Board revised “Guideline: General guidelines for SSC CDM methodologies” to further clarify the requirements related to biennial monitoring.

56. The Board considered an information note on analysis of levelized cost of electricity generation and penetration rates of grid-connected solar photovoltaics and on-shore wind technologies and agreed to retain these technologies under the positive lists for additionality in the methodologies and tools.

6. Standardized baselines

57. The Board approved three standardized baselines in the reporting period;¹³ as a result, the cumulative number of approved standardized baselines stands at 44, of which 21 are currently valid, the remainder having expired.¹⁴ A further 22 standardized baselines are being developed, including 7 that the Board approved for development under the top-down process, initiated at the request of CDM DNAs from underrepresented countries.

7. Sustainable development tool

58. In 2014, the secretariat launched the sustainable development tool, 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. An improved version of the sustainable development tool was released in 2018.¹⁵

59. As at 31 August 2019, 66 sustainable development description reports had been published, 7 of which were published in the reporting period. The few description reports published in the reporting period reflect the overall decrease in CDM activity.

¹³ ASB0040-2018, ASB0041-2018 and ASB0042-2019.

¹⁴ See https://cdm.unfccc.int/methodologies/standard_base/index.html.

¹⁵ <https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx>.

8. Direct communication with stakeholders

60. During the reporting period, 384 queries from stakeholders seeking clarification on CDM rules and regulations, including 18 communications addressed to the Board, were processed.

61. The 2018 annual report on stakeholder communication with the Board and the secretariat was published on the CDM web page.¹⁶ The feedback received from stakeholders helped to identify areas for improvement with respect to CDM regulations and operational activities or where improvement work could be accelerated, such as the revision of the CDM regulatory documents in the context of simplifying and streamlining post-registration changes, including the process for the renewal of the crediting period.

C. Financing and use of the clean development mechanism by international finance institutions and options for using the clean development mechanism as a tool for other uses

62. The Board continued its cooperation with financial institutions in the reporting period.¹⁷ It considered a report¹⁸ on financing and use of the CDM by international finance institutions and noted the progress of the ongoing support provided by the secretariat in collaboration with the RCCs.

63. Engagement with financial and investment institutions to promote the CDM and its uses has resulted in over 30 new PoAs and projects, the launch and establishment of green banking, and several successful funding and Green Climate Fund Readiness Programme and Preparatory Support proposals. To ensure continued prudent management of CDM resources, the secretariat aims to conduct further work in line with complementary mandates and processes under the UNFCCC, such as its project on needs-based finance.¹⁹ The aim of the project is to facilitate the mobilization of climate finance to support developing countries in implementing priority mitigation and adaptation actions in accordance with the goals outlined in their nationally determined contributions, national adaptation plans and other relevant policies or strategies.

64. The Board took note of the latest developments under CORSIA, including the setting of criteria for emission units, the establishment of a technical advisory body and ICAO calling for applications for assessment against the CORSIA emissions unit criteria by the technical advisory body. The Board responded by letter in July 2019, informing ICAO that the required information on the CDM processes and procedures is available on the CDM web pages. Furthermore, the Board considered a request for information received from ICAO and agreed to respond based on factual information available on the UNFCCC website.

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

1. Supporting designated national authorities

65. Through the secretariat, the Board continued to provide support to DNAs in the reporting period, including as follows:

(a) Through the RCCs at national, regional and subregional training events held in Belize, Brazil, Cambodia, Ghana, Jamaica, the Republic of Korea, Saint Vincent and the Grenadines, Senegal, Thailand and Vanuatu;

¹⁶ Available at <https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20190206183708302/Regular%20report%20Stakeholder%20communication.pdf>.

¹⁷ In response to decision 6/CMP.11, paras. 7–8, decision 3/CMP.12, para. 4, and decision 3/CMP.13, para. 2.

¹⁸ See CDM document CDM-EB-103-AA-A-01.

¹⁹ Mandated in decision 6/CP.23, para. 10.

- (b) Through RCCs providing direct technical assistance to DNAs for developing and renewing standardized baselines;
- (c) At the 19th DNA Forum, which included a technical workshop on new approaches to carbon crediting, held from 19 to 21 September 2018 in Bonn, Germany;
- (d) At the 20th DNA Forum, which included a technical workshop on new carbon crediting opportunities, held from 12 to 14 June 2019 in Bonn;
- (e) By holding the elections of the DNA chairing committees for 2019 and 2020²⁰ on the margins of the DNA Forums;
- (f) By engaging with the co-chairs of the DNA Forum at EB 101 and 103;
- (g) By updating the DNA contact details on the CDM web pages²¹ as requested by the DNAs.

2. Clean development mechanism Loan Scheme

66. The CDM Loan Scheme was launched in April 2012 and is operated by UNOPS as implementing agency under the supervision of the secretariat. Since the launch, a total of 191 applications have been received across seven periods of application, with 78 loans approved and 63 loan agreements effected. No further loans were entered into during the reporting period as no new periods for loan applications were opened.

67. Some 68 per cent of loan agreements were for projects in least developed countries and 74 per cent were in African countries. Most loans cover PoAs (48 per cent), followed by large-scale projects (32 per cent) and small-scale projects (20 per cent).²²

68. During the reporting period, the secretariat and UNOPS, following CMP guidance,²³ worked to achieve closure and repayment of all loans. Where the loans for supported CDM projects were deemed unlikely to be repaid as per the terms in the loan agreement owing to delays in implementation or for other reasons, the loans entered a cancellation phase in which repayment of disbursed funds was sought.

69. When circumstances warrant, as per decisions 3/CMP.6 and 3/CMP.12, individual loans may be written off by UNOPS in accordance with its rules and written down in accordance with the applicable Financial Regulations and Rules of the United Nations. Processes for managing such write-offs have been established and are now being implemented by UNOPS and the UNFCCC.

70. The status of the 63 loans agreed is as follows, according to the second quarterly Loan Scheme report for 2019 presented by UNOPS (as at 30 June 2019):

- (a) 19 loans have been fully repaid;
- (b) 5 loans have been partially repaid with the remaining amounts written off;
- (c) 13 loans have been fully written off;
- (d) 26 loans are still being processed by UNOPS and will be either repaid or written off, depending on the circumstances for each loan.

71. The CDM Loan Scheme is entirely funded from the interest accrued on the Trust Fund. As at 30 June 2019 (per the latest UNOPS quarterly report end date), the financial status of the CDM Loan Scheme was as follows:

- (a) Total loan commitment: USD 3,902,070;
- (b) Funds disbursed to loan recipients: USD 3,702,987;
- (c) Loan funds repaid: USD 1,075,049;

²⁰ See <https://cdm.unfccc.int/DNA/index.html>.

²¹ <https://cdm.unfccc.int/DNA/bak/index.html>.

²² The latest annual report on the CDM Loan Scheme is contained in CDM document CDM-EB104-AA-A04.

²³ Decisions 3/CMP.6 and 3/CMP.12.

(d) Loan funds written off: USD 580,376.

72. The Loan Scheme is scheduled to be closed at the end of 2019, with all loans settled with arrangements in place to receive further repayments after 2019.

3. Nairobi Framework Partnership

73. In the context of the NFP,²⁴ the secretariat coordinates the activities of the partners and cooperating organizations.²⁵ In the reporting period, the NFP partners and cooperating organizations reaffirmed their commitment to the Partnership and agreed to continue to strive to broaden the demand for, and participation in, the CDM by showcasing it to a wider audience, for example at the regional climate weeks.²⁶

74. A series of coordination meetings were held online and on the margins of the regional climate weeks in 2019. The objective of the meeting convened during Africa Climate Week was to bring together partners and cooperating organizations, including senior directors, to review the results achieved at the event and agree on practical and operational arrangements for improving the delivery of work under the NFP. It was agreed that a rulebook would be designed to clarify the roles and responsibilities of each organization and determine the deliverables to which each partner would contribute. It was also agreed that a core group of global partners and a group of regional members would be established and that the NFP terms of reference would be revised to incorporate a definition of core partners. Meetings convened at the Latin American and Caribbean and the Asia-Pacific Climate Weeks focused on planning for the climate weeks in 2020.

75. The NFP 2018 annual report, documenting the activities of the NFP partner agencies and cooperating organizations, was published on the CDM web page in the reporting period.²⁷

76. Joint efforts of the NFP partners and cooperating organizations in the reporting period include organizing the 2019 Africa Climate Week, Latin American and Caribbean Climate Week and Asia-Pacific Climate Week (see annex V, table 3), where sessions, side events and workshops on the CDM and carbon markets were held that involved Board representatives, DNAs, project participants, potential investors and regional experts.

77. The NFP 2020 planning meeting is to be held at COP 25.

78. The Board wishes to express its gratitude to the Governments of Brazil, Ghana and Thailand for hosting regional climate weeks in 2019 and to NFP partners and cooperating organizations for their continued work on carbon markets and mechanisms, including the CDM.

4. Regional collaboration centres

79. The RCCs²⁸ work in collaboration with local and regional agencies and multilateral development banks (RCC host partners)²⁹ to improve the regional distribution of CDM

²⁴ 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 <https://nfppartnership.org/>.

²⁵ Partner agencies: African Development Bank, Asian Development Bank, International Emissions Trading Association, United Nations Conference on Trade and Development, United Nations Development Programme, UNEP, UNEP DTU Partnership, 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.

²⁶ See <https://www.regionalclimateweeks.org/>.

²⁷ Available at <https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20190207182511909/2018%20NFP%20Status%20Report.pdf>.

²⁸ 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. RCC Bogota, which has been in operation since August 2013, was moved to Panama City, Panama, in March 2017. See <https://unfccc.int/about-us/regional-collaboration-centres>.

²⁹ 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.

projects. In February 2019, a new RCC for the Middle East and North Africa, and South Asia regions was established in Dubai in collaboration with the World Green Economy Organization. RCC Dubai is expected to begin operations in the fourth quarter of 2019.

80. The RCCs provide support³⁰ to developing countries in relation to CDM methodologies and standardized baselines; incentivizing projects by promoting the use of CERs for voluntary climate neutrality under the Climate Neutral Now initiative; promoting the use of the CDM as part of development and climate strategies; promoting the benefits and potential broader use of the CDM, for example to underpin climate finance; and using the CDM sustainable development tool. They continue to prioritize work in least developed countries and underrepresented countries (those with 10 or fewer registered CDM projects as at 31 December 2010).³¹

81. The work of the RCCs is organized in four areas:

- (a) Provision of direct assistance for existing projects and PoAs and identification of new projects and PoAs;
- (b) Provision of support for:
 - (i) Identification and development of new bottom-up and top-down standardized baselines;
 - (ii) Renewal of standardized baselines;
- (c) Promotion of the use of the CDM and its CERs;
- (d) Financing and use of the CDM by international finance institutions.

82. Since their inception, the RCCs have directly supported more than 1,190 CDM project activities and PoAs, of which 237 projects and PoAs have moved forward one or more steps through the CDM project cycle and 116 additional projects have entered the CDM pipeline; supported the development of 144 standardized baselines, of which 43 have been approved by the Board; and, in this reporting period, provided capacity-building and training on standardized baselines through direct technical support at the national level and through events at the regional and subregional level.

83. The annual RCC Global Forum for 2018, held in conjunction with COP 24, provided an opportunity for partners and the secretariat to meet, give feedback to the Board and take stock, exchange ideas and introduce new ideas for future work and continued collaboration. It was attended by the Chair of the Board and RCC host partner representatives from all five RCCs. The host partners reiterated their continued support to engage with Parties and spread the message on the importance of the RCCs as the main agents of regional engagement for climate change.³² The Chair of the Board acknowledged the substantive contribution of the RCCs through their regular reports to the Board, and noted the RCC support for CDM projects and PoAs and the development of standardized baselines, including their delivery of capacity-building and training at the national level. The RCC report on 2018 highlights³³ was launched at the meeting.

5. Gender dialogue

84. In response to a request by COP 22³⁴ for constituted bodies to include in their regular reports information on progress towards integrating a gender perspective in their processes, the Board participated in a capacity-building workshop in Bonn in conjunction with its 104th meeting. The Board held discussions on quantifying and monetizing social and economic benefits, the role of gender in efficiently and effectively reducing carbon emissions, and sectoral perspectives on gender and climate change.

³⁰ In response to decision 3/CMP.13, para. 3.

³¹ See https://cdm.unfccc.int/methodologies/standard_base/cdmprojects.pdf.

³² Initially set up to spread the benefits of the CDM, the RCCs have broadened their role. Thanks to financial and human resources provided by governments, partners and other United Nations organizations, the RCCs are able to facilitate support to countries' work on climate action.

³³ Available at <https://unfccc.int/sites/default/files/resource/RCC%20Highlights%202018.pdf>.

³⁴ See decision 21/CP.22.

IV. Governance and management matters

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

86. During the reporting period, the CDM Accreditation Panel and the CDM Methodologies Panel met three times.³⁵ The Afforestation and Reforestation Working Group and the Carbon Dioxide Capture and Storage Working Group did not meet, but at EB 103 the terms of office of their members were extended by two years to the end of 2021.

87. At EB 103, the Board appointed 5 experts as members of the CDM Accreditation Panel, 12 experts as members of the CDM Methodologies Panel and 23 experts for the Registration and Issuance Team to serve from 1 September 2019 to 31 December 2021.

88. In September 2019, the Board adopted the CDM-MAP for 2020–2021 and agreed to continue its practice of conducting a midyear review of the status of implementation of the approved CDM-MAP.

A. Membership of the Executive Board

89. At CMP 14, new members and alternate members of the Board were elected to fill vacancies arising from the expiration of terms of tenure. In 2019, 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 in 2019

<i>Member</i>	<i>Alternate member</i>	<i>Nominated by</i>
Omar Alcock ^a	Amjad Abdulla ^a	Small island developing States
El Hadji Mbaye Diagne ^b	Rachid Tahiri ^b	African States
Piotr Dombrowicki ^a	Anna Romanovskaya ^a	Parties included in Annex I
Maosheng Duan ^a	José Miguez ^{a, c}	Parties not included in Annex I
Diana Harutyunyan ^a	Natalie Kushko ^a	Eastern European States
Benjamin Karmorh Jr. ^a	Moises Alvarez ^{a, c}	Parties not included in Annex I
Olivier Kassi ^b	Frank Wolke ^b	Western European and other States
Lambert Schneider ^b	Kazunari Kainou ^b	Parties included in Annex I
Spencer Thomas ^b	Eduardo Calvo ^b	Latin American and Caribbean States
Sirous Vatankhah ^b	Muhammad Tariq ^b	Asia-Pacific States

^a Two-year term, ending prior to the first Board meeting in 2020.

^b Two-year term, ending prior to the first Board meeting in 2021.

^c Nomination received by the secretariat at CMP 14. Alternate member deemed to have been elected at CMP 13.

Election of the Chair and Vice-Chair of the Board

90. At EB 102, Piotr Dombrowicki, from a Party included in Annex I, was elected as Chair, and El Hadji Mbaye Diagne, from a Party not included in Annex I, as Vice-Chair of the Board. Their tenures will end just before the first meeting of the Board in 2020.³⁶

91. The Board expressed its appreciation to the outgoing Chair and Vice-Chair for their excellent leadership of the Board in 2019.

³⁵ See <https://cdm.unfccc.int/Panels/index.html>.

³⁶ In accordance with rule 12 of the rules of procedure of the Board (decision 4/CMP.1, annex I).

B. Meetings of the Executive Board

92. In the reporting period, the Board held four 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.³⁷

Table 5

Meetings of the Executive Board of the clean development mechanism between 1 September 2018 and 12 September 2019

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
EB 101	26–29 November 2018	Katowice, in conjunction with CMP 14
EB 102	25–28 March 2019	Bonn
EB 103	12–14 June 2019	Bonn, in conjunction with SB 50
EB 104	9–12 September 2019	Bonn

Note: EB 105 will be held from 25 to 28 November 2019 in Santiago in conjunction with CMP 15.

C. Interaction with forums and stakeholders

93. 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 co-chairs at EB 101 and 103; with DOEs through interaction with the Chair of the DOE/AIE Coordination Forum at EB 101, 102 and 104; and with the CDM Accreditation Panel at its 82nd meeting.

94. 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.

95. Stakeholders have the 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 makes itself available to registered observers at its meetings.

96. The secretariat organized, after each of the four Board meetings in the reporting period, regular teleconferences with members of the DOE/AIE Coordination Forum to discuss the outcomes of the meetings and to provide clarification on decisions taken by the Board. Members of the CDM Accreditation Panel participated in the teleconferences as observers.

97. In the reporting period, the Board held two side events: one at CMP 14 on experience and lessons learned from the CDM, and one at SB 50 on the CDM and ambitious climate policy. The event agendas and presentations made are available on the UNFCCC website.³⁸

D. Communication and outreach

98. Communication and outreach in the reporting period focused on two areas:

- (a) Conveying the usefulness and benefits of the CDM in the broader context of the use of markets and mechanisms;
- (b) Increasing the use of CERs for voluntary offsetting.

99. On the first, the message remains that the CDM is a functioning, still-evolving and improving tool, with a record of achievement, at the disposal of Parties and non-Party stakeholders, including as a resource for infrastructure and lessons learned.

³⁷ <http://cdm.unfccc.int/EB/index.html>.

³⁸ <https://seors.unfccc.int/seors/reports/archive.html>.

100. On the second, the CDM is presented as a means to broaden action on climate change through the purchase and cancellation of CERs. Companies, organizations, event organizers and individuals are encouraged to calculate their emissions, reduce them as much as possible and compensate for the remainder using CERs, especially in the context of the Climate Neutral Now initiative and the online platform for voluntary cancellation of CERs.

101. Activities undertaken in the reporting period to nurture demand for the CDM and voluntary cancellation of CERs include producing and promoting a video and quiz,³⁹ supported by a funded social media campaign, and outreach to companies, organizations and sectors. For the latter, partnerships were pursued or advanced in China, Europe, the Republic of Korea and the United States with various organizations, such as Airport Council International, which has a successful carbon accreditation programme for airports, and cooperative efforts were initiated with sports organizations, such as Spanish football team Real Betis Balompié.

102. Approximately 200 organizations have committed to measuring, reducing and compensating for their emissions under the Climate Neutral Now initiative, including through use of CERs. The secretariat has supported the United Nations system in becoming climate neutral through the reduction of emissions and through compensation with CERs, and has collaborated with UNEP to encourage other international organizations to do likewise.

103. Communication and outreach efforts are supported by the RCCs and built into various secretariat initiatives, including the annual United Nations Global Climate Action Awards, with its Climate Neutral Now pillar, and the secretariat's outreach to sectors.

104. Messages about the CDM and use of markets were delivered throughout the reporting period by the secretariat and its RCCs at events such as the regional climate weeks.

105. At Board side events at CMP 14 and SB 50, panels discussed the usefulness of the CDM for increasing ambition in climate policy and action.

E. Financial status of the clean development mechanism

106. The Board continues to ensure 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.⁴⁰

107. A comprehensive report on the present financial situation of the CDM and the foreseen budgets for CDM activities until the end of 2023 is contained in annex I.⁴¹

108. At EB 97, the Board approved the CDM-MAP for 2018–2019⁴² and the related budget for 2019, amounting to USD 19.5 million, which represents a decrease of USD 177,013.00 (0.9 per cent) compared with the 2018 budget.

109. A projected income of USD 9 million for 2019 was included in the CDM-MAP for 2018–2019 (table 12). Table 6 provides a comparison between 2018 and 2019 of the CDM status of income in the eight-month period January–August: in 2019 the fees received amounted to USD 8.3 million;⁴³ in 2018 they amounted to USD 6.8 million. It is likely that the projected income for 2019 of USD 9 million will be realized or exceeded.

110. The accrued interest in the Trust Fund 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.⁴⁴

³⁹ <https://unfccc.int/news/un-launches-climattitude-campaign-find-out-about-your-attitude-to-climate-change>.

⁴⁰ In accordance with decisions 4/CMP.10, 6/CMP.11, 3/CMP.12 and 4/CMP.14.

⁴¹ In response to decision 4/CMP.14, para. 5.

⁴² See CDM document CDM-EB97-A01-INFO.

⁴³ The data presented in this report are subject to change, as the financial period remained open when the report was being finalized.

⁴⁴ In accordance with decision 3/CMP.6, para. 65.

Table 6
Comparison of the clean development mechanism status of income for the eight-month period January–August for 2018 and 2019

(United States dollars)

<i>Income</i>	<i>2018^a</i>	<i>2019^a</i>
Carry-over from previous year (A)	90 014 749	83 451 174
Fee income		
Registration fees ^b	99 509	156 870
SOP ^c	6 496 483	8 050 423
Accreditation fees	113 223	44 980
Accreditation process related fees	65 034	64 984
Subtotal: income from 1 January to 31 August (B)	6 774 249	8 236 555
Total: previous year's carry-over and current year's income (A + B)	96 788 998	91 687 728

^a USD 45 million held in reserve not included.

^b Based on the average annual issuance of CERs over the first crediting period, calculated as a SOP 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 SOP to cover administrative expenses.

^c Payable at issuance of CERs: USD 0.10/CER issued for the first 15,000 CERs for which issuance is requested in a given calendar year, and USD 0.20/CER issued for amounts in excess of 15,000 CERs.

111. Table 7 presents a comparison between 2018 and 2019 of the CDM budget and status of expenditure: expenditure in the eight-month period January–August in 2019 amounted to USD 12.7 million; in 2018 it amounted to USD 13.1 million. The rate of expenditure in 2019 is below the expected linear rate (66.6 per cent) for the period but is projected to more closely align with the linear rate as the year progresses.

Table 7
Comparison between 2018 and 2019 of the clean development mechanism budget and status of expenditure

	<i>2018</i>	<i>2019</i>
Budget (12 months) (USD)	19 657 916	19 480 903
Expenditure (first 8 months) (USD)	13 063 836	12 708 848
Expenditure as percentage of budget (%)	66.5	65.2

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

112. To provide clarity to project participants (existing and those pursuing validation and registration under the CDM) and 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.

Annex I

Report of the Executive Board on the financial situation of the clean development mechanism

[English only]

I. Introduction

A. Mandate

1. CMP 14 requested the Board and the secretariat to ensure the efficient and prudent use of resources of the Trust Fund to the end of the true-up period for the second commitment period, and to present a comprehensive report to CMP 15 on the present financial situation of the CDM and the foreseen budgets for activities until the end of 2023.¹

B. Scope of the report

2. This report responds to the mandate from the CMP referred to in paragraph 1 above.

II. Background

3. As part of its oversight and implementation of the CDM, the Board develops and publishes successive two-year CDM-MAPs.²

4. The development of the CDM-MAP is a collaborative effort between the Board and the secretariat, documented in the procedure “CDM business and management plan preparation, approval and monitoring”,³ and includes:

(a) Strategic planning sessions for launching the preparation of each two-year CDM-MAP, held normally in month 18 of the 24-month cycle of the previous CDM-MAP;

(b) Developing and documenting in the CDM-MAP the Board’s strategy, goals and objectives for the CDM in a given period, including the planned activities and deliverables and the staff and non-staff resources required;

(c) Monitoring, through regular reports, the status of implementation of the CDM-MAP,⁴ the achievements made against the Board’s goals, associated objectives, and specific operational activities and projects included in the CDM-MAP, and the status of the budget (including income, expenditure and how resources were allocated during the reporting period) and making adjustments as needed;

(d) Considering the midyear and year-end monitoring reports with a view to implementing, where relevant, corrective action and the year-end monitoring report to inform the discussion on the CDM-MAP;

¹ Decision 4/CMP.14, para. 5.

² The Board makes decisions regarding the allocation of resources for the CDM through its CDM-MAP, which has been prepared by the secretariat under the guidance of the Board and published on the UNFCCC website since 2007; available at <http://cdm.unfccc.int/EB/index.html>.

³ See CDM document CDM-EB97-A12-PROC.

⁴ The reports, which have been prepared by the secretariat under the guidance of the Board and published on the UNFCCC website since 2012, are available at <https://cdm.unfccc.int/EB/report/>.

(e) Informing the CMP on a yearly basis,⁵ through the Board's annual reports on progress in implementing the CDM,⁶ on topics such as the governance, management and financial status of the mechanism;

(f) Considering guidance contained in CMP decisions in the subsequent planning, monitoring and reporting stages of the process.

5. The Board and the secretariat applied this concerted and ongoing process in responding to the CMP requests in 2014,⁷ 2015⁸ and 2016⁹ to ensure the prudent management of CDM resources and the sufficiency of resources up to the end of the true-up period of the second commitment period of the Kyoto Protocol.

6. In developing the income scenarios and expenditure projections that informed the Board's CDM budget discussions between 2014 and 2018, the Board and the secretariat applied principles for determining, under the different income scenarios, which expenditure projection was best aligned with the goals and objectives for the CDM set by the Board for a given period, while ensuring the prudent, effective and efficient management of its resources. The principles included that the approach must:

(a) Provide for a longer-term horizon for managing the CDM budget, while ensuring that the needs of the CDM and the expectations of Parties are met in an effective and cost-efficient way;

(b) Allow for the safeguarding of financial resources to operate and maintain the CDM up to the end of 2023;

(c) Allow for the essential skills and expertise required to maintain the CDM process to be managed and maintained for use under any future mechanism.

7. In 2013, under the guidance of the Board, the secretariat adopted a strategy of natural attrition as well as seeking ways to further reduce expenditure on consultancies, travel and operating costs. As a result of the natural attrition and staff redeployment processes,¹⁰ alongside reducing consultant, expert, travel and operating costs, the Board and the secretariat were able to reduce the CDM budget by 14.2 per cent between 2013 and 2014.¹¹

8. In 2015, the secretariat adopted a human resources strategy with the purpose of taking a more proactive and strategic approach to planning human resources against identified CDM functional areas of work in order to ensure that the secretariat appropriately managed its human resources allocated to CDM-related work.¹² Working closely with the Board, the secretariat's organizational structure was adjusted, significantly reducing the human resources from 137 to 87 (36.5 per cent reduction). This resulted in the Board approving the 2016 CDM budget at a 30.1 per cent reduction in comparison with the 2015 budget.¹³ CMP 11 expressed its appreciation to the secretariat for ensuring the prudent management of its resources.¹⁴

9. Between 2016 and 2018, the secretariat, under the guidance of the Board, proactively took a prudent management approach, ensuring that the actual expenditure was between 6.5 and 10 per cent lower than the budget for the respective year (see table 6). Part of this reduction was foreseen in the approval by the Board of the CDM budgets, in which the Board included a contingency cushion to allow for unforeseen events owing to the uncertainty of the external environment at the time.

⁵ As required by decision 3/CMP.1, annex, para. 5(c).

⁶ The Board's annual reports are available at http://cdm.unfccc.int/Reference/EB_CMP_rep/index.html.

⁷ Decision 4/CMP.10, para. 20.

⁸ Decision 6/CMP.11, para. 28.

⁹ Decision 3/CMP.12, para. 18.

¹⁰ See CDM document CDM-EB85-AA-04, paras. 72–77.

¹¹ See CDM document CDM-EB76-A01, version 2.0.

¹² See CDM document CDM-EB85-AA-04, para. 75.

¹³ See CDM document CDM-EB87-A01-INFO, version 01.1, appendix, pp.9–27.

¹⁴ Decision 6/CMP.11, para. 27.

III. Financial situation of the clean development mechanism as at 31 July 2019

A. Income

10. Between 2006 and 2012, owing to the number of projects being registered under the CDM during the first commitment period, the level of income of the CDM increased: the total income to the Trust Fund amounted to approximately USD 334 million, and expenditure amounted to USD 157 million, resulting in an accumulated surplus of just over USD 177 million by the end of 2012.

11. In 2008, to mitigate potential risks arising from fluctuations in income, the Board introduced an operating cushion (reserve) of USD 30 million against the Trust Fund, representing 1.5 times the 2008 CDM budget. In 2009, considering the increase in the CDM budget, the Board increased the reserve accordingly, to USD 45 million. The level of the reserve has remained unchanged since 2009.¹⁵ The secretariat has accrued liabilities for staff funded under the Trust Fund relating to end-of-service and post-retirement benefits of approximately USD 16.5 million.

12. Despite the adoption of the Doha Amendment to the Kyoto Protocol in 2012 and new emission reduction targets for the second commitment period, a drop in the number of CDM projects being registered and requests for issuance occurred, resulting in reduced revenue for the Trust Fund. At the end of 2014, the accumulated surplus in the Trust Fund amounted to USD 173 million.

13. In forecasting income levels in 2014 for the period beyond 2015 up to the end of the second commitment period under the Kyoto Protocol, the Board, during the preparation of the 2014–2015 CDM budget, anticipated substantial decline of requests for registration in the short and medium terms and an uncertainty in expectations for requests for issuance of CERs.

14. As such, income levels for 2016–2020 were assumed at zero, reflecting a conservative approach. With a forecast annual income level of zero for 2016–2020 and a forecast annual expenditure equal to the 2016 CDM projected expenditure, the Board expected that sufficient funds would be available for the operation of the CDM up to the end of the second commitment period (see table 1).

15. In 2017, considering the actual income in 2016 and 2017 to the Trust Fund (see table 2), the Board adjusted the future income scenarios. With a forecast annual income level of USD 9 million for 2016–2023 and a forecast annual expenditure equal to the 2016 CDM proposed budget, the Board expected that sufficient funds would be available for the operation of the CDM up to the end of the true-up period of the second commitment period and projected a 2023 year-end balance greater than the reserve of USD 45 million (see table 3).

¹⁵ See document FCCC/KP/CMP/2007/3 (Part I), para. 112; and the EB 45 report, annex 71, para. 78, available at https://cdm.unfccc.int/EB/045/eb45_repan71.pdf.

Table 1
Carry-over and year-end balance of the clean development mechanism for 2016–2020 under a zero-income scenario with forecast expenditure equal to the projected 2016 expenditure

(United States dollars)

	2016	2017	2018	2019	2020
Carry-over ^a	144 238 628	125 742 760	107 246 892	88 751 024	70 255 156
Income ^b	—	—	—	—	—
Expenditure ^c	18 495 868	18 495 868	18 495 868	18 495 868	18 495 868
Year-end balance	125 742 760	107 246 892	88 751 024	70 255 156	51 759 288

^a Includes reserve of USD 45 million but not the interest accumulated earmarked for the CDM Loan Scheme.

^b Zero income assumed; very conservative approach.

^c Projected expenditure for 2016 at the time of preparing the 2016 CDM-MAP.

Table 2
Forecast income compared with actual income of the clean development mechanism for 2016–2019

(United States dollars)

	2016	2017	2018	2019 (as at 31 July)
Forecast income	0	0	9 000 000	9 000 000
Actual income	12 313 765	8 452 230	11 191 822	7 635 014

Table 3
Carry-over and year-end balance of the clean development mechanism for 2016–2023 under a USD 9 million income scenario and with forecast expenditure equal to the projected 2016 expenditure

(United States dollars)

	2016	2017	2018	2019	2020	2021	2022	2023
Carry-over ^a	144 238 628	134 742 760	124 140 501	113 538 242	102 935 983	92 333 723	81 731 464	71 129 205
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure ^c	18 495 868	19 602 259	19 602 259	19 602 259	19 602 259	19 602 259	19 602 259	19 602 259
Year-end balance	134 742 760	124 140 501	113 538 242	102 935 983	92 333 723	81 731 464	71 129 205	60 526 946

Note: See CDM document CDM-EB-92-A01, table 10.

^a Includes reserve of USD 45 million but not the interest accumulated earmarked for the CDM Loan Scheme.

^b USD 9 million was the projected year-end income for 2016 and used as the projected annual income for until 2023.

^c USD 18,495,868 was the projected expenditure for 2016. The 2017 budget of USD 19,602,259 was used as the projected annual expenditure for until 2023.

16. The total CDM fees received in 2019 as at 31 July 2019 amounted to USD 7.6 million (see table 4). The income received in the first seven months of 2019 represents 84.8 per cent of the 2019 projected income. The linear rate of income for a seven-month period is 58.3 per cent. On the basis of the current trend, it is likely that the projected income for 2019 of USD 9 million will be realized or exceeded.

17. Table 4 presents the CDM fee income received from 1 January 2016 to 31 July 2019.

Table 4

Clean development mechanism fee income received (2016 to 31 July 2019)

(United States dollars)

<i>Fee type</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019 (as at 31 July)</i>
Accreditation fees	180 000	75 000	119 923	44 980
Fees from the accreditation process ^a	110 047	214 365	126 185	61 267
Methodology fees ^b	2 000	–	–	–
Registration fees ^c	2 006 896	376 520	91 886	34 984
SOP ^d	10 014 822	7 786 345	10 853 828	7 493 783
Total income	12 313 765	8 452 230	11 191 822	7 635 014

^a Fees related to the accreditation of DOEs under the CDM.

^b A submission fee of USD 1,000 is payable when a new methodology is proposed. If the methodology is approved, the project participants receive a credit of USD 1,000 against payment of the registration fee or prepayment of SOP.

^c Based on the average annual issuance of CERs over the first crediting period and calculated as a SOP to cover administrative expenses, as defined in decision 7/CMP.1, para. 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 a prepayment of the SOP to cover administrative expenses.

^d Payable at issuance of CERs: USD 0.10/CER issued for the first 15,000 CERs for which issuance is requested in each calendar year, and USD 0.20/CER issued for amounts in excess of 15,000 CERs.

B. Expenditure

18. In 2012, anticipating the drop in income to the Trust Fund in 2013 and beyond, the Board introduced cost-saving measures and reduced the available CDM budget over time, from USD 39.7 million in 2012 to USD 28.0 million in 2015, with the aim of safeguarding the CDM in the long term as a tool for mitigating climate change and driving sustainable development.

19. Considering the levels of accumulated surplus and income trends in 2014 and 2015, and seeking a balance between improving the CDM and ensuring its continuation up to the end of the true-up period of the second commitment period, the Board requested the secretariat to undertake a major review of expenditure under the CDM.

20. As part of that review, as outlined in paragraph 8 above and shown in table 5, in 2015 the secretariat significantly reduced, by 36.5 per cent, the human resources employed under the CDM, from 137 to 87 staff members.

Table 5

Clean development mechanism human resources: number of occupied posts in 2014–2016

	<i>2014</i>	<i>2015</i>	<i>2016</i>
Professional-level posts	105	104	64
General Service level posts	41	33	23
Total occupied posts	146	137	87

21. The review resulted in a 30 per cent reduction of the CDM budget from USD 28.0 million in 2015 to approximately USD 19.6 million in 2016.

22. Since 2016, under the guidance of the Board, the secretariat has continued to apply a 'prudent management of resources' approach, closely monitoring expenditure and reducing costs. This has resulted in further savings of CDM funds, as shown in table 6.

Table 6

Clean development mechanism budget against expenditure (2016 to 31 July 2019)

	2016	2017	2018	2019 (as at 31 July) ^a
Budget (USD)	19 618 431	19 602 259	19 657 916	11 363 860
Expenditure (USD)	18 349 310	17 584 312	17 873 541	11 092 921
Saving (USD)	1 269 121	2 017 947	1 784 375	270 939
Percentage saving (%)	6.5	10.3	9.1	2.4

^a Expenditure as at 31 July 2019 includes commitments up to the end of 2019; thus saving shown is conservative.

23. Table 7 provides a breakdown of CDM expenditure by category from 1 January 2016 to 31 July 2019, indicating areas of cost saving.

Table 7

Breakdown of clean development mechanism expenditure by category (2016 to 31 July 2019)

(United States dollars)

Expenditure	2016	2017	2018	2019 (as at 31 July)
Staff and other personnel costs ^a	9 841 092	10 307 041	10 337 904	6 330 682
Consultants and experts	660 835	506 000	412 723	297 640
Travel ^b	1 279 591	1 257 792	1 175 573	652 326
Operating expenses ^c	4 456 809	3 490 506	3 891 093	2 536 097
Programme support costs ^d	2 110 983	2 022 974	2 056 248	1 276 177
Total	18 349 310	17 584 313	17 873 541	11 092 921

^a Covers staff, general temporary assistance salaries and staff-related costs such as overtime payments, dependency allowance, education grant, rental subsidy, home-leave travel, travel on appointment and separation.

^b Covers expert travel of panel and working group members, travel of representatives to meetings and workshops, including travel of Board members and travel of staff.

^c Covers rental of equipment, shipping and transport costs, maintenance costs and other logistical costs normally associated with meetings of regulatory bodies and their panels and working groups; RCC operations, including costs related to administering the RCCs and their staff missions, travel and mission subsistence allowance, the RCC Global Forum and round tables; total cost of ownership and engagement agreements; and information technology costs related to supporting the CDM management projects and the maintenance of the operational information technology infrastructure required to operate the CDM project activity cycle workflows.

^d In accordance with the Financial Procedures of the United Nations, 13 per cent of overhead charges are payable on all trust funds of the UNFCCC to cover administrative services provided by the United Nations Office at Geneva and the UNFCCC secretariat.

IV. Key activities under the clean development mechanism

24. The Board considers that its role, within the guidance set by the CMP, is to ensure that the CDM infrastructure remains a viable and effective tool for use by Parties to meet their objectives under the Kyoto Protocol, allows for the voluntary cancellation of CERs by the public and private sectors, and mobilizes funds for adaptation purposes through its funding of the Adaptation Fund.

25. For the period 2020–2021, the Board has agreed, in its two-year MAP,¹⁶ on the following two goals, and their supporting objectives and key activities. Guidance from the CMP, the status of implementation reports of the 2020–2021 MAP and ongoing monitoring of the external environment will inform the setting of goals, supporting objectives and key activities for the period beyond 2021.

26. The following principles guided the elaboration of the activities and resources supporting the goals and objectives in the 2020–2021 CDM-MAP:

(a) A biennium budget that allows for the safeguarding of the financial resources of the CDM and ensures that there is no financial constraint in operating the CDM through to the end of the true-up period of the second commitment (2023);

(b) Ensure that the needs of the CDM and the expectations of the Parties regarding the CDM are met in an effective and cost-efficient way;

(c) Ensure that the CDM remains an effective tool used by Parties to mitigate climate change and drive sustainable development;

(d) Allow for the essential skills and expertise to be retained by the secretariat for use under any future mechanism to avoid offboarding/onboarding costs to the optimum.

A. Goal 1: enable the efficient and transparent implementation of mitigation activities to ensure the trusted certification of their outcomes

27. This goal intends to build upon and continue the work of the Board to improve the credibility, transparency, user-friendliness, environmental integrity and consistency of the CDM. This goal also allows for the development of innovative ways to increase the scale of mitigation activities that can be addressed through the CDM. These include considering how emission sources can be targeted through the CDM, how greater use of standardization can reduce transaction costs and how the use of the CDM can further contribute to reductions in global emissions.

28. Under this goal, the following objectives and key activities have been identified:

(a) **Operate efficient project and entity assessment processes:** The Board intends to fully implement the project cycle and accreditation procedures and meet all prescribed timelines without compromising the quality of assessments;

(b) **Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism:** The Board intends to continue its past efforts to simplify relevant standards and procedures;

(c) **Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity:** The Board intends, inter alia, to further the work on the development of simplified CDM methodologies and standardized baselines while maintaining environmental integrity; continue the development of digitized project and programme design document forms for CDM project activities and PoAs; and continue 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.

B. Goal 2: nurture the demand for, and participation in, the clean development mechanism

29. This goal intends to build upon and continue the work of the Board in recent years to position the CDM as a reliable source of trusted emission reductions. This goal encourages the use of the CDM and its CERs for compliance and voluntary purposes, thereby increasing the use of voluntary cancellations and enhancing the contribution of the CDM to sustainable development. The Board and the secretariat will continue to support DNAs and project

¹⁶ See CDM document CDM-EB104-A01-INFO.

participants in underrepresented countries and sectors, including by supporting projects and conducting regional training events through the CDM RCCs, supporting the NFP and engaging with the Global DNA Forum. These activities are additional to the work of the Board in developing new approaches under the CDM that are particularly well-suited to underrepresented countries, including the development of standardized baselines, PoAs, specific methodologies and tools, positive lists of technologies, the incorporation of suppressed demand and tools that the market demands.

30. Under this goal, the following objectives and key activities have been identified:

(a) **Facilitate the acceptance of CERs for compliance purposes:** In addition to the use of CERs by Parties to the Kyoto Protocol, the Board intends to nurture existing relationships and strategic partnerships;

(b) **Enhance the use of the CDM for voluntary purposes:** The Board intends, inter alia, to continue to broaden the strategy for achieving greater offsetting or mitigation by public and private entities;

(c) **Further develop the CDM as a tool for monitoring, reporting and verifying the outcomes of mitigation finance:** The Board intends to continue to further improve the CDM as well as the links between it and other components of the evolving international response to climate change.

V. Income scenarios and expenditure projections

31. The Board acknowledges the challenges it faces in forecasting income and presenting expenditure projections beyond the budget cycle, due to the current lack of clarity in the future of the mechanism after 2020.

32. The Board, in responding to the request of the CMP, applied three financial forecasting approaches for its foreseen budgets up to the end of the true-up period of the second commitment period.

A. Using historical data as a proxy for future income and expenditure

33. In preparing the CDM-MAP for 2020–2021, historical data were used as a proxy for future income and expenditure (see table 8).¹⁷

Table 8

Projected carry-over and year-end balances of the clean development mechanism for 2020–2023

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	118 736 189	109 743 157	102 530 041	93 316 565
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure ^c	18 714 985	17 992 672	16 213 476	16 213 476	16 213 476
Year-end balance	118 736 189	109 743 517	102 530 041	95 316 565	88 103 089

^a Includes reserve of USD 45 million but not the interest accumulated that is earmarked for the CDM Loan Scheme.

^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.

^c Values for 2020 and 2021 are the budgeted values given in the 2020–2021 CDM-MAP. For 2022–2023, expenditure is assumed at the same level as in 2021.

¹⁷ Among other actions, the Board considered the status of the 2018–2019 CDM-MAP and the goals and objectives set for the CDM in the previous biennium. Resource allocations to activities supporting the goals and objectives were prepared by the secretariat using staff and non-staff data from the previous biennium, as recorded in the secretariat's effort-tracking system.

34. The projections in table 8 indicate that there are sufficient resources to continue funding a programme of work for the CDM whereby mandated responsibilities can be fulfilled and an appropriate level of operations can be sustained up to the end of the true-up period of the second commitment period, resulting in a healthy balance at the end of 2023.

B. Using a linear reduction approach to project future income and expenditure

35. Tables 9–13 present income forecasts and expenditure projections for 2019–2023 calculated using a linear reduction approach. All forecasts and projections assume:

(a) That the goals, objectives and supporting activities established for the CDM for 2019 remain relevant but less resources would be required;

(b) A declining trend in activities over time, with the intention to provide a range of income scenarios that reflects the uncertainty of the future level of issuance of CERs;

(c) The need to provide expenditure projections that are broad enough to accommodate numerous possible outcomes of the relevant ongoing negotiations.

36. All of the linear reduction projections presented indicate that there are sufficient resources to continue funding a programme of work for the CDM whereby mandated responsibilities can be fulfilled and an appropriate level of operations can be sustained up to the end of the true-up period of the second commitment period, resulting in a healthy balance at the end of 2023.

C. Scenario with no registration after 2020 and the potential for issuance for monitoring periods only up to 2020

37. Table 14 presents a scenario developed using an approach to income combined with expenditure projections, including the following assumptions:

(a) No registration of projects or PoAs after 2020;

(b) Possibility of issuance of CERs for monitoring periods up to 2020;

(c) No other significant demand for CERs.

38. In this projection scenario, there are sufficient resources to continue funding a programme of work for the CDM whereby mandated responsibilities can be fulfilled and an appropriate level of operations can be sustained up to the end of the true-up period of the second commitment period, resulting in a healthy balance at the end of 2023.

Table 9

Scenario (a): year-end balances for the period 2019–2023 with variable income scenarios and constant expenditure projections

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	117 970 271	107 489 368	97 008 465	86 527 562
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure ^c	19 480 903	19 480 903	19 480 903	19 480 903	19 480 903
Year-end balance	117 970 271	107 489 368	97 008 465	86 527 562	76 046 659
Carry-over ^a	128 451 174	117 970 271	105 489 368	91 008 465	74 527 562
Income with USD 2 million/year linear reduction	9 000 000	7 000 000	5 000 000	3 000 000	1 000 000
Expenditure ^c	19 480 903	19 480 903	19 480 903	19 480 903	19 480 903
Year-end balance	117 970 271	105 489 368	91 008 465	74 527 562	56 046 659

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.

^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.

^c Assumed constant at USD 19,480,903 based on 2019 CDM budget.

Table 10

Scenario (b): year-end balances for the period 2019–2023 with variable income scenario and a 3 per cent expenditure reduction per year

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	117 970 271	108 056 773	98 694 153	89 866 368
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure with 3%/year linear reduction	19 480 903 ^c	18 913 498	18 362 619	17 827 786	17 308 530
Year-end balance	117 970 271	108 056 773	98 694 153	89 866 368	81 557 838
Carry-over ^a	128 451 174	117 970 271	106 056 773	92 694 153	77 866 368
Income with USD 2 million/year linear reduction	9 000 000	7 000 000	5 000 000	3 000 000	1 000 000
Expenditure with 3%/year linear reduction	19 480 903 ^c	18 913 498	18 362 619	17 827 786	17 308 530
Year-end balance	117 970 271	106 056 773	92 694 153	77 866 368	61 557 838

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.

^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.

^c Assumed based on 2019 CDM budget.

Table 11

Scenario (c): year-end balances for the period 2019–2023 with variable income scenarios and a 5 per cent expenditure reduction per year

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	117 970 271	108 417 030	99 747 277	91 918 940
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure with 5%/year linear reduction	19 480 903 ^c	18 553 241	17 669 753	16 828 336	16 026 987
Year-end balance	117 970 271	108 417 030	99 747 277	91 918 940	84 891 953
Carry-over ^a	128 451 174	117 970 271	106 417 030	93 747 277	79 918 940
Income with USD 2 million/year linear reduction	9 000 000	7 000 000	5 000 000	3 000 000	1 000 000
Expenditure with 5%/year linear reduction	19 480 903 ^c	18 553 241	17 669 753	16 828 336	16 026 987
Year-end balance	117 970 271	106 417 030	93 747 277	79 918 940	64 891 953

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.^c Assumed based on 2019 CDM budget.

Table 12

Scenario (d): year-end balances for the period 2019–2023 with variable income scenarios and a 5 per cent expenditure reduction per year for 2020–2021 and a 7 per cent expenditure reduction per year for 2022–2023

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	117 970 271	108 417 030	99 747 277	92 233 489
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure with linear reduction of 5%/year 2020–2021 and 7%/year 2022–2023	19 480 903 ^c	18 553 241	17 669 753	16 513 788	15 433 447
Year-end balance	117 970 271	108 417 030	99 747 277	92 233 489	85 800 042
Carry-over ^a	128 451 174	117 970 271	106 417 030	93 747 277	80 233 489
Income with linear reduction of USD 2 million/year	9 000 000	7 000 000	5 000 000	3 000 000	1 000 000
Expenditure with linear reduction of 5%/year 2020–2021 and 7%/year 2022–2023	19 480 903 ^c	18 553 241	17 669 753	16 513 788	15 433 447

	2019	2020	2021	2022	2023
Year-end balance	117 970 271	106 417 030	93 747 277	80 233 489	65 800 042

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.

^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.

^c Assumed based on 2019 CDM budget.

Table 13

Scenario (e): year-end balances for the period 2019–2023 with varying income scenarios and a 7.5 per cent expenditure reduction per year

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	117 970 271	108 848 501	100 991 040	94 309 681
Income ^b	9 000 000	9 000 000	9 000 000	9 000 000	9 000 000
Expenditure with 7.5%/year linear reduction	19 480 903 ^c	18 121 770	16 857 461	15 681 359	14 587 310
Year-end balance	117 970 271	108 848 501	100 991 040	94 309 681	88 722 371
Carry-over ^a	128 451 174	117 970 271	106 848 501	94 991 040	82 309 681
Income with USD 2 million/year linear reduction	9 000 000	7 000 000	5 000 000	3 000 000	1 000 000
Expenditure with 7.5%/year linear reduction	19 480 903 ^c	18 121 770	16 857 461	15 681 359	14 587 310
Year-end balance	117 970 271	106 848 501	94 991 040	82 309 681	68 722 371

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.

^b Assumed constant at USD 9 million based on average annual income received in 2016–2019.

^c Assumed based on 2019 CDM budget.

Table 14

Scenario (f): year-end balances for the period 2020–2023 with a scenario with no registration after 2020 and the potential for issuance for monitoring periods only up to 2020

(United States dollars)

	2019	2020	2021	2022	2023
Carry-over ^a	128 451 174	118 736 189	109 451 144	107 369 807	104 142 882
Income ^b	9 000 000 ^c	7 457 900	8 571 492 ^d	3 734 287	721 989
Expenditure ^b	18 714 985 ^c	16 742 945	10 652 829	6 961 212	5 868 781
Year-end balance	118 736 189	109 451 144	107 369 807	104 142 882	98 996 090

^a Includes reserve of USD 45 million but not interest accumulated that is earmarked for the CDM Loan Scheme.

^b Income forecasts and expenditure projections for 2020–2023 were determined through a modelling exercise using both statistical modelling (where future volume estimations for activities were calculated using historical performance ratios adjusted for key event assumptions) and best estimates (of minimum resource capacity required).

^c Assumed based on average annual income received in 2016–2019.

^d Higher than for 2020 since some monitoring reports, with monitoring periods of up to two years, are expected in 2021.

^e Assumed based on expenditure projection for 2019 as at 31 July 2019.

VI. Conclusions

39. The Board recognizes that the exercise of forecasting requires use of the best data available and that, in the current period of uncertainty in the negotiations, the forecasts will need to be continually updated as new information becomes available.

40. The Board and the secretariat are confident that, at the current level of activity, there will be sufficient funds to maintain the operation of the CDM until the end of 2023.

41. The Board and the secretariat will continue to ensure the efficient and prudent use of the Trust Fund resources up to the end of the true-up period of the second commitment period through the CDM-MAP preparation, monitoring and approval process, which includes regular reviews and annual reporting to the CMP.

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 fourteenth session

[English only]

<i>Decision 4/CMP.14 paragraph reference</i>	<i>Guidance relating to the CDM and action to be taken by the Board</i>	<i>Status of implementation</i>
4	Encourages the Executive Board to review methodological approaches for calculating emission reductions from project activities, resulting in the reduced use of non-renewable biomass in households	<p>Completed:</p> <p>EB 102 (March 2019) considered a concept note prepared by the secretariat on such approaches</p> <p>EB 103 (June 2019) considered a concept note prepared by the CDM Methodologies Panel on such approaches</p> <p>The Board requested the MP to conduct further work on the matter and to recommend for approval revised versions of two cookstove small-scale methodologies for consideration at EB 105</p> <p>Ongoing:</p> <p>EB 105 (November 2019) will consider the further analysis requested by the Board on this matter and consider for approval revised versions of two cookstove small-scale methodologies (AMS-II-G and AMS-I-E)</p>
5	Requests the Executive Board and the secretariat to ensure the efficient and prudent use of resources of the Trust Fund for the Clean Development Mechanism to the end of the true-up period for the second commitment period of the Kyoto Protocol, and to present a comprehensive report to CMP 15 on the present financial situation of the CDM and the foreseen budgets for activities until the end of 2023	<p>Completed:</p> <p>EB 103 (June 2019) considered the report prepared on the financial situation of the CDM</p> <p>EB 104 (September 2019) considered the report and cleared it for inclusion in the Board's annual report to the CMP as annex I</p>

Annex III

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	1–15
Carbon Check (India) Private Ltd. (Carbon Check) ^a	1, 3–5, 9, 10, 13, 14
Deloitte Tohmatsu Sustainability, Co., Ltd. (DTSUS) ^a	1–3, 5, 10, 12, 13, 15
Earthood Services Private Limited (Earthood) ^a	1, 3–7, 9, 10, 13–15
4K Earth Science Private Limited (4KES) ^a	1–3, 5, 6, 12–15
Colombian Institute for Technical Standards and Certification (ICONTEC) ^a	1–3, 7, 13, 14

^a Accreditation granted for five years.

Annex IV

Regulatory documents approved by the Executive Board of the clean development mechanism

[English only]

Table 1
Standards

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Establishment of standardized baselines for afforestation and reforestation project activities under the CDM	01.0	EB 102	Annex 4
CDM project standard for project activities	02.0	EB 101	Annex 1
CDM validation and verification standard for project activities	02.0	EB 101	Annex 2
CDM project standard for PoAs	02.0	EB 101	Annex 3
CDM validation and verification standard for PoAs	02.0	EB 101	Annex 4
Establishment of sector-specific standardized baselines	01.0	EB 101	Annex 5

Notes: (1) Approved methodological standards are available at <http://cdm.unfccc.int/methodologies/index.html>; (2) approved standardized baselines are available at https://cdm.unfccc.int/methodologies/standard_base/index.html.

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

Table 2
Procedures

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
CDM project cycle procedure for project activities	02.0	EB 101	Annex 16
CDM project cycle procedure for PoAs	02.0	EB 101	Annex 17

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

Table 3
Guideline

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
General guidelines for SSC CDM methodologies	23.0	EB 104	Annex 5

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

Table 4
Information notes

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
CDM two-year business and management plan 2020–2021	01.0	EB 104	Annex 1
CDM Executive Board workplan 2019	01.0	EB 102	Annex 1
CDM Accreditation Panel workplan 2019	01.0	EB 102	Annex 2
CDM Methodologies Panel workplan 2019	01.0	EB 102	Annex 3
Calendar of meetings for 2019	01.0	EB 102	Annex 11
Tentative calendar of meetings for 2019	01.0	EB 101	Annex 18

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

Table 5
Amendments

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
Amendments to version 02.0 of the “CDM project standard for programmes of activities”	01.0	EB 104	Annex 2
Amendments to version 02.0 of the “CDM validation and verification standard for programmes of activities”	01.0	EB 104	Annex 3
Amendments to version 02.0 of the “CDM project cycle procedure for programmes of activities”	01.0	EB 104	Annex 7

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

Table 6
Glossary

<i>Title</i>	<i>Version</i>	<i>Adopted</i>	<i>Meeting report reference^a</i>
CDM terms	10.0	EB 104	Annex 4

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

Annex V

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

[English only]

Table 1
Clean development mechanism Accreditation Panel meetings

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
AP 82	9 and 10 October 2018	Bonn
AP 83	11 and 12 February 2019	Bonn
AP 84	21 and 22 May	Bonn

Table 2
Clean development mechanism Methodologies Panel meetings

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
MP 77	2–5 October 2018	Bonn
MP 78	26 February to 1 March 2019	Bonn
MP 79	6–9 May	Bonn
MP80-EC01	21 June to 24 July	Electronic consultation
MP80-EC02	29 July to 26 August	Electronic consultation

Table 3
Workshops and forums organized for clean development mechanism stakeholders

<i>Meeting</i>	<i>Date</i>	<i>Venue</i>
19 th DNA Global Forum	19–21 September 2018	Bonn
45 th DOE conference call	2 October 2018	Web based
NFP Coordination meeting	29–30 October 2018	Bonn
46 th DOE conference call	20 February 2019	Web based
Africa Climate Week	18–22 March 2019	Accra, Ghana
47 th DOE conference call	25 April 2019	Web based
20 th DNA Global Forum	12–14 June 2019	Bonn
48 th DOE conference call	16 July 2019	Web based
Latin American and Caribbean Climate Week	19–23 August 2019	Salvador, Brazil
Asia-Pacific Climate Week	2–6 September 2019	Bangkok