



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

I. Introduction

A. Mandate

1. The Conference of the Parties (COP), at its seventh session, facilitated a prompt start for a clean development mechanism (CDM) by adopting decision 17/CP.7. With the entry into force of the Kyoto Protocol and the adoption of decision 3/CMP.1 (*Modalities and procedures for a clean development mechanism, as defined in Article 12 of the Kyoto Protocol*) and the annex thereto (hereinafter referred to as the “CDM modalities and procedures”), the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) assumed the responsibilities as set out in that decision and its annex.

2. In accordance with the provisions of paragraphs 2–5 of the CDM modalities and procedures, the Executive Board of the CDM (hereinafter referred to as “Executive Board” or “Board”) shall report on its activities to each session of the COP/MOP. In exercising its authority over the CDM, the COP/MOP shall review these annual reports, provide guidance and take decisions, as appropriate.

B. Scope of the report

3. This annual report by the Executive Board provides information to the COP/MOP on progress made towards the implementation of the CDM during its fifth year of operation (2005–2006) – specifically from the end of November 2005 to the end of July 2006 – and recommends decisions to be taken by the COP/MOP at its second session. This report 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 strengthen the management of the CDM, resource requirements and actual resources available for the work on the CDM during that period.

4. The reporting period of this report (hereinafter referred to as reporting period) covers the period from 28 November 2005 to 21 July 2006. The work of the Board during the period from 22 July 2006 until the second session of the COP/MOP will be covered by an addendum to this report. The challenges and achievements during the fifth year of CDM operations, as well as challenges lying ahead, will also be highlighted by the Chair of the Board, Mr. José Domingos Miguez, in his oral presentation to the COP/MOP.

5. The action taken by the Board during the reporting period was based on the following decisions of the COP/MOP:

- (a) Decision 3/CMP.1 and the annex containing the CDM modalities and procedures
- (b) Decision 4/CMP.1 and the annexes on the rules of procedure of the Executive Board of the CDM, the simplified modalities and procedures for small-scale CDM project activities and the procedures for review as referred to in paragraph 41 of the CDM modalities and procedures



- (c) Decision 5/CMP.1 and the annex on modalities and procedures for A/R project activities under the CDM in the first commitment period of the Kyoto Protocol
- (d) Decision 6/CMP.1 and the annex on simplified modalities and procedures for small-scale A/R project activities under the CDM
- (e) Decision 7/CMP.1 on further guidance to the clean development mechanism.

6. Resources required for administering the CDM were referred to in decision 12/CP.11 on the programme budget for the biennium 2006–2007. The urgency of providing resources to enable the Board and its support structure to perform the required tasks was underlined in decision 7/CMP.1. With regard to future resource requirements, this report refers to the proposed core and supplementary programme budget for the biennium 2006–2007,¹ adopted by the COP at its eleventh session and endorsed by the COP/MOP at its first session, and to additional needs arising from the revised CDM management plan (CDM-MAP), covering the second half of 2006 and all of 2007, which will be presented in the addendum to this report.

7. This annual report to the COP/MOP summarizes the work on the CDM and matters agreed by the Board during the reporting period. Full details on operations and functions are available on the UNFCCC CDM website^{2,3}. This annual report therefore needs to be seen in conjunction with the UNFCCC CDM website as the central repository which contains reports of meetings of the CDM Executive Board, including documentation on all matters agreed by the Board, notably regarding the registration of CDM project activities and the issuance of CERs, the accreditation and provisional designation of operational entities, and the approval of methodologies for baselines and monitoring. The website allows Parties and stakeholders to track documentation relating not only to operations and functions performed by the Board, but also to its panels and working groups, designated operational entities, project participants, experts, the public and the secretariat. It also presents information made available by the [103] designated national authorities (DNAs) which Parties have established to date and notified to the secretariat. In addition, it contains a wide range of background documentation (from COP/MOP decisions to application forms for experts) and the CDM-MAP which includes the work schedule until the end of 2007. Linked to the website is the CDM News facility which sends latest information on the CDM to more than [6,413] of the [7,716] subscribers to the UNFCCC CDM website.⁴

8. The concern of the Board relating to privileges and immunities of members and alternate members of the CDM Executive Board will be taken up in the context of item [18 (c)] of the provisional agenda of COP/MOP 2, “Privileges and immunities for individuals serving on constituted bodies established under the Kyoto Protocol”. Documentation relevant to this item will be made available on the UNFCCC website prior to the sessions.⁵

¹ FCCC/SBI/2005/8

² <<http://cdm.unfccc.int>>

³ The secretariat will prepare a DVD that will contain the content of the website at a time as close as possible to COP/MOP. It should be noted, however, that the content of the site changes frequently (e.g. project information) as well as the results of the last EB meeting prior to COP/MOP are unlikely to be included.

⁴ Note: This section and number in brackets may need to be revised before submission of the report.

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

9. In exercising its authority over, and in providing guidance to, the CDM in accordance with paragraphs 2 and 3 of the CDM modalities and procedures, the COP/MOP, at its second session, may wish to decide, inter alia, on the following:
- (a) The provision of guidance relating to the CDM, notably to the Executive Board, having reviewed the annual report of the Executive Board and its addendum, in accordance with paragraph 4 of the CDM modalities and procedures, and having taken note of all matters agreed by the Board
 - (b) The designation of operational entities which have been accredited, and provisionally designated, by the Executive Board (see section II.A below)
 - (c) [In accordance with the paragraph 8 of decision 7/CMP.1 the Executive Board proposed that COP./MOP2 -CCS methodologies.....]⁶
 - (d) [In accordance with the paragraph 33 of decision 7/CMP.1 the Executive Board proposed that COP./MOP2 -Regional distribution.....]⁷
 - (e) The reiteration of the invitation to Parties to make timely contributions to the UNFCCC Trust Fund for Supplementary Activities to ensure that mandated activities relating to the CDM can be implemented in full and without delay in 2007, in accordance with provisions in the proposed programme budget and additional needs identified in the CDM-MAP bearing in mind that the share of proceed for administration is being accumulated with a view to have the CDM financed through this share from 1 January 2008 with an operating reserve of approx. one and half year.⁸
 - (f) Issues relating to privileges and immunities of members and alternate members of the CDM Executive Board (see item [18 (c)] of the provisional agenda of COP/MOP 2).⁹
10. The COP/MOP may wish to consider the outcome of work by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its twenty-fifth session regarding the development of a recommendation relating to implications of the implementation of CDM project activities for the achievement of objectives of other environmental conventions and protocols, in particular the Montreal Protocol on Substances that Deplete the Ozone Layer, and which imply the establishment of new hydrochlorofluorocarbon-22 facilities which seek to obtain certified emission reductions.
11. In addition, in accordance with paragraphs 7–9 of the CDM modalities and procedures and rules 3 and 4.1 (b) of the rules of procedure of the Executive Board, the COP/MOP shall, at its second

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⁸ Note: This section may need to be revised before submission of the report.

⁹ Note: This section and number in brackets may need to be revised before submission of the report.



session, elect the following to the Executive Board for a term of two years upon nominations being received by Parties:¹⁰

- (a) One member and one alternate member from the African regional group
- (b) One member and one alternate member from the Asian regional group
- (c) One member and one alternate member from the Latin America and Caribbean regional group
- (d) One member and one alternate member from the Western Europe and Other regional group
- (e) One member and one alternate member from Parties included in Annex I to the Convention (Annex I Parties).

II. Work undertaken since the first COP/MOP

A. Summary of the work undertaken

12. This chapter highlights key achievements in implementing the CDM. The CDM has attracted considerable increase in interest since the Kyoto Protocol entered into force on 16 February 2005. The most noted milestone is the up-swing in registrations of CDM project activities: the number of registered CDM project activities has risen to [229] over the eight month reporting period. The current list of registered CDM project activities can be consulted on the UNFCCC CDM website.¹¹ A similar positive trend has been recorded with regard to the issuance of CERs that in the same reporting period reached a total of [10,235,616] for [27] projects. The current list of CERs issued can be consulted on the UNFCCC CDM website.^{12 13}

13. In order to ensure that information on decisions by the Board, and on the processes leading thereto, were well communicated, members of the Board, notably the Chair and Vice-Chair, and the secretariat convened and/or took part in a number of events at which results were presented and processes were explained. Through such intensified dialogue, the Board took note of interests and concerns of stakeholders and, wherever feasible and compatible with the Marrakesh Accords, sought to address them through streamlining and facilitating processes and procedures.

14. The approval of baseline and monitoring methodologies has expanded considerably with [sixty-six (66)] approved methodologies for baseline and monitoring methodologies now available in a wide range of sectors for both large and small scale project activities. In the period after COP/MOP, [fourteen (14)] additional methodologies were approved which includes [two] additional afforestation / reforestation (A/R) and the first large scale transport methodologies. In addition one consolidated methodology was approved increasing the number from [8 to 9] consolidated methodologies.¹⁴

¹⁰ Parties refers to Parties to the Kyoto Protocol, unless otherwise specified.

¹¹ <<http://cdm.unfccc.int/Projects/registered.html>>

¹² <<http://cdm.unfccc.int/Issuance>>

¹³ Note: This section and number in brackets may need to be revised before submission of the report.

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15. In order to ensure that information on decisions by the Board, and on the processes leading thereto, was well communicated, members of the Board, notably the Chair and Vice-Chair, and the secretariat convened and/or took part in a number of events at which results were presented and processes were explained. Through such intensified dialogue, the Board took note of interests and concerns of stakeholders and, wherever feasible and compatible with the Marrakesh Accords, sought to address them through streamlining and facilitating processes and procedures.

16. Major tasks accomplished since COP/MOP 1 can be summarized as follows:

- (a) The accreditation process and the communication with DOEs and applicant entities (AEs) were improved. The DOE/AE Coordination Forum provided an opportunity to the DOEs and AEs to present their views and discuss issues of mutual interest. The central importance of a common understanding between the Board and the DOEs was repeatedly underlined as DOEs are essential for the proper operational functioning of the CDM. They are responsible for requesting registration of proposed project activities that they have validated as meeting the requirements of the CDM, and for verifying/certifying monitored emission reductions before requesting issuance of CERs
- (b) The consideration of proposed baseline and monitoring methodologies was accelerated wherever possible and the work on their consolidation and the broadening of their applicability was continued as requested by the COP/MOP at its second session.
- (c) The timeframe for the submission and consideration of a new methodology (incl. A/R methodologies) was extended to allow project participants more time to provide technical clarifications. Similarly the grace period for the use of a revised approved methodology was extended.
- (d) Procedures relating to requests for registration of CDM project activities and to the issuance of CERs were further streamlined by establishing a Registration and Issuance Team (RIT). The main RIT function is to assist the Board in considering requests for registration and requests for issuance by means of preparing appraisals of these requests. It remains with the Board members to individually determine whether or not they wish to request a review. This enabled the Board to further enhance the quality and timeliness of registration and issuance.
- (e) Procedures for requesting a deviation to an approved methodology were established with a view to facilitate the registration of project activities.
- (f) A revised registration fee has been applied since 1 March 2006. This fee is based on the annual average emission reductions over the first crediting period and is calculated as per the share of proceeds to cover administrative expenses as defined by Decision 7/CMP.1 (paragraph 37). Projects with annual average emission reductions of less than 15,000t CO₂e are exempt from the registration fee and the maximum fee applicable is USD 350,000.
- (g) Procedures for post registration changes to the start date of the crediting period were adopted. These procedures facilitate the flexible implementation of CDM project activities for which the start date of the crediting period is after the date of registration.



- (h) The secretariat operates a version of the CDM registry which is capable of communicating with the international transaction log (ITL) once the ITL will be operational. From January 2006, the secretariat instructed participants of projects for which CERs had been issued as to how they may apply for a holding account in the CDM registry and how they may request CERs to be forwarded from the pending account to the holding accounts of project participants.
- (i) The deliberations of SBSTA on matters relating to the CDM which were mandated to SBSTA were followed closely by selected members of the Board and the Board. The Board noted the invitation to Parties to submit concrete proposals on practical solutions to address the implications of the situation “that issuing certified emission reductions for hydrofluorocarbon-23 (HFC-23) destruction at new HCFC-22 facilities could lead to higher global production of HCFC-22 and/or HFC-23 than would otherwise occur and that the clean development mechanism should not lead to such increases”, for consideration by the SBSTA at its twenty-fifth session (November 2006), with a view to preparing a draft decision containing guidance to the Executive Board of the CDM for adoption by the COP/MOP at its second session (November 2006).
- (j) [*Recommendation on CCS methodologies*]¹⁵
- (k) [*Recommendation on regional distribution*]¹⁶

17. In order to ensure that the available capacity is optimally used, and to indicate increased activity levels and resources required to meet the challenges of the future, the Board, with the assistance of the secretariat, elaborated a CDM management plan (CDM-MAP) covering the 18-month period from mid-2005 to the end of 2006. In the addendum to this report, a revised version of the CDM management plan to cover activities to be implemented during 2007, will be presented. Key features and status of the current management plan are summarized in chapter IV.

18. In summary, work on the CDM has advanced well in all operational areas under the Board’s purview and supervision. These achievements were, however, only possible due to a high level of time and effort put in by members of the Board and its panels and working groups, and by the secretariat. Specifically, the increase in volume and complexity of cases was not matched by a commensurate increase in resources. The identification of new staff took particularly long given the special effort made by the secretariat to ensure the highest quality of staff, while maintaining a geographical and gender balanced secretariat. At the same time the staff force grew and is expected to reach the level of the CDM-MAP by the end of 2006 latest. This resulted in delays in the consideration of cases but most importantly in delays in setting up some of the features such provision by the secretariat of enhanced support in respect of decisions making by the Board and its panels and working groups. Furthermore, work on several levels of management indicators has been given lower priority in light of the need to consider some [##] requests for registration, [##] of requests for review at registration, [##] requests for issuance and [##] request for review at issuance which also lead to a need to provide clarifications and guidance.¹⁷

A. Accreditation process for operational entities

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19. The key achievements of the Board in the area of accreditation have been significant increase in the number of DOEs both for validation and verification functions, as well as further improvements in the accreditation process through a number of measures. The Board accredited and provisionally designated [six] additional operational entities for validation, bringing the total of these DOEs to [16]. It should be noted that it includes two entities located in non-Annex I countries (South Korea and Republic of South Africa). In addition, the accreditation of two additional DOEs for verification/certification functions brings the total number to [five]. Furthermore the sectoral scope of [two] entities accredited prior to the reporting period for sector-specific validation functions and for two entities for verification functions was extended. More than [two] DOEs exist for all scope(s) except sectors 8 (mining/mineral production), 9 (metal production) and 14 (afforestation and reforestation) (see table 1 below). Whereas, number of DOEs available to undertake validation and verification functions in the energy related sectors (1, 2 and 3) and waste handling and disposal (sector 13) is much higher. It may be noted that the Board allows for phased accreditation of DOEs for validation and verification/certification, thus reducing the overall costs of accreditation.^{18 19}

B. Table 1. Number of designated operational entities per sectoral scope²⁰

	Number of designated operational entities per sectoral scope														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Validation	16	15	14	4	4	4	4	-	-	4	4	4	6	-	3
Verification/ certification	5	5	5	3	3	3	3	-	-	3	3	3	3	-	3

Note: The numbers 1 to 15 indicate sectoral scopes as determined by the Board. For details, refer to <<http://cdm.unfccc.int/DOE/scopelst.pdf>>.

20. Thirty-four entities have so far submitted applications, of which three were subsequently withdrawn. Of the 31 AEs that have applied to date, [12] are awaiting designation by the COP/MOP at its second session. The entities listed in table 2 below, accredited and provisionally designated by the Board, are recommended for designation by the COP/MOP at its second session as DOEs for “sector-specific validation” and/or “sector-specific verification/certification”.²¹

¹⁸ In order to facilitate applications, an operational entity can be accredited initially either for validation or for verification/certification. In each instance, accreditation occurs on a sector-by-sector basis, hence the term “sector-specific”. Details on the sectoral scopes are available on the UNFCCC CDM web site at <<http://cdm.unfccc.int/DOE/>>.

¹⁹ Note: This section and numbers in brackets may need to be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

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²¹ Note: This section and number in brackets may need to be revised depending on the outcome of EB 25.

**Table 2. Entities, accredited and provisionally designated by the Board, and recommended for designation by the COP/MOP for validation (VAL) or verification/certification (VER)²²**

Name of entity	Provisionally designated and recommended for designation for sectoral scopes	
	VAL	VER
British Standards Institution (BSI)	1, 2, 3	
Bureau Veritas Quality International Holding SA (BVQI)		1, 2, 3
JACO CDM LTD (JACO)	4, 5, 6, 7, 10, 11, 12, 13	
Japan Consulting Institute (JCI)	1, 2	
The Korea Energy Management Corporation (Kemco)	1	
Korean Foundation for Quality (KFQ)	1, 2, 3	
PricewaterhouseCoopers - South Africa (PwC)	1, 2, 3	
SGS United Kingdom Ltd. (SGS UK)		1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15
Spanish Association for Standardisation and Certification (AENOR)		1,2,3
TECO	1, 2, 3	
TÜV Industrie Service GmbH, TÜV SÜD Group (TÜV SUD)	4, 5, 6, 7, 10, 11, 12	4, 5, 6, 7, 10, 11, 12, 13, 15
TÜV Industrie Service GmbH, TÜV Rheinland Group (TÜV Rheinland)	1. 13	2.

Note: The numbers 1 to 15 indicate sectoral scopes as determined by the Board. For details, refer to <http://cdm.unfccc.int/DOE/scopelst.pdf>.

21. Since COP/MOP 1 two new applications for accreditation have been received. In this period [five] AEs have undergone the on-site assessment and [four] AEs are implementing corrective actions as a result of non-conformities identified during on-site visits by the CDM Assessment Teams (CDM-ATs) which are assisting the CDM-AP in its work; for [two] new AEs, CDM-ATs have been and teams launched; and for one AE, the documentation submitted was found to be incomplete and resubmission was requested. During this period, the CDM-AP considered the results of five on-site assessments and 10 witnessing cases for sector-specific accreditation. Out of these 10 cases seven were for sector-specific validation functions whereas, three for verification functions. These witnessing cases were carried out by [9] CDM-ATs.²³

22. It may be noted that out of a total of [21] entities that have received an indicative letter, indicating that these entities have successfully completed the desk review and the on-site assessment, [four] have not yet managed to identify any witnessing opportunities. [Three] AEs withdrew their applications since the start of the accreditation process, leaving [31] cases under consideration.

23. The geographical distribution of the 31 applications is as follows: [15] from the Western Europe and Other region, [13] from the Asia and the Pacific region, [two] from the Latin America and the

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Caribbean region and [one] from the Africa region. [Seven] applications came from companies in non-Annex I Parties: [four] from the Asia and the Pacific region, [two] from the Latin America and the Caribbean region and [one] from the Africa region. It may be noted that of the last 10 applications, five are from companies in developing countries. All applications, and the stage of consideration reached, can be seen on the UNFCCC CDM website <<http://cdm.unfccc.int/DOE/accrappl.html>>.²⁴

24. In order to facilitate the submission of applications for accreditation and the work of assessment teams, the CDM accreditation panel (CDM AP) maintains a list of clarifications and guidance provided by the panel and the Board. It has also elaborated a handbook and various other clarifications were issued. [The Board also adopted the revised accreditation procedure, recommended by the CDM-AP. The accreditation procedure had been revised to incorporate all the relevant decisions and clarifications issued by the Board and the CDM-AP and also to further streamline the procedure. The revision of the procedure also took into consideration public inputs and, in particular, inputs received from the DOEs/AEs and CDM assessment team members].²⁵

25. Given the critical role of DOEs in the CDM process, the Board recognised the importance of the role of the AE/DOE Forum and continued its practice of inviting the Chair of the Forum to the meetings of the Board. The Forum, with the assistance of the secretariat, held two meetings in this period. First meeting of the Forum was held on 26 November 2005, in Montreal, Canada and second meeting on 11 May 2006, in Cologne, Germany. The secretariat maintains an electronic mailing list to facilitate communication among DOEs and AEs. The Board, at its twenty-third, twenty-fourth [and twenty-fifth] meetings, invited the Chair of the DOEs Forum, to provide a brief report of the meetings and present inputs by DOEs/AEs to the Board and its panels. [The Board took note with appreciation that the Forum has developed a designated operational entities code of conduct and committed themselves to conduct their business in a fair and ethical manner.]²⁶ The Board took note of other issues and concerns identified by the Forum and encouraged continuous inputs to, and exchanges with, the Board and its panels, so that common understanding and consistent approaches could be achieved.

26. The Board, in order to be able to address methodological issues in the accreditation process, decided to involve experts on methodologies for baselines and monitoring, in the assessment teams for the witnessing activities. The witnessing teams included a methodological expert and provided inputs related to methodological aspects to the team leader. Furthermore, the Board at its twenty-third meeting also added one methodologies expert in the panel.

27. Being aware of the need to facilitate applications from companies from developing countries, and for further capacity-building efforts relating to accreditation, as referred to in paragraph 1 (h) of decision 4/CMP.1, the Board continued its efforts to promote involvement of developing country companies. Opportunities to present the CDM accreditation scheme to professional audiences were seized by members of the CDM-AP and secretariat staff who participated in relevant international meetings. Awareness about opportunities in this area of work has increased. This can be seen, *inter alia*, in the number of AEs from developing countries, now amounting to more than a quarter of the total.

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28. In carrying out its accreditation functions, the Board was supported by the CDM-AP, which met three times during the reporting period. The Board agreed to appoint Mr. Hernan Carlino as the Chair of the panel, after the stepping down of Mr. John S. Kilani as the Chair. The Board also appointed Ms. Anastasia Moskalanko, as the Vice-Chair after expiry of term of Ms. Marina Shvangiradze as a Board member. In accordance with the terms of reference of the CDM-AP and the staggering system introduced by the Board, in order to ensure continuity in the work of the panel, two members of the panel were replaced and the term of Mr. Takashi Ohtsubo was extended in June 2006. Current composition of the panel includes Mr. Peter Herman, Mr. Takashi Ohtsubo, Ms. Irueste Mercedes, Mr. Satish Rao, Ms. Marina Shvangiradze and Mr. Massamba Thiroye as the expert on methodologies and baselines. The Board thanked Mr. Arve Thendrup and Ms Maureen Mustasa for their excellent work and dedication to the panel from its inception in 2002.

29. The Board expressed its deep appreciations for the excellent advice and professional support it received from the members of the CDM-AP and its Chair and Vice-Chair and from the secretariat. Their professional commitment allowed the efficient implementation of the accreditation procedures and the handling of a large and complex body of applications. The Board urged the CDM-AP to continue, with the support of the secretariat, its efforts to increase the number of applications by experts, especially those from developing countries, for inclusion in the roster of experts for CDM-ATs. It noted that efforts to alert the professional community around the world were bearing fruit as can be seen from the marked increase in applications from developing country entities.

30. The Board also expressed its gratitude to members of the CDM-ATs undertaking operational tasks in the field on its behalf.

31. The Board further conveyed its appreciation to the DOEs and AEs for engaging in the CDM process and for showing their commitment to ensuring the environmental credibility and operational flexibility of the CDM. At the same time, efforts to strengthen mutual understanding on the respective roles of the DOEs and the Board need to continue so that the DOEs can fully assume their critical role and allow the CDM to function as expected. The Board noted that no public comments were received on any matter relating to accreditation during the reporting period.

C. Methodologies for baselines and monitoring plans

Work on methodologies

32. Since the Board launched its invitation to project proponents in March 2003 to submit baseline and monitoring methodologies for its consideration, there have been 16 rounds of submissions, the latest one concluded on 5 July 2006. The methodologies proposed in each round can be found on the UNFCCC website together with the history of their consideration²⁷.

33. A total of [212] proposals have been submitted through DOEs or AEs. Of these, [179] proposals were considered to be complete and were forwarded for consideration to the Executive Board, and [34] proposals were returned because the pre-assessment by a member of the Methodologies Panel or by a DOE found them to be insufficiently elaborated for further consideration.²⁸ As of January 2006 the Board

²⁷ See <http://cdm.unfccc.int/methodologies/PAmethodologies/publicview.html> and <http://cdm.unfccc.int/methodologies/PAmethodologies/approved.html>

²⁸ See paragraph 7 of the “Procedures for submission and consideration for a proposed new baseline and monitoring methodology” <<http://cdm.unfccc.int/Reference/Procedures>>.



introduced the possibility for the DOEs undertake the pre-assessment of proposed new methodologies of which only [9] proposals were assessed by DOEs.²⁹

34. Of the [179] submissions dealt with by the Board, [47] were received during the reporting period from the last reporting period. In addition, [11] cases were re-submitted by project participants after the consideration by the Board (so called “B” cases).³⁰

35. [5] new methodologies and one consolidated methodology were approved during the reporting period. [12] previously approved methodologies were revised. This brings the total of approved methodologies to [27] and approved consolidated methodologies to [9]. These consolidated methodologies included [3] approved methodologies which were incorporated in this reporting period.³¹ Therefore an increasing spectrum of approved methodologies and consolidated methodologies are available for use by project proponents to develop CDM project activities in a wide range of sectors.³² The list of approved methodologies, as contained in annex 1 of this report, shows when the approved consolidated and approved methodologies were approved, placed on hold and or revised by the Board.³³

36. While considering the revisions and consolidations of approved methodologies, the Board agreed to put on hold two approved methodologies (AM0006 and AM0016), in order to include the monitoring of flares and to analyze the impact of revisions to make the estimation of baseline, project and leakage emissions more precise on the estimated emissions reductions.

37. The number of approved methodologies per sector (15 scopes), which can be used by project developers are presented in table 3 below. It should be noted that a methodology can be relevant to more than one sector.

D. Table 3. Approved methodologies (AM, AMS, AR-AM, AR-AMS & ACM)³⁴ by sector

Scope	Sector	Number of approved methodologies
1	Energy industries (renewable/non-renewable sources)	[17]
2	Energy distribution	[1]
3	Energy demand	[6]
4	Manufacturing industries	[7]
5	Chemical industries	[3]
6	Construction	[0]
7	Transport	[1]

²⁹ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

³⁰ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

³¹ Please note two approved methodologies, AM0005 and AM0008, were withdrawn as these were incorporated into consolidated approved methodologies ACM0001 and ACM0009 respectively.

³² Approved methodologies are posted on the UNFCCC CDM website <<http://cdm.unfccc.int/methodologies>>.

³³ Note: This tables will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

³⁴ AM - approved methodology, AMS - approved small scale methodology, AR-AM - approved A/R methodology, AR-AMS - approved small scale A/R methodology & ACM - approved consolidated methodology



8	Mining/mineral production	[1]
9	Metal production	[1]
10	Fugitive emissions from fuels (solid, oil and gas)	[4]
11	Fugitive emissions from production & consumption of halocarbons & sulphur hexafluoride	[1]
12	Solvent use	[0]
13	Waste handling and disposal	[17]
14	Afforestation and reforestation	[4]
15	Agriculture	[5]

38. Since the Board started to consider methodologies for baselines and monitoring in April 2003, approval had been denied to [69] cases of the total [179] cases received by the Board for consideration. During the reporting period, [12] proposals were found not to address fundamental requirements. Had the Board undertaken further work to improve these proposed methodologies, it would have incurred considerable costs on the recruitment of experts and would have diverted time from the already stretched resources of the Methodologies Panel. This would have resulted in delays in the consideration of cases, which were of better quality.

39. The Meth Panel provided answers to [31] clarifications from DOE's on applications to specific approved methodologies, since the end of the last reporting period.³⁵

40. The Meth Panel considered [15] requests for revisions from DOE's specific approved methodologies, which expanded the applicability of some of the approved methodologies, since the end of the last reporting period.³⁶

41. As of 31 July 2006, [51] methodology cases are at different stages of consideration.^{37 38}

- (a) [15] recently submitted cases were positively pre-assessed and have received public comments;
- (b) [5] case may be revised, resubmitted within a maximum five-month period and directly reconsidered by the Methodologies Panel without undergoing additional desk reviews;
- (c) [16] cases received a preliminary recommendation by the Methodologies Panel and, in cases where project participants have provided clarifications, these will be considered at the next meeting of the Methodologies Panel;
- (d) [4] cases will be considered at the next meeting of the Methodologies Panel as further technical expertise is needed;

³⁵ See <<http://cdm.unfccc.int/methodologies/PAmethodologies/Clarifications>>.

³⁶ See <<http://cdm.unfccc.int/methodologies/PAmethodologies/Revisions>>.

³⁷ See status and history of each proposed and approved methodology on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies>>.

³⁸ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



- (e) [5] cases are recommended for approval and [4] cases are recommended for non-approval;
- (f) [2 cases concerning CCS are have been qualitatively considered.]

42. In support of these methodological cases a total of [366] desk reviews and 32 contracts to prepare the final version of the approved methodology were issued and administered and a further 8 specialized studies (background and research papers) in support of the assessment of methodologies were commissioned, during the reporting period, and considered by the Meth Panel.

Guidance to project developers

43. In addition to consider proposed methodologies and elaborating consolidated methodologies, wherever possible, the Board, supported by the Methodologies Panel and the secretariat, further intensified its work on methodologies as requested by the COP/MOP. Specifically, it provided further guidance for the development of methodologies which have a broader applicability and it facilitated the preparation of new proposals by project participants. The Board has:

- (a) Provided general guidance on:³⁹
 - (i) Estimating baseline methane emissions for projects avoiding emission from biogenic waste;
 - (ii) Thresholds in terms of power density (W/m²) to be used to determine the eligibility of hydroelectric power plants in using existing methodologies;
 - (iii) Monitoring requirements and calibration;
- (b) Started work and requested public input, further work and / or expert analyses to be prepared on:
 - (i) Consideration of the methodologies AM0006 and AM0016;
 - (ii) Definitions of the terms for CDM project activities under a programme of activities;
 - (iii) [Double counting of emission reductions when more than one methodology is used.]⁴⁰

44. As requested by the COP/MOP at its first session, the Board launched a call for inputs on new proposals to demonstrate additionality, including options to combine the selection of the baseline scenario and the demonstration of additionality and proposals to improve the “tool for the demonstration and assessment of additionality”. [The Board considered the submissions received and requested a series of expert analyses to establish ways to improve the “Tool for the demonstration and assessment of additionality” (Additionality tool) and merge it with the draft baseline section tool. This work was not concluded at the end of the reporting period covered by this document and will therefore be reflected in the addendum of this report]⁴¹.

³⁹ See <<http://cdm.unfccc.int/Reference/Guidclarif>>.

⁴⁰ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁴¹ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



45. The Executive Board, in response to the request by COP/MOP at its first session, considered the proposals for new methodologies for carbon dioxide capture and storage as clean development mechanism project activities in particular with regard to project boundary, leakage and permanence. The Methodology Panel provided the project participants with an opportunity for further technical input prior to making its recommendation to the Board. The Board's recommendation on methodological issues based on the qualitative analyses of the panel of two large scale and one small small-scale proposed methodology [is contained in annex ## to this report.] [was not concluded at the end of the reporting period covered by this document and will therefore be reflected as an annex to the addendum of this report.]⁴²

Enhancement of methodologies process

46. With a view to making its work on methodologies as efficient, transparent and cost-effective as possible, addressing the excessive workload of its Methodologies Panel, and ensuring that newly proposed methodologies are considered in a timely and consistent manner and that those approved meet the required standards, the Board adjusted its approach and work processes as the need arose. Facilitating measures, aimed at improving the quality of products and easing the workflow, included, among others, the following:

- (a) Revision to the procedures for requests for deviation to the Executive Board.⁴³
- (b) The revision of the procedures for submission and consideration of proposed new methodologies, in order to extend the timeframe for project participants to provide technical clarifications to the preliminary recommendation of the Meth Panel from ten (10) working days to four (4) weeks;⁴⁴
- (c) After a revision of an approved methodology, the grace period for submitting a request for registration using the old version of the methodology was extended from four (4) weeks to eight (8) weeks. The Board also agreed that these revisions apply *mutatis mutandis* to approved afforestation and reforestation and small scale methodologies.
- (d) The forms for the submission of new methodologies (“CDM proposed new methodology (CDM-NM)”), “CDM project design document (CDM-PDD)” and the guidelines for completing it were revised to streamline them to facilitate the methodology approval process and further elaborated to include additional technical, [monitoring, uncertainty] and nomenclature information to be used in guiding the submissions of a new methodology;⁴⁵

Support structure

47. The Board is supported in its methodological work by the Methodologies Panel, which has met three times since COP/MOP 1. The Board continues to draw on the recommendations of its Methodologies Panel which, apart from its own expertise, takes into account the results of desk reviews

⁴² This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁴³ See <<http://cdm.unfccc.int/Reference/Procedures>>

⁴⁴ See <<http://cdm.unfccc.int/Reference/Procedures>>

⁴⁵ The current version of CDM-NM guideline is part of the “Guidelines for completing the project design document (CDM-PDD). The forms and their guidelines are posted on the UNFCCC CDM website <<http://cdm.unfccc.int/Reference/Documents>>.



by experts (two for each methodology) and public input. In order to ensure utmost transparency and the broadest possible engagement of experts and the public, each newly submitted methodology is made available on the UNFCCC CDM website and is announced through the UNFCCC CDM News facility. The secretariat provides process management coordination, including identifying candidates to perform expert tasks.

48. At its twenty-third meeting, the Board nominated Mr. Rajesh Kumar Sethi to assume the function of Chair of the Methodologies Panel and Mr. Jean Jacques Becker that of the Vice-Chair. It expresses its deep appreciation for the excellent quality of technical advice which it continues to receive from the panel members, its Chair and Vice-Chair. It equally acknowledges the valuable inputs provided by experts, for example the desk reviewers and the public, as well as the process management and coordination by the secretariat. Only through a collective effort and exceptional commitment was it possible to cope with an enormous workload and the many challenges that the work on methodologies poses.

49. In accordance with the revised terms of reference of the Methodologies Panel where the total experience required for membership was reduced from 5 to 3 years, two calls for experts were undertaken during the reporting period in order to ensure that outgoing members were replaced with the best candidates. This second call also aimed to further encourage NAI experts to apply. The Board confirmed membership and designated for a term of two years the following members as of July 2006: The panel is composed of [...] ⁴⁶ ⁴⁷.

50. The Board expressed its deep appreciation to the outgoing members of the Methodologies Panel, [Mr./Ms...] ⁴⁸, for their excellent work and dedication to the panel.

51. Support work of the CDM methodologies was hampered by a lack of resources within the secretariat in the past. The CDM-MAP allowed for the recruitment of additional staff for the Meth Team of the secretariat, which has been progressing steadily with approximately two thirds of the posts filled. The recruitment of the balance of the staff has been delayed as a special effort was made by the secretariat to ensure the highest quality of staff, while maintaining a geographical and gender balanced secretariat.

52. Updated information on further submissions of methodologies and results of the consideration process, as well as on any other issue relating to methodologies, will be reported to the COP/MOP at its second session by the Chair of the Board, orally and/or through the addendum to this document, as necessary.

E. Afforestation and reforestation project activities

Work on methodologies

53. Since the Board launched its invitation to project proponents in November 2004 to submit proposed new methodologies for A/R project activities, there have been 10 rounds of submission, the latest one concluding on 6 June 2006. A total of 30 proposals have been submitted through accredited or applicant entities, of which [4] did not pass the pre-assessment and [28] were seen as formally complete and have been submitted to the Board.

⁴⁶ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁴⁷ For more information on this panel, see <<http://cdm.unfccc.int/Panels/meth>>.

⁴⁸ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



54. During the reporting period, a total of [11] proposals have been submitted through DOEs or AEs. Of these, [10] proposals were considered to be complete and were forwarded for consideration to the Executive Board, and [1] proposal was returned because the pre-assessment by a member of the A/R WG found them to be insufficiently elaborated for further consideration.⁴⁹ In addition, [2] cases requiring revision were resubmitted (so called “B” cases).

55. [Two (2)] new methodologies were approved during the reporting. Annex 1 also contains the list of the approved A/R methodologies approved by the Board.⁵⁰

56. Since the Board started to consider baseline and monitoring methodologies for afforestation and reforestation in November 2004, approval had been denied to [14] cases. During the reporting period, [5] proposals were found not to address fundamental requirements. Had the Board undertaken further work to improve these proposed methodologies, it would have incurred considerable costs on the recruitment of experts and would have diverted time from the scarce resources of the A/R WG. This would have resulted in delays in the consideration of cases which were of better quality.

57. [The Board noted that since adoption by the COP/MOP at its first session of the modalities and procedures and simplified baseline and monitoring methodologies for selected small-scale afforestation and reforestation project activities under the clean development mechanism it has not received any submissions or requests for clarification.]⁵¹

58. As of 31 July 2006, [14] A/R methodology cases were at different stages of consideration:⁵²

- (a) Three (3) recently submitted cases were positively pre-assessed and have received public comments;
- (b) Three (3) cases may be revised, resubmitted within a maximum five-month period and directly reconsidered by the A/R WG without undergoing additional desk reviews;
- (c) Two (2) cases received a preliminary recommendation by the A/R WG and, in cases where project participants have provided clarifications, these will be considered at the next meeting of the A/R WG;
- (d) Six (6) cases will be considered at the next meeting of the A/R WG as further technical expertise is needed;

59. The Board continued to institute a number of measures to help streamline the afforestation and reforestation methodologies process. The Board agreed to apply *mutatis mutandis* the procedures for clarifications of non-A/R to approved A/R methodologies.

60. In addition to considering methodologies, the Board, supported by the A/R WG and the secretariat, approved general guidance on:

- (a) Afforestation/reforestation in the baseline scenario;

⁴⁹ See paragraph 5 of the “Procedures for submission and consideration for a proposed new baseline and monitoring methodology for afforestation and reforestation under the CDM” <<http://cdm.unfccc.int/Reference/Procedures>>.

⁵⁰ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁵¹ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁵² See status and history of each proposed and approved methodology on the UNFCCC CDM website <<http://cdm.unfccc.int/ARmethodologies>>.



- (b) National and/or sectoral policies and circumstances particular to A/R project activities;
- (c) The definition of renewable biomass;
- (d) [Guidance on avoidance of double counting of emissions between A/R and non-A/R project activities.]⁵³

Work on procedures

61. In order to facilitate the submission and consideration of proposed new methodologies for A/R project activities under the CDM, the Board agreed, among others, on the following:

- (a) Revisions to the CDM-AR-PDD as well as the changes to the guidelines for completing the project design document for A/R project activities, the proposed new methodology for A/R baseline (CDM-AR-NM) form.⁵⁴
- (b) Development of the forms for small-scale afforestation and reforestation project design document (CDM-AR-SSC-PDD) and the guidelines for CDM-AR-SSC-PDD.⁵⁵

Support structure

62. The Board is supported in its methodological work relating to A/R project activities by the A/R WG, which has met three times since COP/MOP 1. The Board draws on the recommendations of the A/R WG which, apart from its own expertise, takes into account the results of desk reviews by experts (two for each methodology) and public input. In order to ensure utmost transparency and the broadest possible engagement of experts and the public, each newly submitted methodology is made available on the UNFCCC CDM website and is announced through the UNFCCC CDM News facility.

63. At its twenty-third meeting, the Board nominated Mr. Philip Gwage to assume the function of Chair of the A/R WG and it expressed its deep appreciation for the excellent quality of technical advice which it has received from its previous chair Mr. Martin Enderlin. [The Board at its twenty-fifth meeting nominated [Mr. ...] as Vice-Chair to replace Mr. Fujitomi who resigned as alternate member of the Board and expressed its appreciation to the outgoing alternate member for his excellent advice and dedication to the work.]⁵⁶

64. In accordance with the revised terms of reference of the A/R WG, a new call for experts was made and the Board confirmed and designated the following working group members for a term of one year as of June 2006: Mr. Hilton Thadeu Zarate Couto, Mr. Nagmeldin G. Elhassan, Mr. Sergio Jauregui Mr. Shailendra Kumar Singh, Mr. Craig Trotter and Mr. Frank Werner. Mr. Lambert Schneider was delegated by the Methodologies Panel as a representative of the Meth Panel in the A/R WG.⁵⁷ The Board expressed its deep appreciation to the outgoing members of the A/R WG for their excellent work and dedication to the working group. It equally acknowledged the valuable inputs provided by experts (desk reviewers) and the public as well as the assistance by the secretariat.

⁵³ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁵⁴ See <<http://cdm.unfccc.int/Reference/Documents>>.

⁵⁵ See <<http://cdm.unfccc.int/Reference/Documents>>.

⁵⁶ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁵⁷ For more information on this working group see <<http://cdm.unfccc.int/Panels/ar>>.



65. Updated information on further submissions of methodologies and results of the consideration process, as well as on any other issue relating to methodologies, will be reported to the COP/MOP at its second session by the Chair of the Board, orally and/or through addenda to this document, as necessary.

F. Simplified modalities and procedures for small-scale clean development mechanism project activities

66. At its twenty-third meeting, the Board re-nominated Ms. Gertraud Wollansky to continue as the Chair of the SSC WG and it expresses its deep appreciation for the excellent quality of technical advice which it has received from members of the SSC WG and from its Chair and Vice-Chair Mr. Richard Muyungi. It equally acknowledges the valuable inputs provided by experts and the public as well as the assistance by the secretariat.

67. During the reporting period, the membership of the SSC WG remained as previous: Mr. Gilberto Bandeira De Melo, Mr. Felix Babatunde Dayo (delegated by the Methodologies Panel), Mr. Binu Parthan, Mr. Daniel Perczyk (delegated by the Methodologies Panel) and Mr. Kazuhito Yamada.

68. The SSC WG met three times during the reporting period.⁵⁸ The Board, based on recommendations by the group, agreed on the following:

- (a) Amendments to the “Indicative simplified baseline and monitoring methodologies for selected small-scale CDM project activity categories” contained in appendix B of the simplified modalities and procedures for small-scale CDM project activities;⁵⁹
- (b) Additional guidelines for monitoring, [leakage in project activities using renewable biomass, output capacity of renewable energy equipment] under the ‘General Guidance section’ of the indicative methodologies of small-scale CDM project activities;⁶⁰
- (c) The guidelines for completing the simplified Project Design Document (CDM-SSC-PDD) were revised to include additional definition of terms and detailed guidelines on bundling of project activities.⁶¹
- (d) Principles of bundling of project activities including the form ‘F-CDM-SSC-BUNDLE’.⁶²

69. The Executive Board in response to the request by the COP/MOP to develop, as a priority, a simplified methodology “for calculating emission reductions for small-scale project activities that propose the switch from non-renewable to renewable biomass”, [approved two new categories for project activities which conserve non renewable biomass and included guidance on the calculation of leakage] [could not provide a suitable simplified methodology and will continue its work in this regard.]⁶³

70. The Executive Board in response to the request by the COP/MOP to review the simplified modalities, procedures and definitions of small-scale project activities referred to in paragraph 31 of

⁵⁸ See <http://cdm.unfccc.int/Panels/ssc_wg>.

⁵⁹ The full list of approved methodologies for small-scale CDM project activities is posted on the UNFCCC CDM web site <<http://cdm.unfccc.int/methodologies/SSCmethodologies/approved.html>>.

⁶⁰ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁶¹ See <<http://cdm.unfccc.int/Reference/Documents>>

⁶² See <<http://cdm.unfccc.int/Reference/Guidclarif>>

⁶³ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



decision 7/CMP.1 [revised the definition of type III project activities only. This revision entailed basing the eligibility of these project activities on a limit of less than 50,000 tonnes of CO₂e annual emission reductions, as apposed to a limit of 15,000 tonnes CO₂e project direct emissions] [recommends a revision of all small-scale project activity types, which entails basing the eligibility of these project activities on a limit of less than 50,000 tons of CO₂e annual emission reductions, as apposed to a limit of 15,000 tonnes CO₂e project direct emissions] [could not revise the simplified modalities, procedures and definitions of small-scale project activities referred to in paragraph 31 of decision 7/CMP.1 an will continue its work in this regard.]⁶⁴

71. As 30 September 2005, the Board has received [55] requests for clarifications/revision of approved small-scale methodologies, which were proposals for new categories and/or amendments or revisions to approved small-scale methodologies.⁶⁵ [24] of these requests were received within the reporting period. The Board has continued to review appendix B and amend it by adding to the 19 already approved small-scale methodologies an additional [7] categories to the type III methodologies during the reporting period as listed in table 4. The Board will continue to keep issues relating to small-scale CDM project activities under review and provide clarifications and guidance as necessary.⁶⁶

Table 4. New SSC Categories added during the reporting period⁶⁷

AMS-III.F. Landfill methane recovery	Approved at EB 23
AMS-III.F. Avoidance of methane production from biomass decay through composting	Approved at EB 23
AMS-III.H. Methane recovery in wastewater treatment	Approved at EB 23
AMS-III.I. Avoidance of methane production in wastewater treatment through replacement of anaerobic lagoons by aerobic systems	Approved at EB 23
[AMS-III.J. Avoidance of fossil fuel combustion for carbon dioxide production to be used as raw material for industrial processes]	[Approved at EB 25]
[AMS-I.E. Switch from Non-Renewable Biomass for Thermal Applications by the User]	[Approved at EB 25]
[AMS-II.G. Energy Efficiency Measures in Thermal Applications of Non-Renewable Biomass]	[Approved at EB 25]

72. Updated information on further submissions of methodologies and results of the consideration process, as well as on any other issue relating to methodologies, will be reported to the COP/MOP at its second session by the Chair of the Board, orally and/or through addenda to this document, as necessary.

G. Matters relating to the registration of clean development mechanism project activities

Work relating to requests for registration of project activities

73. As at [5 July 2006], the Board has received [298] requests for registration. 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 [267] of these requests. [229] CDM project activities have been

⁶⁴ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁶⁵ See <http://cdm.unfccc.int/methodologies/SSCmethodologies/Clarifications>

⁶⁶ This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁶⁷ This table will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



registered⁶⁸, representing an almost tenfold increase since the report of the Executive Board to COP/MOP1. In [217] of the [267] cases for which the period for requesting a review has ended, registration took effect automatically. This means that fast-track registration occurred in [95] per cent of the cases. [6] cases were registered after the Board had conducted a review to ensure that guidance and rules were implemented appropriately. [4] cases were registered following corrections being made without the need for a review. [2] cases were registered as requested following consideration of a request for review and additional submissions from the PP and/or DOE. [94] of the [229] registered projects, or [41%], are of small-scale.⁶⁹

74. In addition, [31] recently submitted requests for registration are within the eight-week-period (four weeks for small-scale projects) within which a Party involved or three Board members may request a review. The Board is currently undertaking a review in [four] cases. In [one] case the Board is awaiting corrections to be made by the project participants following consideration of a request for review. In [two] cases, the Board could not proceed with its consideration as they were withdrawn by the project participant. [Fourty-one (41)] requests for review have been considered by the Board during the reporting period. Documentation on requests for registration is available for comments in accordance with paragraph 40 (b) and (c) of the CDM modalities and procedures.^{70 71}

75. Until 6 March 2006, in order to determine whether a review is required, two Board members/alternate members, on a rotating basis, undertook an initial appraisal when a request for registration was made. This appraisal was shared with all Board members who individually determine whether or not they wish to request a review. Given the substantial increase in caseload this system of appraisals was replaced on 6 March 2006 with the commencement of the operation of the Registration and Issuance Team (RIT). The appraisals are now prepared by one member of the RIT, with input from one expert drawn from the roster of methodology experts maintained by the secretariat. It remains with the Board members to individually determine whether or not they wish to request a review. The secretariat, in support of this new system which allowed the Board a more executive role, developed a revised electronic workflow and in addition provided administrative (contract and payment) and procedural support to establish contracts and process results of [333] RIT members and methodology experts tasks.

76. As at 5 July 2006, more than 800 proposed CDM project activities had been submitted for validation to DOEs.⁷² The average submission of new cases for validation amounts to approximately 55 per month with a slight tendency to grow. Information on proposed project activities at the validation stage is accessible through an interface in the “Project activity” section on the UNFCCC CDM web site.

77. As at 5 July 2006, [9] requests for deviation have been submitted to the Board since COP/MOP1. [6] relate to the deviation from an approved methodology discovered in the process of validation and [3] relate to the deviations from provisions for a registered project activity discovered in the process of verification. The Board has provided a response to [5] of these requests⁷³.

Work on procedures

⁶⁸ A full list of registered CDM project activities is available at <<http://cdm.unfccc.int/Projects/registered.html>>.

⁶⁹ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁷⁰ See <http://cdm.unfccc.int/Projects/request_reg.html>.

⁷¹ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁷² Details on proposed project activities are available for comments at <<http://cdm.unfccc.int/Projects/Validation>>.

⁷³ For non-confidential cases the Board’s guidance is available at <<http://cdm.unfccc.int/Projects/Deviations>>



78. The Board has facilitated and clarified tasks relating to the registration of proposed CDM project activities by issuing the following procedures and clarifications⁷⁴:

- (a) Terms of reference and procedures for a registration and issuance team were adopted by the Board at its twenty-second meeting and revised at its twenty-third and twenty-fourth meetings. These procedures create a registration and issuance team whose function is to assist the Board in considering requests for registration and requests for issuance by means of preparing appraisals of the requests.
- (b) Procedures for requesting deviation to an approved methodology or registered project documentation were adopted by the Board at its twenty-second meeting and revised at its twenty-fourth meeting. These procedures facilitate communication and clarifications between DOEs and the Board regarding cases where minor issues arise in project implementation.
- (c) Clarifications to facilitate the implementation of the procedures for review as referred to in paragraph 41 of the CDM modalities and procedures were revised by the Board at its twenty-second and twenty-fourth meeting. These procedures streamline the registration process and provide a uniform modalities for the consideration of requests for registration and requests for review in such cases.
- (d) Guidance on retroactive crediting: To facilitate the implementation of the decision of the COP/MOP with respect to retroactive crediting (paragraph 4 of decision 7/CMP.1), the Board at its twenty-third meeting clarified that:
 - (i) “Requesting validation” requires that a project design document has been submitted to a designated operational entity by 31 December 2005. DOEs are required to have a system to deal with their documents and processes. The Board noted that the date of receipt shall be documented in such a manner that a verification in the context of re-accreditation or spot-check is possible without doubt.
 - (ii) Bearing in mind the short period after COP/MOP 1 and that it was a holiday season, the Board agreed that 11 January 2006 is the effective deadline for submitting proposed new methodologies (equivalent to the deadline of round fourteen for submission of proposed new methodologies).
 - (iii) With regard to proposed new methodologies that were submitted before the deadline referred to in sub-paragraph (b) and which are not approved (“C” cases) and submitted again, as recommended, the Board agreed that:
 - If the project activity is not changed and is registered before 31 December 2006 using an approved methodology which was submitted based on the non-approved proposed methodology, it would qualify for retroactive crediting in accordance with the relevant decision of COP/MOP 1.

⁷⁴ See <<http://cdm.unfccc.int/Reference/Procedures>> and <<http://cdm.unfccc.int/Reference/Guidclarif>>.



- The resubmitted methodology would not be granted any type of special considerations on resubmission.
- (e) Following consultation with the DOE/AE forum the Board, at its twenty-fourth meeting, adopted a simplified registration request form (F-CDM-REG).

79. Furthermore, the Board adopted a revised registration fee which has been applied since 1 March 2006⁷⁵. This fee is based on the annual average emission reductions over the first crediting period and is calculated as per the share of proceeds to cover administrative expenses as defined by decision 7/CMP.1 paragraph 37. Projects with annual average emission reductions of less than 15,000t CO₂e 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.

80. In order to guide and assist DOEs in their validation work, the Board instructed that DOEs “pay particular attention to and provide detailed information on the use by project participants of the additionality tool”. Furthermore the guidelines for completing PDDs were revised to clarify for project participants that “the local stakeholder process shall be completed before submitting the proposed project activity to a DOE for validation”.

H. Matters relating to the issuance of certified emission reductions and the clean development mechanism registry

Work relating to the issuance of certified emission reductions

81. Following the accreditation of DOEs for verification and certification, as reported by the Board to COP/MOP1, the first request for issuance was received by the secretariat on 4 October 2005. The first CERs were issued on 20 October 2005. [As at 5 July 2006, 10,335,616] CERs had been issued as a result of [35] separate requests for issuance. [32] of these [35] requests were considered final 15 days after publication. In two cases the Board instructed the CDM registry administrator to issue the requested CERs following the consideration of a request for review and clarifications provided by the DOE. In one case the Board instructed the DOE to resubmit the request for issuance on the basis of revised monitoring and verification reports. This resulted in the CDM registry administrator being instructed to issue less CERs than originally requested by the DOE.⁷⁶

82. A further [8] recently submitted requests for issuance are within the 15 day period within which a Party involved or three Board members may request a review. [Four] requests for review of requests for issuance have been considered by the Board at its twenty-fifth meeting. The procedures to determine whether a review is required is referred in paragraph 76 above.⁷⁷

83. As at 5 July 2006, 36 monitoring reports had been made public by DOEs awaiting for a corresponding request for issuance as part of the verification process.

⁷⁵ Full details of the registration fee are available in annex 35 to the report of twenty-third meeting of the Board <<http://cdm.unfccc.int/EB/Meetings>>

⁷⁶ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁷⁷ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

*Work on procedures*

84. In order to facilitate the preparation and consideration of requests for issuance the Board adopted the following procedures and clarifications.⁷⁸

- (a) Procedures for post registration changes to the start date of the crediting period were adopted by the Board at its 24th meeting. These procedures facilitate the flexible implementation of CDM project activities for which the start date of the crediting period is after the date of registration.
- (b) [Clarifications to facilitate the implementation of the procedures for review as referred to in paragraph 65 of the CDM modalities and procedures were adopted by the Board at its 25th meeting to streamline the issuance process.]

CDM registry

85. The secretariat continues to operate a version of the CDM registry which is capable of communicating with the international transaction log (ITL) when the ITL will be operational.

86. This version of the CDM registry has been used since COP/MOP 1 to issue CERs into the pending account of the CDM registry, in accordance the instructions of the Executive Board. In addition, from January 2006 the secretariat instructed participants of projects for which CERs had been issued as to how they may apply for a holding account in the CDM registry and how they may request CERs to be forwarded from the pending account to the holding accounts of project participants.

87. In March 2006 the secretariat began to receive and process account applications and forwarding requests. As at 5 July 2006, 18 holding accounts have been opened in the CDM registry, [3] of which are permanent holding accounts. As at 5 July 2006, [19] requests for forwarding had been processed by the CDM registry administrator as mandated by paragraph 90 (d) of the Board's report to COP/MOP1.

88. The CDM registry administrator issued the first monthly report, covering the period up to 31 March 2006, to the Executive Board and relevant DNAs in early April 2006, and has continued to issue updated reports on a monthly basis.

89. In April 2006 the CDM registry administrator participated in the Registry System Administrator (RSA) forum. This forum was informed of the development schedule for the ITL, which indicated, inter alia, that the CDM registry will be the first registry to be tested with the ITL.

I. Relationship with designated national authorities

90. The Board, at its twenty-third meeting agreed to establish the CDM DNA forum and requested the secretariat to provide support to this forum. The Board noted that this forum could be an important avenue to build capacity through cooperation and exchange of experiences. The Board invited the secretariat to explore options for funding/collaboration to support a meeting of the DNA forum at least two times a year and to organise at least one meeting of the forum this year which takes place in conjunction with a meeting of the COP/MOP in such a manner that it will be possible for the Board to interact with the forum in a cost effective manner. The Board also requested the secretariat to enhance the connectivity of DNAs to the listserv and the extranet and to stimulate the discussion of the forum by electronic means.

⁷⁸ See <<http://cdm.unfccc.int/Reference/Procedures>> and <<http://cdm.unfccc.int/Reference/Guidclarif>>.



91. The secretariat has managed to raise sufficient funds to hold the first meeting of the DNA forum. The meeting is tentatively scheduled in October 2006, in Bonn, Germany, in conjunction with the twenty-sixth meeting of the Board. In the meantime, the secretariat has established the listserv and encouraged the DNAs to make use of this electronic tool to exchange views on issues concerns and experiences. DNAs are further encourages to initiate a discussion through proposals injected into the listserv for feedback from other DNAs.

92. In addition, in response to requests from some Parties, an informal meeting of DNAs was held on 24 May 2006, in Bonn, Germany, in conjunction with twenty-fourth sessions of the Subsidiary Bodies. More than hundred DNAs participated in this meeting and raised issues, concerns and questions which they wish to further discuss and exchange views among themselves and with the Board at the formal meeting of the forum.

J. Matters related to the regional distribution of CDM project activities

93. To the invitation by COP/MOP 1, four (4) Parties submitted views which are contained in document [FCCC/KP/CMP/2006/X/MISC]⁷⁹ and were considered by the Executive Board at its twenty-fifth meeting.

94. The Board, in order to have as broad a base for its work in response to the request by COP/MOP 1, opened a public call for inputs, after its twenty-third meeting, on “Regional distribution of CDM project activities” and considered the inputs received from the public.

95. On 5 July 2006, the regional distribution of the [229] registered CDM project activities is as follows: [113] are in Latin America and the Caribbean, [107] are in Asia and the Pacific, [5] are in Africa, and [4] are in other regions.⁸⁰

96. In accordance with the paragraph 33 of decision 7/CMP.1 the Executive Board proposes that COP./MOP2 [.....]⁸¹

K. Modalities for collaboration with the Subsidiary Bodies

97. In accordance with rule 14 of its the rules of procedure, the Board agreed to designate members, as necessary, to follow work undertaken by the SBSTA on methodological and scientific issues relating to the work of the Executive Board. The Board took action as follows:

Issues relating to registry systems (see also section H. above)

- (a) Ms. Anastassia Moskalenko and Mr. Rajesh Kumar Sethi were designated to follow deliberations by the SBSTA and to update the Board on developments;
- (b) Note was taken of the progress on International Transaction Log (ITL) as reported by the secretariat to the SBI at its twenty-fourth session and reaffirmed the importance of making rapid progress in this work.

Implications of the implementation of project activities under the CDM, referred to in decision 12/CP.10, for the achievement of objectives of other environmental conventions and protocols

⁷⁹ Note: Document symbol to be included once available.

⁸⁰ Note: This section and number in brackets may need to be revised before submission of the report.

⁸¹ Note: This section in brackets may need to be revised depending on the outcome of EB 25.



- (a) Mr. José Domingos Miguez and Ms. Sushma Gera were designated to follow deliberations by the SBSTA, and to update the Board on developments;
- (b) The Board noted the invitation to Parties to submit concrete proposals on practical solutions to address the implications of the situation “that issuing certified emission reductions for hydrofluorocarbon-23 (HFC-23) destruction at new HCFC-22 facilities could lead to higher global production of HCFC-22 and/or HFC-23 than would otherwise occur and that the clean development mechanism should not lead to such increases”, for consideration by the SBSTA at its twenty-fifth session (November 2006), with a view to preparing a draft decision containing guidance to the Executive Board of the CDM for adoption by the COP/MOP at its second session (November 2006) . The Board is awaiting guidance, as appropriate from the COP/MOP on this subject.

III. Governance matters

A. Response to requests by COP/MOP related to governance

1. Mandate and background

98. The COP/MOP at its first session decided through its decision 7/CMP.1 on issues related to the governance of the CDM. This section highlights the key achievements of the CDM related to the governance issues⁸².
99. The COP/MOP, through its decision 7/CMP.1 agreed on the following:
- (a) Requested the Executive Board:
 - (i) To develop a catalogue of, and user’s guide to, its decisions, including on clarifications and guidance provided, to facilitate accessibility to information;
 - (ii) To ensure that decisions by the Board and recommendations by its panels, committees and working groups are accompanied by appropriate explanations in the reports of these bodies;
 - (b) Requested the Executive Board to emphasize its executive and supervisory role over a strengthened support structure which includes panels on methodologies and accreditation, teams supporting registration of project activities and issuance of certified emission reductions, working groups on afforestation and reforestation and on small-scale projects, designated operational entities and a strengthened secretariat servicing this system;
 - (c) Requests the secretariat to maintain and strengthen its clean development mechanism section dedicated to supporting the Executive Board through the provision of services as defined by the Executive Board;
 - (d) Decides that the services provided by the secretariat to the Executive Board should include:

⁸² Achievements related to resources and the management plan are covered in the section IV below.



- (i) Preparation of draft decisions for the Executive Board and draft recommendations for its panels and working groups, including the development of options and proposals;
- (ii) Publication and maintenance of a catalogue of the decisions of the Executive Board, recommendations of the panels and working groups, and preparatory work;
- (iii) Provision of advice and the procurement of external expert advice for the Executive Board and its panels and working groups;
- (iv) Provision of services and support functions to facilitate the work of the Executive Board and its committees, panels and working groups in accordance with the prevailing rules and regulations of the secretariat;

2. Work undertaken and action taken, including decisions, as appropriate

100. *[This section will be updated after EB 25 to reflect latest status]*⁸³

B. Membership issues

101. At COP/MOP 1, members and alternate members were elected to fill the vacancies arising from the expiration of terms of tenure after a period of two years. During the reporting period, the Board thus comprised the members and alternate members shown in table 5 (in alphabetical order by member).

Table 5. Members and alternate members of the CDM Executive Board

Members	Alternate members	Nominated by
Mr. Jean-Jacques Becker ^a	Ms. Gertraud Wollansky ^a	Western Europe and Other regional group
Mr. Hernán Carlino ^b	Mr. Philip M. Gwage ^b	Non-Annex I Parties
Ms. Sushma Gera ^a	Mr. Masaharu Fujitomi (resigned end of June 2006) and Mr./Ms [...] for remainder of the <u>term</u> ^{a84}	Annex I Parties
Mr. John Shaibu Kilani ^a	Mr. Ndiaye Cheikh Sylla ^a	African regional group
Mr. Xuedu Lu ^b	Mr. Richard Muyungi ^b	Non-Annex I Parties
Mr. José Domingos Miguez (Chair) ^a	Mr. Clifford Anthony Mahlung ^a	Latin America and Caribbean regional group
Mr. Rawleston Moore ^b	Ms. Desna N. Solofa ^b	Small island developing States
Ms. Anastasia Moskalenko ^b	Ms. Natalia Berghi ^b	Eastern European regional group
Mr. Rajesh Kumar Sethi ^a	Ms. Liana Bratasida ^a	Asian regional group
Mr. Hans Jürgen Stehr (Vice- Chair) ^b	Mr. Lex de Jonge ^b	Annex I Parties

⁸³ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.

⁸⁴ Note: This section will be revised after the deliberations by the Executive Board at its twenty-fifth meeting.



^a Term: two years ending at the first meeting in 2007.

^b Term: two years ending at the first meeting in 2008.

102. The Board, at its twentieth meeting, noted its concern regarding the issue of privileges and immunities for persons engaging in official business relating to the CDM. It urged the COP/MOP at its first session to address the issue with urgency to ensure that the Board and its members were fully protected when taking decisions for which they have been mandated, and enabling them to take such decisions in a manner fully safeguarding the integrity of the process. The Board noted the progress of deliberations by Parties at COP/MOP 1 and SBI 24 and that a document on this issue will be available to the COP/MOP at its second session⁸⁵. The Board reiterated its concern on this issue and encourages Parties to come to a conclusion at the next session of COP/MOP.

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

103. In accordance with paragraph 12 of the CDM modalities and procedures and rule 12 of the rules of procedure of the Executive Board, the Board, at its twenty-third meeting, elected by consensus Mr. José Domingos Miguez, member from non-Annex I Parties, and Mr. Hans Jürgen Stehr, member from Annex I Parties, as Chair and Vice-Chair, respectively, of the Executive Board. Their tenure as Chair/Vice-Chair will end at the first meeting of the Board in 2007.

104. On behalf of the Board, the new Chair expressed the deep appreciation of the Board to the outgoing Chair, Ms. Sushma Gera, and Vice-Chair, Mr. Xuedu Lu, for their excellent leadership of the Board during its fourth year of operation.

D. Calendar of meetings of the Executive Board in 2006

105. The Executive Board, at its twenty-third meeting, adopted its calendar of meetings for 2006. The schedule is shown in table 6.

Table 6. Executive Board meetings in 2006

Number of meeting	Date	Location
Twenty-third	22–24 February	UNFCCC headquarters in Bonn, Germany
Twenty-fourth	10–12 May	UNFCCC headquarters (in conjunction with the twenty-fourth sessions of the subsidiary bodies)
Twenty-fifth	19–21 July	UNFCCC headquarters
Twenty-sixth	27–29 September	UNFCCC headquarters
Twenty-eighth	1–3 November (tbc)	Location tbc (in conjunction with COP/MOP 2)
Twenty-ninth	13–15 December	UNFCCC headquarters

106. The annotated agendas for the Executive Board meetings, including documentation supporting agenda items, as well as reports containing all agreements reached by the Board, are available on the UNFCCC CDM website.⁸⁶

⁸⁵ (FCCC/SBI/##) Document symbol to be included once available.

⁸⁶ <<http://cdm.unfccc.int/EB/Meetings>>.



107. To ensure the efficient organization and management of work, the three-day meetings of the Board are preceded by informal consultations of 1–2 days. During the reporting period, the workload before the Board commonly required that the Board be in session or in consultations for well over the eight hours planned (more than 14 hours on one occasion) during a typical meeting day.

E. Transparency, communication and information of the Executive Board

108. In order to allow for the efficient, cost-effective and transparent exchange of information between the Board, its panels, working groups, teams and experts, and the secretariat, several electronic communication facilities are provided by the secretariat: nine extranets and (more than 60) listservers (see table 7 below). These facilities are connected to the UNFCCC CDM website, which also provides communication facilities to designated and applicant operational entities and to project developers. In addition, there are links to DNAs (103 in total, 84 from non-Annex I Parties and 19 from Annex I Parties) and for public input (see table 7 below). The routine use of these electronic facilities for the provision of information and the day-to-day operation of the CDM is essential to the smooth and cost-effective functioning of the CDM. Telephone conferences for panels and working groups also allowed efficiency to be enhanced.

Table 7. Facilities for electronic communication (via extranet, internet and e-mail)

User group	Extranet	Listserver (e-mail)	Other
CDM Executive Board	✓	✓	x
CDM Methodologies Panel	✓	✓	Online input
CDM Accreditation Panel	✓	✓	Online input
CDM Afforestation and Reforestation Working Group	✓	✓	Online input
CDM Small-Scale Projects Working Group	✓	✓	x
CDM Registration and Issuance Team	Under constructio n	x	x
CDM Assessment Teams (CDM-ATs)	✓	✓	Online input
Desk reviewers (experts on methodologies)	✓	✓	Online input
Designated operational entities	✓	✓	Online input
Applicant operational entities	✓	✓	Online submission of proposed new methodologies
Designated national authorities	x	✓	x
Public	x	x	UNFCCC CDM web site UNFCCC CDM News facility Online submission for call for inputs

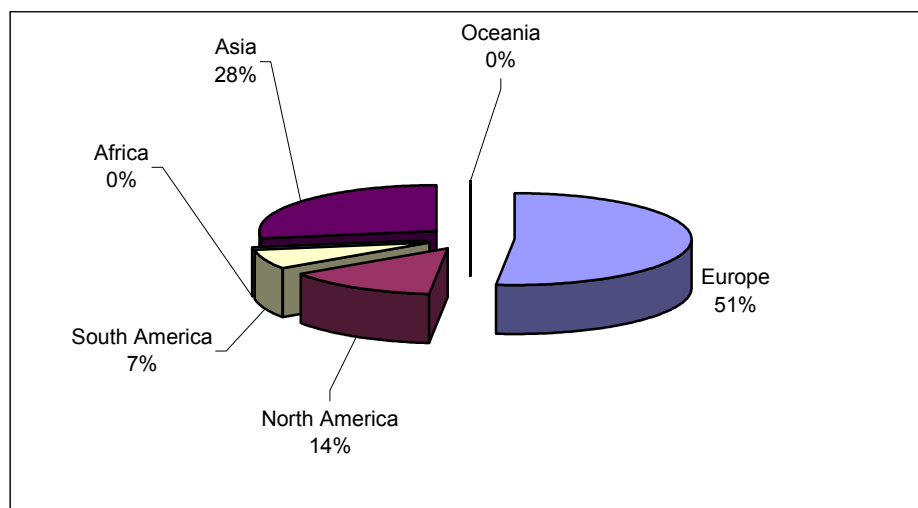
1. Transparency of the work of the CDM Executive Board

109. The provisions of the CDM modalities and procedures (in particular, paragraph 5 (i), (j), (k) and (m)) and rule 26 of the Rule of procedure of the CDM Executive Board stipulate that information shall be made publicly available, subject to the need to protect confidential information, the principle of transparency should apply to all the work of the Board. This encompasses the timely public availability of documentation and channels through which external comments by all Parties, and all UNFCCC accredited observers and stakeholders, can be submitted for consideration by the Board. The posting of information on the Board's meetings⁸⁷ on the UNFCCC CDM website is one way to ensure such transparency.

110. The graphs below are indications of the interest the public and stakeholder show towards the work of the Board and the progress of the CDM. Altogether, [29] observers were registered to attend the CDM Executive Board meetings during the reporting period. [5] of these represented Parties and most others came from environmental and business NGOs. [5] observers were nationals of non-Annex I Parties and [24] were from Annex I Parties, with the following regional distribution: Asia ([28] per cent), Europe [51] per cent), South America ([7] per cent) and North America ([14] per cent). During the reporting period, [4] stakeholders attended Board meetings as observers.⁸⁸

111. On average, the UNFCCC CDM webcast was visited for this purpose more than [1,400] times and [472] hours were followed by individuals of the proceedings of the Board through the webcast. To the extent that they are traceable, such visits were made from Africa ([##] per cent), Asia ([##] per cent), Europe ([##] per cent), Middle East and Oceania ([##] per cent), North America ([##] per cent) and South America ([##] per cent).⁸⁹

Graph 1: Executive Board observers per region

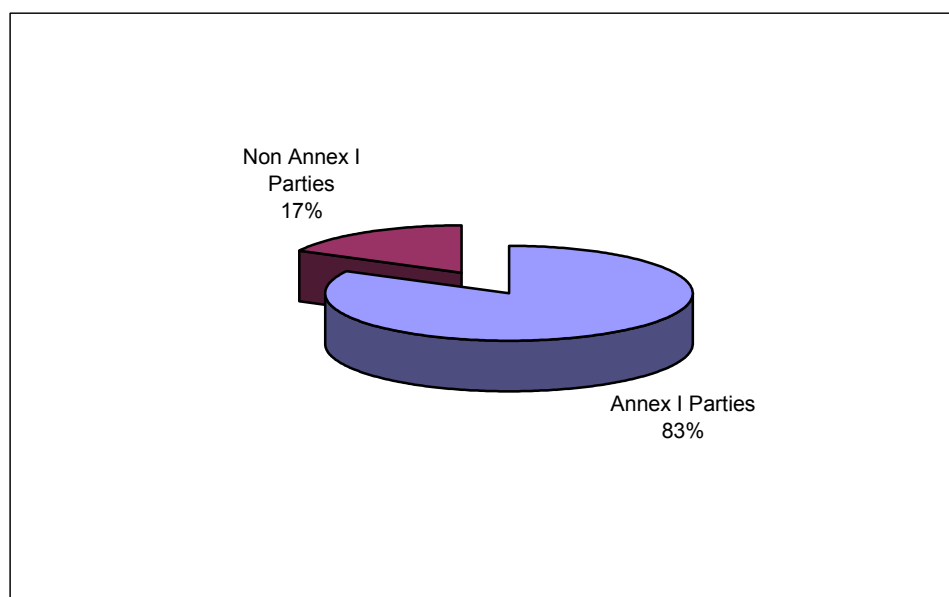


Graph 2: Executive Board observers from Non-Annex I and Annex I Parties

⁸⁷ Agendas, work-programmes, annotations to proposed agendas, reports related annexes, etc

⁸⁸ Note: This section in brackets may need to be revised after the twenty-fifth meeting of the Board.

⁸⁹ Note: This section in brackets will be revised after the twenty-fifth meeting of the Board, once figures are available.



Note: Graph “Characteristics of EB observers using webcast” will be included once figures are available.

112. Based on its experience with the implementation of the rules of procedure to date, the Board currently does not perceive the need to recommend any changes to the COP/MOP. For the matters so far before the Board, the rules allowed the administration of the CDM in an efficient, cost-effective and transparent manner. The Board is making efforts to provide its decisions with short explanations, however, over the reporting period the workload and the available resources did not permit to reach a sufficient progress in this. The Board is of the view that this will change towards the end of 2006 when human resources in the secretariat will become available and operational to support the Board in this challenge.

2. The role of the secretariat

113. The secretariat, in accordance with paragraph 19 of the CDM modalities and procedures and rule 33 of the rules of procedure, services the Executive Board. The major tasks relate to the servicing of the Board and its two panels and two working groups, in all their functions.

114. The human resources situation has improved since COP/MOP 1 but has not yet reached full capacity as envisaged in the CDM-MAP. Bearing in mind that the secretariat made a special effort to ensure the highest quality of staff, while maintaining a geographical and gender balanced secretariat, and the time for new staff to become operational (as of July 2006 more than 30% of staff employed in the CDM sub-programme started working less than 6 month ago), the secretariat was not yet in a position to reach the level of desired support indicated in the CDM-MAP.

115. However in the reporting period, the secretariat managed to support administratively, logistically and substantive support for a total of three CDM Executive Board meetings, six Panel meetings, six WG meetings. It equally managed associated experts for specialized technical input 61 desk reviewers, 21 consultants and 30 members of ATs during the reporting period), maintains the UNFCCC CDM website,



programmes and re-programmes electronic work-flows and interfaces and responds to external queries. It undertakes fund-raising efforts to mobilize resources for the work on the CDM and manages contributions from Parties and the income from fees for accreditation, methodology proposals, registration and the share of proceeds for administration. Regular reports are provided to the Board on the status of resources for work on the CDM (see also chapter IV below).

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

1. CDM management plan 2005–2006

116. The COP/MOP at its first session requested the Board to keep the management plan under review and make adjustments by, inter alia:

(a) Identifying and implementing, wherever warranted and compatible with the principles and the purpose of the clean development mechanism, further measures aimed at strengthening the clean development mechanism and its responsiveness to the needs of Parties and stakeholders;

(b) Adopting appropriate management indicators;

(c) Providing a breakdown of the level of resources allocated to the provision of services identified by the Executive Board in its management plan, in particular with relation to costs and geographic distribution of staff and consultancies;

117. The Board and its panels, in addition to the ongoing and increasing case load in terms of proposed new methodologies and requests for registration, kept its procedures and processes under review and implemented measures aimed at strengthening the CDM. It worked on guidelines, improved tools (additionality, baselines etc.) and ensured that on all such key issues the public had opportunities to provide input and/or to comment. While this opportunity for comment did make the work more time consuming, it provided for the opportunity for all those interested in the mechanism to make the input on issues.

118. With the resource level in the secretariat not yet at full level, the Board, supported by the secretariat, will work on the revision of the CDM MAP, including its operating assumptions, with a view to publish a revised CDM MAP at its twenty-seventh meeting and present key features of that revision in the addendum of this report. By that time, the Board may have developed, subject to availability of resources meaningful management indicators and present its results in the addendum to this report.

119. Information on the level of resources allocated to the provision of services identified by the Executive Board in its management plan has been enhanced in that document and the Board has been made available an online feature in its extranet which allows each member and alternate member to see the status of resources and expenditures at an executive level. In addition, the Board at each meeting is being briefed on financial and human resource matters. As was practice since the Board started its work, each annotated agenda and report of a meeting of the CDM Executive Board provide information on the status of income and expenditures.

120. The mandated functions of the Board can be distinguished as being policy-related, procedural and case-related. From these functions arise three tiers of work, undertaken either directly by the Board or by the support structure under the Board's supervision and responsibility. As indicated in the previous report, the tier relating to case-specific work is most prone to variability and lack of predictability. CDM-



MAP anticipated an average of 400 requests for registration and issuance, some 80 proposals for methodologies and 20 applications for accreditation can be expected. While the Board will review its assumptions of the CDM MAP, it can be noted that after six months into 2006, the number of requests for registration and issuance, expected to be 400 as per CDM-MAP has reached [231] which is [xx]% per cent the assumption. Surveys of DOEs and DNAs are carried out by the secretariat each quarter in order to project the expected workload. The surveys indicate presently that by the end of the year another 223 cases will be submitted for registration alone.

2. Resources for the work on the CDM

121. During the reporting period, the Executive Board monitored and reviewed the requirements and status of resources for the work on the CDM, based on reports by the secretariat at each of the Board's meetings. Comprehensive information on the four major activity areas (meeting and activities of the CDM Executive Board, activities relating to panels and working groups, facilitating access to assistance in arranging funding (Article 12.6), activities by the secretariat in support of above areas of work) and resource requirements, is contained in the project document entitled "Support to the operations of the clean development mechanism" which spans the period 2005–2007 and has been used for fundraising. The document contains information on expenditure occurred in the UNFCCC programme budget 2004–2005 and on provisions proposed for 2006–2007 and spells out the requirements to be covered from supplementary funding. Details are provided in table 7 below, which also contains expenditure information for the biennium 2004-2005.

Table 8. Expenditure in 2004/2005, first six months 2006 and budgets for 2006–2007

Activity area	2004/2005 Expenditure	Budget 2006	2006 (30/6) Expenditure	Budget 2007	TOTAL 2006–2007
Meetings and activities of the CDM Executive Board	323 779	568 000	253,203	568 000	1 136 000
Activities relating to panels and working groups	1 372 985	1 550 500	1,318,792	1 515 600	3 066 100
Facilitating access to assistance in arranging funding (Article 12.6)	0	132 000	0	132 000	264000
Activities by the secretariat in support of above areas of work	1 021 481	5 761 680	829,380	5 761 680	11 523 360
Sub-total	2 718 245	8 012 180	2,383,375	7 977 280	15 989 460
Overhead (13 per cent)	353 372	1 041 583	309,838	1 037 046	2 078 630
TOTAL (from supplementary funding)	3 071 617	9 053 763	2,693,214	9 014 326	18 068 090
TOTAL (from UNFCCC programme budget^a)	3 877 894	2 296 645	427,703	2 262 068	4 558 712



TOTAL	6 949 511	11 350 408	3,120,917	11 276 394	22 626 802
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^a The amount for 2004 and 2005 is an estimate of the portion expended on CDM activities and of the Kyoto Protocol Interim Allocation. The amounts for 2006–2007 cover activities referred to in the UNFCCC programme budget adopted by the COP at its eleventh session and endorsed by the COP/MOP at its first session.

Supplementary resources available in 2006 (27 June 2006) and current shortfall

122. The income of resource in support of the CDM Executive Board are at this stage of different nature:

- (a) UNFCCC programme budget: assessed contributions by Parties (20%)

Supplementary resources (80%) which are generated by:

Source	Prior 2008	As of beginning 2008
Party contributions	X	none
Accreditation fees	X	X
Share of proceeds (methodology fee and registration fee are down payments of the share of proceeds)	Collected, but only for use as of 1 January 2008 (see paragraph 126. below)	X

123. Since the inception of the CDM, in response to invitations by the COP, repeated calls by the Executive Board and communications from the Executive Secretary to Parties, a total of 19 Parties, 14 of which (marked by an asterisk in the list below) during the reporting period have generously contributed or pledged to contribute to the CDM: Austria*, Belgium*, Canada*, Denmark*, the European Community*, Finland*, France*, Germany, Ireland, Italy*, Japan, Luxembourg*, Malta*, Netherlands, Norway*, Spain*, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland*. These contributions are acknowledged with great appreciation. A summary of the status in 2006 of pledges and contributions is contained in annex II of this report.

124. Furthermore, share of proceeds and fees were received for applications for accreditation, new methodologies and requests for registration. An application fee of USD 15,000 is payable by an AE at the time it applies for accreditation. 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 accounted for payment of the registration fee. Since March 2006, the revised registration fee shall be the share of proceeds applied to the expected average annual emission reduction for the project activity over its crediting period. No registration fee has to be paid for CDM project activities with expected average annual emission reduction over the crediting period below 15,000 t CO₂ equivalent. If an activity is not registered, any registration fee above USD 30,000 shall be reimbursed. The registration and methodologies fee is considered as a down payment against the future share of proceeds to cover administrative expenses and hence represent only a form of bringing forward income from the a share of proceed which is due in the future. The registration fee depends on the size of a proposed CDM project activity.



125. The resources for supplementary funding during the first six months of 2006, were composed as follows:

- (a) Carry over from 2005: USD 5.6 million
- (b) Contributions by Parties: USD 3.3 million (see table # - Status of pledges and contributions)
- (c) Accreditation fees: USD 44,975

126. In response to decision 7/CMP.1, fees and share of proceeds on CERs are being collected, and are accumulating till end of 2007, to ensure that as of 1 January 2008 the activities of the Executive Board, as envisaged in the CDM-MAP, can be financed from this source. It is expected that by that time the potential risks due to fluctuations in income from the share of proceeds can be avoided by an operating cushion representing one-and-a-half years of collection of that share. As at 31 June 2006, a total of US\$ 5.2 million have been collected, and are accumulating for use as of 1 January 2008, including⁹⁰:

- (a) Methodology fees: USD 43,565 corresponding to 44 fees paid of which 1 was approved (NM 153), one was not approved, 10 did not pass the pre-assessment and the remaining 32 are under consideration.
- (b) Registration fees: USD 3.94 million
- (c) Share of proceeds: USD 1.26 million

127. As at 30 June 2006, the total amount of supplementary resources available have nearly reached the resources required to carry out the full scope of activities planned in 2006. Resources received to date amount to USD 8.95 million against the estimated requirements of USD 9.05 million in 2006 and 18.07 for the biennium 2006-2007. The resource gap is therefore USD 0.10 million for the remainder of 2006 and USD 9.12 million until the end of 2007.

128. In broad expenditure items, the costs in 2006 were distributed as follows 29 percent in desk reviewers, RIT, consultants, external expertise; 37 percent in meetings; 34 percent in staff supporting full time the Board, its panels working groups and UNFCCC CDM information system including the CDM Web site.

129. In the first six months of 2006, the CDM has employed 21 consultants (23 contracts) at a cost of USD 65,650. In terms of regional distribution, the 81 percent of the consultants are from AI countries and the 19 percent from NAI countries. The total costs of the support by desk reviewers amount to USD 239,200 of which 78% was paid to experts from AI countries and 22 % was paid to experts from NAI countries.

130. Given this resource situation the Executive Board continuously reiterated the call by the COP to Parties to make further contributions for the work of the CDM to ensure that all the necessary activities envisaged in the CDM-MAP for 2007 could be carried out in a predictable and sustainable manner.

⁹⁰ Note: This section in brackets may need to be revised after the twenty-fifth meeting of the Board.



V. Summary of decisions

131. In accordance with rule 38 of the rules of procedure of the Executive Board, the report of each Board meeting has been made available on the UNFCCC CDM website.

132. The Board agreed to implement the provision contained in paragraph 17 of the CDM modalities and procedures, whereby decisions of the Board shall be made publicly available, in all six official languages of the United Nations, by including the decisions or referring to them (indicating their placement on the UNFCCC CDM website) in its annual report to the COP/MOP (see also section I. B above).

Annex I**Approved baseline and monitoring methodologies**

Approved consolidated methodologies for baselines and monitoring:

ACM0001 Consolidated methodology for landfill gas project activities --- Version 3	Revised at [EB 25]
ACM0002 Consolidated methodology for grid-connected electricity generation from renewable sources --- Version 6	Revised at EB 24
ACM0003 Emissions reduction through partial substitution of fossil fuels with alternative fuels in cement manufacture --- Version 3	Revised at [EB 25]
ACM0004 Consolidated methodology for waste gas and/or heat for power generation --- Version 2	Revised at EB 24
ACM0005 Consolidated Methodology for Increasing the Blend in Cement Production --- Version 3	Revised at EB 24
ACM0006 Consolidated methodology for grid-connected electricity generation from biomass residues --- Version 3	Revised at [EB 25]
ACM0007 Methodology for conversion from single cycle to combined cycle power generation	Approved at EB 22
ACM0008 Consolidated methodology for coal bed methane and coal mine methane capture and use for power (electrical or motive) and heat and/or destruction by flaring	Revised at [EB 25]
ACM0009 Consolidated methodology for industrial fuel switching from coal or petroleum fuels to natural gas --- Version 2	Revised at [EB 25]

Approved methodologies for baselines and monitoring:

AM0001 Incineration of HFC 23 Waste Streams --- Version 4	Revised at EB 24
AM0002 Greenhouse gas emission reductions through landfill gas capture and flaring where the baseline is established by a public concession contract---Version 2	Revised at EB 22
AM0003 Simplified financial analysis for landfill gas capture projects---Version 3	Revised at EB 21
AM0006 GHG emission reductions from manure management systems	On hold at EB 24
AM0007 Analysis of the least-cost fuel option for seasonally-operating biomass cogeneration plants	Approved at EB 14
AM0009 Recovery and utilization of gas from oil wells that would otherwise be flared --- Version 2	Revised at EB 19
AM0010 Landfill gas capture and electricity generation projects where landfill gas capture is not mandated by law	Approved at EB 11
AM0011 Landfill gas recovery with electricity generation and no capture or destruction of methane in the baseline scenario --- Version 2	Revised at EB 21
AM0012 Biomethanation of municipal solid waste in India, using compliance with MSW rules	Approved at EB 13
AM0013 Avoided methane emissions from organic waste-water treatment --- Version 3	Revised at EB 24
AM0014 Natural gas-based package cogeneration	Approved at EB 15
AM0016 Greenhouse gas mitigation from improved animal waste management systems in confined animal feeding operations --- Version 3	On hold at EB 24
AM0017 Steam system efficiency improvements by replacing steam traps and returning condensate --- Version 2	Revised at EB 19
AM0018 Steam optimization systems	Approved at EB



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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 projects --- Version 2	Revised at EB 24
AM0020 Baseline methodology for water pumping efficiency improvements	Approved at EB 18
AM0021 Baseline Methodology for decomposition of N ₂ O from existing adipic acid production plants	Approved at EB 18
AM0022 Avoided Wastewater and On-site Energy Use Emissions in the Industrial Sector -- - Version 2	Revised at [EB 25]
AM0023 Leak reduction from natural gas pipeline compressor or gate stations	Approved at EB 20
AM0024 Methodology for greenhouse gas reductions through waste heat recovery and utilization for power generation at cement plants	Approved at EB 21
AM0025 Avoided emissions from organic waste through alternative waste treatment processes --- Version 3	Revised at EB 23
AM0026 Methodology for zero-emissions grid-connected electricity generation from renewable sources in Chile or in countries with merit order based dispatch grid --- Version 2	Revised at EB 24
AM0027 Substitution of CO ₂ from fossil or mineral origin by CO ₂ from renewable sources in the production of inorganic compounds	Approved at EB 22
AM0028 Catalytic N ₂ O destruction in the tail gas of Nitric Acid Plants	Approved at EB 23
AM0029 Methodology for Grid Connected Electricity Generation Plants using Natural Gas	Approved at EB 24
AM0030 PFC emission reductions from anode effect mitigation at primary aluminium smelting facilities	Approved at EB 24
[AM00XX: Bus Rapid Transit System for Bogotá, Colombia: TransMilenio Phase II to IV]	[Approved at EB 25]
[AM00XX: Waste Gas-based Cogeneration Project at Alexandria Carbon Black Co., Egypt]	[Approved at EB 25]
[AM00XX: Substitution of raw material in cement processing]	[Approved at EB 25]
[AM00XX: Catalytic reduction of N ₂ O inside the ammonia burner of the nitric acid plant at Fertilizers & Chemicals Ltd., Israel]	[Approved at EB 25]

Approved A/R methodologies for baselines and monitoring:

AR-AMS0001: Simplified baseline and monitoring methodologies for selected small-scale afforestation and reforestation project activities under the clean development mechanism	Approved at EB 22
AR-AM0001: Reforestation of degraded land --- Version 2	Revised at EB 24
AR-AM0002: Restoration of degraded lands through afforestation/reforestation	Approved at EB 24
AR-AM0003: Afforestation and reforestation of degraded land through tree planting, assisted natural regeneration and control of animal grazing	Approved at EB 24

Annex II**Status of pledges to support 2006 CDM activities⁹¹**

<i>Status of pledges to support 2006 CDM activities</i>					
<i>Montreal Pledge</i>		<i>Other Pledges</i>	<i>Total Pledge</i>	<i>Received 30 June</i>	<i>Outstanding</i>
<i>Austria</i>	90,000	38,717	128,717	90,000	38,717
<i>Belgium</i>	81,000		81,000	24,175	56,825
<i>Canada</i>	1,500,000	510,000	2,010,000	510,000	1,500,000
<i>Denmark</i>	106,000	194,000	300,000	106,000	194,000
<i>EC</i>	890,000	145,000	1,035,000	429,384	605,616
<i>Finland</i>	40,000		40,000	40,000	0
<i>France</i>	236,000		236,000	120,500	115,500
<i>Germany</i>	1,000,000		1,000,000	0	1,000,000
<i>Greece</i>	30,000		30,000	0	30,000
<i>Iceland</i>	10,000		10,000	0	10,000
<i>Ireland</i>	49,250		49,250	49,232	0
<i>Italy</i>	1,000,000		1,000,000	500,000	500,000
<i>Japan</i>	1,000,000		1,000,000	0	0
<i>Luxemb.</i>	20,000		20,000	23,894	0
<i>Malta#</i>	5,800		5,800	5,000	0
<i>Netherl.**</i>	265,000		265,000	264,706	0
<i>Norway</i>	450,000		450,000	490,376	0
<i>Portugal</i>	30,000	6,000	36,000	0	36,000
<i>Slovenia</i>	5,000		5,000	0	5,000
<i>Spain</i>	500,000		500,000	171,595	328,405
<i>Sweden</i>	140,000		140,000	0	140,000
<i>UK</i>	740,000		740,000	740,000	0
TOTAL	8,188,050	893,717	9,081,767	3,564,862	4,560,063

*Japan has recently indicated to the chair of the Executive Board that its pledge made in Montreal is not for activities under the CDM Management Plan (CDM-MAP), but for other CDM- related activities.

⁹¹ The figures in the above annex represent the status of 27 June 2006. This section will be revised after the twenty-fifth meeting of the Executive Board.



***Received in 2005. Total contributions received in 2006 (30 June 2006), USD 3,300,156.*

Malta will add USD 800 to the 2007 contribution

NB: some contributions differ from the pledge due to exchange rate fluctuations.