

**DRAFT****Annex 9****DRAFT 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 of the Executive Board of the clean development mechanism (CDM) during the period from 25 October 2008 to 16 October 2009, during which the CDM continued to grow steadily.

More than **XXX** million CERs have been issued to **XXX** registered project activities. Over the reporting period, the Board considered **X,XXX** requests for registration and issuance resulting in **XXX** additional CDM project activities and issuance of **XXX** million CERs. The now more than 4,200 CDM project activities (registered projects and those seeking registration) are expected to generate about **2.9** billion CERs during the first commitment period of the Kyoto Protocol, of which **XX** billion CERs are expected to come from the more than **1,830** CDM projects registered to date in 58 countries. The report highlights achievements and challenges faced by the Board in its supervision of the mechanism. It highlights work undertaken in the areas of accreditation, methodologies and registration and issuance. It includes a number of recommendations for action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.



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I. Introduction

A. Mandate

1. In accordance with the modalities and procedures for a clean development mechanism (CDM),¹ the Executive Board of the CDM (hereinafter referred to as the Board) shall report on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). In exercising its authority over the CDM, the CMP will review these annual reports, provide guidance and take decisions, as appropriate.

B. Scope of the report

2. This annual report of the Board provides information on progress made towards the implementation of the CDM during its eighth year of operation (2008–2009),² hereinafter referred to as the reporting period, and recommends decisions for adoption by the CMP at its fifth session. It refers to operational achievements leading to the registration of CDM project activities and the issuance of certified emission reductions (CERs), governance matters, measures taken and anticipated to streamline and scale up the CDM, resource requirements, and actual resources available for the work on the CDM during the reporting period.

3. The report highlights successes and challenges over the reporting period and summarizes work on the CDM and matters agreed by the Board. Full details on operations and functions are available on the UNFCCC CDM website,³ which is the central repository for reports of meetings of the Board and for documentation on all matters agreed by the Board.

4. The challenges and achievements during the eighth year of operation of the CDM, as well as the challenges lying ahead, will be highlighted by the Chair of the Board, Mr. Lex de Jonge, in his oral presentation to the CMP.

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

5. In exercising its authority over, and in providing guidance to, the CDM in accordance with the CDM modalities and procedures,⁴ the CMP, at its fifth session, taking note of the annual report of the Board, may wish:

- (a) To note that the Board responded to guidance provided by the CMP at its fourth session, concluded most response actions and made progress on resolving remaining issues;⁵
- (b) To designate operational entities that have been accredited, and provisionally designated, by the Board (see chapter III A below);

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

² The report covers the period from 25 October 2008 to 16 October 2009, in accordance with decision 1/CMP.2, paragraph 11, and decision 2/CMP.3, paragraph 7.

³ <<http://cdm.unfccc.int>>.

⁴ Decision 3/CMP.1, paragraphs 2 and 3.

⁵ Annex I to this report contains the requests made by the CMP at its fourth session and a brief description of the responses.



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(c) To provide guidance on matters arising from this report.

6. The CMP may also wish to consider the outcomes of work relating to the CDM carried out by the Subsidiary Body for Scientific and Technological Advice.⁶

7. The CMP will elect the following to the Board for a term of two years upon nominations being received from Parties:

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

II. Achievements and challenges

A. Milestones and achievements

8. The CDM saw steady progress throughout the reporting period as the Board, with support from its panels, working groups and the secretariat, took action on an unprecedented number of mandates given to it by the CMP at its fourth session. This progress is detailed throughout the report and in a table (annex I) that presents Parties' requests along with the action taken.

9. An important milestone during the reporting period was the registration of the first programme of activities (PoA), an energy-efficient lighting programme in Mexico. There was also a fundamental change in the way that the mechanism's third-party certifiers, the designated operational entities (DOEs), are accredited and their performance assessed (see para. XX below). The change resulted in a substantial increase in the number of DOEs available to validate and verify on behalf of the CDM. These two achievements are a result of Parties' expressed desire for the CDM to be scaled up and made more efficient.

B. Challenges and opportunities

1. The context of the work

10. The CDM continued to grow during the reporting period, which saw an almost XX per cent increase in the number of requests for registration. There are now more than 1,830 registered CDM projects in 58 countries, with about 3,000 further projects in the pipeline. Some 332 million CERs have been issued to about 550 projects.

11. The challenge for the Board remains unchanged: to efficiently implement and administer the mechanism while ensuring its environmental integrity. It remains the case that, to ensure environmental integrity, the Board is required to review an unacceptably high proportion of projects. During the reporting period, the workload of the Board frequently required that the Board be in session or in consultations for well over the eight hours planned for a typical meeting day. Finding adequate time for

⁶ See FCCC/SBSTA/2008/7, paragraphs 39 (b) and 40.



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policy issues or forward-looking initiatives was a serious challenge for the Board given the high volume of case work relating to registration and issuance.

12. Parties have requested the Board to take on a more executive role. Efforts described in this report to improve the functioning of the mechanism, and ultimately the quality of requests for registration and issuance, are part of the Board's response to that request.

2. Looking forward

13. Since its inception, the CDM has been in a state of constant improvement, guided by a "learning-by-doing" approach in which further guidance has been added as needs have been identified. For the mechanism to reach its potential, this iterative manner of work needs to be transformed into a more proactive and systematic approach to the development of guidance and a more effective supervision of the activities under the mechanism to ensure that they conform to this guidance.

14. Looking forward, the Board sees the critical need to play an executive and supervisory role in the CDM. This needs to be enabled by a clear policy framework of standards and procedures that, among other things, systematically captures lessons learned, translates them into policy and shares the outcomes in a regular, continuous programme of capacity-building at all levels and for all key stakeholder groups. It further requires the Board to enhance its monitoring of the quality of work undertaken under the CDM.

15. The secretariat and the remainder of the support structure is also ready to support the Board in this goal, through being assigned more responsibility for technical issues and ensuring that it presents its work to the Board in a manner that recognizes its executive and supervisory nature.

3. Accreditation system enhancements

16. To increase the number of DOEs available to serve the CDM, during the reporting period the Board adopted a radically streamlined accreditation procedure. DOEs applying for re-accreditation are now granted accreditation for all sectoral scopes (project types), for both validation and verification, where previously they had to apply for each scope separately and for validation and verification work separately.

17. For this new approach to work, and ultimately to ensure the quality of CERs, the Board had to put in place a robust system of continuous, consistent monitoring and appraisal of DOEs. It is also essential that DOEs receive from the Board the information they need to do their work.

4. Consideration of cases

18. In its consideration of individual cases, the Board works to ensure that only projects that fully qualify under the CDM are granted registration, and ensure that CERs issued represent real reductions in greenhouse gas emissions.

19. The Board's challenge is to make sure that the lessons learned from these cases feed into the policies that guide the project participants, the Board, and the entire regulatory support structure, including the DOEs. By translating experience into policy improvement, the Board can expect to see a continual improvement in the quality of submissions, and thus a reduction in its volume of case work, and the freeing up of the Board's time to focus on policy matters.

5. Prioritizing work on methodologies



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20. Methodologies for setting emissions baselines and monitoring project emissions have become more and more complex. Environmental integrity has been the overriding priority, often achieved after lengthy approval processes and at the expense of usability and applicability of methodologies.

21. Recognizing this, the Board placed greater emphasis during the reporting period on usability, applicability, timeliness and objectivity of methodologies, alongside quality. The Board has opted for a process of prioritization that focuses the mechanism's limited regulatory resources on those methodologies that are most likely to be used and broadly applied, *and* for which quality can be assured.

6. Transparency

22. Transparency is an essential feature of the CDM regulatory process. The need to increase transparency has been expressed by stakeholders, has been recognized by Parties and has been taken on as a key priority of the Board.

23. Specifically, stakeholders have requested more detailed rationales of Board decisions and the ability to access those documented decisions more easily. In response, the Board took steps during the reporting period to put in place a system that is fully accessible, clear and consistent, building on what has been done in the past.

7. Regional distribution

24. Most CDM projects are concentrated in a relatively small number of countries, in a pattern that closely matches international direct investment. Despite calls by Parties to improve regional distribution of the CDM, there is limited scope for action by the Board on this matter.

25. Nonetheless, the Board has taken steps to help spread the CDM, which are detailed in this report. An important part of the Board's efforts involve working with CDM designated national authorities (DNAs), which have a key role to play in promoting CDM and facilitating participation.

8. Cooperation with stakeholders

26. The efficiency and effectiveness of the CDM is facilitated by constructive input from stakeholders. For example, **XX** public calls⁸ prompted valuable input from **XXX** stakeholders, while the submission of **XX** comments assisted the Board in its consideration of proposed new methodologies.

27. The Board is committed to engaging further with CDM stakeholders, to create a truly user-driven mechanism that benefits from, and builds upon, experiences gained in its day-to-day operation.

III. Work undertaken in the reporting period

28. This chapter describes ongoing work of the Board and its responses to requests and encouragements by the CMP.

A. Accreditation of operational entities

1. Procedures, standards and training

⁸ All public calls and inputs received are available at <http://cdm.unfccc.int/public_inputs/index.html>. Public input to methodologies is recorded in the historical information of each methodology.



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29. In the reporting period, the Board adopted a radically streamlined procedure for accrediting DOEs, the third-party certifiers used by project participants to validate projects and verify emission reductions. The procedure allows DOEs applying for re-accreditation to be accredited for all sectoral scopes and for both validation and verification or certification functions. These accredited DOEs are subject to an agreed regimen of monitoring and assessment, which includes a desk review, performance assessment of projects and spot checks, to ensure quality.
30. The new procedure has increased substantially the number of accredited entities in the marketplace to 27 as at 16 October 2009, thus removing a serious bottleneck faced by project developers.
31. The Board also adopted a “CDM accreditation standard for operational entities”. The standard can be expected to enhance the consistency and uniformity of the assessment process. To foster understanding of accreditation requirements, the Board, with the assistance of the secretariat, conducted a training session for members of DOE assessment teams. The Board intends to hold such sessions regularly.
32. A policy framework for monitoring the performance of DOEs is under consideration by the Board. The framework covers both the compliance of a DOE with the various CDM standards and any failure of a DOE to deliver expected outcomes in terms of validation and verification of CDM project activities. As well, an electronic workflow management system was developed and introduced that will increase the Board’s oversight of the accreditation process and allow for new ways to monitor DOE performance.
33. The *Clean Development Mechanism Validation and Verification Manual (VVM)*, adopted by the Board at its forty-fourth meeting,⁹ will make an important contribution to the accreditation process by assisting DOEs in their work and providing a benchmark for measuring their performance. The Board requested DOEs to fully implement its requirements into their management systems with immediate effect.
34. A work plan for disseminating and improving the VVM has been created. The Board has requested the secretariat to investigate the possibility of regular updates for minor changes, between periodic comprehensive revisions. As part of future improvements to the VVM, the Board is investigating various topics, such as the concepts of materiality and level of assurance, and how they might be incorporated to further improve the work of the DOEs.
35. A series of workshops on the implementation of the VVM, focused initially on outreach to the auditors working for DOEs, has been agreed by the Board. The initial workshops are scheduled to take place in Brazil, Germany and India.
36. As in any regulatory system, sanctions for non-performance are important. A range of enforcement options are available, and others are under consideration, including recovery costs related for requests for review. The Board has already begun to make public the names of DOEs that are the subject of a spot check. ## such spot checks were performed during the period.¹⁰
37. Facilitating the accreditation of more applicants from developing countries, impartiality of DOEs and arrangements to be undertaken by DOEs under suspension are all still under discussion by the CDM Accreditation Panel.

⁹ See <<http://cdm.unfccc.int/Reference/Manuals/index.html>>.

¹⁰ The details can be found at ##.



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2. Entities recommended for designation

38. In the reporting period, the Board accredited and provisionally designated ## operational entities – ## for validation and ## for verification (see table 1). If these designations are confirmed, it would take the total number of operational entities accredited for validation of projects to ##, and the number of entities accredited for verification and certification of emission reductions to ##.

39. The Board recommends the entities listed in table 1 for designation by the CMP at its fourth session, for the sectoral scopes indicated.

Table 1. Entities accredited and provisionally designated by the Executive Board of the clean development mechanism in the reporting period

| Name of entity | Provisionally designated and recommended for designation for sectoral scopes ^a | |
|---|---|---------------------------------|
| | Project validation | Emission reduction verification |
| Japan Quality Assurance Organization | 1–15 | 1–15 |
| JACO CDM Ltd. | 1–3, 14 | 1–15 |
| Det Norske Veritas Certification AS | 1–15 | 1–15 |
| TUV SUD Industrie Service GmbH | 1–15 | 1–15 |
| Deloitte Tohmatsu Evaluation and Certification Organization | 1–3, 5, 7, 8, 10, 12, 15 | 1, 5, 7, 8, 10, 12, 15 |
| Japan Consulting Institute | 1, 2, 4, 5, 10, 13 | |
| Bureau Veritas Certification Holding SAS | 1–7, 10–14 | 1–3 |
| SGS United Kingdom Ltd. | 1–15 | 1–15 |
| Korea Energy Management Corporation | 1–15 | 1–15 |
| TUV Rheinland Japan Ltd. | 1–15 | 1–15 |
| KPMG Sustainability BV | 13 | |
| ERM Certification and Verification Services Ltd. | 1–5, 8–10, 13 | 1–5, 8–10, 13 |
| Spanish Association for Standardization and Certification | 1–3, 13 | 1–3 |
| TUV NORD CERT GmbH | 1–7, 10–13 | 1–7, 10–12 |
| Lloyd's Register Quality Assurance Ltd. | 1–13 | 1–13 |
| Colombian Institute for Technical Standards and Certification | 1–5, 8–10, 13 | 1–5, 8–10, 13 |
| Korean Foundation for Quality | 1–3 | 13 |
| Swiss Association for Quality Management Systems | 1–15 | 1–15 |
| China Environmental United Certification Center Co Ltd. | 1–3, 8, 10 | 1–3, 8, 10 |
| RINA SpA | 1–8, 10, 11, 13 - 15 | 1–8, 10, 11, 13–15 |
| SIRIM QAS INTERNATIONAL SDN. BHD | 1–4, 13 | 1–4, 13 |
| Korean Standards Association | 1–5, 13 | 1–5, 13 |
| Environmental Management Corp. | 1–8, 13 - 15 | 1–8, 13–15 |
| Japan Management Association | 1–4, 6, 8, 9, 14 | 1–4, 6, 8, 9, 14 |
| Germanischer Lloyd Certification GmbH | 1–3, 7, 10, 13 | 1–3, 7, 10, 13 |
| China Quality Certification Center | 1–13 | 1–13/14 |



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| Name of entity | Provisionally designated and recommended for designation for sectoral scopes ^a | |
|-----------------------------------|---|---------------------------------|
| | Project validation | Emission reduction verification |
| Ernst & Young Associates (France) | 14 | 14 |

^a The numbers indicate sectoral scopes. For details see <<http://cdm.unfccc.int/DOE/scopelst.pdf>>.

40. The geographical distribution of the total ## designated and applicant entities is reflected in table 2, together with the number from non-Annex I Parties by region. Of the ## applications received in the reporting period, ## were from entities in non-Annex I Parties. Information on all applications, and the stage of consideration reached, is available on the UNFCCC CDM website.

Table 2. Geographical distribution of entities designated to, or applying to, validate clean development mechanism projects and verify and certify emission reductions

| Region | Total number of designated/applicant entities | Number of designated/applicant entities from non-Annex I Parties |
|---------------------------------|---|--|
| Western Europe and Other | 17 | 0 |
| Asia and the Pacific | 23 | 11 |
| Latin America and the Caribbean | 2 | 2 |
| Africa | 0 | 0 |

Abbreviation: non-Annex I Parties = Parties not included in Annex I to the Convention.

3. Meetings of the Accreditation Panel

41. The CDM Accreditation Panel met eight times during the reporting period as part of its work in support of the Board. The Board appointed Mr. Martin Hession as Chair and Mr. Samuel Adeoye Adejuwon as Vice-Chair of the Panel.

B. Methodologies for setting and monitoring emission baselines

1. Enhancing use and ensuring quality of emission reductions

Applicability of methodologies

42. The Board studied the use of methodologies in CDM projects and the potential emission reductions of methodologies. The study found that a few methodologies account for most of the projects. For example, 13 methodologies account for 88 per cent of the emission reductions from large-scale projects registered and under validation. Furthermore, the grid-connected electricity generation related methodologies, industrial gas destruction methodologies, methane emission avoidance methodologies and waste energy recovery methodologies account for 92 per cent of all emission reductions from projects registered and under validation.

43. Taking into account the responses to a call for public input on the reasons for some methodologies rarely or never being applied, the Board decided to increase its interaction with project developers when considering methodology submissions, to help ensure usability. The Board also worked on reducing the complexity of methodologies, for example by deconsolidating methodology ACM0006.



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44. Also with a view to broadening applicability, the Board revised ## approved methodologies and released ## new guidelines. The following are examples of efforts taken by the Board to broaden the application of methodologies:

- (a) Revision of the biofuel approved methodology for emission reduction through production and consumption of biofuel, to expand its application to the production of biodiesel from oil seeds cultivated in dedicated plantations on degraded or degrading land for use as fuel;
- (b) Broadening of the applicability conditions of biomass-based electricity generation methodologies to include new projects.

45. The Board also revised ## small-scale methodologies and related guidelines to broaden applicability and ease implementation, while maintaining environmental integrity. The following are examples of efforts taken by the Board to broaden the application of small-scale methodologies:

- (a) Adding to the configurations of renewable biomass-based cogeneration (heat and power);
- (b) Establishment of a broad range of eligible incandescent and compact fluorescent lamp wattages for efficient lighting in residences;
- (c) Creation of more options to accurately determine technical energy losses in rural electricity distribution systems to facilitate electricity loss reduction projects.

Usability and objectivity of methodologies

46. The following four methodological tools were approved by the Board in the reporting period to ensure simplicity and consistency of methodologies and to enhance their usability and objectivity:

- (a) A tool to determine the mass flow of a greenhouse gas in a gaseous stream under various conditions. The tool can be applied to all methodologies related to industrial gas abatement projects and landfill gas capture and utilization (or flaring projects);
- (b) A tool to determine the baseline efficiency of a thermal or electrical energy generation system, for the purpose of estimating baseline emissions;
- (c) A tool to assess the continued validity of the baseline and to update the baseline when the crediting period is renewed;
- (d) A tool to determine the remaining lifetime of baseline equipment that is replaced by new equipment as a part of a CDM project. The tool is intended to ensure conservativeness in determination of crediting period.

Additionality

47. Among other criteria, emission reductions under the CDM must be additional to what would have occurred without the CDM. The Board took steps, in the reporting period, to enhance objectivity in the demonstration and assessment of additionality and the determination of the baseline, including:

- (a) Approval of guidance on the use of quantitative approaches to the demonstration of barriers in additionality tool and combined tool;



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- (b) By ensuring that its Methodologies Panel progresses substantially in development of guidance on methods for financial benchmarks in order to address the standardisation of methods for calculating financial parameters;
- (c) Progressing substantive discussions on guidance to make common practice analysis and applicability of claiming a barrier because a technology used is “first-of-its-kind”;
- (d) By ensuring that its Methodologies Panel progresses substantially on a revision to broaden the applicability of the “Combined tool to identify the baseline scenario and demonstrate additionality”.

Improving regional distribution of clean development mechanism projects

48. As part of efforts to facilitate the development and approval of new and revised existing methodologies to address the under-representation of the CDM in some countries, the Board approved a fuel-switch small-scale methodology for the brick manufacturing industry, a small-scale methodology for energy efficiency and renewable energy measures in new residential buildings, and a small-scale methodology focused on transportation energy efficiency activities using retrofit technologies for higher fuel efficiency in commercial passenger transport (e.g. fuel injection to substitute carburetted fuel supply in tricycle taxis).

49. The Board also mandated the secretariat to organize a workshop aimed at achieving better understanding of the methodological constraints on the application of small-scale end-use energy efficiency methodologies and methodologies for saving non-renewable biomass. (See also section E on regional distribution.)

Development of Off-grid emission factors

50. The Board approved a revision to the “Tool to calculate the emission factor for an electricity system” in order to incorporate methodological approaches to estimate emission reductions for project activities that affects the operation of off-grid generation capacity. The revision of tool may have significant impact on improving regional distribution of CDM project activities.

Promoting Transportation under CDM

51. The Board approved one new methodology for “Mass Rapid Transit Projects”, further opening up CDM for mass transportation projects. This methodology applies to project activities that establish and operate a rail-based Mass Rapid Transit System or segregated bus lanes in urban or suburban regions, including Bus Rapid Transit systems.

52. The Board has also broadened the applicability of the existing approved methodology for bus rapid transport projects to include situations in which the baseline public transport system and other public transport options include rail-based systems and where electricity is used in the transport system.

Promoting energy efficiency

53. Five new methodologies to promote energy efficiency and one to encourage renewable energy project activities were developed in the reporting period. Revisions to enhance the applicability of two existing energy efficiency methodologies and ## renewable energy methodologies were approved.



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54. In addition, to help ensure simplicity and consistency in approaches in energy efficiency methodologies, the Board contracted the development of, and subsequently approved, the following methodological tools:

- (a) A tool related to determination of baseline energy efficiency of thermal or electrical energy generation systems at a given load;
- (b) A tool that provides conservative approaches for determining the remaining life of baseline equipment that is replaced by new equipment as a part of a CDM project;

55. Apart from above, a tool for energy benchmarking of domestic appliances is under development of the methodologies panel, which can be used in methodologies proposed by manufacturers of domestic appliances when they introduce new energy efficient appliances into the market.

56. In response to a request from Parties to explore the use of default operating parameter for small-scale end-user energy efficiency methodologies, the Board:

- (a) Revised methodology AMS-II.J, “Demand-side activities for efficient lighting technologies”, to include an option to use a conservative default for the operating hours of lamps, avoiding the need for a survey;
- (b) Besides energy efficiency methodologies, similar efforts were undertaken in other areas for example methodology AMS-III.F, “Avoidance of methane emissions through controlled biological treatment of biomass” was revised to include an option to use a default operating parameter demonstrate stable composting operation.

57. Taking into account the variation in host countries laws, regulations, standards and so forth., the Board revised methodology AMS-II.J to include an option to determine the lumen output of incandescent bulb and compact fluorescent lights in accordance with relevant national standards. The Board also revised methodology AMS-II.A, “Supply side energy efficiency improvements – transmission and distribution” to include an option to determine technical energy losses in rural electricity distribution systems by using a well-established, peer reviewed method included in the guidelines of a relevant national agency (e.g. the rural electrification agency of the country).

2. Afforestation and reforestation methodologies

58. During the reporting period, the Board approved the second consolidated methodology for afforestation and reforestation (A/R) project activities. Up to now 12 A/R methodologies were approved but in the reporting period two of them were withdrawn after being included in a consolidated approved methodology. Of these, nine have been revised to broaden their applicability, to make them consistent with existing guidance and tools and/or simplify them.

59. The Board also adopted guidance that allows for flexibility in fixing an A/R project boundary, and thus further simplifies development of methodologies for A/R project activities and their eventual application.

60. Other guidance adopted by the Board included, guidance to simplify the estimation of biomass stocks and change in woody vegetation present within the boundary of an A/R project activity, guidelines on conservative choice of default data for estimation of net anthropogenic GHG removals by sinks in A/R project activities, and guidance on accounting as zero the GHG emissions from several negligible GHG

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sources, which further simplified development of new A/R CDM methodologies and application of the approved methodologies to A/R project activities.

61. The Board also approved one user-friendly A/R tool and revised two other. There are now 14 A/R tools.¹¹

62. Under the guidance of the Board, and also in response to a request from Parties, an assessment of the implications of the possible inclusion of lands with forests in exhaustion as A/R CDM project activities was conducted, taking into account technical, methodological and legal issues and an option for definition of forest in exhaustion was recommend to the Board.

3. Small-scale afforestation and reforestation methodologies

63. During the reporting period, the Board developed three new simplified methodologies for small-scale A/R project activities. The methodologies could broaden the participation of small-scale land owners in projects, while allowing them to continue pastoral activities on their lands.

64. The Board also revised two simplified methodologies for small-scale A/R project activities, to facilitate their use by low-income communities and individuals.

4. Small-scale methodologies

65. During the reporting period, the Board brought to 49 the number of methodologies for small-scale project activities (excluding small-scale A/R) with the approval of nine new methodologies, among them a methodology for energy efficiency and renewable energy measures in new, grid-connected residential buildings, including efficiency building design practices, efficiency technologies and renewable energy technologies. The methodology contains options for using calibrated computer simulation to determine baseline emissions.

66. The Board also broadened the applicability of the first methodology for the agriculture sectoral scope, “Offset of chemical fertilizer application with inoculant application in rotation crops”.

67. Lastly, the Board provided guidelines and clarification on:

- (a) Use of sampling and survey in distributed renewable energy generation and energy efficiency projects;
- (b) Consideration of leakage in biomass project activities.

5. Meetings of the Methodologies Panel and working groups

68. The Methodologies Panel, the Afforestation and Reforestation Working Group (A/R WG) and the Small-Scale Working Group (SSC WG) met six, four and five times, respectively, during the reporting period as part of their work in support of the Board. The Board appointed Mr. Philip Gwage as Chair and Mr. Pedro Martins Barata as Vice-Chair of the Methodologies Panel. Board members Mr. Xuedu Lu and Mr. Thomas Bernheim were selected to support the Chair and Vice-Chair. The Board appointed Mr. Hugh Sealy as Chair of the SSC WG and Mr. Peer Stiansen as Vice-Chair. The Board also appointed Mr. José Domingos Miguez as Chair of the A/R WG and Ms. Diana Harutyunyan as

¹¹ A list of all tools is available at <<http://cdm.unfccc.int/goto/Tools>>.



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Vice-Chair.¹³ During the reporting period, the Methodologies Panel, A/R WG and SSC WG named one, two and one new member, respectively.

C. Carbon capture and storage

69. Under the guidance of the Board, and in response to a request from Parties, an assessment of the implications of the possible inclusion of carbon dioxide capture and storage (CCS) in geological formations as CDM project activities was conducted. The assessment considered technical issues (feasibility of capture, transport and final storage, uptake of CCS), methodological issues (monitoring and verification arrangements, regulatory requirements), legal issues (risks and liabilities) and environmental and market implications. A draft report was considered at the Board's forty-ninth meeting. Input from the Board members were used in preparation of a revised report considered by the Board's fiftieth meeting.

D. Programmes of activities

70. Development of programmes of activities (PoAs) continued throughout the reporting period. Under a PoA, several project activities to be administered under a single administrative umbrella, which is seen as a means to scale up the CDM. Responding to input from stakeholders, the Board adopted the following to provide greater clarity on rules and to streamline processes:

- (a) "Procedures for registration of a PoA as a single CDM project activity and issuance of certified emission reductions for a programme of activities" (version 03) (EB 47 report, annex 29);
- (b) "Procedures for review of erroneous inclusion of a CPA" (version 01) (EB 47 report, annex 30);
- (c) "Procedures for approval of the application of multiple methodologies to a programme of activities" (version 01) (EB 47 report, annex 31);
- (d) "Guidelines on the de-bundling for SSC project activities" (version 02) (EB 47 report, annex 32).

71. The Board facilitated early movers in the area of PoA by granting an exception regarding the CPA start date to PoAs invalidation as at 31 December 2009 (EB 47 report, paragraph 72).

72. The first two requests for registration of PoAs were submitted during the reporting period, and the first PoA registered, an energy-efficient lighting programme in Mexico. As at 16 October 2009, ## PoAs were registered and ## were undergoing validation.

E. Registration of project activities and issuance of certified emission reductions

1. Management of work

¹³ Details of the membership of panels and working groups are available at <http://cdm.unfccc.int/Panels/index.html>.



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73. During the reporting period, the Board considered an average of ### registration and ### issuance cases per meeting. A consequence of this caseload was that sufficient time was not always available for the consideration of policy issues.
74. To cope with the caseload, the Board continued to rely on the support of the secretariat. Additional resources, approved by the Board through its management plan for 2009, and structural changes within the secretariat have strengthened its technical support to the Board on accreditation, registration and issuance matters.
75. Among other support, the secretariat recommends guidance to address recurring issues in the registration and issuance process (see paragraph ##. xx below), provides analytical input to each case and recommends decisions. The Registration and Issuance Team (RIT) continues to provide valuable input to the last of these.
76. Guided by decision 2/CMP.4, the Board focused its work on the following two areas:
- (a) Enhancing the consistency of the operations of it and its support structure;
 - (b) Increasing the transparency of decision-making processes and increasing understanding by external stakeholders of the standards expected for submissions of requests for registration and issuance and related processes.
77. To address these focus areas the Board adopted guidelines or procedures on completeness checks and consideration of request for review and review cases. It continued to substantiate its decisions on case-specific matters and expand upon the rationale for decisions.
78. The Board also adopted timelines for the elements of the registration and issuance processes that did not previously have them, such as requests for revision of monitoring plans and requests for deviation. The Board also monitored the timelines adopted in the previous reporting period for completeness checks of requests for registration and issuance.
79. In responding to the dynamics of the mechanism, the Board agreed to adopt procedures and guidelines on changes from the project activity as described in the registered PDD. The Board also revised the procedures for requesting deviations and the revision of monitoring plan at verification. The adoption of these procedures represent a step forward in improving the system by allowing adjustments to reflect real situations that occur in the implementation of the project activities of the registration of the project.
80. Ensuring availability of human resources and managing sudden peaks in requests for registration remains a challenge. Peaks typically occur at the end of the validity period of methodologies (e.g. 116 requests were received in June 2009, primarily due to the expiration of methodology AMS-III.H version #).
81. Nonetheless, during the reporting period the Board took all decisions relating to registration and issuance within the procedurally set and mandated deadlines.

2. Projects registered in the reporting period

82. During the reporting period, ### projects were submitted to the Board for registration, and ### were registered, taking the total number of projects submitted for registration to ### and the total number registered to ##.



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83. The eight-week period (four weeks for small-scale projects) within which a Party involved or three Board members may request a review has ended for ## of the ## requests for registration submitted during the reporting period. The Board has finalized its consideration of ## of these project activities. Adding the ## requests for registration that had not been finalized by the Board by the end of the previous reporting period, but which have since been finalized, takes the total number of requests finalized during this reporting period to ##. Of these:

- (a) ## (## per cent) were registered automatically;
- (b) ## (## per cent) were registered after the Board had considered but did not pursue a request for review, taking into account any additional submissions from the project participant and/or DOE;
- (c) ## (## per cent) were registered after corrections were made to the submitted request for registration, as called for by Board members in their consideration of a request for review (in ## of these cases the corrections are pending);
- (d) ## (## per cent) were registered after the Board had conducted a review to ensure that guidance from the Board and the CDM modalities and procedures had been followed (in ## of these cases the corrections are pending);
- (e) ## (## per cent) could not be registered by the Board following a review;
- (f) ## (## per cent) were withdrawn by the project participant and DOE.

84. During the reporting period, ## project design documents (PDDs) were published on the UNFCCC CDM website, an average of ## per month. This is part of the stakeholder consultation process, which is an important aspect of project validation.

85. In addition, ## requests for renewal of the crediting period were submitted. The Board approved ## requests, ## automatically and ## following a request for review that was not pursued by the Board.

3. Matters relating to registration of project activities

86. The Board adopted or provided guidance and/or clarification on the following:¹⁴

- (a) Modalities of communication between project participants and the Board (EB 45 report, annexes 59 and annex 60);
- (b) Revision of the terms of reference and procedure for the RIT, to remove the reference to an expiry period and indicate that appointed members are contracted for a maximum of 12 months (EB 46 report, annex 58);
- (c) Completeness checks of requests for registration (EB 48 report, annex 60);
- (d) Revision of the Guidelines for demonstration and assessment of prior consideration of the CDM, to standardize the means of notification and provide for an online database (EB 48 report, annex 61). A form was also agreed (EB 48 report, annex 62). The guidelines

¹⁴ Reports of the meetings of the Board can be found at <<http://cdm.unfccc.int/EB/index.html>>.



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were subsequently revised to provide further clarification on the means of validation of prior consideration of the CDM ((EB 49 report, annex 22);

- (e) Guidelines for decision-making during the review process (EB 49 report, annex 21).

4. Issuance of certified emission reductions in the reporting period

87. During the reporting period, ### requests for issuance were submitted to the Board and ### CERs were issued on the basis of ### requests, taking the total number of CERs issued as at XXX to ##.

88. The 15-day period within which a Party involved or three Board members may request a review has ended for ## of the ## requests for issuance of CERs submitted during this reporting period. The Board has finalized its consideration of ## of these requests. Adding the ## requests for issuance that had not been finalized by the Board by the end of the previous reporting period, but which have since been finalized, takes the total number of requests for issuance finalized during this reporting period to ##. Of these:

- (c) ## (## per cent) resulted in automatic issuance;
- (d) ## (## per cent) resulted in issuance after the Board had considered but did not pursue a request for review, taking into account any additional submissions from the project participant and/or DOE;
- (e) ## (## per cent) resulted in issuance after corrections were made to the submitted request for issuance, as called for by Board members in their consideration of a request for review (in ## of these cases the corrections are pending);
- (f) ## (## per cent) resulted in issuance after the Board had conducted a review to ensure that guidance from the Board and the CDM modalities and procedures had been followed (in ## of these cases corrections are pending);
- (g) ## (## per cent) were rejected by the Board following a review;
- (h) ## (## per cent) were withdrawn by the project participant and DOE.

89. ## requests for deviation were submitted during the reporting period; they are related to deviations from provisions in the registered project activity discovered during the verification. The Board responded to ## of these requests and is still considering ##.

90. During the reporting period, ## requests for revision of monitoring plans were submitted. The Board approved ## of those requests.

91. Lastly, ## monitoring reports were published as part of the verification process, an average of ## reports per month.

5. Matters relating to issuance of certified emission reductions

92. The Board adopted or provided guidance and/or clarification on the following:

- (a) Revision of the terms of reference and procedure for the RIT, to remove the reference to an expiry period and indicate that appointed members are contracted for a maximum of 12 months (EB 46 report, annex 58);

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- (a) Procedures for notifying and requesting approval of changes from the project activity as described in the registered PDD (EB 48 report, annex 66);
- (b) Assessment of different types of changes from the project activity as described in the registered PDD (EB 48 report, annex 67);
- (c) Conducting a completeness check of a request for issuance (EB 48 report, annex 68);
- (d) Acceptability of suitability test QAL 1 for automatic monitoring systems (acceptable if measures and method are in accordance with ISO 14956) (EB 48 report, para. 77);
- (e) Guidelines for decision-making during the review process (EB 49 report, annex 21);
- (f) Procedures for requesting deviation prior to a request for issuance (EB 49 report, annex 26);
- (g) Revision of the procedure for requesting a revision of a monitoring plan (EB 49 report, annex 28).

1. The clean development mechanism registry

93. The operation of the CDM registry continued during the reporting period and, by 16 October 2009, ## CERs had been issued. Of these, ## CERs were forwarded to holding accounts of Annex I Parties; ## CERs were forwarded to permanent holding accounts of non-Annex I Parties in the CDM registry; and ## CERs were forwarded to the holding account of the Adaptation Fund. The number of CERs issued but not yet forwarded at the end of the reporting period was ##.

94. The CDM registry currently has ## fully operational holding accounts, of which ## are associated with non-Annex I Parties, and ## temporary holding accounts associated with Annex I Parties. Following from its nomination by Parties at CMP 4 as the trustee of the Adaptation Fund, the World Bank was registered as the representative of the Share of Proceeds for Adaptation account. ## transactions have been originated so far from this account.

95. As mentioned in paragraph 81 (a) above, the Board, at its forty-fifth meeting, adopted “Procedures for modalities of communication between project participants and the Executive Board”, which define a focal point entity and establish the scopes of authority that these entities can be granted. Following adoption of the new modalities, an online interface for nominating project focal points was developed. The interface allows project participants to agree on their representation and communicate their decision to the Board without going through a DOE. Work was also begun on a process to electronically authenticate representatives of project participants.

F. Regional distribution of project activities under the clean development mechanism

Responding to a request by Parties, the Board issued a call for public input from 30 March to 04 May 2009 to DNAs on how to streamline the CDM process in countries with fewer than 10 registered projects, in particular in least developed countries, small island developing States and countries in Africa.

96. Drawing on the input received, the Board developed recommendations on regional distribution for consideration by the CMP at its fifth session (see annex #).

97. Also as part of this effort, DNAs were surveyed on their training needs. The results of the survey may lead to new activities in support of DNAs needs.



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98. The Nairobi Framework took on two new members in the reporting period: the United Nations Conference on Trade and Development and the United Nations Institute for Training and Research. The framework was designed to increase participation in the CDM, principally in Africa.¹⁵

99. The secretariat has responsibility for coordinating the Nairobi Framework, as well as meetings of the Designated National Authorities Forum (DNA Forum), which it also helps to improve the regional distribution of the CDM. As part of this work, the secretariat organized or is organizing:

- (a) The seventh meeting of the DNA Forum, which was held in April 2009 in Bonn, Germany, directly before the annual CDM Joint Workshop, and attracted 150 participants;
- (b) The first subregional DNA meeting for the Caribbean region, held in July 2009 in St. George's, Grenada, which focused on highlighting the challenges in the region;
- (c) A side event on regional distribution, held at the June 2009 sessions of the Convention subsidiary bodies in Bonn;
- (d) The eighth meeting of the DNA Forum, to be held in October 2009 in Singapore, in conjunction with the industry event Carbon Forum Asia.

100. The Board was regularly updated on a study sponsored by the Government of Denmark on the potential use of microfinancing in support of CDM projects in LDCs. The possible synergies between CDM and microfinance offer new opportunities that need to be further explored.

101. Another initiative in the work on regional distribution is the web platform CDM Bazaar,¹⁶ which is in its ## year of operation and has ## registered users. The site's software has been improved and its usability enhanced during the year.

102. Table # shows the geographical distribution of the ## projects registered under the CDM (as at # 2009) and the expected CERs from these projects.

Table 3. Distribution of registered projects under the clean development mechanism, by region and group (as at ## 2009)

| | Projects (number) | Projects (% of total) | CERs expected by 2012 (millions) | CERs expected by 2012 (% of total) |
|--------------|-------------------|-----------------------|----------------------------------|------------------------------------|
| AFR | 27 | 2.31 | 41.20 | 3.14 |
| ASP | 758 | 64.95 | 1 018.08 | 77.57 |
| LAC | 374 | 32.05 | 251.44 | 19.16 |
| Other | 8 | 0.69 | 1.79 | 0.14 |
| Total | 1 167 | 100.00 | 1 312.50 | 100.00 |

¹⁵ <http://cdm.unfccc.int/Nairobi_Framework/index.html>.

¹⁶ <<http://www.cdmbazaar.net>>.



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| | | | | |
|------|----|------|------|------|
| LDCs | 10 | 0.86 | 0.61 | 0.05 |
| SIDS | 8 | 0.69 | 0.94 | 0.07 |

Source: FCCC/KP/CMP/2008/INF.2.

Abbreviations: AFR = Africa, ASP = Asia and the Pacific, CERs = certified emission reductions, LAC = Latin America and the Caribbean, LDCs = least developed countries, SIDS = small island developing States.

IV. Governance matters

A. Evolution of the role and functions of the Executive Board

Improving the efficiency of the clean development mechanism

103. In response to a number of requests by the CMP at its fourth session, the Board embarked on a series of activities to identify a set of far-reaching measures to improve efficiency in the operation of the CDM and allow the Board to further emphasize its executive and supervisory role. These activities have proven valuable and the Board believes that the ongoing implementation of the agreed measures will contribute a significant step-change in the way the Board and its support structure conduct their work.

104. The Board launched a public call for inputs in March 2009 on efficiency in the operation of the CDM and opportunities for improvement. The call attracted 42 submissions from a wide range of CDM stakeholders and these contributed a set of ideas, covering decisions of a regulatory nature, case rulings, governance issues and the oversight and outreach activities of the Board, as a basis for the Board's work.

105. Two policy retreats were conducted back-to-back with the forty-eighth and forty-ninth meetings of the Board. These provided opportunities for the Board to draw upon the inputs from stakeholders and its own experience to identify and agree on measures to be implemented directly and recommendations to be made to the CMP.

106. Annex # contains the results of the Board's deliberations on improving efficiency in the operation of the CDM. It contains the agreement of the Board on measures to be implemented directly, which the Board wishes to report to the CMP for its information. The annex also contains specific recommendations to the CMP at its fifth session on which the Board is seeking the guidance of the CMP.

Transparency

107. The Board continued to work on improving transparency and access to information. In response to requests by stakeholders for more detailed rationales of Board decisions and the ability to access those decisions more easily, the Board:

- (a) Further enhanced the detail and clarity of its requests for review relating to requests for registration or issuance;
- (b) Adopted a classification system for documents, decisions and rulings of the Board;
- (c) Approved a work plan for enhancing the online catalogue of decisions and expanding its search capabilities.

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108. The Board also decided to limit its informal consultations from two days to one day per meeting, and extend its formal meeting time from three days to four. However, it may be noted that to respect confidentiality the Board must go into closed session at various times even during the formal meeting days.

Communication with project participants and other stakeholders

109. During the reporting period, the Board discussed ways to improve the effectiveness of its communication with project participants. It requested the secretariat to prepare a proposal for how the Board could communicate with participants directly. This proposal will be considered by the Board after the reporting period.

110. In addition to its regular question and answer sessions at sessions of the Convention bodies, in April 2009 the Board held a joint coordination meeting with its panels and working groups, DNAs, DOEs, desk reviewers and assessment teams (220 participants). In addition, members of the Board participated in a process of consultation with key stakeholders, which was initiated during this year.

111. Also during the reporting period, the Board adopted a comprehensive, targeted communications strategy to raise public awareness of the CDM and correct misconceptions. Aspects of the strategy, which is now being implemented, include: enhanced press outreach; giving a human face to the CDM through photo and video contests; targeting Africa with recorded stories made available free to radio stations; making the CDM easier to understand through recordings of experts posted online; and working with DNAs to reach potential project participants.

B. Membership issues

112. At CMP 4, new members and alternate members of the Board were elected to fill vacancies arising from the expiration of terms of tenure. During the reporting period, the Board comprised the members and alternate members listed in table 4.

113. The Board reiterates its concern that neither the Conference of the Parties nor the CMP has established an international legal framework for privileges and immunities for Board members performing their functions relating to the CDM. Members enjoy privileges and immunities only in Germany, in accordance with the Headquarters Agreement of the secretariat, and in countries where Board meetings are convened pursuant to an agreement with the host country that contains provisions on privileges and immunities. The Board urges the CMP to take further action as a matter of urgency to ensure that Board members are fully protected when taking decisions for which they have been mandated. The Board notes the progress of deliberations at CMP 4 and requests the CMP to find an interim solution at CMP 5, even if a long-term solution cannot be concluded during the present commitment period.

114. Board members and alternate members are required to dedicate a considerable amount of time to the work of the Board. Currently, Board responsibilities include two months to attend Board meetings and related travel. Members who assume additional roles and functions, such as being Chair, Vice-Chair of panels and working groups or members supporting panels, invest even more time.



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Table 4. Members and alternate members of the Executive Board of the clean development mechanism

| Members | Alternate members | Nominated by |
|--|--|--|
| Mr. Kamel Djemouai ^b | Mr. Samuel Adeoye Adejuwon ^b | African regional group |
| Ms. Natalia Berghi (resigned end May 2008 and was replaced by Mr. Victor Nicolae ^a for the remainder of the term) | Ms. Diana Harutyunyan ^a | Eastern European regional group |
| Mr. Lex de Jonge ^a | Mr. Pedro Martins Barata ^a | Annex I Parties |
| Mr. Philip M. Gwage ^a | Mr. Xuedu Lu ^a | Non-Annex I Parties |
| Mr. Martin Hession ^b | Mr. Thomas Bernheim ^b | Western European and other States/regional group |
| Mr. Shafqat Kakhakel ^b | Mr. Rajesh Kumar Sethi ^b | Asian regional group |
| Mr. Clifford Mahlung ^a | Mr. Tuiloma Neroni Slade (resigned on 29 November 2009 and was replaced by Mr. Noah Idechong ^a for the remainder of the term) | Small island developing States |
| Mr. Paulo Manso ^a | Mr. Hussein Badarin ^a | Non-Annex I Parties |
| Mr. Hugh Sealy ^{b,c} | Mr. José Domingos Miguez ^{b,c} | Latin American and the Caribbean regional group |
| Mr. Peer Stiansen ^b | Mr. Akihiro Kuroki ^b | Annex I Parties |

^a Term: two years ending at the first meeting in 2009.

^b Term: two years ending at the first meeting in 2010.

^c Member may not be re-elected in the same role.

C. Election of the Chair and the Vice-Chair of the Board

115. The Board, at its forty-fifth meeting, elected by consensus Mr. de Jonge, a member from an Annex I Party, and Mr. Clifford Mahlung, from a non-Annex I Party, as Chair and Vice-Chair, respectively. Their tenures as Chair and Vice-Chair will end at the first meeting of the Board in 2010.¹⁷

116. The Board expressed its appreciation to the outgoing Chair, Mr. Rajesh Kumar Sethi, and Vice-Chair, Mr. de Jonge, for their excellent leadership of the Board during its **seventh** year of operation.

D. Calendar of meetings of the Board in 2009

117. The Board, at its forty-fifth meeting, adopted its calendar of meetings for 2009 (table 5).

Table 5. Board meetings in 2009

| Meeting | Date | Location |
|-------------|----------------|---------------|
| Forty-fifth | 11–13 February | Bonn, Germany |

¹⁷ Rule 12 of the rules of procedure of the Board
<<https://cdm.unfccc.int/Reference/COPMOP/08a01.pdf#page=31>>.



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| Meeting | Date | Location |
|---------------|----------------|---|
| Forty-sixth | 23–25 March | Bonn |
| Forty-seventh | 26–28 May | Bonn (in conjunction with the twenty-ninth sessions of the SBSTA and SBI) |
| Forty-eighth | 15–17 June | St. George's, Grenada |
| Forty-ninth | 8–11 September | Bonn |
| Fiftieth | 13–16 October | Bangkok, Thailand |
| Fifty-first | 1–4 December | Copenhagen, Denmark (in conjunction with the fifth session of the CMP) |

Abbreviations: CMP = Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, SBI = Subsidiary Body for Implementation, SBSTA = Subsidiary Body for Scientific and Technological Advice.

^a Meetings of the Board are preceded by one or two days of consultations.

118. The annotated agendas for the Board meetings, supporting documentation and reports containing all decisions reached by the Board are available on the UNFCCC CDM website.¹⁸ To ensure the efficient organization and management of work, meetings of the Board were preceded by informal consultations lasting one to two days. The Board has tentatively agreed to the schedule of meetings for 2010 (table #).

Table # [Placeholder on CDM schedule of meetings to follow]

V. The management plan and resources for work on the clean development mechanism

A. Management plans for 2008 and 2009

119. At each of its meetings during the reporting period, the Board reviewed the requirements and status of resources for work on the CDM, based on reports by the secretariat. The CDM management plan 2009, version 01, shows that fees and share of proceeds were to cover USD 28.1 million of the 2009 budget. USD 13 million (46 per cent) of this was expended in the first nine months of 2009. A further USD 0.35 million was to come from the secretariat's core budget. This amount was fully expended in the first nine months of 2009. The CDM also received contributions of USD 208,899 from Parties to support DNA activities, namely the meetings of the DNA Forum in Grenada and Singapore.

120. The main expenditures were for staff and related costs (58 per cent), followed by travel of participants and fees for experts. As reported in paragraph 119 above, the current fee-based expenditure rate is 46 per cent, substantially lower than the 75 per cent (USD 21.06 million) that had been expected. The lower expenditure is attributable mainly to the difficulties in recruiting new staff and natural attrition of staff, which means that staff-related costs have been lower than budgeted. Currently 26 per cent of CDM positions in the Sustainable Development Mechanisms programme (SDM) of the secretariat are unfilled. However, over the past two years, the programme has been able to improve both the geographical distribution and the gender balance of staff, as indicated in table #.

¹⁸ <<http://cdm.unfccc.int/EB/>>.



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Table 6. Trend in geographical and gender balance of staff in the clean development mechanism subprogramme (percentage of staff at Professional level and above)

| | July 2006 | December 2006 | December 2007 | September 2008 | September 2009 |
|---------------------------------------|-----------|---------------|---------------|----------------|----------------|
| Non-Annex I Party | 30 | 33 | 51 | 56 | 56 |
| Staff from each regional group | | | | | |
| Africa | 5 | 4 | 5 | 6 | 6 |
| Asia and the Pacific | 20 | 25 | 29 | 37 | 37 |
| Latin America and the Caribbean | 5 | 4 | 15 | 15 | 15 |
| Eastern Europe | 10 | 8 | 10 | 11 | 11 |
| Western Europe and other States | 60 | 59 | 41 | 31 | 31 |
| Female staff | 15 | 21 | 31 | 31 | 31 |

121. In the first nine months of 2009, the CDM subprogramme in SDM employed 34 consultants (47 contracts) at a cost of USD 1 million. Thirty-five per cent of the consultants were from non-Annex I Parties. This is an improvement on 18 per cent in the previous reporting period.

122. The total costs of the support for work on methodologies amounted to USD 102,800. The work was carried out by 41 desk reviewers, of whom 17 were experts from non-Annex I Parties. In the first nine months of 2009, the total costs of the support by RIT members amounted to USD 442,400, of which 79 per cent was paid to members from non-Annex I Parties.

B. Budget and expenditures for work on the clean development mechanism

123. At each meeting of its meetings during the reporting period, the Board monitored and reviewed the requirements and status of resources for work on the CDM, based on reports by the secretariat. The CDM management plan 2009, version 01¹, shows that fees and share of proceeds were to cover USD 28.1 million of the 2009 budget. In the first nine months of 2009, the expenditure level in the fee-based budget was USD 13.8 million² (49 per cent of the budget for 2009). A further USD 0.35 million was to come from the secretariat's core budget. This amount was fully expended in the first nine months of 2009. The CDM also received contributions of USD 208,899 from Parties to support DNA activities, namely the DNA sub-regional Forum in Grenada.

124. The costs in 2009 indicate that the main expenditures were for staff and related costs (64 per cent), followed by travel of participants (12%) and travel/fees for experts/consultants (24%). As reported in paragraph ## above, the current fee-based expenditure rate is 49 per cent, which is lower than an expected 75 per cent (USD 21.06 million) as of 30 September 2009. This lower expenditure is attributable mainly to the difficulties in recruiting new staff and natural attrition of staff and hence staff related cost have been lower than budgeted. Currently 36 per cent of CDM positions in the Sustainable Development Mechanisms programme (SDM) of the secretariat are unfilled.

¹ http://cdm.unfccc.int/EB/045/eb45_repan71.pdf

² This amount does not include the Total Cost of Ownership (TCO) which amounts to USD 890,000 in the first 9 months of 2009.



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125. In the first nine months of 2009, the CDM subprogramme in SDM employed 43 consultants (39 contracts) at a cost of USD 1.5 million. 18.6 per cent of the consultants were from non-Annex I Parties.

126. The total costs of the support for work on methodologies amounted to USD 80,400. The work was carried out by 43 desk reviewers, of whom 20 were experts from non-Annex I Parties. In the first nine months of 2009, the total costs of the support by RIT members amounted to USD 260,400, of which 83 per cent was paid to members from non-Annex I Parties.

127. Over the past two years, the programme has been able to improve both its geographical distribution and the gender balance of staff, as indicated in table 7 below.

Table 7. Trend in geographical and gender balance of staff in the clean development mechanism subprogramme (Professional level)
(percentage of Professional staff in the subprogramme)

| | July 2006 | December 2006 | December 2007 | September 2008 | September 2009 |
|---------------------------------|-----------|---------------|---------------|----------------|----------------|
| Non-Annex I staff | | | | | |
| All P staff and above | 30 | 33 | 51 | 56 | 68 |
| Female staff | | | | | |
| All P staff and above | 15 | 21 | 31 | 31 | 37 |
| Regional groups | | | | | |
| Africa | 5 | 4 | 5 | 6 | 8 |
| Asia and the Pacific | 20 | 25 | 29 | 37 | 44 |
| Latin America and the Caribbean | 5 | 4 | 15 | 15 | 16 |
| Eastern Europe | 10 | 8 | 10 | 11 | 10 |
| Western Europe and Other | 60 | 59 | 41 | 31 | 21 |

128. In the first nine months of 2009, expenditure was nearly USD 0.9 million higher than in the same period in 2008 (USD 12.9 million). This increase is due to an increase in the number of activities and posts. This trend is shown in table 8 below.

Table 8. Clean development mechanism supplementary resources: expenditure trends
(United States dollars)

| Resource items | 2004–2005 | 2006 | 2007 | 2008 | As at 30 September 2009 |
|----------------|------------|-----------|------------|------------|-----------------------------|
| Budget | 10 242 134 | 9 053 763 | 13 065 281 | 21 679 358 | 28 116 403 (2009 budget) |
| Expenditure | 3 071 617 | 5 102 901 | 10 250 849 | 17 612 093 | 13 871 801 |



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| | | | | | |
|---------------------------------------|------------------------|-----------|-----------|---------|---------|
| Expenditure as a percentage of budget | 30 | 34 | 78 | 81 | 49 |
| Expenditure from core budget | 3 877 894 ^a | 1 684 521 | 2 217 648 | 335 328 | 335,228 |

^a The amount for 2004–2005 is an estimate of the portion expended on CDM activities and of the Kyoto Protocol Interim Allocation.

C. Resources available as at 30 September 2009, and current balance

129. The resources to support the Board in 2009 came from the UNFCCC programme budget, contributions by Parties, fees and share of proceeds and a carry over of unspent income from fees and share of proceeds from 2008 (as shown in table ##). Expenditure in 2009, up to 30 September, was USD 13.8 million; this means that the CDM has USD 26 million available for the last quarter of 2009 (see table ##).

Table 9. Supplementary and fee-based resources
(United States dollars)

| | | |
|--|------------|---------------------|
| Carry over figure from 2008 (excl USD 30 m reserve) | | 31 479 420 |
| Less reserve USD 15 million (EB 45) | | (15 000 000) |
| Carry over (less USD 45 million reserve) | | 16 479 420 |
| Contributions in 2009 | | |
| Belgium (2007) | 34 646 | |
| EC eu 60,000 | 79 051 | |
| EC (eu 67,784) | 95 202 | |
| Sub-Total contributions 2009 | | 208 899 |
| Sub-Total | | 16 688 319 |
| Fees from Application Operational Entities | 112,412 | |
| Fees from the accreditation process | 11 533 | |
| Registration fees | 10 882,610 | |
| Methodology fees | 32,764 | |
| Share of proceeds | 15 153,707 | |
| Subtotal | | 26,193,026 |
| Total | | 42 881 345 |
| Accrued Interest (estimated from 1.1 – 30.6.2009) | 394 545 | |

130. In the light of an income forecast of about USD 2.77 million from 1 October until the end of 2009, it is expected that there will be a carry over from 2009 to 2010 of around USD 28 million excludes USD 45 million reserve.



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Table 10. Income from fees and share of proceeds in 2009, and amount available for expenditure
(United States dollars)

| | |
|--|-------------------------------|
| Total resources received | 26 193 026 |
| Minus contributions to support Designated National Authorities (DNA) | (417 106) |
| Less contribution from Belgium in 2009 for DNA | (34 646) |
| Less contribution EC | (79 051) |
| Less EC (eu 67 784) | (95 202) |
| Grand total to support CDM-MAP 2009 | 25 567 021 |
| Less expenditure as at 30 September 2009 | (13 871 801) |
| Balance available | 11 695 220^a |

^a This figure excludes the carry over from 2008 of USD 16,479 420 and USD 45 million reserve.

This fee is based on the annual average certified emission reductions (CERs) over the first crediting period and is calculated as a share of proceeds to cover administrative expenses, as defined in decision 7/CMP.1, paragraph 37. Projects with annual average emission reductions of less than 15 000 tonnes of CO₂ equivalent are exempt from the registration fee, and the maximum fee applicable is USD 350 000. This fee is considered to be a prepayment of the share of proceeds to cover administrative expenses.

^b A methodology fee of USD 1 000 is payable at the time a new methodology is proposed. If the proposal leads to an approved methodology, the project participants receive a credit of USD 1 000 against payment of the registration fee.

^c The share of proceeds, payable at the time of issuance of CERs, is USD 0.10 per CER issued for the first 15 000 CERs for which issuance is requested in a given calendar year, and USD 0.20 per CER issued for any amount in excess of these per year.
