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CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL  
Third session  
Bali, 3–14 December 2007

Agenda item 5  
Issues relating to the clean development mechanism

## **Further guidance relating to the clean development mechanism**

**Proposal by the President**

### **Draft decision -/CMP.3**

#### **Further guidance relating to the clean development mechanism**

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

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

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

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

*Welcoming* the establishment of 128 designated national authorities, 102 among them in developing country Parties,

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

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

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

## I. General

1. *Takes note with appreciation* of the annual report for 2006–2007 of the Executive Board of the clean development mechanism<sup>1</sup>, in particular information on the:

- (a) Registration of 825 clean development mechanism project activities;
- (b) Issuance of 85,049,697 million certified emission reductions;
- (c) Accreditation and designation of 18 operational entities;
- (d) Approval of 32 baseline and monitoring methodologies, including the consolidation of eight methodologies into three consolidated methodologies;
- (e) Adoption of new and revised tools, manuals and clarifications to assist project participants;

2. *Notes* that the information in paragraph 1 above reflects that the number of clean development mechanism activities has more than doubled during the 11-month reporting period;

3. *Welcomes* the approval by the Executive Board of the guidelines and procedures for registering a programme of activities as a single clean development mechanism project activity;<sup>2</sup>

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

## II. Governance

5. *Encourages* constituencies to nominate members and alternate members who have the required qualifications and sufficient time to perform functions, as indicated in the report referred to in paragraph 1 above, to serve on the Executive Board in order to ensure that the Executive Board has expertise in, inter alia, financial, environmental and clean development mechanism regulatory matters and executive decision-making;

6. *Commends* the Executive Board for maintaining a management plan for the clean development mechanism, pursuant to provisions in decision 7/CMP.1, paragraph 13 (b), and decision 1/CMP.2, paragraph 8, and for implementing measures to further streamline procedures and processes, given the resources available and in the context of a fast growing mechanism;

7. *Reiterates* its request that the Executive Board provide its annual report, including any annexes and addenda, prior to a session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol; this report shall cover the period from the previous session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to the Executive Board meeting that takes place just prior to the one held in conjunction with the session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

8. *Commends* the Executive Board for its work on the catalogue of decisions and on the “CDM Bazaar”;

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<sup>1</sup> FCCC/KP/CMP/2007/3 (Part I and II).

<sup>2</sup> <<http://cdm.unfccc.int/Reference/index.html>>.

9. *Encourages* the Executive Board:
  - (a) To take action that allows it to further emphasize its executive and supervisory role by, inter alia, ensuring effective use and expansion of its support structure, including its panels, other outside expertise and the secretariat, strengthening the role of designated operational entities and providing dedicated secretarial and information technology support to members and alternate members;
  - (b) To strive to take concrete actions to improve, and where possible simplify, the operational aspects of the clean development mechanism, such as the review processes, ensuring that its environmental integrity is not affected;
  - (c) To further improve its functions to ensure a fair and equitable regulatory system;
10. *Commends* the Executive Board on its ability to deal with the steadily growing workload under the current governance structure;
11. *Encourages* the Executive Board to ensure a balance in applying its resources between satisfying caseload needs and making general policy and system improvements;
12. *Takes note with appreciation* of the satisfaction expressed by the Executive Board with regard to the quality of work and dedication displayed by its support structure and the secretariat;
13. *Encourages* the Executive Board, designated national authorities, designated operational entities, project participants and stakeholders to make every effort to contribute towards a more transparent, equitable, consistent and predictable clean development mechanism system;
14. *Encourages* designated operational entities to continue to build their capacity to perform their functions under the clean development mechanism;
15. *Requests* the Executive Board:
  - (a) To continue improving the efficient, cost-effective, transparent and consistent functioning of the clean development mechanism by continuing to keep the management plan under review and making adjustments as necessary;
  - (b) To conclude, as its highest priority, the clean development mechanism validation and verification manual as a standard for designated operational entities;
  - (c) To identify and implement other means to promote quality and consistency in validation and verification work;
  - (d) To take appropriate action to address minor issues in a transparent manner early on in the registration and issuance process to allow the Executive Board to focus on major issues;
  - (e) To further improve the substantiation of its decisions to increase the understanding of the underlying rationale by users, facilitate broader public understanding and correct misconceptions as they arise;
  - (f) To further develop, as a priority, management indicators and to report on this work to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

### III. Methodologies and additionality

16. *Takes note* of the:
  - (a) Increasing number of consolidated and approved methodologies and methodological tools covering a wide range of methodological approaches and applicability conditions, as well as the optional “combined tool to identify the baseline scenario and demonstrate additionality”;<sup>3</sup>
  - (b) Examples of non-binding best practices in demonstrating additionality to assist the development of project design documents for small-scale project activities;
  - (c) Definition of project activities under a programme of activities, guidelines and procedures for registration as a single clean development mechanism project activity;
  - (d) Importance of maintaining the broad applicability of small-scale methodologies in order to ensure the relative ease of implementation of small-scale project activities while maintaining environmental integrity;
17. *Reiterates* its encouragement to:
  - (a) Project participants to develop and submit, and the Executive Board to approve, more methodologies with broad applicability conditions to increase the availability of different technologies and measures and thereby ease the use of approved methodologies;
  - (b) Project participants to submit methodologies for the demand-side energy efficiency, transport, agriculture, and afforestation and reforestation sectors;
  - (c) Parties, intergovernmental organizations, non-governmental organizations, industry and others to support the development by project participants of broadly applicable methodologies;
18. *Encourages* the Executive Board:
  - (a) To continue its efforts to broaden the application of methodologies while maintaining their environmental integrity and to ensure that consolidated methodologies cover the full range of methodological approaches and applicability conditions covered by the underlying approved methodologies;
  - (b) To continue its work relating to energy efficiency and renewable energy activities as clean development mechanism project activities, given that such project activities contribute to sustainable development but face difficulties under the clean development mechanism, while continuing to ensure environmental integrity;
  - (c) To further develop generic and user-friendly methodological tools that can assist project participants in designing or applying methodologies and thereby ensure the simplicity and consistency of methodologies;
  - (d) To continue to improve the additionality tool, in cooperation with its support structure and relevant stakeholders, by providing clear guidance on the application of the tool, bearing in mind the need not to add undue complexity;
19. *Encourages* project participants to prepare and submit programmes of activities;

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<sup>3</sup> <<http://cdm.unfccc.int/Reference>>.

20. *Notes* that no new proposals on how to demonstrate additionality have been submitted to the Executive Board since the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

21. *Reiterates* that new proposals on how to demonstrate additionality may be submitted to the Executive Board for its consideration;

22. *Encourages* Parties, intergovernmental organizations, non-governmental organizations and others to respond to calls by the Executive Board for public input;

23. *Approves* the small-scale baseline and monitoring methodologies for afforestation and reforestation project activities under the clean development mechanism, as contained in annexes 1 and 2 to document FCCC/KP/CMP/2007/3 (Part II);

24. *Requests* the Executive Board to approve, at its first meeting in 2008, the simplified methodologies for “Switch from non-renewable biomass for thermal application by the user” and “Energy efficiency measures in thermal applications of non-renewable biomass”, as recommended by the Executive Board, for use for clean development mechanism project activities, as contained in annexes 3 and 4 to document FCCC/KP/CMP/2007/3 (Part II), incorporating the necessary changes to ensure that the application of these methodologies introduces new or improves existing end-user technologies and that, in case of the methodology “Energy efficiency measures in thermal applications of non-renewable biomass”, the baseline energy efficiency is measured or is based on referenced literature values;

25. *Decides* that the Executive Board may, if necessary, revise the methodologies referred to in paragraphs 23 and 24 above in the future without the need to make recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

#### **IV. Regional distribution and capacity-building**

26. *Welcomes* the initiatives undertaken by the Designated National Authorities Forum to date, which have contributed to broader participation in the clean development mechanism through, inter alia, sharing of information and experience;

27. *Further welcomes* the launch of the CDM Bazaar;

28. *Acknowledges* the recommendation of the Executive Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol<sup>4</sup> in response to the request in decision 1/CMP.2, paragraph 34, relating to information on regional and subregional distribution of clean development mechanism project activities, systematic or systemic barriers to their equitable distribution and options to address these;

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

30. *Acknowledges* the barriers to equitable regional distribution, and the need to address, in particular, the financial, technical and institutional barriers;

31. *Decides* to abolish the payment of the registration fee and share of proceeds at issuance for clean development mechanism project activities hosted in least developed countries;

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<sup>4</sup> FCCC/KP/CMP/2007/3 (Part I), annex.

32. *Acknowledges* the work undertaken in the context of the Nairobi Framework,<sup>5</sup> launched at the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, to catalyse the clean development mechanism in Africa;
33. *Welcomes* initiatives that explore the potential contribution of microfinance mechanisms to the clean development mechanism;
34. *Encourages* Parties included in Annex I to the Convention (Annex I Parties), that are willing to do so, to support initiatives, such as the Nairobi Framework, that address barriers to regional distribution, and also to consider further financial support, either directly or through intergovernmental organizations and non-governmental organizations, as appropriate, for the identification and development of clean development mechanism project activities including start-up costs and demonstration projects, in Parties not included in Annex I to the Convention (non-Annex I Parties), especially least developed countries, African countries and small island developing States;
35. *Encourages* host Parties of clean development mechanism project activities to share experiences and knowledge with other non-Annex I Parties;
36. *Acknowledges* the efforts made by various Parties to address the barriers to equitable regional distribution of clean development mechanism project activities referred to in paragraph 28 above;
37. *Encourages* the Nairobi Framework partner agencies to accelerate their activities under that framework;
38. *Encourages* project participants, stakeholders and experts to make use of the CDM Bazaar and provide feedback to improve it;
39. *Requests* the secretariat to enhance the functionality of the CDM Bazaar in order to increase its use in developing countries;
40. *Requests* the secretariat to send hard copies of reports of the Executive Board and panel working groups reports to designated national authorities upon request;
41. *Requests* the secretariat to continue to facilitate the coordination among the partner agencies in the implementation of the Nairobi Framework;
42. *Emphasizes* that further efforts are necessary to promote regional and equitable distribution of clean development mechanism project activities;

## **V. Resources for work on the clean development mechanism**

43. *Requests* the Executive Board to continue to provide information in its annual report on the status and the forecast of the revenue from the share of proceeds in order to cover administrative expenses;
44. *Welcomes* the fact that the required operating reserve has now been collected from shares of proceeds and fees, and that the activities of the Executive Board and the support provided by the secretariat to the operation of the clean development mechanism are now funded by the shares of proceeds and fees;

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<sup>5</sup> <[http://cdm.unfccc.int/Nairobi\\_Framework/index.html](http://cdm.unfccc.int/Nairobi_Framework/index.html)>.

45. *Expresses its appreciation* to the Governments of Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland and to the European Community for their contributions in support of the work of the clean development mechanism;

46. *Recognizes* that support from these Parties since 2002 assured the operation of the clean development mechanism until it became self-financing in late 2007;

47. *Expresses its appreciation* to the Governments of the Netherlands, Norway, Spain and Sweden for having provided financial resources in support of the Designated National Authorities Forum held in Addis Ababa, Ethiopia, from 4 to 6 October 2007 and the Government of Ethiopia for hosting the meeting;

48. *Welcomes* the offer of the Government of Chile to host one meeting of the forum in October 2008 and the contribution of the Government of Sweden to support translation activities at this meeting;

49. *Invites* Annex I Parties to make contributions to the Trust Fund for Supplementary Activities to fund work in support of the Designated National Authorities Forum.

## ANNEX

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

<b>Name of entity</b>	<b>Designated and recommended for designation for sectoral scopes</b>	
	<b>Project validation</b>	<b>Emission reduction verification</b>
Bureau Veritas Certification Holding, S.A. (BVC Holding S.A.)	4, 5, 6, 7, 10, 11, 12	
Lloyd's Register Quality Assurance Ltd. (LRQA)	1, 2, 3 4, 5, 6, 7, 10, 11, 12	
Colombian Institute for Technical Standards and Certification (ICONTEC)		1, 2, 3
JACO CDM Ltd. (JACO)		1, 2, 3

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

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