

# CDM EB MEETING REPORT

EB 93, 20 – 23 February 2017

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## **Website**

[www.carbon-mechanisms.de](http://www.carbon-mechanisms.de)

<http://wupperinst.org/projekte/details/wi/p/s/pd/592>

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# **Report**

## **CDM Executive Board 93rd Meeting**

20 – 23 February 2017

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# Governance and Management

## *Membership Matters*

The composition of the EB has changed slightly compared with the previous year. The Africa representative, Joseph Amougou, has been replaced by the El Hadji Mbaye Diagne (Senegal), the African Group Chief Negotiator for Market Mechanisms. Diagne is a mechanical engineer and manages an environmental consultancy in Senegal. He is also a member of Senegal's National Climate Change Committee, the country's DNA.

The Board elected Frank Wolke as the EB Chair for 2017. Arthur Rolle (Bahamas) was elected as Vice Chair.

## *Strategic Planning*

### **Outcome of the Marrakech Climate Conference**

The Secretariat presented the CMP Guidance for the CDM as decided by the COP. In that guidance, the CMP encouraged the Board to forge ahead with its efforts regarding the CDM as a tool for other uses, funding CDM activities through climate financing and simplifying the streamlining mechanism. Particular focus was placed on registration and issuance of CERs, and methodologies.

With regard to monitoring, gradual approaches are to be developed which allow a choice between use of conservative default values and direct measurement campaigns. Digitisation of the process is to continue. The Board is to

produce an analysis of the costs incurred by auditors (DOEs) and report the results to the CMP.<sup>1</sup>

### **CDM Loan Scheme**

With regard to the Loan Scheme, the CMP had largely adopted the EB's recommendations from the previous year. Individual loan recipients with current loan agreements are to be afforded further support if desired. In many cases, however, a decision is needed regarding the writing off of expenditures and costs. The Secretariat emphasised that the UNFCCC and the UNOPS, the two organisations who manage the scheme, are to conduct case-by-case analyses to ensure fair and equal treatment of all cases.

### **Share of proceeds**

The Secretariat presented its proposals to counter the dramatic drop in Share of Proceeds (SOP) payments. Revenue has decreased since the market crisis unfolded because, although CERs are being issued, project developers are unable to sell them on the carbon market. Without the proceeds from the sale of CERs most project developers find it impossible to call up CERs from the pending account and thus pay their SOP. This in turn has led to extremely

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<sup>1</sup> Decision 3/CMP.12 Guidance to the Clean Development Mechanism can be viewed at: <http://unfccc.int/resource/docs/2016/cmp12/eng/08a01.pdf>

high amounts in outstanding payments owed (see EB 92).

The Secretariat suggested a range of measures such as a prompt payment discount, reducing the fees or changing the timing for collection of SOP issuance fees so that payments are made before CER issuance is due. Because the first two options would be difficult to implement, the Secretariat favoured a staggered payment process in which a portion of the SOP is due before a request for CER issuance is reviewed. The Board discussed the proposals in a closed session, but was unable to agree on any of the options proposed. These will be addressed again at a future meeting.

### ***Promoting Voluntary Cancellation***

The EB also discussed ways to promote voluntary cancellation of CERs. These were in addition to the online platform for voluntary cancellation already set up by the Board (see below). The Climate Change Secretariat had launched a parallel Go Climate Neutral Now initiative, which is designed to incentivise emission reductions as well as offsetting non-reduced emissions via the CDM. The Secretariat proposed initiatives to increase the number of CER cancellations. This involved approaching service providers such as travel and hotel booking agencies to encourage them to integrate offsetting options into their online booking systems. Organisers of sports and other large-scale events will also be addressed and a social media campaign will be launched to inform people about offsetting their personal carbon footprint.

The Board members welcomed the proposals in principle, but said that thought must be given both to the EB's role as a regulator and to the activities that should be managed under the Secretariat's Go Climate Neutral Now campaign. One Board member pointed out that some of the proposals were not detailed enough: the

offsetting of aviation emissions only covers the carbon component of aircraft emissions, while other offsetting providers address the whole picture by falling back on the radiative forcing index (RFI). This discrepancy must be remedied, he said.

The Board instructed the Secretariat to hold advance talks with the respective service providers (hotel booking portals, etc.) and to use the results to produce a revised concept note which should also take account of any further applicable feedback from EB 93. The Board will then use the new concept note at the next meeting to decide which activities the campaign should focus on and how they should be structured and designed.

The Secretariat also reported on an independent evaluation of the online platform for voluntary cancellation. To date, some 62,000 CERs have been cancelled with a total value of USD 103,115. The average CER price achieved was USD 1.64. The evaluation has revealed that although the platform is technically functional, the user experience leaves a lot to be desired – confusing messaging regarding the platform's purpose, a lack of background information and also of information on the types of transactions for which the website can be used.<sup>2</sup> The Board accepted the Secretariat's proposals for improving the platform. These included a redesign and improved content. French and Spanish versions are to follow shortly.

The Board then considered a concept note from the Secretariat on the possible merging of the Methodologies Panel (MP) and the Small Scale Working Group (SSC WG). The Secretariat argued its necessity on various counts and not just because of the drop in case numbers. Also, given the fact that the Board had frequently

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<sup>2</sup> The evaluation can be viewed at:

[https://cdm.unfccc.int/filestorage/O/E/0/OE0ABGK5SXTCVQN19Y82HFP76DJUL4/eb93\\_propan03.pdf?t=UVZ8b21odzQ5fDAWw93dJoHPevnLgZ8rziem](https://cdm.unfccc.int/filestorage/O/E/0/OE0ABGK5SXTCVQN19Y82HFP76DJUL4/eb93_propan03.pdf?t=UVZ8b21odzQ5fDAWw93dJoHPevnLgZ8rziem)

received requests from the two groups simultaneously, this had automatically led to joint MP/SSC WG meetings.

The EB members accepted the proposals and decided that the two groups should be merged in September this year. The MP's mandate will be expanded and its membership increased to take in new members with SSC expertise. In time for the next EB meeting, the Secretariat is to conduct an analysis to find out how many expert positions can be abolished and how the merger should be approached in administrative terms.

The Secretariat also presented proposals to improve the user friendliness of the CDM website, which has become somewhat out-of-date in its design and also in the technology used. Also, the UNFCCC's online presence is undergoing a complete relaunch and the new content could easily be used for the CDM website. The Board members discussed the various possibilities and their budget implications in detail, and then decided to leave everything as is and address the issue again in connection with the budget for 2018.

### *Performance Management*

The EB decided to adjust its workplan for 2017 to integrate new mandates issued by the CMP (see the section on Strategic Planning). With regard to possible cost reductions for DOEs, the Secretariat is to develop a concept note for consideration at EB 96 and will coordinate this with the Accreditation Panel and the DOE Forum. A concept note on further digitisation of methodology-specific forms will be presented at the next EB meeting, along with the analysis on the impact of the reduction in the number of methodology experts (see above).

Given these additional activities, the Board withdrew specific mandates from the MAP for 2017 which it had marked with a question mark last year. These include work on the materiality of validations: this complex task is to be

postponed due to the low number of cases involved. Further digitisation of the means of communication with project developers, DOEs and other stakeholders was also suspended.

The Board also revised the accreditation procedure. To avoid burdening inactive DOEs unnecessarily, they will no longer be subject to performance assessments. Assessments will only take place when a request for registration is submitted or when a monitoring report has been submitted within a period of five years.

### *Management of the Board and the Secretariat*

The Board made new management appointments to the various panels and working groups. The following appointments apply for 2017 (Chair and Vice Chair, respectively):

- *Accreditation Panel:* Kazunari Kainou and Balisi Gopolang
- *Methodologies Panel:* Eduardo Calvo (tbc) and Piotr Dombrowicki
- *Small Scale Working Group:* Diana Harutyunyan and Amjad Abdulla
- *Afforestation and Reforestation Working Group:* Washington Zhakata and Olivier Kassi
- *CCS Working Group:* José Miguez and Natalia Kushko

The Finance Committee will comprise:

Martin Enderlin, Kazunari Kainou, Gerald Lindo, José Miguez, Lambert Schneider and El Hadji Mbaye Diagne. The latter two members will serve as co-chairs.

# Case-specific Rulings

## *Programmes of Activities*

303 PoAs were registered as of 23 February (an additional five since November 2016), covering a total 2,030 CPAs. To date, 7,807,249 CERs have been issued for PoAs.

## *Registration of Project Activities*

7,761 CDM projects were registered as of 23 February 2017. This represents an increase of 18 projects since the last EB meeting.

## *Issuance and voluntary cancellation of CERs*

1,806,010,113 CERs had been issued for CDM projects as of 23 February 2017 and 18,788,880 CERs were cancelled voluntarily. This represents an increase of 71 million and 3 million CERs, respectively. Of these, 68,170 were cancelled using the new Climate Neutral Now platform for voluntary cancellation. This represents an increase of 68 percent.

The Board considered a controversial CER issuance request, which it eventually approved (Project 1568, Biomass cogeneration in Maharashtra, India).

## *Accreditation*

The Board reaccredited two DOEs and took note of successful onsite inspections from four other DOEs. One DOE must remedy two deficiencies. Performance assessments had been successfully completed on four DOEs.

# Regulatory Matters

## Standards and Tools

### Revision of PS, VVS and PCP

The Secretariat presented the results of the two-year workplan on streamlining the regulatory documents. At the request of the CMP, the rules for individual projects and PoAs had been split into two separate of rules, giving rise to two new versions each of the Project Standard (Ps), the Project Cycle Procedure (PCP) and the Validation and Verification Manual (VVS). These contain the numerous changes agreed by the Board in recent years (see previous EB reports). The most important changes include:

- For PoAs, several changes had been made, including one which now allows CPAs which had been excluded from a PoA to be added to another PoA or registered as a stand-alone project. Also, CPAs can now be added without validation if they involve micro-activities which meet the criteria for microscale additionality.
- *Post registration changes* can now be requested in accordance with a more flexible timeline, making it easier, for example, to switch to a newer version of a methodology.
- The possibility to monitor sustainable development benefits announced at the start of a project beyond the project's lifecycle.
- For validation, onsite visits by DOEs are now only required as of 100,000 t CO<sub>2</sub>eq. Different verification standards now apply.
- Improved communication processes (Means of Communication, MoC)

The Board engaged in renewed and heated debate regarding the timing of local stakeholder consultations. Although a decision had been reached on this issue at an earlier meeting, the Secretariat proposed more changes. This was due to a comment on the agenda for EB 93 made by the Project Developer Forum, who argued that timing which allowed a hearing of those affected right at the start of a project was too early and that project developers would be subject to unnecessary financial risk should a project not be implemented as a result.

Some Board members supported these arguments and referred to the vague definition of the term "start date" in the CDM glossary. Others argued that if, as the Secretariat proposed, the date of the request for registration was taken then the project could already be well underway at the time.

Agreement was finally reached with a proposal to retain the term "start date" and for that term to be more clearly defined in the CDM glossary.

With agreement having been reached on these changes, the regulatory documents were finally approved by the Board.<sup>3</sup> They will enter into effect on 1 July 2017.

<sup>3</sup> The documents are available for download:

CDM Project Standard

[https://cdm.unfccc.int/filestorage/Y/M/L/YML9DGU4W0ATEPFH13IC86NXQJ7OK2/eb93\\_repan04.pdf?t=TVh8b21nN3dvfDBCAKWbB6Wzmvi6xQvYlJaM](https://cdm.unfccc.int/filestorage/Y/M/L/YML9DGU4W0ATEPFH13IC86NXQJ7OK2/eb93_repan04.pdf?t=TVh8b21nN3dvfDBCAKWbB6Wzmvi6xQvYlJaM)

CDM VVS:

[https://cdm.unfccc.int/filestorage/X/K/B/XKBPU2YR6AG8ES5L9HNTCIF1O3W0QD/eb93\\_repan05.pdf?t=ckx8b21nN3hkfDDOUHrKdq\\_W4N0voWnkhNmh](https://cdm.unfccc.int/filestorage/X/K/B/XKBPU2YR6AG8ES5L9HNTCIF1O3W0QD/eb93_repan05.pdf?t=ckx8b21nN3hkfDDOUHrKdq_W4N0voWnkhNmh)

CDM PCP:

[https://cdm.unfccc.int/filestorage/O/0/U/O0UT9JXC2YR3IPKA87EMB5FNZGSVQL/eb93\\_repan06.pdf?t=bVv8b21nN3hyfDAW5PLF9NxlC4eUdfs6tnl7](https://cdm.unfccc.int/filestorage/O/0/U/O0UT9JXC2YR3IPKA87EMB5FNZGSVQL/eb93_repan06.pdf?t=bVv8b21nN3hyfDAW5PLF9NxlC4eUdfs6tnl7)

# Relationships with Forums and Other Stakeholders

As usual, the Board consulted with Werner Betzenbichler, Chair of the DOE Forum, on auditors' needs. The exchange was brief, with Mr. Betzenbichler reporting that the DOEs intend to revive the annual DOE Forum and plan to hold a meeting in September or October this year to which members of the Accreditation Panel will be invited.

He also commented on the agenda and provided input on auditors' preferences concerning inactive DOEs, whereby such DOEs are to be excluded from performance assessments (the EB had, however, already reached a decision on this the day before).

## *Next Meeting*

The next EB meeting will be held in Bonn in May.

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Download of the revised PoA Standard:

[https://cdm.unfccc.int/filestorage/V/7/A/V7AWH6ERUPBS3CM2KX4Q1TN85ILOF9/eb93\\_repan07.pdf?t=VUN8b21nN3l6DCSO51ORlyRt24tB\\_oQyrr-](https://cdm.unfccc.int/filestorage/V/7/A/V7AWH6ERUPBS3CM2KX4Q1TN85ILOF9/eb93_repan07.pdf?t=VUN8b21nN3l6DCSO51ORlyRt24tB_oQyrr-)

PoA VVS:

[https://cdm.unfccc.int/filestorage/S/H/6/SH61QJXFRBNW05ZVK7L83MCP0A4GY2/eb93\\_repan08.pdf?t=RWh8b21nN3p0fDAjDu8qly48SMfyjboMrRZN](https://cdm.unfccc.int/filestorage/S/H/6/SH61QJXFRBNW05ZVK7L83MCP0A4GY2/eb93_repan08.pdf?t=RWh8b21nN3p0fDAjDu8qly48SMfyjboMrRZN)

PCP for PoAs:

[https://cdm.unfccc.int/filestorage/F/H/K/FHKL17XEM605RJ9UDTCNA82P3QWIOS/eb93\\_repan09.pdf?t=RnZ8b21nODA2fDA0BpQTZNa4nsdpYOYr5dWk](https://cdm.unfccc.int/filestorage/F/H/K/FHKL17XEM605RJ9UDTCNA82P3QWIOS/eb93_repan09.pdf?t=RnZ8b21nODA2fDA0BpQTZNa4nsdpYOYr5dWk)