

**DRAFT****Annex 8****DRAFT RECOMMENDATION AND MEASURES ON STRATEGIC IMPROVEMENTS TO EFFICIENCY IN THE OPERATION OF THE CLEAN DEVELOPMENT MECHANISM****I. Mandate**

1. By its decision 2/CMP.4, the Conference of the Parties meeting as the meeting of the Parties to the Kyoto Protocol (CMP):
 - (a) Requested the Board, based on its relevant experience, to make recommendations to the CMP, for consideration at its fifth and subsequent sessions, for improving the efficiency of the operation of the clean development mechanism (CDM) (para 3);
 - (b) Requested the Board to 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 (DOEs) (para 5(b));
 - (c) Requested the Board to make use of and further develop performance and management-level indicators and enhance the provision of information derived from these (para 5(d));
 - (d) Reiterated its encouragement to the Board to ensure a balance in applying its resources between satisfying caseload needs and making general policy and system improvements pursuant to decision 2/CMP.3, paragraph 11 (para 16);
 - (e) Requested the Board to continue to closely monitor the adequacy of the operation of its support structure, particularly should the size and value of the CDM increase as expected, to take action, as appropriate, to ensure the effectiveness of its service and to report on actions taken to the CMP at its fifth session (para 18(d)).;

II. Measures agreed by the Executive Board*Matters relating to policy guidance and the supervision of the clean development mechanism*

2. The Board agreed to ensure a tight policy framework of standards and procedures, within which the support structure and stakeholders conduct their work. In particular, the Board agreed to:
 - (a) Develop and implement a work programme, including consultation with stakeholders, to undertake a stock-taking and systematic review of the completeness, clarity and consistency of the guidance so far established, including the appropriateness of timelines and communication measures, and take steps subsequently to address any issues arising;
 - (b) Consolidate and summarize all guidance provided by the CMP and the Board concerning the registration of CDM project activities and issuance of certified emission reductions (CERs) in a manner that organizes the guidance in a structured and user friendly manner;
 - (c) Define and communicate decision criteria in relation to cases;

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- (d) Introduce a process to ensure that lessons learned in the operation of the CDM, including common problems identified in the course of reviews, are fed into the ongoing development of guidance;
3. The Board agreed to strengthen its supervision of the support structure, including through reviewing the terms of reference of panels.
4. The Board agreed to establish a certification process for experts in the CDM field, based on the validation and verification manual and taking into account issues identified in the registration and issuance processes in relation to DOE performance. It agreed to encourage private and public institutions to develop and provide training programmes in support of this certification. The Board further agreed that, once the certification process is operational, to make the employment of certified staff a requirement under the accreditation standard for DOEs.
5. The Board agreed on a policy framework to monitor performance and address non-compliance by DOEs in a systematic manner and will be considering, at its fifty-first meeting, a proposal for the implementation of the framework, including the categorization of non-compliance, proposed thresholds and applicable sanctions, and further elaboration of how the concepts of materiality and level of assurance could be applied in the context of the work of DOEs.
6. The Board agreed to make information on DOE performance, including statistics, publicly available.
7. The Board agreed to implement an appeals process against DOEs under which a project participant may refer a case to the Board where it considers that a DOE has not performed its duties in accordance with the established guidance. The Board will consider a proposal, taking account of possible policy options and associated implications, at its fifty-first meeting.
- Matters specifically relating to methodologies for baselines and monitoring plans*
8. The Board agreed to prioritize the consideration of large scale methodologies submitted for approval and the development of small scale and afforestation and reforestation methodologies in order to improve the management of the methodologies process. The Board further agreed to undertake this prioritization on the basis of the analysis of the use of methodologies currently being undertaken. The criteria for setting these priorities could be on the basis of emissions impact, regions and/or whether there are less than 10 projects in a host Party;
9. The Board decided to establish conservative default parameters for use in baseline methodologies, as an alternative to setting project-specific parameters, to facilitate the use of methodologies while safeguarding the environmental integrity of the CDM;
10. The Board agreed to establish standard calculation protocols for use with methodologies and tools that may be applied to prioritised sectors and technologies.
11. The Board agreed to increase the direct interaction between methodology developers and the secretariat during the assessment of methodologies, in advance of panel and working group meetings, and to establish terms of reference for this interaction;
12. The Board agreed to promote the awareness of methodologies and make them more accessible to users, including through introducing a meaningful naming convention for methodologies, classifying

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them into categories, publishing summary descriptions and information on individual methodologies, and improving the CDM website search engine with regard to methodologies;

Matters specifically relating to additionality

13. The Board agreed to establish a positive list of sectors for which conservative criteria could be used to assess additionality, as an alternative option to the use of the additionality tool, initially for small-scale renewable energy projects. The Board further requested from the secretariat a study to determine thresholds for the positive list.

14. The Board agreed to provide more guidance on the use of the additionality tool, including best practices for barrier analysis and increased detail on the application of investment analysis.

15. The Board agreed to seek alternatives to the additionality tool from stakeholders and other experts through a public call for inputs and a focused study in this area.

Matters specifically relating to registration of CDM project activities and issuance of CERs

16. The Board agreed that the scopes of reviews are to include more comprehensive information that clearly indicates the reasons for the review. The Board further agreed to ensure that reviews focus on the defined scopes, clearly reference previous rulings and are clearly documented in its meeting reports.

17. The Board agreed to increase the direct interaction between DOEs and the secretariat once a review has been requested and the scope has been defined, including through telephone communications, and to established terms of reference for this interaction.

18. The Board agreed to reaffirm its interest in receiving more information on the impact of its rulings, including through reiterating to CDM stakeholders, in particular project participants, their right to correspond with the Board expressing concerns, including grievances in relation to validation, completeness checks and rulings in specific cases. The Board agreed to establish a formal procedure for its consideration of such correspondence, including through an item on the agendas of Board meetings.

Matters relating to the establishment of case rulings

19. The Board agreed that rulings should be demonstrably consistent with previous rulings of the Board for equivalent cases, unless the Board makes a change in its policy guidance.

20. The Board agreed that the secretariat should make recommendations on cases to the Board, in a standardized form, making specific reference to the respective guidance set by the Board and the consistency with other equivalent cases. In undertaking this work, the secretariat should ensure that it properly applies the guidance established by the Board, identifies issues requiring policy guidance or decision by the Board, and prepares options on such issues for the Board to consider.

21. [Placeholder: Possible structure of panels, working groups and RITs, including membership]

22. The Board agreed to introduce a more efficient and objective system to monitor the quality of secretariat recommendations on cases to ensure they are in accordance with the standards and procedures established by the Board. It further agreed that, in the event that it identifies cases for which the recommendations do not conform to this guidance, the Board will refer the cases back to the secretariat with a clear statement of the non-conformity or inaccuracy that has been identified, and will modify or add to its guidance if necessary.

**DRAFT***Matters relating to the Executive Board*

23. The Board agreed to focus its meetings on establishing guidance in the form of mandatory standards and procedures, modifying and adding to it as necessary, and ensuring the overall conformity of the operation of the CDM to it. The Board agreed to start by dedicating time for policy discussion at the beginning of each informal session.

24. The Board agreed to commit itself to conducting its meetings in a more effective manner, including through holding shorter meetings, efficiently addressing the topics on its agenda, keeping discussions to policy and strategy issues, and more strictly enforcing the allocation of time to agenda items. The Board agreed that the Chair and Vice-Chair should exercise a stronger role in the management of meetings, including through putting issues to a vote where reaching consensus is too difficult.

25. The Board agreed that it would implement a structured way of recording its decisions and rulings, including their rationale. The Board further agreed that its meeting reports should summarize the policy discussions it holds during meetings.

26. The Board agreed to enhance the CDM communications strategy, including through publicising exemplary CDM projects and their impacts, and developing, through a competition involving Designated National Authorities (DNAs) and other stakeholders, a CDM project plaque to identify CDM projects.

Matters relating to the support by the secretariat

27. The Board agreed to assign further responsibility for technical issues to the secretariat and the rest of the support structure in order to focus its work more on policy and strategic guidance.

28. The Board agreed that the presentation by the secretariat of material and case recommendations to the Board should be at an executive and supervisory level.

29. The Board agreed that the secretariat should ensure it has access to all the technical expertise it requires, through internal or external resources, in order to support the Board in its case rulings and other decision-making. The Board further agreed that the specialized expertise of international organizations should be engaged in an advisory capacity to supplement the expertise of the support structure.

30. The Board agreed that it will, in addition to establishing the annual management plan, adopt a prospective plan for the subsequent two years in order to enhance its forward planning of activities and resources.

31. The Board agreed that its management plans should include dedicated training resources to ensure the ongoing development of required skills and expertise in the secretariat and external experts.

32. The Board requested the secretariat to ensure that:

- (a) Its provides new members and alternatives of the Executive Board with a thorough and staged induction process;
- (b) It employs staff with a balance of skills in the areas of technical analysis, executive presentation of issues to the Board, and public communication;
- (c) It further strengthens its quality management system to ensure the high quality of its outputs for consideration by the Board.

**DRAFT****III. Recommendations**

33. The Board recommends that the CMP:
- (a) [Placeholder: Possible new timelines for case rulings, taking into account process improvements and technical input from external sources in complex cases]
 - (b) [Placeholder: Possible appeals process for affected stakeholders to appeal against case rulings]
34. The Board further recommends that the CMP:
- (a) Encourage DNAs to publish the criteria they use in assessing the contribution of project activities to sustainable development;
 - (b) Adopt criteria, including experience and skills, for the nomination of members and alternates of the Executive Board on behalf of UN regional groups;
 - (c) Reiterate to Parties the importance of members and alternates of the Executive Board providing the appropriate competence to supervise the CDM and being in a position to commit a significant portion of their time to the matters of the Board.
