



Annex 1

Decision -/CMP.2 on Further guidance to the clean development mechanism

Attached the advance unedited version of the decision by COP/MOP on “Further guidance to the clean development mechanism” at its second session.

Decision -/CMP.2

Further guidance relating to the clean development mechanism

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,
Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Cognizant of decisions 7/CMP.1 and -/CMP.2 (*Capacity-building under the Kyoto Protocol*),

Recognizing the rapidly expanding portfolio of clean development mechanism project activities and the increasing volume of work for the Executive Board of the clean development mechanism,

Welcoming the establishment of 112 designated national authorities, 91 among them in developing country Parties,

Reminding Parties wishing to participate in clean development mechanism project activities of the need to identify a designated national authority,

Reiterating the importance of ensuring the efficient, cost-effective and transparent functioning of the clean development mechanism and the executive and supervisory role of its Executive Board,

Expressing deep appreciation to Parties that have so far contributed to funding the work of the clean development mechanism,

Recalling paragraph 2 of Article 12 of the Kyoto Protocol,

Affirming that it is the host Party's prerogative to confirm whether a clean development mechanism project activity assists it in achieving sustainable development,

Emphasizing that carbon dioxide capture and storage in geological formations should lead to the transfer of environmentally safe and sound technology and know-how,

Noting that the Intergovernmental Panel on Climate Change special report on carbon dioxide capture and storage¹ provides a comprehensive assessment of the scientific, technical, environmental, economic and social aspects of carbon dioxide capture and storage technologies as mitigation options,

Recognizing that there remain a number of unresolved technical, methodological, legal and policy issues relating to carbon dioxide capture and storage activities under the clean development mechanism, including those noted in the report of the Executive Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session,

Recognizing that there is a need for capacity-building on carbon dioxide capture and storage technologies and their applications,

General

1. *Takes note with appreciation* of the annual report for 2005–2006 of the Executive Board of the clean development mechanism, and of the availability of information on 409 registered clean development mechanism project activities; the issuance of the 18.8 million certified emission reductions; the accreditation/designation of 17 operational entities; the approval of 71 baseline and monitoring methodologies, including 10 consolidated methodologies; and the adoption of new and revised tools, manuals and clarifications to assist project participants;

2. *Notes* that the information in paragraph 1 above reflects an exponential growth in clean development mechanism activities during the reporting period;

3. *Designates* as operational entities those entities that have been accredited, and provisionally designated, as operational entities by the Executive Board to carry out sector-specific validation functions and/or sector-specific verification functions as listed in the annex to this decision;

4. *Authorizes* the Executive Board to extend the deadline for the submission for registration of the clean development mechanism project activities referred to in paragraph 4 of decision 7/CMP.1 from 31 December 2006 to 31 March 2007;

5. *Confirms* that, in order to facilitate the accreditation process, the Executive Board may suspend/withdraw accreditation and reinstate/reaccredit a designated operational entity between two sessions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

Governance

6. *Commends* the Executive Board for maintaining a management plan for the clean development mechanism, for the version made available to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its second session,² pursuant to provisions in paragraph 13 (b) of decision 7/CMP.1, and for implementing measures to further streamline procedures and processes, within the resources available and in the context of an exponentially growing mechanism;

7. *Encourages* the Executive Board:

(a) To continue to keep the management plan under review and make adjustments as necessary to continue ensuring the efficient, cost-effective, transparent and consistent functioning of the clean development mechanism;

¹ <http://arch.rivm.nl/env/int/ipcc/pages_media/SRCCS-final/IPCCSpecialReportonCarbondioxideCaptureandStorage.htm>.

² FCCC/KP/CMP/2006/4/Add.1 (Part II).

- (b) To continue its work on the catalogue of decisions with a view to making the catalogue publicly available towards the end of the first quarter of 2007 and thereafter updating it after each meeting of the Executive Board;
 - (c) To improve public availability of the rationale for its decisions and to integrate such information into the catalogue of decisions;
 - (d) To enhance the dialogue with project participants, as proposed in the clean development mechanism management plan, and identify other means to ensure equitable and transparent interaction with project participants;
 - (e) To further emphasize its executive and supervisory role by, inter alia, ensuring effective use of its support structure, including its panels, other outside expertise and the secretariat, and by strengthening the role of designated operational entities;
 - (f) To make use of and further develop management indicators;
8. *Clarifies* that with regard to revisions of the clean development mechanism management plan, the Executive Board shall:
- (a) Adopt revisions of the management plan, as necessary, on the basis of a draft prepared by the secretariat in response to needs identified by the Executive Board;
 - (b) Make any revision of the management plan, adopted by the Executive Board, publicly available as an annex to its meeting report;
 - (c) Submit the latest version of the management plan to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at each session for its information;
9. *Requests* the secretariat to implement expeditiously a clean development mechanism management plan adopted by the Executive Board;
10. *Requests* the Executive Board to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its third session, on its ability to deal with the exponentially growing workload under the current governance structure;
11. *Requests* the Executive Board to take into account the need to provide its annual report, including any annexes and addenda, prior to a session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol; this report shall cover the period from the previous session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to the Executive Board meeting that takes place just prior to the one held in conjunction with the session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
12. *Requests* the Executive Board to develop guidance for designated operational entities on verification and validation in order to promote quality and consistency in verification and validation reports;

Methodologies and additionality

13. *Takes note* of the number of consolidated and approved methodologies covering a wide range of methodological approaches and applicability conditions, as well as the optional “combined tool to identify the baseline scenario and demonstrate additionality”;³

³ Available at <<http://cdm.unfccc.int/Reference/Guidclarif>>.

14. *Reiterates* its encouragement to:
 - (a) Project participants to develop, and the Executive Board to approve, more methodologies with broad applicability conditions to increase the validity and use of approved methodologies;
 - (b) Parties, intergovernmental organizations, non-governmental organizations, industry and others to support the development by project participants of broadly applicable methodologies;
15. *Encourages* the Executive Board:
 - (a) To provide non-binding best practice examples on the demonstration of additionality to assist the development of project design documents, in particular for small-scale project activities;
 - (b) To continue its efforts to broaden the application of methodologies while maintaining their environmental integrity and to ensure that consolidated methodologies cover the full range of methodological approaches and applicability conditions as in the underlying approved methodologies;
 - (c) To further develop generic and user-friendly methodological tools that can assist project participants in designing or applying methodologies and thereby ensuring consistency and simplicity;
16. *Requests* the Executive Board:
 - (a) To finalize with utmost priority its guidance relating to the definition of project activities under a programme of activities and procedures for registration as a single clean development mechanism project activity;
 - (b) To finalize with utmost priority its work to improve the “tool for the demonstration and assessment of additionality”, as a follow-up to paragraph 25 (b) of decision 7/CMP.1;
 - (c) To continue to consider new proposals to demonstrate additionality with a view to including approved approaches for the demonstration of additionality in baseline methodologies and to report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its third session;
 - (d) To allow for a minimum time of 30 days, if possible, for submissions in response to a call by the Board for public input;
17. *Encourages* Parties, intergovernmental organizations, non-governmental organizations⁴ and others to respond to calls by the Board for public input;
18. *Takes note* of the submissions by Parties on the consideration of carbon capture and storage as clean development mechanism project activities,⁵ the report from the in-session workshop organized by the secretariat in conjunction with the twenty-fourth session of the Subsidiary Body for Scientific and Technological Advice,⁶ and the recommendation from the Executive Board and the Board’s analyses contained in annex 13 to the report of the twenty-sixth meeting of the Executive Board;

⁴ Including business and industry non-governmental organizations, environmental non-governmental organizations, local government and municipal authorities organizations, indigenous peoples organizations, and research and independent non-governmental organizations.

⁵ FCCC/KP/CMP/2006/MISC.2.

⁶ FCCC/KP/CMP/2006/3.

19. *Requests* the Executive Board to continue to consider proposals for new methodologies, including the project design documents for carbon dioxide capture and storage in geological formations as clean development mechanism project activities, with a view to gaining further knowledge and understanding of matters related to the clean development mechanism as described in this decision; the new methodologies should take into account the guidance in this decision; approval of such methodologies for use for clean development mechanism project activities by the Executive Board can occur only after further guidance from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

20. *Encourages* Parties, intergovernmental organizations, non-governmental organizations and others to organize global and regional workshops to enhance capacity-building on carbon dioxide capture and storage technologies and their applications and to share information on these workshops broadly;

21. *Invites* intergovernmental organizations and non-governmental organizations to provide to the secretariat, by 31 May 2007, information addressing the following issues:

- (a) Long-term physical leakage (seepage) levels of risks and uncertainty;
- (b) Project boundary issues (such as reservoirs in international waters, several projects using one reservoir) and projects involving more than one country (projects that cross national boundaries);
- (c) Long-term responsibility for monitoring the reservoir and any remediation measures that may be necessary after the end of the crediting period;
- (d) Long-term liability for storage sites;
- (e) Accounting options for any long-term seepage from reservoirs;
- (f) Criteria and steps for the selection of suitable storage sites with respect to the potential for release of greenhouse gases;
- (g) Potential leakage paths and site characteristics and monitoring methodologies for physical leakage (seepage) from the storage site and related infrastructure for example, transportation;
- (h) Operation of reservoirs (for example, well-sealing and abandonment procedures), dynamics of carbon dioxide distribution within the reservoir and remediation issues;
- (i) Any other relevant matters, including environmental impacts;

22. *Invites* Parties to make submissions to the secretariat, by 21 September 2007, on carbon dioxide capture and storage in geological formations as clean development mechanism project activities, addressing the issues identified in paragraph 21 above taking into consideration the submissions referred to in the same paragraph;

23. *Requests* the secretariat to compile and make available the information referred to in paragraphs 21 and 22 above for consideration by Parties at the twenty-seventh session of the Subsidiary Body for Scientific and Technological Advice;

24. *Requests* the Subsidiary Body for Scientific and Technological Advice, at its twenty-seventh session, to prepare recommendations on carbon dioxide capture and storage in geological formations as clean development mechanism project activities for consideration by Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its third session, with a view to taking a decision at the fourth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

25. *Decides* to put on hold annex 16 to the report of the twenty-second meeting of the Executive Board and annex 18 to the twenty-sixth meeting of the Executive Board;⁷

26. *Requests* the Executive Board to prepare, after a call for public input, new procedures to demonstrate the eligibility of lands for afforestation and reforestation project activities under the clean development mechanism providing for an additional call for public input on a final draft;

27. *Requests* Parties, intergovernmental organizations and non-governmental organizations to submit to the secretariat, by 23 February 2007, their views on the implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1, for consideration by Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session;

28. *Decides* to revise the definitions for small-scale clean development mechanism project activities referred to in paragraph 6 (c) of decision 17/CP.7, as follows:

- (a) Type I project activities shall remain the same, such that renewable energy project activities shall have a maximum output capacity of 15 MW (or an appropriate equivalent);
- (b) Type II project activities or those relating to improvements in energy efficiency which reduce energy consumption, on the supply and/or demand side, shall be limited to those with a maximum output of 60 GWh per year (or an appropriate equivalent);
- (c) Type III project activities, otherwise known as other project activities, shall be limited to those that result in emission reductions of less than or equal to 60 kt CO₂ equivalent annually;

29. *Invites* Parties, intergovernmental organizations and non-governmental organizations to submit to the Executive Board proposals for methodologies for small-scale clean development mechanism project activities that propose the switch from non-renewable biomass to renewable biomass, addressing issues related to leakage, differentiation between renewable and non-renewable biomass and consistency with paragraph 7 (a) of decision 17/CP.7;

30. *Requests* the Executive Board to make a recommendation to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its third session, on a simplified methodology for calculating emission reductions for small-scale project activities that propose the switch from non-renewable to renewable biomass; approval of such methodologies by the Executive Board for use for clean development mechanism project activities can occur only after concurrence of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

Regional distribution and capacity-building

31. *Welcomes* the establishment of the designated national authority forum, which could also contribute to broader participation, inter alia, through sharing of information and experience;

32. *Further welcomes* the progress made towards implementation of the “CDM Bazaar” and requests that it be launched as soon as possible;

33. *Takes note* of the recommendation of the Executive Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its second session,⁸ in response to the request in paragraph 33 of decision 7/CMP.1 relating to information on regional and subregional distribution of clean development mechanism project activities, systematic or systemic barriers to their equitable distribution and options to address these;

⁷ Available at <<http://cdm.unfccc.int/EB>>.

⁸ As contained in FCCC/KP/CMP/2006/4/Add.1 (Part I), annex 3.

34. *Encourages* the Executive Board to continue to facilitate the regional distribution of project activities;
35. *Takes note* of the barriers to the equitable regional distribution identified in the Executive Board report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its second session, and the need to address, in particular, the financial, technical and institutional barriers;
36. *Acknowledges* the efforts made by various Parties to address the above barriers to equitable regional distribution of clean development mechanism project activities;
37. *Welcomes* the “Nairobi Framework”, as announced by the Secretary-General of the United Nations at the opening of the high-level segment of the twelfth session of the Conference of the Parties and the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, to catalyze clean development mechanism in Africa;
38. *Emphasizes* that further efforts are necessary to promote equitable regional distribution of clean development mechanism project activities;
39. *Encourages* Parties included in Annex I to the Convention, that are willing to do so, to consider further initiatives, including financial support, either directly or through intergovernmental organizations and non-governmental organizations, as appropriate, for identification, development of clean development mechanism project activities including start-up costs, in Parties not included in Annex I to the Convention, especially least developed countries, African and small island developing States;
40. *Invites* Parties not included in Annex I to the Convention, that are willing to do so, to engage in South–South cooperation, including sharing of experiences in the identification and development of clean development mechanism project activities;
41. *Encourages* financial institutions, and the private and public sectors, to consider further options for investment in clean development mechanism project activities in Parties not included in Annex I to the Convention, in particular least developed countries in Africa and small island developing States;
42. *Invites* Parties included in Annex I to the Convention to contribute to the holding of additional forums of designated national authorities not provided for financially in the clean development mechanism management plan;

Resources for work on the clean development mechanism

43. *Takes note* that, if all pledges made by Parties for 2006 were to be paid by early 2007, it is presently expected that resources from the share of proceeds to cover administrative expenses for operational functions will accrue by mid-2007;
44. *Invites* Parties included in Annex I to the Convention to make contributions urgently to the Trust Fund for Supplementary Activities for funding work on the clean development mechanism in the biennium 2006–2007;
45. *Requests* the Executive Board to continue to provide information in its annual report on the status and the expected forecast of the revenue from the share of proceeds to cover administrative expenses.

ANNEX

Entities accredited and provisionally designated by the Executive Board of the clean development mechanism and recommended for designation by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol for validation (VAL) and verification/certification (VER) for specific sectoral scopes

Name of entity	Designated and recommended for designation for sectoral scopes	
	VAL	VER
British Standards Institution	1, 2, 3	
Bureau Veritas Quality International Holding SA		1, 2, 3
Det Norske Veritas Certification Ltd.	8, 9	8, 9
Korean Foundation for Quality	1, 2, 3	
KPMG Sustainability B.V.	13	
Lloyd's Register Quality Assurance Ltd.	13	
PricewaterhouseCoopers – South Africa	1, 2, 3	
Spanish Association for Standardisation and Certification		1, 2, 3
Tohmatsu evaluation and Certification Organization, Co. Ltd.	1, 2, 3	
TÜV Süd Industrie Service GmbH	8, 9, 14	4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15
TÜV Industrie Service GmbH, TÜV Rheinland Group	13	
TÜV Nord Certification GmbH	4, 5, 6, 7, 10, 11, 12, 13	1, 2, 3

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