



FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat
CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES -
Secrétariat

Date: 6 December 2004
Ref: CDM-EB-17

EXECUTIVE BOARD OF THE CLEAN DEVELOPMENT MECHANISM
SEVENTEENTH MEETING

Report

Date of meeting: 1 – 3 December 2004

Location: Buenos Aires, Argentina

Attendance: The names of members and alternate members present at the meeting are bolded below. Where only the name of an alternate member is bolded, the alternate participated as a member.

Member	Alternate
Mr. John W. Ashe ¹	<i>Ms. Desna M. Solofa¹</i>
Mr. Jean-Jacques Becker²	<i>Mr. Martin Enderlin²</i>
Mr. John Shaibu Kilani²	<i>Mr. Ndiaye Cheikh Sylla²</i>
Mr. José Domingos Miguez²	<i>Mr. Eduardo Sanhueza²</i>
Mr. Sozaburo Okamatsu²	<i>Ms Sushma Gera²</i>
Ms. Marina Shvangiradze¹	<i>Ms. Anastassia Moskalenko¹</i>
Mr. Fareed Al Asaly²	<i>Mr. Chow Kok Kee²</i>
Mr. Georg Børsting¹	<i>Mr. Hans Jürgen Stehr¹</i>
Mr. Xuedu Lu¹	<i>Mr. Juan Pablo Bonilla¹</i>
Mr. Richard Muyungi¹	<i>Mr. Hernán Carlino¹</i>

¹ Term: Two years (elected at COP9 in 2003)

² Term: Three years (elected at COP7 in 2001)

NB: The term of service of a member, or an alternate member, starts at the first meeting of the Executive Board in the calendar year following his/her election and ends immediately before the first meeting of the Executive Board in the calendar year in which the term ends. (see Rules of procedure of the Executive Board)

Quorum (in parenthesis required numbers): **10** (7) members/alternate members acting as members present of which **4** (3) from Annex I Parties and **6** (4) from non-Annex I Parties.

WWW broadcasting: <http://unfccc.int/cdm>

**Agenda item 1. Membership issues (including disclosure of possible conflict of interest)**

1. The quorum was confirmed.
2. No conflict of interest was identified by any member or alternate present at the meeting.
3. The Board noted that the secretariat was informed that Mr. John W. Ashe was unable to attend the meeting due to official duties.

Agenda item 2. Adoption of the agenda

4. The Board adopted the agenda as proposed.

Agenda item 3. Work plan**Agenda sub-item 3 (a): Accreditation of operational entities**

5. The Board took note of the fourth progress report of the CDM Accreditation Panel (CDM-AP) presented by Ms. Marina Shvangiradze, Vice Chair of the CDM-AP. The report summarized information relating to the work and number of the meetings of the CDM-AP which was complemented with information on the status of applications and developments with respect to desk reviews and on-site assessments.
6. The Board took note with appreciation that, in accordance with its decision at its thirteenth meeting regarding the replacement of members of the CDM-AP, Mr. Vijay Mediratta and Mr. Raúl Prando volunteered to withdraw from the panel at the end of June 2005.
7. The Board considered the recommendations contained in the fourth progress report (CDM-ACCR-R04) and agreed to:
 - (a) Not endorse the recommendation made by the CDM-AP regarding minimum default numbers for witnessing at this time;
 - (b) Request the CDM-AP to consider implications of including into the scope of witnessing the consideration and decision-making on substantive issues by DOEs and make a recommendation to the Board at its eighteenth meeting, as appropriate;
 - (c) Request an applicant entity (AE) to submit, at the time of application, a legal statement indicating that there are no legal impediments to the AE operating as designated operational entity (DOE) under the CDM arising from applicable domestic law or applicable law/statutes;
 - (d) Request the secretariat to launch, in the beginning of the year 2005, a call for experts to replace two outgoing members of the CDM-AP with a view to prepare a shortlist of experts for consideration by the Board not later than at its meeting held in conjunction with the twenty-second sessions of the subsidiary bodies of the Convention. The Board noted that in accordance with the Board's decision at its thirteenth meeting, experts appointed to replace AP members shall, if possible, not come from the same region as the members that remain in office. The Board encourages, however, candidates from all regions to apply;
 - (e) Include in future joint workshops of a session relating to accreditation issues that is exclusively reserved for participation of Board, CDM-AP and CDM-AT members.
8. With regard to issues relating to application for accreditation, the Board endorsed the recommendation of the CDM-AP to (a) request one AE to provide a further opportunity for witnessing before taking a final decision regarding a phased accreditation and (b) postpone, in a second case, its



decision regarding accreditation as the AE reported a change of its legal entity status after the CDM-AT had finalized its report on its phased sector-specific accreditation. The CDM-AP will consider the case after the implications of the change have been assessed by the CDM-AT and its report been revised, as appropriate.

9. The Board reiterated that it agreed with the CDM-AP that AEs/DOEs shall take full responsibility for the quality of their work¹ and shall therefore not include any disclaimers in documentation submitted to the Board.

Agenda sub-item 3 (b): Methodologies for baselines and monitoring plans

10. The Board considered the report of the thirteenth meeting of the Panel on baseline and monitoring methodologies (Meth Panel) and the oral update by Mr. Jean Jacques Becker, Chair of the Panel.

11. The Board considered recommendations from the Meth Panel and comments submitted by the public (22 contributors) on the possible revision of methodology AM0001. It agreed that methodology AM0001 should apply only to existing production facilities and be revised in order to incorporate the following provisions:

(a) “Existing production sites” are defined as HCFC22 production facilities with at least three (3) years of operating history by the end of the year 2004;

(b) “Existing production capacity” at these facilities (in tonnes of HCFC22) is defined as the maximum (annual) production during the last three (3) years, including CFC production at swing plants adjusted appropriately to account for the different production rates of HCFC22 and CFCs. This definition may subsequently be revised in order to ensure consistency with definitions under the Montreal Protocol;

(c) For existing production capacity, HFC23 incineration projects can use AM0001, subject to the following modifications to the methodology:

- (i) The historical annual emission rate (HFC23/HCFC22) shall be estimated for the three (3) most recent years of operation up to 2004. Direct measurement of HFC23 release is to be used where data are available, otherwise mass balance or other methods based on actual data are to be used;
- (ii) Quantify uncertainty in emission rate estimates and use conservative emission rate estimates when calculating expected emission reductions;
- (iii) The waste generation rate (“w” in AM0001) should be the lowest of the three annual values, not to exceed 3%;
- (iv) If actual estimates are unavailable, then the default value is 1.5%.

12. The Board requested the Meth Panel to prepare a revised formatted version of AM0001 taking these provisions into account for consideration at its eighteenth meeting.

13. The Board recognizes that the implementation of some types of CDM project activities may have implications on the achievement of objectives of other Conventions and Protocols, such as the Montreal Protocol in the case of projects which imply the establishment of new HCFC 22 facilities which seek to obtain certified emission reductions (CERs) for the destruction of HFC 23. The Board therefore requests guidance from the COP on how to handle such projects.

¹ See third progress report of the CDM-AP submitted for consideration of the Board at its fourteenth meeting.



14. The Board agreed to continue considering the “Draft procedures for the revision of an approved methodology” and requested that Mr. Georg Børsting, in consultation with Mr. José Domingos Miguez, Mr. Sozaburo Okamatsu and Mr. Chow Kok Kee, to prepare a revised version of this draft procedure for consideration of the Board at its eighteenth meeting.

15. Bearing in mind that the Board needs to efficiently use available resources and will require further resources to cope with the increasing workload, the Board agreed to continue considering, at its eighteenth meeting, the draft paper on how to improve the process of consideration and approval of proposed new methodologies prepared by the Chairs of the panels on methodologies and accreditation. It requested Mr. Martin Enderlin, Mr. Ndiaye Cheikh Sylla, Mr. Eduardo Sanhueza and Mr. Hans Jürgen Stehr to prepare a revised proposal for the consideration of the Board at its eighteenth meeting. At the same time, it requested the secretariat to incorporate in its budget summary for the CDM in 2005, to be referred in the addendum to the report to COP 10, options discussed by the Board and related financial implications.

16. The Board agreed to amend the “Tool to assess and determine additionality” in order to insert the following text in the introductory part:

“The use of this tool to assess and determine additionality does not replace the need for the baseline methodology to provide for a stepwise approach justifying the selection and determination of the most plausible baseline scenario alternatives. Project participants proposing new baseline methodologies shall ensure consistency between the determination of additionality of a project activity and the determination of a baseline scenario.”

17. The Board clarified that step 5 of the “Tool to assess and determine additionality” may be applied on a qualitative or quantitative basis.

18. The Board requested the Meth Panel to revise the consolidated methodology ACM0002: “Consolidated methodology for grid-connected electricity generation from renewable sources” for its consideration at its eighteenth meeting in order to incorporate the methodology for estimating the operating margin proposed by proposal NM0051: “PCH Passo do Meio” and to incorporate the following language in the section on baseline:

“Which of the plausible alternatives scenarios, as listed in step 1 of the additionality text, is the most likely baseline scenario? Please provide thorough explanation to justify your choice, based on the factors (investment or other barriers) described in the additionality methodology. This methodology is applicable only if the most likely baseline scenario is electricity production from other sources feeding into the grid.”

19. The Board further took note of clarifications provided by the Meth Panel regarding the approved methodology AM0016 and agreed to amend this methodology by incorporating these clarifications.

20. The Board requested the Meth Panel to consider the possibility of revising the applicability of hydro-power project activities in methodologies AM0005 and ACM0002 by limiting them to hydro power project activities that have a rate power density equal or higher than 10w/m^2 .

21. The Board agreed to set the deadline for the ninth round for submissions of proposed new baseline and monitoring methodologies to 14 February 2005.

22. The Board agreed to request the Meth Panel to finalize its recommendations on NM0029 for consideration at its eighteenth meeting.



23. Taking into consideration recommendations by the Meth Panel and by desk reviewers as well as four public inputs, the Board considered twelve (12) proposals for new baseline and monitoring methodologies and agreed on the following recommendations:

NM0017-rev case: Steam System Efficiency Improvements in Refineries in Fushun, China

24. The Board agreed to approve the proposed baseline and monitoring methodologies contained in annexes 3 and 4 for proposal NM0017 rev and in their reformatted version of these methodologies contained in annex 1 to this report.

25. The Chairs of the Meth Panel and the CDM-AP informed the Board that these methodologies are linked to scope 3 (energy demand).

NM0037-rev case: Energy efficiency project by modification of CO₂ removal system of Ammonia Plant to reduce steam consumption

26. The Board agreed to approve the proposed baseline and monitoring methodologies contained in annexes 3 and 4 for proposal NM0037 rev and in their the reformatted version of these methodologies contained in annex 2 to this report.

27. The Chairs of the Meth Panel and the CDM-AP informed the Board that these methodologies are linked to scope 3 (energy demand).

NM0053 case: Lihir Geothermal Power Project

28. The Board agreed to approve the proposed baseline and monitoring methodologies contained in annexes 3 and 4 for proposal NM0053 and in their reformatted version of these methodologies contained in annex 3 to this report.

29. The Chairs of the Meth Panel and the CDM-AP informed the Board that these methodologies are linked to scope 1 (energy industries (renewable - / non-renewable sources)).

NM0038: Methane Gas Capture and Electricity Production at Chisinau Wastewater Treatment Plant, Moldova

30. The Board requested the Meth Panel to reconsider the applicability conditions of the methodology (in particular residence time of the sludge in the pits and average temperature in the sludge), with a view to extend the scope of the methodology to other types of project activities dealing with anaerobic decomposition of organic matter.

31. The Board agreed that the proposed new baseline and monitoring methodologies for the **cases NM0020 rev and NM0050** may be reconsidered subject to:

(a) Required changes being made by the project participants, taking into account issues raised by the Board, recommendations made by the Meth Panel, and re-submission of a duly revised proposal. The secretariat shall make the revised proposal publicly available upon receipt;

(b) Reconsideration of the revised proposal directly by the Meth Panel, without further review by desk reviewers; and

(c) A recommendation by the Meth Panel being made to the Executive Board.

32. If project participants wish to have the revised proposals considered at the fifteenth meeting of the Meth Panel (date to be decided) they shall submit them by 26 January 2005.

33. The Board agreed not to approve the proposed new baseline and monitoring methodologies for **cases NM0051, NM0058, NM0059, NM0060, NM0063 and NM0064**. The Board invites the project



participants for these cases to consider the views and suggestions made, in particular with regard to annexes 3 and 4 of the submitted draft CDM-PDD, and encourages them to make a further submission.

34. The Board took note of the date for the fourteenth meeting of the Meth Panel (26 to 28 January 2005).

Agenda sub-item 3 (c): Issues relating to procedures for afforestation and reforestation project activities

35. The Board considered an oral update by Mr. Eduardo Sanhueza, Chair of the working group on afforestation and reforestation project activities under the CDM (A/R WG), on progress of work by the A/R WG.

36. The Board agreed to set the deadline for the third round for submissions of proposed new baseline and monitoring methodologies for afforestation and reforestation project activities to 9 February 2005.

37. The Board took note of the date for the third meeting of the A/R WG (25 to 26 January 2005).

Agenda sub-item 3 (d): Issues relating to small-scale CDM project activities

38. The Board considered an oral update by Mr. Georg Borsting, Chair of the working group on proposed methodologies and project categories for small-scale CDM project activities (SSC-WG) on the progress of work by the SSC-WG.

39. The Board took note that the first meeting of the SSC-WG will take place from 31 January to 1 February 2005.

40. The Board took note of the selection of an additional member to represent the Meth Panel at the SSC-WG and that the SSC-WG is now composed of the following members: Mr. Gilberto Bandeira de Melo, Mr. Felix Dayo, Mr. Binu Parthan, Mr. Daniel Perczyk and Mr. Kazuhito Yamada.

41. The Board took note of the date for the first meeting of the SSC-WG (31 January to 1 February 2005).

Agenda sub-item 3 (e): Matters relating to the registration of CDM project activities

42. The Board took note of further submissions of requests for registration as CDM project activities and noted that the CDM-PDD and related documentation for these proposed CDM project activities are publicly available on the UNFCCC CDM web site.

43. The Board agreed to several revisions of the CDM glossary of terms (annex 4) to incorporate clarifications on elements of a written approval. The Board requested the secretariat to issue Version 02 of the “Guidelines for completing the project design document (CDM-PDD), the proposed new methodology: baseline (CDM-NMB) and the proposed new methodology: monitoring (CDM-NMM)” and make it available on the UNFCCC CDM web site announcing its availability through the UNFCCC News facility.

44. In accordance with the procedures for review as referred to in paragraph 41 of the CDM modalities², taking into consideration requests for review made by Board members and presentations made by the representatives of project participants and DOEs, the Board considered requests for registration of two (2) proposed CDM project activities and agreed on the following action:

² As contained in Annex II to decision 18/CP.9 (see document FCCC/CP/

**“Project for GHG emission reduction by thermal oxidation of HFC 23 in Gujarat, India” (0001):**

45. The Board agreed to undertake a review of the “Project for GHG emission reduction by thermal oxidation of HFC 23 in Gujarat, India”.

46. The Board further agreed that the scope of the review relating to issues associated with validation requirements shall seek clarification on whether:

(a) The last letter concerning the approval by the host Party of voluntary participation (dated 10 November 2004) which was attached to the letter submitted by the DOE on 10 November 2004, actually replaces the original conditional approval of voluntary participation (dated 5 January 2004);

(b) With reference to the requirements stipulated in paragraph 1, Appendix A of CDM the modalities and procedures, the following statement of the DOE (Société Générale de Surveillance UK Ltd. (SGS)) is appropriate and elaborate on possible implications: of the appropriateness and possible implications of the following statement of the DOE: “The validation is based on the information made available to us and the engagement conditions detailed in this report. SGS has requested and obtained all information needed in its professional judgement to reach the above opinion. However, SGS cannot be held liable by any party for decisions made or not made based on any incorrect results arising from misleading or false information supplied to it.”

(c) Possible implications as to the effect of HCFC 22 as a greenhouse gas have been appropriately treated in the CDM-PDD.

47. The Board requested Mr. Richard Muyungi and Ms. Marina Shvangiradze to be responsible for supervising the review of this project activity. The review team will call on outside expertise, as appropriate.

“HFC 23 Decomposition Project in Ulsan”(0003):

48. The Board agreed to undertake a review of the “HFC 23 Decomposition Project in Ulsan”.

49. The Board agreed that the scope of the review relating to issues associated with validation requirements shall be as follows:

(a) It is appropriate to set the starting dates of the project activity before the start of the crediting period, allowing crediting for the destruction of HFC 23 collected before the start of the crediting period;

(b) The plan to increase the production of HCFC 22 is taken appropriately into consideration in defining the HFC 23 / HCFC 22 emission ratio;

(c) The measurements of the two HFC 23 flow meters are used in a conservative manner;

(d) Possible implications as to the effect of HCFC 22 as a greenhouse gas have been appropriately treated in the CDM-PDD.

50. The Board requested Mr. Richard Muyungi and Ms. Marina Shvangiradze to be responsible for supervising the review of this project activity. The review team will call on outside expertise, as appropriate.

Agenda sub-item 3 (f): CDM registry

51. The Board took note of a demonstration, by the secretariat and the developer of the CDM registry, of the completed version 1 of the registry. It noted that the CDM registry has been installed in the secretariat and that it is ready to issue certified emission reductions upon the request of the Board. The Board also noted a number of issues requiring further clarification, in particular in relation to the



establishment of accounts for project participants, the issuance and forwarding instructions to be sent by the Board to the CDM registry administrator and the reports to be made available to users of the CDM registry, including DNAs.

52. The Board expressed its appreciation to the secretariat and the registry developer for the rapid progress in establishing the CDM registry and requested the secretariat to continue its work on version 2 of the CDM registry, with a view to demonstrating this version to the Board in May 2005.

Agenda sub-item 3 (g): Modalities for collaboration with the SBSTA

53. The Board requested Mr. Eduardo Sanhueza and Mr. Martin Enderlin to continue to follow negotiations at SBSTA 21 on simplified modalities and procedures and measures to facilitate small-scale afforestation and reforestation project activities and report on the outcome to the Board.

54. The Board took note of an oral report by Mr. Xuedu Lu on the inter-sessional consultations on registry systems, which took place in Bonn, Germany, on 8-10 November 2004. The Board requested Mr. Xuedu Lu and Ms. Sushma Gera to continue following negotiations at SBSTA 21 relating to registries, with a view to identifying any issues to be considered by the Board.

Agenda item 4. Resources for the work on the CDM

55. The Board took note of a presentation by the secretariat on the status of expenditures and income to date and an outlook on resource requirements in 2005. It expressed its appreciation to Parties which have recently pledged further contributions to the prompt start of the CDM.

56. The Board called the special attention of Parties to the need to continue making contributions for the prompt start of the CDM to the UNFCCC Trust Fund for Supplementary Activities in order to ensure the sustained availability of resources for the increased activity levels anticipated in 2005 (e.g. increase in the frequency and length of meetings of the Board and its panels, need for additional expertise).

Agenda item 5. Other matters

Agenda sub-item 5 (a): Report of the CDM Executive Board to COP 10 (possible addendum)

57. The Board agreed on an addendum to its report to COP 10 as contained in annex 5 to this report.

Agenda sub-item 5 (b): Relationship with intergovernmental and non-governmental organizations (registered accredited observers)

58. The Board met with registered observers for informal briefings on 3 December 2004 and agreed to continue with such meetings in the afternoon of the last day of its future meetings, unless otherwise indicated. These meetings are available on web cast.

59. The Board took note of CDM-related events attended by Board members and alternates since the last meeting.

60. The Board took note with appreciation of inputs received from Parties, IGOs and NGOs to its work.

61. The Board further agreed to continue to meet with the same type of arrangement as at its seventeenth meeting, with space being made available for 70 observers, and to reconsider the issue when necessary. Observers to the eighteenth meeting of the Executive Board shall have registered with the secretariat by 2 February 2005, no later than 17:00 GMT.

**Agenda sub-item 5 (c): Other business**

62. The Board agreed on the provisional agenda for its eighteenth meeting as contained in annex 6 to this report.
63. The Board agreed on a provisional schedule for its meetings in 2005 as contained in annex 7 to this report.

Agenda item 6. Conclusion of the meeting

64. The Chair summarized the main conclusions. The Board expressed its deep appreciation to the outgoing Chair, Mr. John Shaibu Kilani, and Vice-Chair, Mr. Georg Børsting, for the outstanding leadership and dedication in ensuring that the CDM is operated in an efficient, cost-effective and transparent manner.
65. The Board also thanked all outgoing members and alternate members for their hard work during their tenure.
66. The Chair of the Board commended the secretariat on its work in support of the CDM.

Agenda sub-item 6 (a): Summary of decisions

67. Any decisions taken by the Board shall be made publicly available in accordance with paragraph 17 of the CDM modalities and procedures and with rule 31 of the rules of procedure of the Executive Board.

Agenda sub-item 6 (b): Closure

68. The Chair closed the meeting.

Annexes to the report:

Annex 1: AM0017: Steam system efficiency improvements by replacing steam traps and returning condensate

Annex 2: AM0018: Steam optimization systems

Annex 3: AM0019: Renewable energy project activities replacing part of the electricity production of one single fossil fuel-fired power plant that stands alone or supplies electricity to a grid, excluding biomass project activities

Annex 4: Revision of the “CDM Glossary of terms” regarding approval of proposed CDM project activities by parties and authorization

Annex 5: Addendum to the third annual report of the CDM Executive Board to the COP

Annex 6: Provisional agenda for the eighteenth meeting of the Executive Board

Annex 7: Draft tentative schedule of Executive Board meetings – 2005