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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**CONFERENCE OF THE PARTIES SERVING AS THE  
MEETING OF THE PARTIES TO THE KYOTO PROTOCOL**

**Fourth session**

**Poznan, 1–12 December 2008**

**Item 13 of the provisional agenda**

**Second review of the Kyoto Protocol pursuant to its Article 9**

**Views from Parties on how the current institutional arrangements,  
governance, rules and procedures of the clean development mechanism and  
joint implementation may be improved in the first commitment period in  
order to enhance their functioning and effectiveness**

**Submissions from Parties**

**Addendum**

1. In addition to the five submissions contained in document FCCC/KP/CMP/2008/MISC.2, two further submissions have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the language in which they were received and without formal editing.

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\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

CONTENTS

	<i>Page</i>
1. COLOMBIA (Submission received 17 October 2008) .....	3
2. SWITZERLAND ON BEHALF OF THE ENVIRONMENTAL INTEGRITY GROUP (Submission received 9 October 2008) .....	4

PAPER NO. 1: COLOMBIA

**PREPARATIONS FOR THE SECOND REVIEW OF THE KYOTO PROTOCOL  
PURSUANT TO ITS ARTICLE 9**

In response to the call for submissions and the preparation for the second review of the Kyoto Protocol pursuant its article 9, Colombia would like to propose for Parties' consideration the following subjects:

- a) Extending the share of proceeds to assist in meeting the costs of adaptation to joint implementation and emissions trading

The revision of the Kyoto Protocol must ensure the availability of new and additional financial resources for adaptation, including innovative means of funding. Extending the share of proceeds currently charged to the clean development mechanism to the other flexible mechanisms (joint implementation and emissions trading) is, in the view of Colombia, one effective way to assist in meeting the costs of adaptation.

Colombia, a country with population vulnerable to climate change impacts and highly fragile ecosystems, considers essential to extend **at least 2%** of the share of proceeds to the Joint Implementation and Emissions Trading mechanisms in order to fund adaptation costs in developing country Parties in such a way that those countries can afford enough resources to appropriately meet and address their needs in adaptation.

Reiterating the principle of common but differentiated responsibilities, and considering the final objective of the Convention, it is necessary to enhance the adaptation component during the second review of the Protocol, keeping in mind that developing country Parties are currently facing the adverse effects of climate change, and as such they urgently require new and additional funding from other sources to meet their needs, not limited to the share of proceeds.

- b) How the current institutional arrangements, governance, rules and procedures of the CDM and joint implementation may be improved in the first commitment period in order to enhance their functioning and effectiveness.

A new approach to additionality criteria is necessary. Additionality should be applicable but not limited to projects that would not take place without the Clean Development Mechanism incentive. Some projects taking place at some point in time might need an additional incentive, such as that from the CDM, to **accelerate** their implementation. Thus for instance, reducing the time for implementation and between subsequent project stages pending on availability of financial resources. This is particularly applicable to energy efficiency projects which might be consider not additional when assessed through traditional NPV or IRR indicators.

The CDM EB should, by its means or through a third party, promote further development of projects in certain sectors and types of projects. Colombia is of the view that one of the barriers that should be removed by the CDM EB is the development of new methodologies. This means that the costs involved shall not necessarily be assumed by the project developer, the development of new methodologies as requested by Parties should be a new responsibility of the EB with the assistance of the Secretariat. Taking into account the extremely high cost of methodology development and the significant amount of time that it takes for these to be approved having a new mechanism for methodology development will result in new kinds of projects and significant GEI reductions.

PAPER NO. 2: SWITZERLAND ON BEHALF OF THE ENVIRONMENTAL INTEGRITY GROUP

**Preparation of the second review of the Kyoto Protocol pursuant to Article 9**

Submission: Views on how the current institutional arrangements, governance, rules and procedures of the CDM and JI may be improved in the first commitment period in order to enhance their functioning and effectiveness.

1. On behalf of the Environmental Integrity Group, formed by Liechtenstein, Mexico, Monaco, the Republic of Korea and Switzerland, we would like to present the following views on how the current institutional arrangements, governance, rules and procedures of the CDM and JI may be improved in the first commitment period in order to enhance their functioning and effectiveness.
2. The flexible mechanisms under the Kyoto Protocol and more specifically the Clean Development Mechanism (CDM) are innovative instruments which have proved to play an important role in the climate regime. The CDM allows industrialized countries to achieve emission reductions at lower costs and contributes to sustainable development of developing countries while attracting investments and new technologies. We are convinced that the CDM is able to deliver a substantial amount of further emission reduction, to this end we wish to advocate further strengthening of this mechanism. In order for member states and the private sector to justify the continuance of its substantial engagement with the CDM in terms of both capital and manpower it is vital to assure the continuity of CDM projects after 2012, to give a clear market signal and offer investment security.
3. Despite the overall success of the CDM, we note the clear need for improvements including in certain administrative areas, in order to enhance its effective functioning and maintain its environmental integrity. One key improvement would be to implement and enforce timelines for activities such as completeness checks, which currently appear resulting in delaying consideration of projects by the EB without breaching the 8 week deadline stipulated in decision 3/CMP.1. We would like these improvements to be adopted by the CMP as soon as possible.
4. As with any novel market instrument it is necessary to continuously improve the CDM. Clear rules, understandable decisions made in the context of a public record of previous decisions, active and transparent communication and optimization of procedures and institutions will further foster the mechanism. Improvements will not only strengthen confidence in the CDM but also give more security to the market, its stakeholders and regulators.
5. Elements for improvement have been identified in meetings and workshops during this year. Some of the proposed improvements can and should be addressed immediately. Others should be considered in a longer time-frame.
6. We propose the following elements to be discussed and decided on by the Parties at the CMP 4 in Poznan in December 2008.

**a. Executive Board (EB), Governance and Structure**

Considerable improvements are achievable in the governance of the CDM by adjusting the institutional architecture. The ever-increasing amount of projects and the workload based on the relevant institutions require adaptations to the current structures. Possible improvements include:

- **Changes in the role of EB members:** It is crucial to implement fully the adopted Rules of Procedure of the Executive Board. EB members should act as independently as possible. As such they should not take any instructions from external bodies or Parties. EB members

should resign from any negotiating mandate under the UNFCCC as well as from any task or role in a company or institution involved in the CDM project cycle. The Chair and Vice-Chair of the Executive Board should be elected on a full-time basis, other members of the EB at least on a half-time basis. Nominations to the EB should be made public at the Subsidiary Bodies meeting before election at CMP. Nominations should include written documents highlighting qualifications and relevant background of the nominees. Several years of significant technical, regulatory, climate change and/or financial experience should be required for an application as an EB member.

Furthermore, in order to guarantee the effective supervisory and executive role of the EB, we consider that it could be more efficient that project by project decisions be transferred from the EB to a full time review panel. Such panel should be staffed with qualified professionals selected on the basis of their long standing, recognized technical expertise (Meth Panel Experts, RIT members, industry experts, professional UNFCCC staff). The EB should focus on providing strategic guidance, adaptable regulations (such as the VVM, additionality tool, etc.) and policy decisions, as well as ensuring their consistency over time. Decisions on registration and issuances cases should be done at the first instance by the full time review panel within the Secretariat, based on rules, regulations and guidance provided by the EB. Initial comments should be sought by written questions and telephone interaction.

**- Transparency, Decision-making and Communication:** Transparency of the EB decision-making process is of highest importance to improve the understanding of decisions by stakeholders. Therefore, the EB should conclude the development of a record catalogue of decisions that includes clarifications, reasons for reviews and rationale of decisions. In order to preserve institutional memory, all decisions should be published and references to previously taken decisions should be made. In the case of amendments or substitutions of previously taken decisions, the rationale has to be provided and published.

**b. The role of Designated Operational Entities (DOE):**

DOEs have a vital role to play in the CDM project cycle. They are performing the independent validation and verification of emission reductions, largely ensuring the environmental integrity and effectiveness of CDM project activities. According to the CDM architecture the DOEs may ease the workload of the CDM EB and its technical panels. It is key that an enhanced accreditation process for DOEs is designed and implemented. This will ensure a high level of reliability in the decisions taken by the DOEs, decrease the level of scrutiny the EB is currently adopting towards DOEs' decisions. Moreover, the EB should finalise the creation of a standard for validation and verification through the Validation and Verification Manual (VVM) as soon as possible. This will eliminate some ambiguities and ease the work of DOEs and other project participants. A training programme for DOEs should be organized. Once established, this programme would be mandatory for experts of DOEs. The EB should regularly assess and publish the quality statistics related to DOE performance. The EB should guarantee impartiality and independence of the validation process.

**c. Additionality:**

Additionality is a key concept of the CDM and crucial for the environmental integrity. However, it is also difficult to prove, often rather subjective and complicated to validate and verify. Further improvements are required on this topic. Parties and relevant stakeholders should be invited to submit proposals with a view to further enhance the concept. Submissions should focus on concepts using more objective criteria to demonstrate additionality.

7. With a view to continuously improve the CDM, in-depth assessments of the CDM performance should be carried out on a regular basis. These assessments should be performed by independent entities, mandated by the EB. The assessment should inter alia cover the CDM EB and its technical Panels, the DOEs, communications structures and channels, decision-making processes, and the environmental integrity of CDM projects.
8. Due to the small amount of Joint Implementation (JI) projects registered to date, we do not propose precise elements for improvement. However, we are convinced that the above improvements identified for the CDM can, at least partially, also be adopted for JI. We further note that the constructive and open ongoing dialogue between the JISC and JI stakeholders could serve as a model for the CDM.
9. In order to improve the efficiency of the entire process, increased interaction between project participants and the UNFCCC Secretariat and Panels should be sought, particularly in regards to new methodologies, deviations and revisions and reviews. Formal recognition of a Project Developers Forum is to be introduced, proposals for which have been with the EB since the spring of 2008.
10. We should consider an ISO certification process, as appropriate, for the various CDM procedure of the CDM project cycle.
11. We propose that the CMP adopt decisions on the proposed improvements above at its next meeting in Poznan, December 2008.

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