



## Annex 10

### DRAFT RECOMMENDATION ON REGIONAL DISTRIBUTION OF CLEAN DEVELOPMENT MECHANISM PROJECT ACTIVITIES

#### A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 7/CMP.1 (para. 33), requested the Executive Board of the clean development mechanism (CDM) to provide at the second session of the CMP information on systematic or systemic barriers to the equitable regional and subregional distribution of CDM project activities, and options to address these issues.
2. By its decision 1/CMP.2 (paras. 31–42), the CMP took note of the recommendation of the Executive Board in response to the request contained in paragraph 33 of decision 7/CMP.1 and provided further guidance, to the Board.
3. By its decision 2/CMP.3 (paras. 26–42), the CMP acknowledged the recommendation of the Executive Board to the CMP relating to information on regional and subregional distribution of CDM project activities, and encouraged the Executive Board and the secretariat to continue to facilitate the regional and subregional distribution of project activities.
4. By its decision 2/CMP.4 (paras. 26 and 48–63), the CMP noted the work undertaken by the Executive Board and its recommendations in this area. It also requested the Board to take actions with a particular focus on countries that had limited access to the CDM to date.

#### B. Progress to date

5. In its report to the CMP at its second session,<sup>1</sup> the Executive Board highlighted decisions it had taken in order to alleviate some of the concerns on this issue including:
  - (a) Adoption of simplified modalities and procedures for small-scale projects;
  - (b) Establishment of the Designated National Authorities Forum (DNA Forum).
6. In its report to the CMP at its third session,<sup>2</sup> the Executive Board noted progress in several activities in this area, inter alia, that:
  - (a) The CDM Bazaar was launched to provide a web-based information exchange platform that facilitates access to, and sharing of, information among all stakeholders involved in the CDM process, in particular those from developing countries;
  - (b) The Nairobi Framework was launched to bring together United Nations organizations and other international organizations with the aim of assisting developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the CDM;
  - (c) The Executive Board provided guidance on CDM programmes of activities and on procedures for their registration and the issuance of CERs.

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<sup>1</sup> FCCC/KP/CMP/2006/4.

<sup>2</sup> FCCC/KP/CMP/2007/3.



7. In its report to the CMP at its fourth session,<sup>3</sup> the Executive Board noted that enhancing the regional and subregional distribution of the CDM represents a complex challenge, as factors beyond the control of the Board play an important role, and highlighted achievements, inter alia:

- (a) Effective interaction between DNAs through the DNA Forum;
- (b) Progress under the Nairobi Framework, in particular the organization of the first Africa Carbon Forum, in Dakar, Senegal;
- (c) Reduction of the transaction costs for least developed countries (LDCs) by abolishing the payment of the registration fee and share of proceeds at issuance for CDM projects hosted in these countries.

8. The Executive Board continued this year to undertake work in the area of regional distribution of CDM project activities, by facilitating information sharing, by focusing on the usability and applicability of methodologies and by providing additional guidance on various aspects of the CDM project cycle. Details of the work undertaken are contained in the report of the Executive Board to the CMP, paras. XX to XX.

### C. Recommendations

9. In order to further facilitate a more equitable distribution of CDM project activities and CDM programmes of activities and bearing in mind that the underlying reasons for an unequal regional distribution may not be rooted in the CDM rules but due to other factors that influence general investment flows, the Board agreed to recommend that the CMP, at its fifth session:

- (a) Extend the abolishment of the payment of the registration fee and share of proceeds at issuance to CDM projects hosted in small island developing States (SIDS);

10. The Board further agreed to recommend that the CMP at its fifth session, consider, without jeopardizing environmental integrity, the following options for countries with fewer than 10 registered projects, especially in LDCs, SIDS, and Africa:

- (a) To request the increased use of standardized baseline and additionality benchmarks in certain sectors for CDM project activities;
- (b) To request the development of more small-scale methodologies with the potential for application in these countries;
- (c) To increase the threshold for small scale CDM project activities and/or create the new category of micro-scale CDM project activities in accordance with principles and guidelines to be established by the Executive Board;
- (d) To create a “CDM projects development fund”, potentially revolving, by using part of the administrative proceeds of the CDM for this purpose and open to voluntary contributions from donors, and in partnership with the private sector as appropriate:
  - (i) To facilitate capacity-building, training opportunities, awareness raising and expertise development;

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<sup>3</sup> FCCC/KP/CMP/2008/4.



- (ii) To identify potential projects and develop project design documents (PDDs) and to pay the cost of validation for these projects;

In accordance with principles and guidelines to be established by the Executive Board;

- (e) To request the development, based on the potential of CDM projects of these countries, of a positive list of project types for which the compliance to the additionality tool can be assessed through the use of conservative criteria including check lists in accordance with principles and guidelines to be established by the Executive Board;
- (f) To authorize the top-down development of methodologies that are particularly suited for application in those countries and in relevant sectors in accordance with principles and guidelines to be established by the Executive Board;
- (g) To introduce a requirement for DOEs to indicate all work they are undertaking on projects originated in these countries as part of their annual activity reports and that this item is also specifically included in the subsequent synthesis report presented by the secretariat to the Board for appropriate follow-up;
- (h) To encourage Parties, in a position to do so:
  - (i) To voluntarily include better geographical distribution of projects as an additional criteria in the purchasing programmes for CDM projects;
  - (ii) To provide financial support to these countries, to cover the start-up costs and, if required, technical expertise required in the development of CDM project activities;
  - (iii) To provide financial support to the activities of the partners in the Nairobi Framework;
- (i) To encourage United Nations organizations and, in particular, partners in the Nairobi Framework, to focus on capacity-building in subject areas specific to the development of CDM project activities, in close consultation with the recipient countries, and in a coordinated fashion between bilateral and multilateral activities, in particular in relation to:
  - (i) Identification of potential CDM project activities, development of PDDs, assessing proposals, awareness raising, information sharing and the development of methodologies that are more suitable for these countries;
  - (ii) Support to these Parties in the creation of required infrastructure, such as DNAs or CDM promotion offices;
  - (iii) Developing, and making publicly available, studies on the CDM potential in these countries.

11. The Board also recommends that the CMP, at its fifth session:

- (a) Encourage all Parties to cooperate bilaterally to develop and implement CDM project activities, and in particular to facilitate South–South cooperation and capacity transfer;



- (b) Encourage Parties not included in Annex I to the Convention (non-Annex I Parties) to create an enabling environment for CDM projects and facilitate the operations of DOEs;
- (c) Encourage a closer cooperation between the DNAs of Annex I Parties and non-Annex I Parties, in particular through the DNA Forum;
- (d) Encourage DOEs to establish offices in line with the provisions of the CDM accreditation standard in developing countries in order to reduce the transaction costs for those countries and contribute to a more equitable distribution of CDM project activities;
- (e) Request the secretariat to further enhance the functionality of the CDM Bazaar in order to meet the needs of users on the basis of the feedback received and to promote the website's use in developing countries;
- (f) Request the secretariat to enhance its support to DNAs by inter alia:
  - (i) Providing training opportunities for CDM stakeholders on a continuous basis on the different elements of the CDM project cycle;
  - (ii) Facilitating information exchange and awareness raising at the regional and sub-regional levels;
  - (iii) Developing and making publicly available studies on the CDM potential in these countries, working in close cooperation with local authorities.

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