United Nations

FCCC/KP/CMP/2020/1

Framework Convention on Climate Change

Distr.: General
8 April 2021

Original: English

Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
Sixteenth session
Glasgow, 1–12 November 2021

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 from 13 September 2019 to 14 December 2020. The primary issue faced by the Board during the reporting period was the need to address matters related to the end of the second commitment period of the Kyoto Protocol due to the postponement of the sixteenth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol until after the end of that commitment period. This report contains the recommendations of the Executive Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in this regard.

Contents

Abbreviations and acronyms

AIE	accredited independent entity
AP*	meeting of the 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
COVID-19	coronavirus disease 2019
CPA	component project activity
DNA	designated national authority
DNA Forum	Designated National Authorities Forum
DOE	designated operational entity
DTU	Technical University of Denmark
EB*	meeting of the Executive Board of the clean development mechanism
EC*	electronic consultation
GHG	greenhouse gas
ICAO	International Civil Aviation Organization
IMO	International Maritime Organization
ISO	International Organization for Standardization
lCER	long-term certified emission reduction
LDC	least developed country
MP*	meeting of the Methodologies Panel
NFP	Nairobi Framework Partnership
PoA	programme of activities
RCC	regional collaboration centre
SOP	share of proceeds
tCER	temporary certified emission reduction
UNEP	United Nations Environment Programme

* Used exclusively in tables.

I. Introduction

A. Mandate

1. In accordance with the CDM modalities and procedures, the CDM Executive Board reports on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.[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 13 September 2019 to 14 December 2020 (hereinafter referred to as the reporting period) and includes recommendations for consideration at CMP 16.[2] Data related to project activities, PoAs and CERs are reported from 1 September 2019 to 31 August 2020 for consistency with previous reports. Similarly, data related to standardized baselines, queries from stakeholders and supports provided to project activities, PoAs and standardized baselines are reported as at 31 August 2020.

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. 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.[3]

5. Further information is available on the CDM web pages,[4] the central repository for all reports and other documentation relating to the Board.

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

6. 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 15 (see chap. III below and annex I);

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

(c) Provide guidance on the functioning of the CDM beyond the end of the second commitment period, noting the issues highlighted and temporary measures adopted by the Board (see chap. II.F below).

7. 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 African States;

(b) One member and one alternate member from the Asia-Pacific States;

(c) One member and one alternate member from the Latin American and Caribbean States;

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

[2] The information in this report covers the period from 13 September 2019 to 14 December 2020, in accordance with decisions 1/CMP.2, para. 11, and 2/CMP.3, para. 7, unless otherwise indicated.

[3] In response to decisions 4/CMP.14, para. 4, and 2/CMP.15, para. 8.

[4] http://cdm.unfccc.int/.

(d) One member and one alternate member from the Western European and other States;

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

II. Status of the clean development mechanism

A. Clean development mechanism in numbers

8. 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). Registration of CDM activities and issuance of CERs in the reporting period remained low compared with in the first commitment period. Table 1 presents the number of registered CDM activities, activities issued with CERs and total CERs issued per reporting period for the first and second commitment periods.

Table 1
Activities registered, activities issued with certified emission reductions, and certified emission reductions issued under the clean development mechanism

Reporting period	*Number of activities registered*[a,b]	*Number of activities issued with CERs*[c]	*CERs issued for the first commitment period (2008–2012)*	*CERs issued for the second commitment period (2013–2020)*
Inception to 31 August 2012	4 576	1 717	994 936 460	0
1 September 2012 to 31 August 2013	2 856	1 801	372 001 523	10 787 697
1 September 2013 to 31 August 2014	388	596	63 441 117	41 159 734
1 September 2014 to 31 August 2015	134	497	33 506 110	102 841 311
1 September 2015 to 31 August 2016	78	421	9 279 053	90 288 018
1 September 2016 to 31 August 2017	62	473	4 365 708	141 997 832
1 September 2017 to 31 August 2018	32	334	2 058 843	100 492 438
1 September 2018 to 31 August 2019	18	218	764 618	44 562 898
1 September 2019 to 31 August 2020	37	243	223 383	66 615 946
Total	**8 181**	**3 324**	**1 480 576 815**	**598 745 874**

[a] The number of activities registered in a reporting period was determined using their date of registration.
[b] Figures in this column include project activities and PoAs. A total of 2,640 CPAs were included in 337 PoAs by the end of this reporting period, of which 293 CPAs were included during the reporting period.
[c] Activities that completed issuance of CERs in a reporting period. An activity may issue in more than one period. The total of 3,324 reflects all activities with issuance at the end of the reporting period.

9. The number of CERs issued in the current reporting period increased substantially compared with the previous reporting period, with an additional 21.5 million CERs issued, representing a 47.5 per cent increase. The same upward trend was seen in the forwarding of CERs to national registries of Parties included in Annex I. This increase was achieved despite the change in policy for collecting SOPs for administrative expenses in 2018, since which time the proceeds have been collected up front, before issuance requests are processed.

B. Achievements and potential

10. 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. The CMP has also encouraged the use of the CDM for other purposes,[5] such as voluntary offsetting and results-based financing for mitigation activities, including through enabling the voluntary

[5] Decision 6/CMP.11, para. 7.

cancellation of CERs in the CDM registry. Furthermore, the COP encouraged Parties to voluntarily cancel CERs in order to enhance pre-2020 mitigation ambition.[6]

11. 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.

12. The mechanism has thus shown that it can incentivize investment in climate change mitigation activities, contribute to sustainable development and mobilize funds for global climate action more broadly, such as for adaptation through its contributions to the Adaptation Fund.[7]

13. 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.

14. In addition to using CERs for compliance with emission limitation obligations under the Kyoto Protocol, some Parties have begun to use the CDM internally as part of their domestic mitigation efforts, and many corporations and private individuals have contributed to financing projects by purchasing CERs as part of their contribution to addressing climate change. These uses demonstrate the value of the mechanism as a robust monitoring, reporting and verification system.

15. The CDM also continues to inform the development of other emissions baseline-and-crediting systems and to create valuable international public goods, in particular in the form of its standards, procedures and guidelines, which the Board improved over time in order to enhance clarity, integrity, consistency and efficiency.

16. The Board considers that the CDM has proven itself to be a useful tool for identifying mitigation opportunities, generating climate finance and evaluating mitigation outcomes. The specific activities that have been supported by the CDM are a vital part of the global response to climate change. The Board wishes to highlight that decisions related to the future operation of the CDM should be mindful of the need to ensure that this success is built on.

C. Doha Amendment

17. The Board recognizes with great pleasure that, on 2 October 2020, the Depositary received the number of ratifications by Parties to the Kyoto Protocol necessary for ensuring the entry into force of the Doha Amendment to the Kyoto Protocol (by which the second commitment period was agreed)[8] before the expiry of the second commitment period on 31 December 2020. The Board acknowledges the signal for continued collaborative climate action under the UNFCCC provided by the entry into force of the Doha Amendment.

[6] Decision 1/CP.19, para. 5(c).

[7] 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.

[8] Decision 1/CMP.8, annex I.

D. Challenges and opportunities

18. 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 with the obligations of that period.

19. The downward trend in demand in the previous three reporting periods was not observed in the current reporting period, however, which recorded increases in the number of validations initiated, which is a precursor to project registration, and in the number of CPAs included in registered CDM PoAs.[9] The increase in verification activities during the reporting period resulted in the number of CERs issued increasing by 21.5 million, representing growth of 47.5 per cent compared with in the previous reporting period.

20. Despite the increase in CERs issued, many CDM projects stopped issuing CERs early in the second commitment period, owing to the ongoing low demand for CERs during that period and the resulting generally low CER price. Approximately 65 per cent of the projects that had CERs issued up to 31 August 2013 have not had further CERs issued.

21. 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 30 as at 31 August 2020. However, new CDM methodologies, and clarifications to existing methodologies, have been submitted for consideration. In addition, the capacity of DOEs was put to the test in the reporting period, owing to a surge in requests for crediting period renewals caused by a change in the policy for the renewal of crediting periods of projects and CPAs at the beginning of 2019, which set a deadline for such submissions of 30 September 2020.

E. The evolving external environment

22. An increasing number of subnational and national governments, as well as international organizations, are using carbon-pricing instruments as part of efforts to address GHG emissions in their jurisdictions. Emissions trading systems have been established and are operational in, for example, some Canadian provinces, certain regions in China, the European Union, New Zealand, the Republic of Korea, Switzerland and some states in the United States of America. Carbon tax schemes with offsetting are operating in Colombia and South Africa.

23. Some of these established instruments, including the Colombian 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.

24. 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 (e.g. CORSIA). The CDM has been deemed an eligible offset scheme for CORSIA.

F. Implications of the postponement of the sixteenth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for the operations of the clean development mechanism

25. The Board considered the implications of the postponement of CMP 16 on the operations of the CDM after the second commitment period and decided to make a recommendation to the CMP contained in paragraphs 26–29 below.

[9] Thirty-two new publications of project design documents for validation of project activities in 2020 compared with 38 in 2019 and 23 in 2018, 54 new publications of PoA design documents for validation of PoAs in 2020 compared with 31 in 2019 and 16 in 2018 and 172 new inclusions of CPAs in registered PoAs in 2020 compared with 293 in 2019 and 98 in 2018.

26. The Board:

(a) Recalled that in its last three annual reports to the CMP it had recommended that the CMP provide guidance on the functioning of the CDM beyond the end of the second commitment period;

(b) Recognized that the preambular text to decision 2/CMP.15 acknowledged this request for guidance;

(c) Noted that the postponement due to the COVID-19 pandemic of CMP 16, originally scheduled for November 2020, means that the CMP is not able to meet prior to the end of the second commitment period to consider providing such guidance.

27. The Board:

(a) Noted that DOEs continue to make submissions under the existing project cycle procedures with respect to activities which relate to emission reductions occurring after the end of the second commitment period;

(b) Could not find consensus with respect to how the existing CMP decisions applied to the consideration of such submissions.

28. Referring to paragraph 26(a) above, the Board needs guidance from the CMP, on the Board's consideration of submissions relating to emission reductions occurring after the end of the second commitment period, that specifies:

(a) Which global warming potential values from the Intergovernmental Panel on Climate Change assessment reports are to be applied in the conversion of emission reductions to carbon dioxide equivalents;

(b) The values to be used in place of commitment period identifiers in the serial number of CERs for emission reductions occurring after the end of the second commitment period;

(c) The applicable modalities and procedures for afforestation and reforestation project activities and PoAs, including small-scale activities, after the end of the second commitment period.

29. The Board noted that the CMP would need to provide technical options with regard to the CDM registry in order to enable issuance of CERs with respect to emission reductions occurring after the end of the second commitment period for voluntary cancellation purposes and requested the secretariat to prepare an assessment of options for this for consideration by the Board at its 109th meeting.

30. The Board agreed that it will apply appropriate temporary measures until the CMP provides guidance on the matter referred to in paragraphs 26–28 above. These temporary measures are contained in the report of its 108th meeting, and the Board agreed to clarify the application of the agreed temporary measures at EB 109 and agreed that these may be updated and further clarified as appropriate by the Board prior to CMP 16.

III. Work in the reporting period

31. This chapter describes the work of the Board in the reporting period, including its response to requests and encouragements from CMP 15 (see also annex I for an overview of the deliverables, and annex III for a list of regulatory documents approved or revised by the Board during the reporting period).

A. Rulings

1. Accreditation

32. In the reporting period, the Board reaccredited four DOEs whose accreditations were about to expire and one DOE voluntarily withdrew its accreditation. This brings the number of DOEs accredited for the validation and verification of projects and the certification of

emission reductions to 30 as at 31 August 2020, compared with 31 in the previous reporting period. The Board recommends the entities listed in annex II for designation as operational entities at CMP 16 for the sectoral scopes indicated.

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

33. From 1 September 2019 to 31 August 2020, 66,839,329 CERs were issued, of which 920,605 were tCERs. No lCERs were issued during the reporting period. The total number of CERs issued as at 31 August 2020 was thus 2,079,322,689, of which 2,062,426,954 CERs, 16,038,982 tCERs and 856,753 lCERs.

34. Of the total CERs, excluding tCERs and lCERs, issued as at 31 August 2020, 1,480,576,815 were issued for the first commitment period of the Kyoto Protocol and 598,745,874 for the second commitment period. Of the total tCERs issued, 12,405,185 were issued for the first commitment period and 3,633,797 for the second commitment period. Of the total lCERs issued, 505,085 were issued for the first commitment period and 351,668 for the second commitment period.

35. Table 2 shows numbers of registration- and issuance-related requests submitted and finalized from 1 September 2019 to 31 August 2020, and figure 1 shows the percentage distribution of registered project activities, PoAs and CPAs by UNFCCC region as at 31 August 2020.

Table 2
Clean development mechanism registration- and issuance-related requests from 1 September 2019 to 31 August 2020

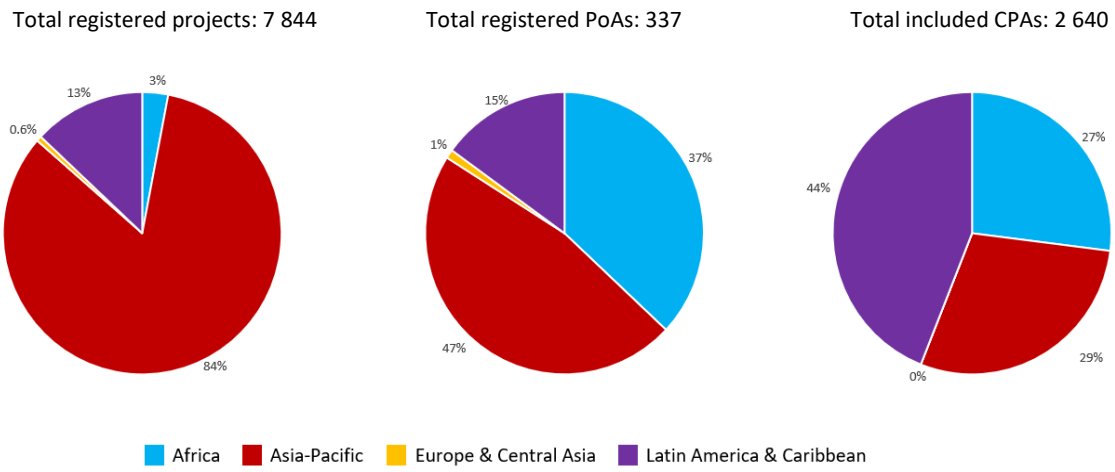
Request	*Number of requests submitted*[a]	*Number of requests finalized*[b]
Project: registration	55	28
PoA: registration	21	10
Project: issuance	302	242
PoA: issuance	139	90
Project: renewal of crediting period	418	398
PoA: renewal of PoA period	58	18
PoA: renewal of CPA crediting period of CPA	–	3
Post-registration changes	164	130
Inclusion of CPAs	293	293

[a] Comprises submissions and resubmissions after incompleteness.
[b] Comprises registered, withdrawn and rejected requests submitted within the reporting period and requests submitted prior to the reporting period that entered the processing pipeline during the reporting period.

36. As at 31 August 2020, 3,244 projects and 80 PoAs had been issued CERs; and of the total CERs issued, 30,219,053 had been issued for PoAs.

37. The waiting time for commencement of project assessments for registration and issuance was less than 15 days for 34 weeks during the reporting period, as mandated by the Board and the CMP, whereas for 19 weeks in November and December 2019 and January, June, July and August 2020 it was beyond 15 days owing to a sharp increase in the number of submissions and operational exigencies.

Figure 1
Percentage distribution of registered clean development mechanism project activities, programmes of activities and component project activities by UNFCCC region, as at 31 August 2020



38. 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

	As at 31 August 2020		*1 September 2019 to 31 August 2020*	
Transaction type	*Total transactions*	*Total units*	*Total transactions*	*Total units*
Issuance	11 046	2 079 322 689	331	66 839 329
SOP to the Adaptation Fund account	10 775	40 680 525	272	948 179
Internal and external forwarding	18 492	1 743 938 837	603	87 914 534
Transactions from the Adaptation Fund account to the registry of Party included in Annex I	366	28 980 828	24	1 633 307
Voluntary cancellation	13 570	57 807 767	4 421	12 979 263
Administrative cancellation	6	1 035 475	0	0

39. The Board has received 12 requests, including 2 in the reporting period, for the voluntary deregistration of CDM project activities since the implementation of the procedure for voluntary deregistration in February 2015.

40. Additional data on projects and PoAs can be found on the CDM web pages.[10]

3. Policy changes

(a) Share of proceeds

41. The SOP for administrative expenses is due to the Trust Fund for the clean development mechanism 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. To incentivize payment of the outstanding SOP for requests for issuance submitted before 1 June 2018, the Board introduced, in 2018, a partial payment option limited to three instalments. At EB 106, the Board removed the limit of three instalments. In the reporting period, the partial payment option was used in the case of 27 projects for a total payment of USD 0.83 million.

[10] http://cdm.unfccc.int/Statistics/Public/index.html.

(b) Renewal of crediting periods

42. At its 100th meeting, the Board introduced a deadline of one year after the end of the crediting period for requesting the renewal of a crediting period of a project or a CPA. The new policy was introduced with a grace period for crediting periods that had been expired for more than one year. After one extension of this grace period, it ended on 30 September 2020 when 2,384 projects and 1,070 CPAs lost the possibility to be renewed. With the enforcement of the new policy, projects and CPAs that do not meet the new deadline will lose the right to renewal.

B. Regulatory matters

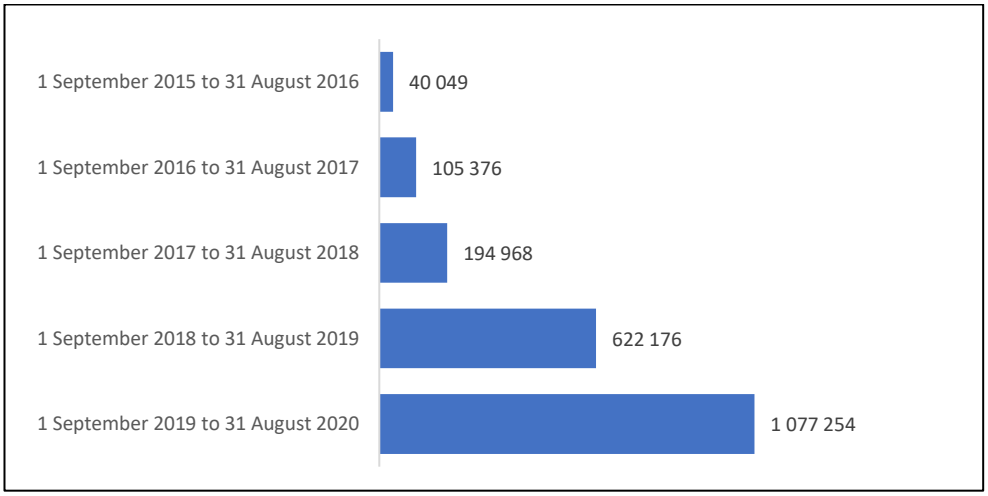
1. Online platform for voluntary cancellation of certified emission reductions

43. In September 2015, the Board launched the online platform for voluntary cancellation of CERs.[11] 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.

44. At the end of the reporting period, 48 projects were offering around 2.3 million CERs on the platform at prices between USD 0.28 and 15 per CER. A total of 95 projects and PoAs have completed sales through the platform. The platform has been visited by people in most of the countries in the world, with purchasers in 101 countries completing cancellations so far.

45. After an upgrade to the platform in 2018, featuring industry-best standards for user experience and usability, enhanced capabilities and a carbon footprint calculator, the number of CERs cancelled through the platform increased significantly, reaching a total of 2,039,823 CERs. This trend continued in the reporting period, with 1,077,254 CERs cancelled through 3,902 individual orders, representing an increase of nearly 70 per cent compared with in the previous period. Almost half of the orders came from the European Union and about one third came from the United States, followed by Australia, Switzerland and Canada. Those countries accounted for over 70 per cent of all CERs cancelled through individual orders. It is notable that Sri Lanka was the ninth highest contributor to CER cancellations. The average price per CER on the platform remained around USD 1, in line with previous periods. Figure 2 shows the CERs cancelled on the platform, by period.

Figure 2
Certified emission reductions cancelled on the platform, by period



2. Promoting voluntary cancellation of certified emission reductions

46. Various stakeholders continued in the reporting period to use the CDM for a range of purposes. Companies, organizations, event organizers and individuals are encouraged to

[11] https://offset.climateneutralnow.org/.

voluntarily calculate their emissions, reduce them as much as possible and compensate for the remainder by investing in climate action through purchasing CERs from CDM projects that reduce, avoid or capture GHG emissions and promote sustainable development in host countries.

47. The secretariat is contributing to several initiatives that are developing approaches to achieving carbon neutrality or net zero emissions at the organizational level, thus creating further opportunities to share experience and convey the potential benefits and contributions of the CDM.[12]

48. Direct outreach to companies, organizations and event organizers (sports organizations, event professionals, events and meetings sector organizations) is ongoing through the Climate Neutral Now initiative, which includes inviting them to address their GHG emissions through estimation, reduction and compensation. To date, over 3 million CERs have been cancelled by Climate Neutral Now signatories.

49. 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 take similar climate action. In 2019, approximately 96 per cent of all the United Nations system's emissions in 2018 were compensated with CERs. To date, 4,312,000 CERs have been purchased and cancelled by United Nations entities.

50. In the reporting period, in addition to the cancellations through the platform, 11.9 million CERs were voluntarily cancelled directly in the CDM registry. Of those, over 6 million CERs were cancelled by projects hosted in Colombia, the Republic of Korea and South Africa for the purpose of national schemes. In addition, more than 1 million CERs from projects hosted in countries other than the Republic of Korea were cancelled for use in the Korean offset programme. The remaining voluntarily cancelled CERs were claimed mainly by the private sector, as part of voluntary efforts towards carbon neutrality. Information about CERs cancelled in the national registries of Parties included in Annex I is not available because the registries do not share such information. Details on voluntary cancellation transactions in the CDM registry are provided in table 4.

Table 4
Completed transactions in the clean development mechanism registry

Source[a]	*As at 31 August 2020*	*Share %*	*1 September 2019 to 31 August 2020*	*Share %*
Verified Carbon Standard	3 198 139	5.4	167 811	1.3
South African Carbon Tax	1 770 935	3.0	1 770 935	13.6
Colombian National Carbon Tax	4 962 682	8.4	1 224 814	9.4
Korea Emissions Trading Scheme	24 921 711	42.4	4 167 382	32.1
United Nations agencies	187 920	0.3	12 280	0.1
Other sources	23 801 855	40.5	5 636 041	43.5
CDM registry track subtotal	56 803 419	96.5	11 902 009	91.7
Platform track subtotal	2 039 823	3.5	1 077 254	8.3
Total	**58 843 242**	**100.0**	**12 979 263**	**100.0**

[a] Information about the source is derived from a free-style textual description associated with the respective voluntary cancellation transaction as provided by the project participants.

3. Accreditation system

51. At EB 106, the Board adopted the revision of "Procedure: Performance monitoring of designated operational entities", with the first monitoring report thereon due to be considered by EB 109.

[12] These initiatives include the working group on ISO standard 14068 on carbon neutrality, the Net Zero Initiative led by Carbone4, the Net Zero Climate Aggregator of resources for net zero emissions led by University of Oxford and the Carbon Neutrality Database led by the Climate Registry.

52. A calibration workshop for the CDM accreditation roster of experts for lead assessors was organized virtually in conjunction with the 87th meeting of the CDM Accreditation Panel to update lead assessors on the latest CDM regulations.

4. Project cycle

53. The Board adopted the following amendments to the framework regulatory documents for the CDM:

(a) "Amendments to version 02.0 of the CDM project standard for project activities on post-registration changes of capacity increase";

(b) "Amendments to version 02.0 of the CDM project standard for programmes of activities on post-registration changes of capacity increase";

(c) "Amendments to version 02.0 of the CDM project standard for programmes of activities on cross effects";

(d) "Amendments to version 02.0 of the CDM project cycle procedure for project activities on the payment of share of proceeds";

(e) "Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities on the payment of share of proceeds";

(f) "Amendments to version 02.0 of the CDM project standard for project activities on application of standardized baselines";

(g) "Amendments to version 02.0 of the CDM project standard for programmes of activities on application of standardized baselines".

54. The Board also adopted the following revised procedures relating to CDM accreditation:

(a) "Procedure: CDM accreditation procedure" (version 15.0), to update the provision on performance assessments and elaborate on the process of desk review in initial accreditation assessment;

(b) "Procedure: Performance monitoring of designated operational entities" (version 04.0), to extend the scope of performance monitoring, change analysis model, formulations and reporting frequency.

55. The Board adopted the revised "Standard: Determining coverage of data and validity of standardized baselines".

5. Methodological standards

56. In response to decision 4/CMP.14, paragraph 4, the Board refined the methodological approaches for calculating emission reductions from project activities resulting in the reduced use of non-renewable biomass in households. As a result, the Board revised the methodologies "AMS-I.E: Switch from non-renewable biomass for thermal application by the user" and "AMS-II.G: Energy efficiency measures in thermal applications of non-renewable biomass" to include region-specific default values for the baseline fossil fuel emission factor and an option for project participants to estimate the project-specific baseline fossil fuel emission factor. More guidance on monitoring and verification, such as the unique identification of equipment and an option to use ISO standard 19867-1:2018 for stove efficiency testing, was also included.

57. Further, in response to decision 2/CMP.15, paragraph 8, the Board considered methodological approaches for calculating emission reductions from project activities, resulting in the reduced use of non-renewable biomass in households, and revised the following methodologies and tool:

(a) "AMS-I.E: Switch from non-renewable biomass for thermal applications by the user", which addresses the issue of stove stacking to develop best practice examples;

(b) "AMS-II.G: Energy-efficiency measures in thermal applications of non-renewable biomass", which addresses the issue of stove stacking to develop best practice examples;

(c) "TOOL30: Calculation of the fraction of non-renewable biomass", which streamlines the tool and improves data collection procedures.

58. The Board considered the proposed new methodology "SSC-NM105: Switch from non-renewable biomass to electricity for cooking applications by the user", which is applicable to end users connected to an electricity grid comprising at least one fossil fuel based electricity generation source. The Board noted that, while CMP 3 decided that the Board may, if necessary, revise the methodologies "Switch from non-renewable biomass for thermal application by the user" and "Energy efficiency measures in thermal applications of non-renewable biomass" without the need to make recommendations to the CMP,[13] it was not evident whether it could approve new methodologies for shifting from non-renewable biomass to fossil fuel based energy sources for cooking. The Board agreed to seek guidance from the CMP on whether the Board may approve the proposed new methodology and to report this matter in its annual report to the CMP.

59. The secretariat organized workshops with project developers, experts and members of the CDM Methodologies Panel to gather inputs on improving methodological approaches, in particular in the building sector and for demonstrating additionality (e.g. using market penetration of products and services as a means of demonstrating additionality).

60. To refine the approaches to demonstrating additionality, including for approving positive lists for additionality, the Board revised the following methodologies and tools:

(a) "AM0103: Renewable energy power generation in isolated grids";

(b) "ACM0002: Grid-connected electricity generation from renewable sources";

(c) "TOOL21: Demonstration of additionality of small-scale project activities";

(d) "TOOL32: Positive lists of technologies";

(e) "TOOL27: Investment analysis".

61. To simplify and streamline the methodologies for and guidance on demonstrating additionality, the Board considered the concept note "Consistent use of market penetration metrics for additionality, common practice and FOIK" and agreed to conclude the conceptual work.

62. To simplify and standardize methods and broaden the applicability of the methodologies, the Board:

(a) Approved the new "Guideline: Development of a PoA applicable to buildings" to facilitate mitigation actions in cities;

(b) Approved the new methodology "AMS-III.BP: Emission reduction by shore-side electricity supply system" for ships docked at berths, for displacing GHG-intensive electricity produced from ships' fossil fuel auxiliary power generator(s), making it the first methodology to be approved for the shipping sector;

(c) Approved the new methodology "AM0121: Emission reduction from partial switching of raw materials and increasing the share of additives in the production of blended cement";

(d) Revised "AMS-II.E: Energy efficiency and fuel switching measures for buildings" to include reliable methods and equations for calculating emission reductions, thereby enhancing the usability of the methodology;

(e) Revised "AMS-III.AR: Substituting fossil fuel-based lighting with LED/CFL lighting systems" to enable the use of more than one source of electricity for charging project lamp batteries (e.g. solar and grid);

[13] Decision 2/CMP.3, paras. 24–25.

(f) Revised "AMS-III.AV: Low greenhouse gas-emitting safe drinking water production systems" to broaden the applicability of the methodology;

(g) Revised "AM0036: Use of biomass in heat generation equipment" to address inconsistencies and ambiguities in the language, and ensure consistency across methodologies for biomass utilization;

(h) Revised "ACM0006: Electricity and heat generation from biomass" to address inconsistencies and ambiguities in the language, and ensure consistency across methodologies for biomass utilization;

(i) Revised "ACM0018: Electricity generation from biomass in power-only plants" to address inconsistencies and ambiguities in the language, and ensure consistency across methodologies for biomass utilization;

(j) Revised "ACM0003: Partial substitution of fossil fuels in cement or quicklime manufacture" to introduce reference to "TOOL16: Project and leakage emissions from biomass" and address issues related to the fuel penalty.

63. The Board revised "Standard: Sampling and surveys for CDM project activities and programmes of activities" to include additional guidance for DOEs to verify sampling surveys conducted by project participants and coordinating or managing entities.

64. The Board initiated work to assess the regulatory provisions related to the change and/or addition of technologies or measures to a registered project activity or PoA.

6. Standardized baselines

65. The Board approved six standardized baselines between 1 September 2019 and 31 August 2020;[14] as a result, the number of approved standardized baselines stands at 49, of which 17 are valid as at 31 August 2020, the remainder having expired.[15]

66. The Board approved the first standardized baseline in the building sector: "ASB0048-2020: Specific CO_2 emissions in Residential Buildings in Republic of Korea".

7. Sustainable development tool

67. 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.[16]

68. As at 31 August 2020, 72 sustainable development description reports had been published, 6 of which were published in the reporting period.

8. Direct communication with stakeholders

69. As at 31 August 2020, 618 queries from stakeholders seeking clarification on CDM rules and regulations, including 45 communications addressed to the Board, were processed.

70. The 2019 annual report on stakeholder communication with the Board and the secretariat was published on the CDM web page.[17] Many of the stakeholders' concerns were addressed through a combination of operational and regulatory improvements (i.e. changes to CDM regulatory documents and improvement of CDM process workflows).

[14] ASB0043-2019, ASB0044-2019, ASB0045-2019, ASB0046-2019, ASB0047-2020 and ASB0048-2020.

[15] See https://cdm.unfccc.int/methodologies/standard_base/index.html.

[16] https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx.

[17] Available at https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20190206183708302/Regular%20report_Stakeholder_communication.pdf.

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

71. The Board continued its cooperation with financial institutions in the reporting period.[18] It considered a report on financing and use of the CDM by international finance institutions[19] and noted the progress of the ongoing support provided by the secretariat in collaboration with the RCCs.

72. Engagement with financial and investment institutions to promote the CDM and its uses has resulted in over 30 new PoAs and projects, the 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.[20] 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.

73. The Board and the secretariat continued to engage with the ICAO process with respect to developing and implementing the CORSIA scheme. The International Civil Aviation Organization Council deemed the CDM an eligible offset programme for the first phase of CORSIA.

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

1. Supporting designated national authorities

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

(a) Through the RCCs at national, subregional and regional training events held in Bangladesh, Barbados, Colombia, Côte d'Ivoire, Egypt, Ghana, Panama, the Philippines, South Africa, the United Republic of Tanzania, Thailand and the United Arab Emirates;

(b) In response to the COVID-19 pandemic, a regional virtual platform[21] was launched in April 2020 through which the RCCs, the secretariat and their partners delivered training events, including CDM-related virtual meetings for DNAs in the six RCC regions;

(c) Through RCCs providing direct technical assistance to DNAs for developing and renewing standardized baselines;

(d) By engaging with the co-chairs of the DNA Forum at EB 105, 106 and 108;

(e) By updating the DNA contact details on the CDM web pages[22] as requested by the DNAs.

2. Clean development mechanism Loan Scheme

75. The Board took note of a report from the secretariat in relation to the closure of the Loan Scheme (see annex IV).

[18] In response to decisions 6/CMP.11, paras. 7–8, 3/CMP.12, para. 4, and 3/CMP.13, para. 2.
[19] See CDM document CDM-EB-107-AA-A-02.
[20] Mandated in decision 6/CP.23, para. 10.
[21] https://unfccc.int/about-us/partnerships/current-calls-for-partnerships/regional-collaboration-centres/regional-virtual-platform.
[22] https://cdm.unfccc.int/DNA/bak/index.html.

3. Nairobi Framework Partnership

76. In the context of the NFP,[23] the secretariat coordinates the activities of the partners and cooperating organizations.[24] Most of the activities organized by the NFP are within the scope of the regional climate weeks. Owing to the COVID-19 pandemic, the climate weeks scheduled to take place in 2020 had to be postponed to 2021. The organizing partners and host governments will discuss a possible schedule for regional climate week meetings for 2021, taking into account the uncertainties surrounding the COVID-19 pandemic.

77. To maintain momentum and advance preparations for 2021, the partners organized a set of virtual activities or events throughout 2020. The partners agreed to launch a platform to showcase these virtual events, which are organized in line with the 2020 narrative of the climate weeks.[25] A series of coordination meetings were held online to design, populate and launch the platform. The virtual platform will serve as a pathway to preparing the events that will take place in 2021. The virtual events will help to gather information on the topics that will be addressed in the 2021 climate weeks and to raise awareness of the climate weeks.

78. In 2020, despite the postponement of the climate weeks, the secretariat continued to work under the NFP to deliver capacity-building in the context of carbon markets. Under the Collaborative Instruments for Ambitious Climate Action workstream, the secretariat concluded the first series of virtual regional dialogues on carbon pricing in five regions and subregions: Latin America, the Caribbean, West Africa, East and Southern Africa, and South-East Asia. Targeted participants were government officials at decision-making levels in key ministries such as finance, treasury, environment and climate change. The five dialogues were conducted in collaboration with Nairobi Framework partners including the World Bank for Africa, the Asian Development Bank, UNEP, and United Nations Economic and Social Commission for Asia and the Pacific.

79. A report on the 2019 activities of the partnership, which documents the activities of the Nairobi Framework partner agencies and cooperating organizations, was prepared in the reporting period.[26]

80. The regional climate weeks in 2021 were launched officially at the end of 2020.

81. The Board wishes to express its gratitude to the Governments of the Dominican Republic, Japan, Uganda and the United Arab Emirates for agreeing to host the regional climate weeks in 2021 and to Nairobi Framework partners and cooperating organizations for their continued work on carbon markets and mechanisms, including the CDM.

4. Regional collaboration centres

82. The RCCs[27] work in collaboration with local and regional agencies and multilateral development banks (RCC host partners)[28] to improve the regional distribution of CDM projects.

---

[23] 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://nfpartnership.org/.

[24] 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.

[25] See https://unfccc.int/about-us/2020-virtual-activities-organized-by-regional-climate-weeks-partners?compact=1.

[26] Available at https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20200303184828321/NFP%20Annual%20Report%202019.pdf.

[27] 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.

[28] West African Development Bank, Lomé; East African Development Bank, Kampala; Windward

83. The RCCs provide support[29] 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 the LDCs and underrepresented countries (those with 10 or fewer registered CDM projects as at 31 December 2010).[30]

84. 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.

85. As at 31 August 2020, the RCCs have directly supported more than 1,444 CDM project activities and PoAs, of which 239 projects and PoAs have moved forward one or more steps through the CDM project cycle and 123 additional projects have entered the CDM pipeline; supported the development of 276 standardized baselines, of which 48 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.

86. The annual RCC Global Forum for 2019 was held on the margins of the World Green Economy Summit from 20 to 21 October 2019, in Dubai, United Arab Emirates. The Forum provided RCC partners with an opportunity to connect and to share and set strategies to help spur global climate action through the network of RCCs.

87. At the annual RCC Global Forum for 2020, which was held virtually on 15 October 2020, RCC partners shared advances in the areas of work identified at the annual RCC Global Forum for 2019 despite the challenges presented by the COVID-19 pandemic. Also at the virtual meeting, partners were able to keep abreast of achievements, share midyear progress and report on planned and continuing work by the RCCs in 2020 and beyond.

5. Gender dialogue

88. In response to requests by COP 25[31] for all constituted bodies to continue to include in their regular reports information on progress towards integrating a gender perspective into their processes and for the secretariat to provide capacity-building support to constituted bodies and secretariat staff in integrating a gender perspective into their respective areas of work in collaboration with relevant organizations, the new members of the Board participated in a virtual gender training session as part of their orientation at EB 106. The Board was briefed on gender and climate terminology, on gender integration in the UNFCCC process, and on how the Board is addressing this issue and identifying potential next steps.

6. Responses by the Board related to COVID-19

89. Despite the global travel restrictions and lockdowns due to COVID-19, CDM activities and the operation of the Board continued through virtual meetings. The Board

Islands Research and Education Foundation, St. George's; UNEP, Panama; and Institute for Global Environmental Strategies, Bangkok.

[29] In response to decision 3/CMP.13, para. 3.

[30] See https://cdm.unfccc.int/methodologies/standard_base/cdmprojects.pdf.

[31] See decision 3/CP.25.

introduced temporary flexible measures while maintaining a robust monitoring, reporting and verification system for activities. Due to the urgency of issues, the Board also took decisions via electronic decision-making in accordance with rule 30 of the rules of procedure of the Board.[32] The Board demonstrated its ability to adapt the operations of the CDM to the new restrictions and, in this regard, the Board:

(a) Held its first virtual meeting;

(b) Held its subsequent meetings in 2020 and meetings of its panels virtually;

(c) Agreed to temporarily deviate from the requirements regarding on-site inspections by DOEs;

(d) Clarified that project participants and coordinating/managing entities may temporarily deviate from the registered monitoring plan for a monitoring period affected by the COVID-19 pandemic in accordance with regulatory documents;

(e) Allowed the provision related to paragraph 125 of the CDM accreditation procedure to be applied in initial accreditation and re-accreditation assessments;

(f) Agreed to extend the deadline for submitting post-registration change requests due to an increase in the capacity and the addition of technologies and measures that occurred before 31 August 2018, from 31 August 2020 to 31 December 2020 and shift the cut-off date for the post-registration change cases applying this deadline from 31 August 2018 to 31 December 2018.

IV. Governance and management matters

90. 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).

91. During the reporting period, the CDM Accreditation Panel and the CDM Methodologies Panel met three times.[33] The Afforestation and Reforestation Working Group and the Carbon Dioxide Capture and Storage Working Group did not meet, but the terms of office of their members were extended by two years to the end of 2021.

92. In June 2019, 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.

93. 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.

94. At EB 107, the Board honoured the memory of Rajesh Sethi with a minute of silence. Mr. Sethi was a member of the Board from 2005 to 2011, served as Chair in 2008 and had held the position of secretary to the Board since 2014. Mr. Sethi was remembered not only for his outstanding contribution to the Board's work, but also for his significant contribution to the Kyoto Protocol mechanisms, having spent several years working as the DNA for India and within his country's delegation to the UNFCCC.

A. Membership of the Executive Board

95. At CMP 15, new members and alternate members of the Board were elected to fill vacancies arising from the expiration of terms of tenure. In 2020, the Board comprised the members and alternate members listed in table 5.

[32] See decision 4/CMP.1, annex I.

[33] See https://cdm.unfccc.int/Panels/index.html.

Table 5
Members and alternate members of the Executive Board of the clean development mechanism in 2020

Members	*Alternate members*	*Nominated by*
Omar Alcock[b]	Amjad Abdulla[b]	Small island developing States
El Hadji Mbaye Diagne[a]	Rachid Tahiri[a]	African States
Piotr Dombrowicki[b]	Anna Romanovskaya[b]	Parties included in Annex I
Diana Harutyunyan[a]	Natalie Kushko[a]	Eastern European States
Olivier Kassi[a]	Frank Wolke[a]	Western European and other States
José Miguez[b]	Asmau Jibril[b]	Parties not included in Annex I
Lambert Schneider[a]	Kazunari Kainou[a]	Parties included in Annex I
Muhammad Tariq[b]	Kamal Djemouai[b]	Asia-Pacific States
Spencer Thomas[a]	Eduardo Calvo[a]	Latin American and Caribbean States
Sirous Vatankhah[a]	Nurul Quadir[a]	Asia-Pacific States

Note: In view of the postponement of CMP 16 to 2021, the Bureau decided, on 25 August 2020, to extend the current membership of the bodies under the Convention, the Kyoto Protocol and the Paris Agreement, as needed, until successors can be appointed or elected (https://unfccc.int/news/bureau-confirms-criteria-to-advance-the-unfccc-process). In accordance with rule 4 of the rules of procedure of the Board, the members and alternate members shall remain in office until their successors are elected.

[a] Two-year term, starting as of the first meeting in 2019.

[b] Two-year term, starting as of the first meeting in 2020.

Election of the Chair and Vice-Chair of the Board

96. At EB 106, El Hadji Mbaye Diagne, from a Party not included in Annex I, was elected as Chair, and Olivier Kassi, from a Party included in Annex I, as Vice-Chair of the Board. Their tenures will end just before the first meeting of the Board in 2021.[34]

97. The Board expressed its appreciation to the outgoing Chair and Vice-Chair for their excellent leadership of the Board in 2020.

B. Meetings of the Executive Board

98. In the reporting period, the Board held four meetings (see table 6). 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.[35]

Table 6
Meetings of the Executive Board of the clean development mechanism between 13 September 2019 and 14 December 2020

Meeting	*Date*	*Venue*
EB 105	25–28 November 2019	Madrid, in conjunction with CMP 15
EB 106	11–13 May, 27–29 May and 12 June 2020	Virtual meeting
EB 107	21–23 September, 30 September to 2 October and 5 October 2020	Virtual meeting
EB 108	1–3 December, 9–11 December and 14 December 2020	Virtual meeting

[34] In accordance with rule 12 of the rules of procedure of the Board.

[35] http://cdm.unfccc.int/EB/index.html.

C. Interaction with forums and stakeholders

99. 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 105, 106 and 108; with DOEs through interaction with the Chair of the DOE/AIE Coordination Forum at EB 105, 106, 107 and 108; and with the CDM Accreditation Panel at its 86th and 87th meetings.

100. 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.

101. Stakeholders had 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 made itself available to registered observers at its meetings.

102. 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. A DOE calibration workshop was organized from 24 to 25 October 2019 in Seoul, Republic of Korea, 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.

103. In the reporting period, the Board held one side event at CMP 15 on the role of the CDM in decarbonizing cities and its co-benefits. The event agenda and presentations made are available on the UNFCCC website.[36]

D. Communication and outreach

104. 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 using markets and mechanisms;

(b) Increasing the use of CERs for voluntary offsetting (see chap. III.B.2 above).

105. Activities undertaken in the reporting period to nurture demand for the CDM and voluntary cancellation of CERs include producing 17 articles and news items and promoting them via UNFCCC communication channels, including the UNFCCC Newsroom, CDM News and social media.

106. The CDM was also promoted through multiple webinars,[37] which is the preferred channel in the context of the COVID-19 pandemic, with audiences that included private companies, environmental consultancies, United Nations organizations and sectoral organizations.

107. Communication and outreach efforts are supported by the RCCs and built into various secretariat initiatives, including the annual United Nations Global Climate Action Awards[38] and the secretariat's outreach to sectors such as fashion and sports.

108. Messages about the CDM and use of markets were also delivered throughout the reporting period by the secretariat and its RCCs at virtual events, such as those listed on the newly launched regional virtual platform, and in the RCC newsletters.[39]

[36] https://seors.unfccc.int/seors/reports/archive.html.

[37] https://unfccc.int/about-us/partnerships/current-calls-for-partnerships/regional-collaboration-centres/regional-virtual-platform.

[38] See https://unfccc.int/climate-action/momentum-for-change.

[39] See the individual web pages of the different RCCs, which can be accessed via https://unfccc.int/about-us/regional-collaboration-centres.

E. Financial status of the clean development mechanism

109. 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]

110. At EB 104, the Board approved the CDM-MAP for 2020–2021[41] and the related budget for 2020, amounting to USD 18.0 million, which represents a decrease of USD 1.5 million (–7.6 per cent) compared with the 2019 budget.

111. A projected income of USD 9.0 million for 2020 was included in the CDM-MAP for 2020–2021 (table 12). Table 7 provides a comparison between 2019 and 2020 of the CDM status of income in the eight-month period January–August: in 2020 the fees received amounted to USD 10.6 million; in 2019 they amounted to USD 8.3 million. The projected income for 2020 of USD 9.0 million has been exceeded.

Table 7
Comparison of the clean development mechanism status of income for the eight-month period January–August for 2019 and 2020
(United States dollars)

	2019[a]	*2020*[a]
Carry-over from previous year (A)	83 451 174	76 157 278
Fee income		
Registration fees[b]	156 870	280 128
SOP[c]	8 050 423	10 227 049
Accreditation fees	44 980	22 500
Accreditation process related fees	64 984	39 010
Subtotal: income for 1 January to 31 August (B)	**8 236 555**	**10 568 687**
Total: previous year's carry-over and current year's income (A + B)	**91 687 728**	**86 725 965**

[a] Excludes the USD 45 million held in reserve and the interest accruing on the CDM Trust Fund.
[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, 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 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.

112. Table 8 presents a comparison between 2019 and 2020 of the CDM budget and status of expenditure: expenditure in the eight-month period January–August in 2020 amounted to USD 11.0 million; in 2019 it amounted to USD 11.1 million. The rate of expenditure in 2020 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 8
Comparison between 2019 and 2020 of the clean development mechanism budget and status of expenditure

	2019	*2020*
Budget (12 months) (USD)	19 480 903	17 992 672
Expenditure (first 8 months) (USD)	11 092 921	11 048 839
Expenditure as percentage of budget (%)	56.9	61.4

[40] In accordance with decisions 4/CMP.10, 6/CMP.11, 3/CMP.12 and 4/CMP.14.
[41] See CDM document CDM-EB104-A01-INFO.

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

113. To provide clarity to project participants and to countries and constituencies interested in using the CDM in their response to climate change, the Board recommends that the CMP provide guidance on the functioning of the CDM beyond the end of the second commitment period, noting the issues highlighted and temporary measures adopted by the Board (see chap. II.F above).

Annex I

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 fifteenth session

[English only]

Decision 2/CMP.15 paragraph reference	*Guidance relating to the CDM and action to be taken by the Board*	*Status of implementation*
7	Acknowledges the work of the Executive Board in reviewing methodological approaches for calculating emission reductions achieved by project activities that result in reduced use of non-renewable biomass in households	Completed: EB 106 (May 2020) considered a concept note prepared by the secretariat on such approaches The Board requested the CDM Methodologies Panel and the secretariat to facilitate and streamline the application of "TOOL30: Calculation of the fraction of non-renewable biomass" EB 108 (December 2020) revised "TOOL30: Calculation of the fraction of non-renewable biomass" to streamline the tool and improve the data collection procedures
8	Encourages the Executive Board to continue to review the methodological approaches referred to in paragraph 7 above, in particular with respect to the default baseline assumptions applied	

Annex II

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

[English only]

Name of entity	*Sectoral scopes (validation and verification)*
China Building Material Test and Certification Group Co. Ltd. (CTC)[a]	1–4, 6, 9–10, 13–15
China Certification Center, Inc. (CCCI)[a]	1–15
China Classification Society Certification Company (CCSC)[a]	1–10, 13, 14
KBS Certification Services Pvt. Ltd. (KBS)[a]	1–5, 7–10, 12–15
Lloyd's Register Quality Assurance Ltd. (LRQA)[b]	1–3, 7, 13

[a] Accreditation granted for five years.
[b] Voluntary withdrawal of accreditation in its entirety.

Annex III

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

[English only]

Table III.1
Standards

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Determining coverage of data and validity of standardized baselines"	03.0	EB 108	Annex 4
"Sampling and surveys for CDM project activities and programmes of activities"	08.0	EB 105	Annex 1

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

[a] See http://cdm.unfccc.int/EB/index.html.

Table III.2
Procedures

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Development, revision, clarification and update of standardized baselines"	06.0	EB 108	Annex 12
"Performance monitoring of designated operational entities"	04.0	EB 106	Annex 11
"CDM accreditation procedure"	15.0	EB 106	Annex 12

[a] See http://cdm.unfccc.int/EB/index.html.

Table III.3
Guideline

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Development of a programme of activities applicable to buildings"	01.0	EB 106	Annex 4

[a] See http://cdm.unfccc.int/EB/index.html.

Table III.4
Information notes

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Tentative calendar of meetings for 2021"	01.0	EB 108	Annex 13
"CDM Executive Board workplan 2020"	01.0	EB 106	Annex 1
"CDM Accreditation Panel workplan 2020"	01.0	EB 106	Annex 2
"CDM Methodologies Panel workplan 2020"	01.0	EB 106	Annex 3
"Calendar of meetings for 2020"	01.0	EB 106	Annex 15
"Tentative calendar of meetings for 2020"	01.0	EB 105	Annex 9

[a] See http://cdm.unfccc.int/EB/index.html.

Table III.5
Amendments

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Amendments to version 02.0 of the CDM project standard for project activities on application of standardized baselines"	01.0	EB 108	Annex 2
"Amendments to version 02.0 of the CDM project standard for programmes of activities of application of standardized baselines"	01.0	EB 108	Annex 3
"Amendments to version 02.0 of the CDM project standard for programmes of activities on the cross effects"	01.0	EB 106	Annex 5
"Amendments to version 02.0 of the CDM project standard for project activities on post-registration changes of capacity increase"	01.0	EB 106	Annex 6
"Amendments to version 02.0 of the CDM project standard for programmes of activities on post-registration changes of capacity increase"	01.0	EB 106	Annex 7
"Amendments to version 02.0 of the CDM project cycle procedure for project activities on the payment of share of proceeds"	01.0	EB 106	Annex 13
"Amendments to version 02.0 of the CDM project cycle procedure for programmes of activities on the payment of share of proceeds"	01.0	EB 106	Annex 14

[a] See http://cdm.unfccc.int/EB/index.html.

Table III.6
Recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

Title	*Version*	*Adopted*	*Meeting report reference*[a]
"Implications of the postponement of the CMP 16 for the operations of the CDM"	01.0	EB 108	Annex 1

[a] See http://cdm.unfccc.int/EB/index.html.

Annex IV

Clean development mechanism Loan Scheme

[English only]

1. The CDM Loan Scheme was officially launched in April 2012. A total of 191 applications for loans were received, with 78 loan agreements approved and 63 loans executed. Table IV.1 provides an overview of the distribution of the loans that were executed.

2. Following an evaluation of the CDM Loan Scheme by the secretariat in 2016, which led to recommendations from the Board to the CMP, CMP 12 adopted further guidance in relation to the CDM Loan Scheme. As a result, the CDM Loan Scheme entered into its recovery phase, during which the implementing agency managed, settled and closed expiring loans. This work was effectively concluded by the end of 2019, with administrative and budgetary closing carried out in 2020.

3. The CDM Loan Scheme was set up to support CDM projects in countries that have fewer than 10 registered CDM projects, as well as in the LDCs, recognizing the special needs of this group of countries. During the operation of the CDM Loan Scheme, the CDM supported 44 projects in the LDCs and 19 projects in non-LDCs.

4. Table IV.1 shows the CDM loans granted by project technology type. The most commonly supported project type was household energy efficiency projects with a focus on clean cookstoves. This type of project is well suited to the conditions often found in the LDCs and typically also contributes to reducing indoor air pollution. The CDM Loan Scheme played an important role in enabling such projects, for which it may otherwise have been difficult to find financing.

Table IV.1
Distribution of loans against project technology types

Project technology type	*Number*
Biogas	1
Biomass	6
Energy efficiency in households (lighting)	3
Energy efficiency in households (cookstoves)	16
Energy efficiency in industry	1
Energy-efficiency services (water purification)	3
Supply-side energy efficiency (single cycle to combined cycle)	1
Energy distribution	2
Fossil fuel substitution	3
Geothermal	1
Hydropower	7
Landfill gas	4
Methane avoidance (domestic manure)	3
Methane avoidance (wastewater)	2
Reforestation	1
Solar photovoltaics	6
Transport	2
Waste handling and disposal	1
Total	**63**

5. In terms of the scale of the projects supported, the CDM Loan Scheme provided loans to 19 large-scale projects, 13 small-scale projects and 31 PoAs. The individual loan amounts ranged from USD 2,000 to 167,500, with the majority of projects granted loans of USD 75,000 or less.

6. The CDM Loan Scheme explicitly aimed to help develop CDM projects in underrepresented countries (those with fewer than 10 registered CDM projects) and in the LDCs. A success indicator was the number of projects that proceeded to registration. In this regard, the implementing agency reported progress of supported projects against six milestones: (1) project design document prepared, (2) validation start, (3) validation report, (4) CDM project registration request submitted, (5) CDM registration approved by the UNFCCC and (6) monitoring and verification submitted. The number of CERs issued by supported projects was not monitored in the Loan Scheme. Table IV.2 shows the number of supported projects that reached each step.

Table IV.2
Progress of supported loans against milestones

Milestone	*Number of projects*
Project design document	41
Validation start	41
Validation report	36
CDM registration request	27
UNFCCC registration	33
Monitoring and verification	19

7. Not all approved loans were provided to projects from milestone 1, but each loan supported different parts of the project cycle. This explains why there are, for example, more UNFCCC project registrations than CDM registration requests.

8. The CDM Loan Scheme was the first of its kind under the UNFCCC. During its operation, the following pertinent lessons were learned:

(a) The CDM Loan Scheme was established to support the development of CDM projects in the LDCs and in other underrepresented countries, defined as countries with fewer than 10 CDM projects registered. This is because the conditions for CDM project development in these countries are typically quite weak, which may explain why there are fewer projects in the first place. Factors hampering project development typically range from poor infrastructure and lack of experts and data to lack of administrative capacity, counterproductive domestic policies and competing development priorities;

(b) The CDM Loan Scheme provided financial support to project developers, enabling them to engage experts in advancing their CDM projects, but did not in itself improve the conditions for CDM projects;

(c) Owing in particular to the challenging conditions in the countries in which the projects supported by the CDM Loan Scheme were implemented, most of these projects were delayed and the underlying loan agreements had to be amended multiple times to avoid breaches. This was partly attributable to the loan conditions set at the CMP level, which reduced the administrative flexibility of the CDM Loan Scheme. A lesson learned in this regard is that the development of CDM projects in countries with less favourable conditions typically takes longer than in other countries. This could have been foreseen and incorporated into the loan conditions from the outset to avoid the extra administrative burden associated with the delays and contract amendments;

(d) One of the fundamental assumptions underpinning the CDM Loan Scheme was that, once the CDM projects were registered, the loans would be repaid using the proceeds from selling CERs generated by the supported project (the CERs constituted both the collateral and the source of income used to repay the loan). With the collapse of the CER price in 2012, this assumption became invalid, and the business case for many CDM projects also became invalid. This was probably the main reason why 40 per cent of the loans approved under the CDM Loan Scheme had to be written off. The Loan Scheme was not designed to take into account the possibility that the market for CERs could change, or worsen. In addition, the overly detailed CMP decisions on exactly how the Loan Scheme should operate prevented the implementing agency or the secretariat from adapting to the

severe market changes in any material way until the 2016 evaluation and CMP guidance resulting from that evaluation at CMP 12;

(e) The CDM Loan Scheme directly supported 63 projects, of which 33 were registered under the CDM. Since its launch, eight countries hosting CDM projects supported by the Loan Scheme reached the milestone of having 10 or more registered CDM projects. The indirect benefits of the CDM Loan Scheme are likely to be much more significant than these numbers indicate, however. For every CDM project supported in any of the 28 host countries, tangible efforts were made to identify and realize emission reduction opportunities. While many projects supported by the Loan Scheme did not achieve registration status, they helped to raise awareness, improve understanding of the conditions for climate action on the ground, and build networks and cooperation, often at the cross-border level;

(f) Lastly, it should be acknowledged that, while some loan recipients were not able to satisfactorily settle their loans, the majority not only honoured their commitments, but also went to significant lengths to report, repay and cooperate to settle their loans and fulfil their contractual obligations. Many project developers, CDM consultants and DNAs demonstrated an impressive personal commitment to developing and supporting projects and facilitating climate and sustainable development at the project sites, even during times of difficulty owing to uncertainties surrounding the future of the CDM.

Annex V

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

[English only]

Table V.1
Clean development mechanism Accreditation Panel meetings

Meeting	*Date*	*Venue*
AP 85	15–16 October 2019	Bonn
AP 86	24–25 February 2020	Bonn
AP 87	1–4 September 2020	Virtual

Table V.2
Clean development mechanism Methodologies Panel meetings

Meeting	*Date*	*Venue*
MP 80	23–26 September 2019	Bonn
MP 81	17–20 February 2020	Bonn
MP 82	15–17 June and 25–26 June 2020	Virtual
MP 83-EC 01	26 August to 10 September 2020	Electronic consultation
MP 83-EC 02	14 September to 9 October 2020	Electronic consultation
MP 83	2–9 November 2020	Virtual
MP 84-EC 01	19–24 November 2020	Electronic consultation

Table V.3
Workshops and forums organized for clean development mechanism stakeholders

Meeting	*Date*	*Venue*
49th DOE conference call	4 October 2019	Virtual
CDM practitioners' workshop on CDM standards and tools for buildings and construction sector	17–18 February 2020	Virtual
50th DOE conference call	4 March 2020	Virtual
51st DOE conference call	8 July 2020	Virtual
Calibration workshop for the CDM accreditation roster of experts and lead assessors	1 September 2020	Virtual
52nd DOE conference call	22 October 2020	Virtual
Calibration workshop for the DOEs	24–25 October 2019	Seoul, Republic of Korea
Asia-Pacific and Middle East and North Africa Regional DNA Forum Meeting	3 November 2020	Virtual
Africa Regional DNA Forum Meeting	5 November 2020	Virtual
Latin America and Caribbean Regional DNA Forum Meeting	9 November 2020	Virtual
Global DNA Forum Meeting	11–12 November 2020	Virtual