



DRAFT CDM MANAGEMENT PLAN (CDM-MAP) 2005–2006¹

Introduction

With the entry-into-force of the Kyoto Protocol on 16 February 2005, there is now certainty for Parties, the business community and stakeholders in developed and developing countries that the CDM is established and operational. This definitive signal has focussed attention on the multiple benefits offered by the CDM: certified emission reductions (CERs), i.e. credits generated from CDM projects, can be used by Annex I Parties to the Convention in achieving compliance with their Kyoto Protocol emission reduction targets in a more cost-effective manner than through domestic action. Simultaneously, the same CDM projects are to assist non-Annex I Parties to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention. Through the CDM, more investment in a cleaner path to development and increased transfer of environmentally safe and sound technology is to happen than would otherwise be the case.

The sharpened focus on the win-win potential of the CDM – with good projects offering opportunities to companies and communities for bringing more sustainable development while mitigating climate change in practically all economic sectors across the world – has resulted in predictions of an imminent surge in CDM activity. For the CDM Executive Board, which supervises the CDM under the authority of the COP/MOP, and its support structure this means to be prepared for a significant increase in the number of requests for the registration of CDM project activities and the issuance of CERs as well as continued intensification of work on methodologies for baselines and monitoring and the accreditation of operational entities, which validate CDM project activities and perform the verification and certification of CERs. Demands for increased services in the near future are amplified by the fact that many project developers are concerned that, with uncertain post-2012 prospects, the “window of opportunity” for CDM projects may be closing at the end of the first commitment period 2008-2012.

This CDM Management Plan (CDM-MAP) 2005-2006 has been elaborated to present a comprehensive and coherent approach to strengthen the capacity of the CDM Executive Board and the structure in its support – including the panels and working groups, the designated operational entities and the secretariat. Its elaboration complies with a request made, subject to resources being available, by COP 10. The plan is based on functions and provisions of the CDM modalities and procedures as contained in the Marrakesh Accords and subsequent decisions (Annex 1) which are recommended, as attached to the draft CMP decision, for adoption by COP/MOP 1. These spell out the functions that the Board needs to carry out – in an efficient, cost-effective and transparent manner - to safeguard the environmental integrity and to promote the economic viability of the CDM (Annex 2). They also specify the support structure on which the Board can draw. Decisions taken at COP 7, COP 8, COP 9 and COP 10 stressed the need to endow the Board with adequate financial resources to carry out its work on the CDM without delay and voiced concern about the shortfall.

This plan for the 18-month period from mid-2005 to end 2006 has been elaborated in anticipation of the following action to be taken by COP/MOP 1: (i) the adoption of the CDM modalities and

¹ This draft is based on the version circulated prior to EB20 taking into account comments by the Board at its twentieth meeting and further input. Resource requirements reflect those indicated to SBI 22. Additional resource requirements to strengthen the CDM EB and its support structure will need to be assessed once EB 21 has agreed on the course of action. Currently contained measures to strengthen the panels and working groups include (a) provide a response to COP request for enhanced documentation through strengthening panels through secretariat (increased staff requested since early 2004 in particular in methodology unit) (b) increase of number of panel members to reduce individual workload (c) increase frequency of meetings to reduce length of process and (d) streamlining of procedures.



procedures (as attached to the draft CMP decision); (ii) the issue of privileges and immunities for the Board to be resolved; (iii) the availability of adequate, predictable and stable financial resources, as reiterated by COP 10 and in the G-8 declaration of 8 July 2005. The CDM Management Plan 2005-2006 reflects experiences during the CDM “prompt start” phase, during which the COP exercised authority over the CDM, and elaborates the Board’s approach to cope with the challenge of full-fledged operational functioning as the COP/MOP takes over as of its first session in November 2005. It will be adjusted in the light of further experience and guidance by COP/MOP 1 provided in the context of the consideration of the Board’s annual report 2004-2005 (document FCCC/KP/CMP/2005/4 and addendum).

Executive Summary

The CDM-MAP spells out how the Board and the support structure as well as the interaction among them need to be strengthened to meet the challenges of implementing a growing CDM. Apart from the timely availability and adequacy of resources, the key elements to be considered are as follows:

- Roles of the CDM Executive Board and of actors in its support structure
- Status and commitments of members and alternate members of the Board, and members of the panels and working groups, as well as of the secretariat
- Modalities for undertaking the work of the Board - including through the panels, working groups and committees as well as the nature of services and commensurate human resource requirements of the secretariat – and facilitating communications both among the Board and its support structure as well as with project proponents.

The CDM-MAP foresees that the Board continues to draw on the following support structure: a system of experts, namely panels (such as on methodologies (Meth Panel) and accreditation (CDM-AP)) and working groups (such as for afforestation and reforestation (A/R WG) and small-scale project activities (SSC WG)), designated operational entities (DOEs) (as the “extended arm of the Board” for validation, verification/certification) and the secretariat.

This CDM-MAP supposes a limit of 10 working days per month that Board members can contribute to their work on the CDM Executive Board, given the regular employment of Board members. This limit in the capacity of the Board requires other elements of the support structure to be fully functioning and the required resources to be available.

This present plan supposes the existence and the adequate functioning of all actors in the process. Concerns have, however, been frequently raised about the need to strengthen capacities at various levels, such as on the part of project developers/participants, applicant entities and designated national authorities (DNAs). Notwithstanding the importance of capacity-building in these areas and for these actors, it is beyond the capacity of this CDM-MAP and its focus to address these matters. It is, however, expected that processes in place, being aware of the engagement of a number of actors, are being fully used by interested parties.



I. Strengthening the capacity of the CDM Executive Board

The role of the CDM Executive Board

- (1) With the fundamental procedures for the CDM being in place, and once a well-established and functioning support structure has evolved (as resources become available), the Board is increasingly able to assume an **executive role within the context set by the CDM modalities and procedures as contained in the Marrakesh Accords²**.
- (2) In accordance with its executive role, the focus of the Board is on **policy-related functions, process-monitoring and the optimization of procedures**. Examples for policy-related functions are the monitoring of the regional and sub-regional distribution of CDM project activities and the identification of systematic or systemic barriers as stipulated in the Marrakesh Accords. Process-monitoring includes the assessment of trends in the quality of inputs by the various actors to ensure that efficiency and integrity standards are met (requiring good quality of proposals by project proponents for CDM projects and methodologies; of applications by applicant operational entities and performance of functions; and of contributions and comments from the public). The optimization of procedures requires their review and streamlining where necessary. Related to this is the need to ensure that the support structure is well-established and functioning and, hence, that performance monitoring, including spot-checks, are carried out.
- (3) The Board's decisions on **routine operational, case-related functions** are prepared by the appropriately equipped and qualified support structure (e.g. requests for registration and issuance). This implies the technical scrutiny *en detail* by the support structure, including the DOEs, as appropriate, while the Board exercises its supervisory functions and assumes overall responsibility as stipulated in the Marrakesh Accords. The relationship between the Board and its support structure is as follows:
 - Panels and working groups, comprised of experts selected by the Board, continue to make recommendations in their areas of expertise, such as providing technical advice and support functions regarding cases submitted (e.g. methodologies and accreditation).
 - Designated operational entities (DOEs) play their role as the extended arm of the Board in ensuring the integrity during validation of projects, and during verification and certification of CERs, exercising their functions in a manner that the Board has confidence and increasingly relies on their findings.
 - The secretariat provides - the significant strengthening of its capacity assumed - increased technical and procedural backstopping, notably through substantive inputs where required and feasible, and by drafting improved documentation. In order to perform its executive role, the Board receives from the secretariat succinct decision-sheets comprising the critical elements on cases (having been dealt with by panels and working groups) and on issues requiring policy advice and further guidance by the Board. The reports would provide summaries of the key elements underlying recommendations and decisions.
- (4) While anticipating and preparing for the shift of emphasis in the Board's *modus operandi*, its standard-setting role in a "bottom-up" system like the CDM, especially during a phase when

² It is assumed that members and alternates of the Board will be protected by privileges and immunities as needed to exercise their functions, with COP/MOP 1 taking action as necessary (see document FCCC/KP/CMP/2005/6). It is further assumed that Board members and alternates continue to (i) be nominated and elected in the same manner as stipulated in the Marrakesh Accords; (ii) function in a personal capacity; (iii) possess the required qualifications; (iv) perform their role on the Board in addition to their regular employment; (v) declare when a conflict of interest arises.



first-of-a-kind cases account for the bulk of submissions, will need to be fully assumed by the Board.

Status and commitments of members and alternate members of the Board

- (5) The Board is comprised of ten members and ten alternates who are, once nominated by constituencies, elected by the COP/MOP. They function in their personal capacity. Board members (and alternates) must have appropriate technical and/or policy expertise. They take an oath stating that they have no conflict of interest. The Board considers these provisions, including on the status of members, as a reflection of the unique role assigned to it: being at the interface of an intergovernmental and an implementation process, i.e. being responsible to COP/MOP while playing its part in ensuring the operational viability of the CDM. A change in status, such as full-time assignments to the Board by part of or all members, may pose problems in fulfilling this role.
- (6) Bearing in mind the above, members accepting to serve on the Board need to ensure that their functions and responsibilities vis-à-vis their usual employer do not prevent them in meeting fundamental requirements and commitments in time and effort. Among them are:
 - to have no conflict of interest regarding cases on which the Board takes decisions;
 - to be able to devote a significant amount of time to attend meetings of the Board and to perform inter-sessional work, if the other provisions contained in this plan are implemented (such as strengthening the secretariat), a member would need to devote an average of 10 days per month to the work on the Board; sessional and inter-sessional duties assigned must be performed within agreed time limits; absences from meetings, even when justifiable, need to be avoided so that the workload for other members does not become excessive; if members feel unable to meet their obligations, early notice should be given to the secretariat and, if necessary, to the constituencies which nominated the member. NB: the demand on the time of Chairs and Vice-Chairs of the Board, the panels and the working groups is approximately 50 per cent higher than for members, i.e. on average about 15 days per month;
 - to be conversant and comfortable with the type of decisions which the Board has to take. In nominating members, constituencies therefore need to ensure that their nominees match the characteristics required and commit themselves to working on the Board.
- (7) The costs of travel and attendance of all Board members and alternates, acknowledging their provision of expert services, should be considered to be funded under the budget for work on the CDM (supplementary). In view of the extent of work handled by the Board, and the expertise provided in this context, it could be considered to compensate Board members and alternates for services provided (e.g. at least for a fixed number of days per case handled and for the time devoted to attending Board meetings). This would also be in line with Board members performing their functions in a personal capacity and allow them to independently perform their CDM functions instead of these being funded by their regular employer.
- (8) In view of the functions it performs under the authority of COP/MOP, the legal status of members and alternates of the Board requires urgent clarification i.e. COP/MOP ensuring that the Board and its members are fully protected when taking decisions for which they have been mandated. They need to be able to take such decisions in a manner fully safeguarding the integrity of the process. A note by the secretariat on privileges and immunities will be presented to COP/MOP 1 with a view to a decision being taken at that session.(see document FCCC/KP/CMP/2005/6)



Modalities for undertaking the work of the Board, including facilitating communication

- (9) The Board undertakes its work at meetings and in-between meetings. The work of the Board can be differentiated into three tiers (detail in Annex 4):
- Tier 1 comprises governance functions, including reporting to COP/MOP (20 per cent of the workload). The number of work days for each member could easily be in the range of over 10 to 20 working days per month.
 - Tier 2 refers to work on policy-related, procedural and standard-setting issues (about 30 per cent of the workload).
 - Tier 3 is of an operational and case-specific nature (about 50 per cent of the total workload). The flow of cases is difficult to predict even though the secretariat carries out regular surveys of DOEs, applicant entities (AEs) and designated national authorities (DNAs). Current estimates of registration requests to be submitted over a 12-month period vary widely (by a factor of ten). The most recent survey by the secretariat indicates 200 cases (Annex 3). In addition to registration requests, methodologies have to be approved, consolidated methodologies developed, applications for accreditation and requests for issuance of CERs considered. (50 per cent of the workload)
- (10) From mid-2005 to end 2006, 11 meetings are planned: three in the second half of 2005 and eight in 2006. The latter is therefore a steep increase over 2005 in anticipation of a steep increase in the volume and complexity of work. The Board takes its decisions at meetings which commonly last for three days, preceded by two days of informal consultations.
- (11) The Board continues its established practice to meet with the observers present at its meeting venue to answer questions on issues before it (final day of its meetings). The venue of Board meetings is Bonn (Germany) unless otherwise specified. The public part of meetings and the exchanges of the Board with observers are web-cast via internet to allow world-wide and immediate access to the information. The Board continues to call on stakeholders where necessary.
- (12) The Board holds Q&A sessions in conjunction with session The Board undertakes its work at meetings and in-between meetings. s of the COP/MOP and subsidiary bodies.
- (13) In the interest of efficiency and expediency of decision-making, the Board continues to take decisions by electronic means especially when handling cases, e.g. on the registration of project activities within the timelines of 8 or 4 weeks, as appropriate.
- (14) The Board prepares decisions on policy or procedural issues in small, informal committees.
- (15) The Board continues to draw on the expertise of panels and working groups. The secretariat provides services for all these functions. A senior staff is assuming the functions of secretary to the Board. This set-up has been working satisfactorily and been backstopped, where warranted, by expertise provided by panels and working groups, specialized experts (desk reviewers, assessment teams and consultants) and by the secretariat. With the improvement in the resource situation, the strengthening of these areas is urgent and is spelled out below.
- (16) In order to cope with the work ahead, to explore further potential for streamlining and to enhance communication with stakeholders, the Board plans to amend and modify its *modus operandi* and/or strengthen its implementation as follows:



- An Executive Committee, comprising the Chair and Vice-Chair of the Board and the Chairs of the panels, committees and working groups, is established to agree, in-between meetings, on issues that require quick and authoritative input by electronic means, including responses to queries by the Board.
- Alternate members are to perform the same functions as members. In accordance with the Marrakesh Accords, they remain, however, excluded from voting (it needs to be clarified whether this also pertains to the consideration of registration and issuance cases).
- Alternates can be Chairs and Vice-chairs of panels and working groups if the COP/MOP agrees to an amendment to the rules of procedure, thus allowing for more flexibility.
- In addition to the facilitative measures agreed by the Board since COP 10, covered in the report to COP/MOP 1, the Board keeps its procedures (approval of methodologies, registration of projects, issuance of credits, accreditation) under review with the commitment to further streamline and strengthen them as needed.
- Further guidance is provided to panels and working groups as required.
- Further guidance and clarifications are provided to project participants and to DOEs as needed.
- Unsolicited communications from the public are addressed in accordance with procedures established to ensure that the Board is responsive while not being side-tracked from its core work.

II. Strengthening the capacity of the Methodologies Panel (CDM-MP), the Accreditation Panel (CDM-AP) and the Working Groups on Afforestation and Reforestation (A/R WG) and on Small-scale Project Activities (SSC WG)

The key elements determining the capacity of the two panels and the two working groups are similar to those of the Board. They are circumscribed as follows:

- their role in the structure,
- the status and commitments of members,
- the modalities and procedures for undertaking work assigned by the Board.

The role of panels and working groups

- (1) The CDM-MP and the CDM-AP and the two currently existing working groups – A/R WG and SSC WG – continue to carry out technical functions, either of a general nature or related to specific cases. They make recommendations to the Board, taking into account the regularly solicited additional specialized expertise and, where available, public comments (unfortunately on the decline). Regarding methodologies proposed by project participants, members assigned to cases screen them and provide early feedback. Work is further carried out on the consolidation of methodologies and on policy and procedural issues.
- (2) Terms of reference of the panels and working groups continue to be reviewed at intervals and adjusted as necessary.
- (3) Guidance to the panels and working groups is provided by the Board. They are chaired by a Chair and Vice-Chair who are Board members (alternates, as appropriate). The Chair reports back to the Board on their activities and presents the recommendations. Two additional members of the Board are set to join the CDM-MP.



Status and commitments of members

- (4) The CDM-MP is comprised of 15 members (since, with the availability of funding, its expansion became possible in mid 2005 (previously 10 members)), the CDM-AP of 5 members and the working groups of 7 members each. Candidates are screened and interviewed for their technical competence and selected according to pre-established criteria which allow them to adhere to the respective terms of reference. The consideration of regional balance is fully taken into account. Members take an oath stating that they have no conflict of interest. They are compensated for the number of days worked.
- (5) The work is undertaken at meetings and intersessionally. From mid-2005 to end 2006, a minimum of 8 CDM-MP meetings of 4-5 days are planned to be held: three in the second half of 2005 and 5 in 2006. The average number of days related to a meeting is 20 per member. With 8 meetings over the period, each member would work for 160 days. There are frequent electronic exchanges among members. Part of the CDM-MP meetings are in parallel groups with respective areas of specialization. On average, a member is therefore expected to work on CDM matters for 10 days per month. In the case of the CDM-MP, this means that, with 15 members, 150 working days would be available per month and, over an 18 months period, a total of approximately 2,750 days. Each of the working groups would approximately provide 1,300 days so that the total of these three elements of the support structure delivers some 5,300 days (assuming the operating intensity of the CDM-MP). In the case of the CDM-AP, the number of meetings planned in 2005-2006 is ten (10) to enable it to cope with the expected increase in cases to be considered regarding accreditation for validation as well as for verification and certification functions. Also, the length of meetings may need to be extended in function of the workload.
- (6) These commitments imply the following to happen:
- All members are qualified and available to fully assume their duties, even within very short notice periods (e.g. 48 hours). Upon recommendation of the Chair and Vice-Chair, the Board can decide to replace a member if skills and performance are unsatisfactory or for any other reason relating to the oath of service and the TORs.
 - Members unable to meet the obligations shall step down so that they can be rapidly replaced.
 - Internal procedures are kept under review by the bodies with the commitment to quickly identify bottlenecks and further streamline and strengthen them as needed.
 - Recommendations are well-explained. Clear and succinct documentation is provided to the Board to facilitate decision-making. The secretariat assists the panels and working groups in this function.
 - Meetings are held with DOEs to clarify issues of mutual concern, as necessary and as requested by the Board.
- (7) The central factor, especially regarding work on proposals by project developers and applications for accreditation, is the quality of input received, including any contributions and comments from the public. For example in the case of methodologies, there are many instances-as the Board intends to help project developers whose initial proposals are not sufficiently meeting the requirements-where it falls upon members of the CDM-MP and the A/R WG to engage in further work to bring cases to a successful approval. There is, therefore, a significant investment of time and effort into the methodologies process. This had not been foreseen by the Marrakesh Accords which had assumed a simple approval of rejection mode and hence the provision to complete the review of proposals within four months.



III. Strengthening the capacity of the secretariat

The role of the secretariat

- (1) The secretariat has been assigned in the Marrakesh Accords the role to service the CDM Executive Board. A considerable strengthening of the role of the secretariat is required by this plan. This implies that continuation of the provision of services to the panels and working groups on which the Board draws and, as stipulated in the rules of procedure, a staff member of the secretariat assuming the functions as secretary of the Board.
- (2) With the transition into an increasingly case-specific operational mode and the concentration of the Board on executive functions, the secretariat is foreseen to play an increased role in the technical and procedural back-stopping – either in collaboration with experts in the panels and working groups or, as in the case of registration and issuance, directly supporting the Board, drawing on outside expertise as needed. Of particular importance is the enhancement of documentation going to and coming from the Board and its panels and working groups so that the quality of communication improves. In addition, there is an urgent need to enhance the tracking of decisions which the Board has taken. It should also be noted that the secretariat has received additional functions relating to small-scale afforestation and reforestation projects.
- (3) This is in addition to functions performed during the prompt start of the CDM when the role of the secretariat was largely devoted and limited to process-management functions. To date, the secretariat has not been responsible for checking the technical validity of cases before they are being considered by the Board. It provides “completeness checks” on documentation and checks whether procedures have been properly followed on specific technical issues before the Board or the panels and working groups, it has, however, frequently elaborated options and prepared technical input, including extensive drafts such as on the accreditation procedures or on methodological background issues, as requested.

Modalities of work

- (4) The commitment of the secretariat is a function of resources available.
- (5) The secretariat is responsible for management, planning and monitoring tools in place since its inception (elaborated in the following paragraphs), namely:
 - work plans (annual) and work programmes (for each meeting) of the Board, its panels and working groups
 - the biennial UNFCCC programme budget,
 - the CDM project document (current version covering 2005-2007), indicating expected major outputs activity clusters and resource requirements. These resource requirements are based on activity levels expected in early 2005. Upward adjustments may be required in light of survey results and additional demands arising from the CDM-MAP approach selected by the Board for handling and structuring its work (see Annex 5), and
 - other tools for financial planning and monitoring, operations and communication management developed and maintained by the secretariat.
- (6) The secretariat continues to elaborate a draft annual work plan/schedule and work programmes. The annual work plan is, at the first meeting of each calendar year, agreed by the Board, detailing the number and length of meetings of the Board and its panels and working groups, bearing in mind, inter alia, (i) the dates when cases would likely be submitted so that the work flow and the consideration cycle are optimized, (ii) tight timelines set by the CDM M&P and by



internal Board procedures, (iii) the need to obtain public input and have feedback loops with project proponents and operational entities, (iv) the dates of intergovernmental meetings (COPs, COP/MOPs and SBs), (v) deadlines for the submission of documents (UN rules and the Board's rules of procedure), and (vi) limits to the availability of Board, panel and working group members. The work plan for 2005, as agreed at EB-18 the tentative work plan/schedule to be finalized at EB21 are contained in Annex 6 anticipating an enhanced frequency of meetings to deal with increased case flow and other issues.

- (7) The secretariat projects results expected from the CDM process and specifies resource requirements in the biennial UNFCCC programme budget (currently operating with the one for 2004-2005). The programme budget for the biennium 2006-2007 has been agreed by the twenty-second session of the Subsidiary Body for Implementation (May 2005) and is foreseen for adoption at COP 11/COP/MOP1 in November 2005. The activities on the CDM and the required resources are described in the main document which pertains to the programme budget and in addenda which specify core and supplementary activities and their resource needs (FCCC/SBI/2005/8 and its addenda 1 and 2). The activity levels are based on estimates of the expected caseload in 2006-2007.
- (8) The secretariat prepares the CDM project document which serves as the overall planning tool relating to outputs, activities and human and financial resource requirements for the work of the CDM. Its assumptions and parameters are congruent with indications of the Board as to the expected workload and with the UNFCCC programme budget for the biennium. Such a CDM project document has been in place since the inception of the CDM and been adjusted and updated on several occasions. Annex II Parties with an interest in making voluntary contributions to the CDM are familiar with the document as it has been the basis for the secretariat's fundraising efforts ever since 2002. The first CDM project document pertained to the period 2002-2003, the second one to the period 2004-2005. A recently revised and updated revision exists for the period 2005-2007 and shows the resources required from the core budget (KPIA in 2005) and from voluntary contributions. It also indicates other sources of income, notably fees for case-specific work (requests for registration and applications for accreditation). Updates on the major financial performance indicators are presented by the secretariat to each meeting of the Board (e.g. expenditure status, income levels and shortfalls in resources).

From 2002-2004, resources for supporting the work on the CDM mainly came from supplementary resources (voluntary contributions by Parties and fees for case-specific work). With the entry into force of the Kyoto Protocol on 16 February 2005, resources are also available from the core budget, although the bulk of resources continues to be from supplementary sources. Eventually, with the introduction of the share of proceeds to cover administrative expenses, an additional revenue stream is expected to grow in importance as the CDM case flow and the CERs generated reach a significant level. This is expected for the biennium 2008-2009.

The financial management of the CDM is performed by the secretariat. Its Integrated Management Information System (IMIS) tracks administrative activities and related financial transactions. It also allows to monitor resource flows in real time. This feature has been critical for over the past years as resources remained persistently below required, and often at crisis, levels. Budgetary adjustments were frequently needed to direct resources to areas where they were most immediately and urgently needed.

- (9) Two major innovative tools, both developed and maintained by the secretariat since 2002, help to handle the day-to-day planning, organization and support of the various CDM processes:



- the electronic workflow system which allows the multitude of CDM functions to be carried out efficiently and in a consistent manner, and
- the network of extranets (7) and listserves (more than 60) which connects, and allows ongoing dialogue among, members of the Board, the panels and working groups, DOE/AEs, DNAs and experts and the secretariat.

These internal communication management systems are complemented by the public communication tool, the UNFCCC CDM web site which displays information in an up-to-date manner on all results and processes of the CDM. It also allows to issue calls for public input, one of the central and unique features to engage a wide community in the CDM, for experts (e.g. on methodologies). The CDM information system also features a CDM News Facility which conveys latest information to over 4,000 subscribers worldwide and helps them to update their own planning and implementation schedules.

- (10) The secretariat has included in its programme budget 2006-2007, as well as in a CDM project document 2006-2007 whose activities are to be funded from supplementary resources, provisions to carry out these activities, notably for the enlargement of the scope and depth of its activities. Since resources started to become available in May 2005, the secretariat began a recruitment process to enlarge, in a first phase for which funding was available, its current technical staff from 4 professional officers to 10 officers. The recruitment process will be finished by the end of September and, depending on the availability of selected experts, the strengthening of the team could be effected in the last quarter 2005 to the first quarter 2006. In order to bridge this period, the secretariat has also sought to draw on internal expertise to the extent possible, other function permitting. The support structure which is to support the work on the CDM once resources are available, including managerial and technical responsibilities, is depicted in Annex 7. Reflecting the core and project documentation available to Parties and the public since end 2004 beginning 2005, the organigramme foresees the following four units, each coordinated and managed by a lead officer:

- Methodologies Unit (10 professional and general service staff),
- Registration and Issuance Unit (4 professional and general service staff),
- Accreditation Unit (5 staff)
- CDM information system and CDM Registry Unit (5 staff).



Annex 1 Mandates

The basis for work on the CDM are the CDM provisions in the Kyoto Protocol and mandates governing the assignment of roles and conditions of work as established through the Marrakesh Accords and COP decisions since then. Core provisions are as follows:

- The COP/MOP exercises authority over and provides guidance to the CDM. Until the first meeting of the COP/MOP, this responsibility is being assumed by the COP. The roles and functions of the COP/MOP and the CDM Executive Board are determined by the decisions which are a core part of the Marrakesh Accords.
- The CDM Executive Board supervises the CDM and can draw on committees, panels and working groups to perform its technical functions. It receives requests for the registration of CDM project activities and request for issuance of certified emission reductions (CERs) from designated operational entities (DOEs), once they have validated projects, or verified and certified emission reductions. The Board functions as an accreditation body for the designation of operational entities, introduced into the CDM to avoid bottlenecks, before they are being designated by COP/MOP. Its business is conducted in accordance with rules of procedure which were approved by COP 8 and specify modalities for decision-making, including remotely by electronic means.
- Designated national authorities (DNAs) must approve voluntary participation in projects, confirming in the case of a host Party that they contribute to sustainable development, before the project activities can be submitted for registration.
- The secretariat services the CDM Executive Board.
- There is a significant role for the public, inter alia IGOs and NGOs, to comment on cases and make inputs to the process.

The Marrakesh Accords established the principles and the architecture governing the CDM, with these provisions being part of a larger package to which Parties agreed. These basic rules for the CDM are contained in decision 15/CP.7 “Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol”, decision 17/CP.7 and in the annex **on “Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol (CDM M&P)”**. Decisions 11/CP.7 and 19/CP.7 also contain provisions relating to CDM credits and the CDM registry.

Decisions by COP 8-10 provided further guidance relating to the CDM and brought a significant expansion of the scope of work. This was notably the case by requesting the Board to accelerate its work on methodologies, including their consolidation in an ever increasing number of sectors (COP 9 and COP 10), and by the agreement on modalities for afforestation and reforestation (A&R) project activities (COP 9), with special provisions for small-scale A&R projects (COP 10).

Resources for the work on the CDM were an issue raised annually in decisions pertaining directly to the CDM and in decisions on the UNFCCC programme budgets for the biennium in question (2002-2003, 2004-2005). They were most recently addressed in the draft decision forwarded by SBI 22 to COP 11 and COP/MOP1 on the programme budget for the biennium 2006-2007 (documents FCCC/2005/8 and addenda 1 and 2).



Annex 2 Functions mandated through the CDM modalities and procedures and COP procedures (submitted to COP/MOP for approval)

The CDM M&P, adopted at COP 7, spell out the major functions of actors in the CDM, such those to be performed by the COP/MOP, the CDM Executive Board, the DOEs and DNAs. The secretariat services the Executive Board. The Board supervises the CDM under the authority of the COP/MOP and is thus to:

Make recommendations and report, namely

- Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;
- Make recommendations to the COP/MOP on any amendments or additions to rules of procedure (the rules of procedure had been adopted by COP 8) (rules of procedure to be kept under review – COP 9 and COP 10);
- Report on its activities to each session of the COP/MOP;

Work on issues relating to methodologies (standard-setting), namely

- Approve new methodologies related to, inter alia, baselines, monitoring plans and project boundaries;
- Develop and recommend to the COP/MOP general guidance on methodologies relating to baselines and monitoring and specific guidance, as detailed in Appendix C to the CDM M&P (request for further work was reiterated - COP 9)(intensify its work on methodologies and to provide further guidance for the development of methodologies which have a broader applicability- COP 9) (further facilitate the development of baseline and monitoring methodologies on the basis of experience gained – COP 10)(keep under review the “additionality tool” and report to COP/MOP 1 – COP 10); (to further work on the consolidation of methodologies (district heating , energy efficiency and transportation) – COP 10); To collaborate with the Subsidiary Body for Scientific and Technological Advice, in the elaboration of a recommendation to COP/MOP 1 relating to implications of the implementation of clean development mechanism project activities for the achievement of objectives of other environmental conventions and protocols, in particular the Montreal Protocol, and which imply the establishment of new hydrochlorofluorocarbon 22 facilities which seek to obtain certified emissions reductions for the destruction of hydrofluorocarbon 23, taking into account the principles established in Article 3, paragraph 1, and the definitions in Article 1, paragraph 5, of the Convention (COP 10);
- To start the development of a database of approved methodologies organized by project category and condition of applicability (COP 10);
- Review provisions with regard to simplified modalities, procedures and the definition of small scale project activities and, if necessary, make recommendations to COP/MOP (COP 8 had adopted the simplified modalities and procedures);
- Develop, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session, default factors for assessing the existing carbon stocks and for simplified baseline methodologies for small-scale afforestation and reforestation project activities under the clean development mechanism, taking into account, if appropriate, types of soils, lifetime of the project and climatic conditions;
- Develop, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session, simplified monitoring methodologies for small-scale afforestation and reforestation project activities under the clean development mechanism, based on appropriate statistical methods, to estimate or measure the actual net greenhouse gas removals by sinks; as appropriate, the Executive Board may indicate



different methods for different types of afforestation and reforestation project activities and propose default factors, if any, to facilitate the estimation or measurement of actual net greenhouse gas removals by sinks;

- Develop guidelines to estimate leakage for small-scale afforestation and reforestation project activities under the clean development mechanism;

Work on issues relating to accreditation (accreditation body)

- Be responsible for the accreditation of operational entities, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5;

Work on the registration of CDM project activities and related issues (product quality assessor)

- Register CDM project activities;
- Develop and maintain a publicly available database of CDM project activities;
- Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;
- Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;

Work on the issuance of CERs and related issues (product quality assessor), including the CDM registry

- Approve the issuance of CERs and instruct the CDM registry to issue;
- Develop and maintain the CDM registry;

Communication and repository functions

- Make any technical reports commissioned available to the public and provide for public comments on draft methodologies and guidance before documents are finalized;
- Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;

Governance issues

- Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP.
- To continue to assess existing and new ways to ensure transparency, i.e. regular written reports by the Executive Board and its panels, communication with constituencies and exchange of information with the public (COP 10);
- To intensify its work to ensure the proper functioning of the clean development mechanism, inter alia, by developing a management plan as soon as possible, strengthening institutional capacity, and facilitating efficient, transparent and substantiated decisions by the Executive Board and its panels and working groups (COP 10).



Annex 3 Case flow expected over 12 months and outlook for 2006-2007

Planning under uncertainty

One of the central constraints of CDM planning processes, in addition to the availability of resources, is the lack of control by the Board over the number, scope and quality of cases it receives. In order to have at least some indications of the numerical caseload in the near future, informal surveys had been done in the past. In March 2005, as there was thought to be more certainty on the flow of cases after the entry-into-force of the Kyoto Protocol, the secretariat first conducted a survey among DOEs and AEs to get more reliable information on the expected number of methodologies and project activities to be submitted within a year. It should be noted that the information was submitted on a confidential basis and with the understanding that only aggregate figures would be used.

This survey is being repeated on a quarterly, 12-months forward basis. The results of the latest survey, administered in the first half of September 2005, will be available to the Board in late September 2005 (at its twenty-first meeting) (elaboration to follow). This survey will also include the results of the first survey of designated national authorities for the CDM (DNA). They are to indicate the number of expected requests for registration for project activities for which approval of voluntary participation has been provided or is intended to be given.

Case flow in the next 12 months (per DOE/AE and DNA survey)

DOE/AE

- Expected requests for registration: [] (151 (April 2005))
- Expected number of proposed methodologies: [] (91 (April 2005))

DNA of Parties

- Expected requests for registration: []

The entities and Parties were further asked to differentiate by quarter. This showed that they expect the number of requests for registration to move strongly and quickly upward: from 36 (Q3/05), 50 (Q4/05) to 54 (Q1/06). Q2/06 Q3/06 (to be updated)

In the case of the submissions of methodologies, the case-flow is (to be elaborated after survey results)

(Graphs - by project type and size – to be updated and inserted)

Case flow – expected in the UNFCCC programme budget 2006-2007

In the UNFCCC programme budget for the biennium 2006-2007 and in the related CDM project document, assumptions have been made concerning the caseload and the number of Board and panel/WG meetings needed to handle the workload. The following caseload has been assumed:

- Expected number of application for accreditation: 20 cases per annum;
- Expected methodologies submissions: 70 per annum of which 20 A&R;
- Expected requests for registration: 300 cases per annum.

The above estimates of expected caseload in 2005-2006 (Q1) and for 2006 and 2007 are reflected in Part III under the medium and high case scenarios, respectively.



Annex 4 Illustrative scenarios for outputs and activities (three tiers) over a 12 months period

The estimates of time required – differentiated by tiers of work - show that a member of the Board must be able to devote a minimum of over 100 days per annum to the Board's work. This could, however, increase to a full-time job if the number of cases is as high as expected in scenario 3. The situation is exacerbated if a member of the Board has additional functions, such as being the Chair/Vice-Chair of the Board or the Chair/Vice-Chair of a panel or working group. This underlines that the Board can only function in an executive role, backed by an appropriate support structure.

The outputs and activities expected from the Board over a 12 months period, depicted in the **three tiers** – with estimates provided for the time required to accomplish them – is as follows:

Tier 1: Fixed functions, i.e. those relating to the intergovernmental process and to governance, such as (i) meeting at least three times per year, if possible in conjunction with the meetings of the SBs and the COP/MOP, including planning/monitoring functions and preparing annual report to the COP/MOP based on draft prepared by the secretariat; (ii) presenting the report to the COP/MOP and being available for queries; (iii) question-and answer sessions on the occasions of SB and COP/MOP sessions; (iv) implementing modalities for collaboration with SBSTA and performing related work (e.g. implications of HCFC 22 projects, CDM registry in the context of the development of registries systems and the international transaction log (ITL)).

Tier 2: Elaboration of generally applicable procedures, directly elaborated by the Board or based on recommendations by panels or working groups, which are the basis for operations by actors at various levels; clarifications and review of such procedures, as appropriate.

Tier 3: Operational, case-specific functions. They depend on inputs forwarded from project proponents and DOEs (requests for registration and issuance), on proposals for methodologies and accreditation and, subsequently, on recommendations (on methodologies and accreditation) from panels and working groups, also taking into account inputs received from the public. The time required to handle them is based on recent experience following the increase in capacity of the Meth Panel by 50 per cent and the streamlining of procedures. In the case of requests for registration and issuance, the assumption is that the Board continues to screen the cases, once the secretariat has conducted checks for completeness of the documentation, by using teams of Board members.

Obviously, while the functions in tier 1 and 2 are rather stable (at approximately 70 days per year), the decisive variable is tier 3. Expected activities under tier 3 are therefore surveyed by the secretariat on a quarterly basis (DOEs and AEs as well as DNAs). For the CDM-MAP, the management of work in tier 3 is of greatest importance.

In the following, a **lower, medium and upper caseload scenario** is presented. The middle scenario is based on the results of the survey which was conducted by the secretariat in April 2005. The upper scenario is based on assumptions for the years 2006 and 2007 which the secretariat had used for estimating activity levels in that period. Current indications from observing the submissions of projects for validation (potential projects “in the pipeline”) are that there is a tendency towards the upper scenario. It should be noted that the **time required per member and year** is not considered to be generally increasing in a linear fashion as a function of the number of cases submitted. The assumption is that there are some “economies of scale” if projects submitted attain a degree of resemblance and as experience grows on all sides involved.

**Estimates of time required**

Tier 1: (i) Preparation, attendance and follow-up to 3 EB meetings of 3-4 days plus travel days (3x6 days): 18 days p/m³; (ii) 5 days p/m; (iii) 2 days p/m; (iv) 10 days per members requested to follow an issue; **Total: (i)-(iii): 25 days p/m; (i)-(iv): 35 days for designated members**

Tier 2: (i) Preparation, attendance and follow-up of equivalent of one EB meeting (1x6 days): 6 days p/m; and (ii) intersessional work (exchange of drafts, possibly electronic decision-making): 20 cases requiring 2 days p/m totalling 40 days p/m; **Total: (i)-(ii): 46 days p/m**

Tier 3 (3 scenarios)

Scenario 1 (lower): (i) 50 cases of registration requests and issuance requiring each team of 2 members to take on 5 cases, requiring 1 day per member (p/m) totalling 5 days p/m; (ii) 40 cases of recommendations (e.g. on methodologies, accreditation). Time required: (i) Preparation, attendance and follow-up of equivalent of 2 EB meeting (2x6 days): 12 days p/m; consideration of 50 cases at 2 hours per case: 12.5 days p/m; (ii) intersessional work (exchange of drafts, possibly electronic decision-making): 40 cases requiring 1/2 day p/m totalling 20 days p/m; **(i)-(ii): 42.5 days p/m**

Scenario 2 (medium, based on survey): (i) 150 cases of registration requests (assuming a significant number of similar cases) and issuance requiring each team of 2 members to take on 15 cases, requiring 1 day p/m totalling 15 days p/m; (ii) 100 cases of recommendations (e.g. on methodologies, accreditation). Time required: (i) Preparation, attendance and follow-up of equivalent of 3 EB meetings (3x6 days): 18 days p/m; consideration of 150 cases at 2 hours per case: 37.5 days p/m and (ii) intersessional work (exchange of drafts, possibly electronic decision-making): 100 cases requiring 1/2 day p/m totalling 50 days p/m; **(i)-(ii): 105.5 days p/m**

Scenario 3 (upper): (i) 300 cases of registration requests (assuming a significant number of similar cases) and issuance requiring each team of 2 members to take on 30 cases, requiring 1 day p/m totalling 30 days p/m; (ii) 100 cases of recommendations (e.g. on methodologies, accreditation). Time required: (i) Preparation, attendance and follow-up of equivalent of 4 EB meetings (4x6 days): 24 days p/m; consideration of 300 cases at 2 hours per case: 75 days p/m and (ii) intersessional work (exchange of drafts, possibly electronic decision-making): 100 cases requiring 1/2 day p/m totalling 50 days p/m; **(i)-(ii): 149 days p/m**

Tiers 1-3 (excluding tier 1 (iv))

Tiers 1-3 (tier 3, low): 25+46+42.5 113.5 days p/m (including 6 EB meetings per year)
Tiers 1-3 (tier 3 mid): 25+46+105.5 176.5 days p/m (including 7 EB meetings per year)
Tiers 1-3 (tier 3 high): 25+46+149 220 days p/m (including 8 EB meetings per year)

³ p/m (per member)

**Annex 5****Summary of the budget 2005 and 2006–2007
in support to the operations of the Clean Development Mechanism**

Area of activity	2005	2006-2007
Meetings and activities of the CDM Executive Board (i)	300,000	600,000
Activities relating to Panels and Working groups (ii)	1,326,700	2,856,200
Facilitating access to assistance in arranging funding (Article 12.6) (iii)	150,000	264,000
Activities by the secretariat in support of clusters I-III (iv)	3,241,535	8,024,790
Sub-total	5,018,235	11,744,990
Overhead (13 per cent)	652,371	1,526,849
<i>Supplementary funding⁴ Total</i>	<i>5,670,606</i>	<i>13,271,839</i>
<i>UNFCCC programme funding total⁵</i>	<i>1,350,508</i>	<i>4,558,712</i>
TOTAL	7,021,114	17,830,551

These resources requirements are based on activity levels expected in early 2005. Upward adjustments may be required in light of survey results and additional demands arising the CDM MAP approach selected by the Board for handling and structuring its work.

⁴ Title of project for supplementary funding: Support to the operations of the Clean Development Mechanism (CDM) – V003 (REVISION 2.1)

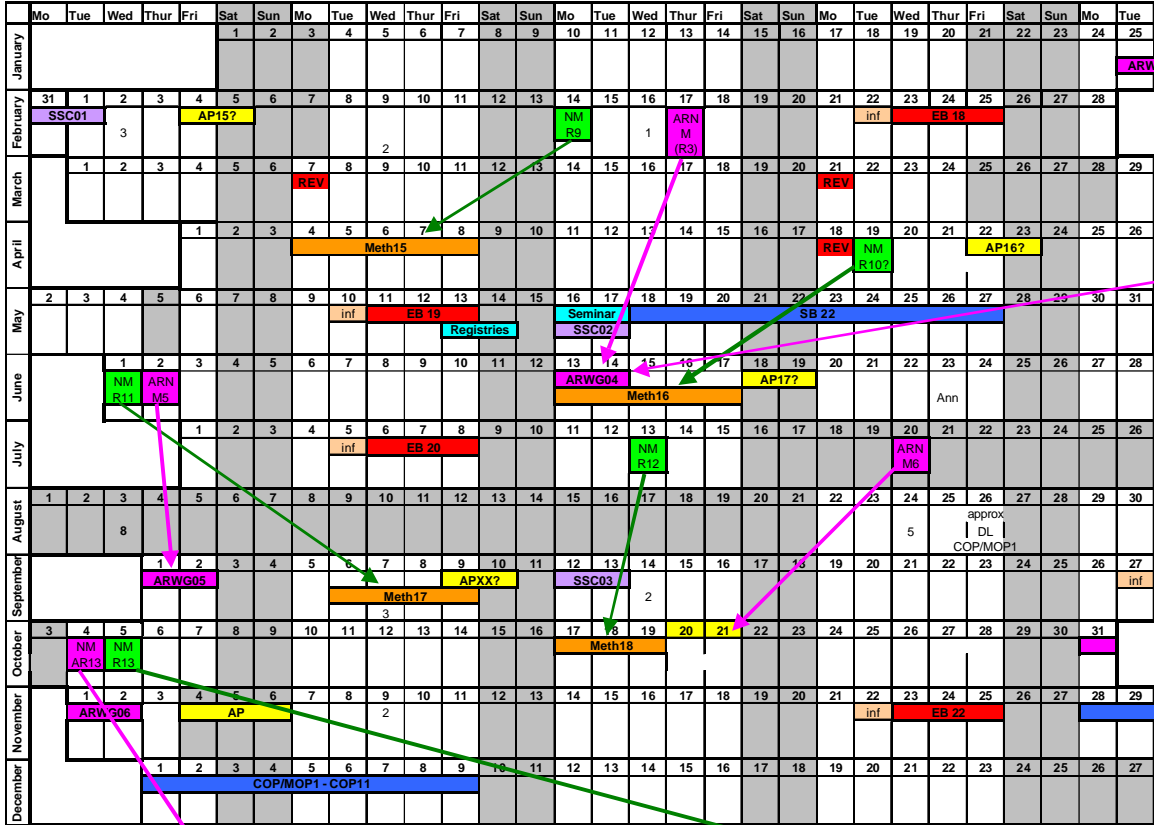
⁵ Kyoto Protocol Interim Allocation (2005)



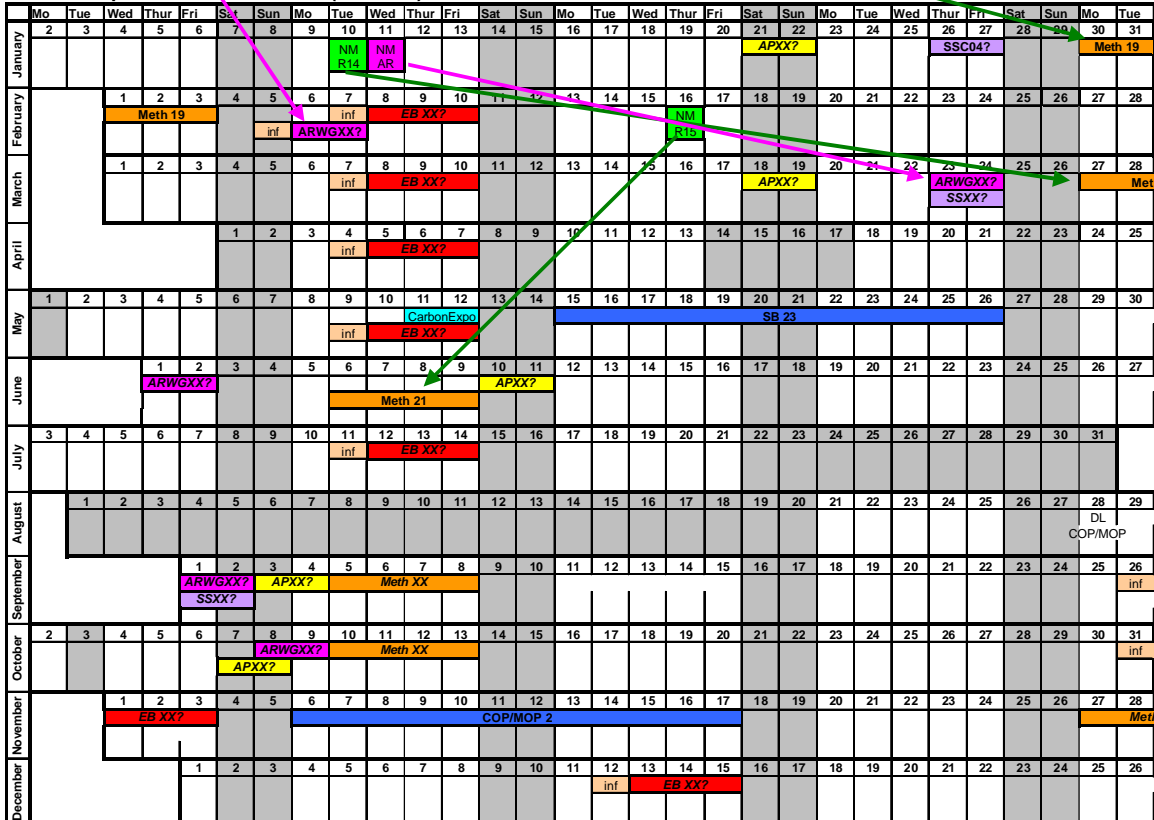
Annex 6

Work plan/schedule

CDM work plan/schedule for 2005



CDM work plan/schedule for 2006 (tentative)





Annex 7

Support Structure

