

CDM EB MEETING REPORT

EB 94, 2 – 4 May 2017

Disclaimer

This report represents the author's personal observations and views. Its contents have neither been coordinated with the German government, nor do they reflect the standpoint of the Wuppertal Institute.

The Wuppertal Institute manages the JIKO programme, which it conducts on behalf on the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.

Website

www.carbon-mechanisms.de

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

Contact

Christof Arens

Tel. +49-(0)202-2492 170

Email: christofar@wupperinst.org

Wuppertal Institute for Climate, Environment and Energy

Döppersberg 19 • 42103 Wuppertal • Germany

www.wupperinst.org

Report

CDM Executive Board 94th Meeting

2 – 4 May 2017

Christof Arens

Contents

- Contents II**
- Governance and Management 1**
 - Strategic Planning* 1
 - Financing and use of the CDM by international finance institutions 1
 - Changes in the support structure 2
 - Management of the Board and Secretariat* 2
- Case-specific Rules 3**
 - Registration of project activities* 3
 - Issuance and voluntary cancellation of CERs* 3
 - Accreditation* 3
- Regulatory Matters 4**
 - Standards and Tools* 4
 - Glossary of Terms 4
 - Simplified additionality 4
 - Standardized Baseline Refrigerators and Air Conditioners 4
 - Digitisation 4
 - Cost-effective MRV 5
 - Discounting 5
 - New methodologies and methodology revision* 5
- Relationships with Forums and Other Stakeholders 7**
 - Next meeting* 7

Governance and Management

Strategic Planning

Financing and use of the CDM by international finance institutions

The Secretariat reported on activities requested by the Board which are designed to support international finance institutions (IFIs) in developing financing options for the CDM. The activities cover four areas and are conducted jointly with the Regional Collaboration Centres:

1. A green bond-based CDM refinancing facility
2. A green bond-based CDM investment trust fund (Paris Climate Bond)
3. Crowd investing and crowd funding
4. Support for the development of green bond programmes for the West African Development Bank (BOAD) and the East African Development Bank (EADB).

With regard to the CDM refinancing facility, the Secretariat reported that cooperation with a bank had initially appeared very promising, but that in the end the bank had developed a green bond model to promote renewables in industrialised countries. The bank had decided not to use the CDM because this was its first green bond and the CDM appeared too complex and risk-heavy for the intended activity. However, the bank does use CDM methodologies from time to time to assess mitigation components, and talks are still underway regarding possible use of the CDM.

Developments concerning the Paris Climate Bond were more positive. The Secretariat is collaborating with a finance institute to

develop a green bond business plan, documentation for investors and online access to best-practice information to promote replication. With regard to crowd funding, various support schemes have been launched with two cooperation partners. For example, in the course of just 18 hours, initial funding had been mobilised to enable continuation of two landfill gas projects in Columbia which had been stopped.

Support for the African development banks had also proven successful. The banks have developed and implemented their green bond programmes. The Secretariat stressed that the support it provides covers the CDM components, primarily programme design, and not the products themselves. The Secretariat then presented a request from the Zimbabwe Development Bank. The bank would like to use the CDM in its financing scheme and asks for support from the Board.

The Board focused mainly on this latter issue. One member expressed concern that as there was only one registered CDM project and two PoAs, which had not yet generated any CERs, it was unclear as to what was to be promoted in Zimbabwe. With regard to the bank's request for support, climate finance and the GCF were the main focus areas. Other members viewed the situation more positively. They believe CDM development in Zimbabwe could be beneficial, even if it only involved use of CDM methodologies. However, the type and scope of the support to be provided by the Secretariat must be more clearly defined. This was a view that most Board members shared.

The EB accepted the proposal, but said that the activities must focus more on the CDM and should include an assessment of the role the CDM can play in the bank's project development and evaluation process. Through synergies with other areas, the activities will have no initial budget implications.

Changes in the support structure

The Board also discussed the merging of the Methodologies Panel and the Small Scale Working Group, and determined that the new panel should have 12 members. The panel should be compiled such that its members represent the expertise from both its predecessor bodies. The Secretariat will make the necessary changes to the relevant procedures and documents in time for the next meeting. The new panel will meet for the first time in September.

Management of the Board and Secretariat

The Board named the 12 members of the new Methodologies Panel; their tenure covers a period of one year from the date of the inaugural meeting in September 2017.

The Board also named five new members for the Accreditation Panel and 21 members of the Registration and Issuance Team, the latter for a tenure of two years.

Case-specific Rulings

Registration of project activities

A total of 7,770 CDM projects were registered as of 4 May 2017. This represents an increase of 90 projects since the last EB meeting. 307 PoAs were registered as of the same date, an increase of five since February 2017. These included 2,045 CPAs.

discrepancy and will then be subjected to an on-site inspection.

Also, the DOE E-0024 “Colombian Institute for Technical Standards and Certification” has been placed under observation because it had not enabled an on-site inspection to take place.

Issuance and voluntary cancellation of CERs

1,818,904,648 CERs had been issued for CDM projects as of 4 May 2017 and 21,572,086 CERs were cancelled voluntarily. This represents an increase of 12 million issued and 3 million cancelled CERS since February 2017.

Of the cancelled CERs, 109,196 were cancelled using the new Climate Neutral Now platform for voluntary cancellation. This represents an increase of 62% since February 2017.

The EB discussed two requests for post registration changes, approving one (“Burgos Wind Project”, No. 7980) and rejecting the other (“Salvador da Bahia Landfill Gas Management Project”, No. 0052).

Accreditation

The Board re-accredited two DOEs for a period of five years (E-0011 “Korea Energy Agency” and E-0058 “Foundation for Industrial Development - Management System Certification Institute (Thailand)”). The DOE E-0031 “Perry Johnson Registrars Carbon Emissions Services” was suspended because it had not remedied a non-conformity issue as requested by the AP. The DOE now has 90 days in which to remedy the

Regulatory Matters +

Standards and Tools

Glossary of Terms

The EB approved a revised version of the CDM Glossary of Terms. Apart from editorial improvements, two entries had been reworked:

- The “start date” entry now states that a project begins when associated investment agreements are signed or when costs are incurred, such as for the distribution of energy-efficient lamps.
- The “project boundary” entry was supplemented with details of the geographical location of the project.

Simplified additionality

The Secretariat presented a set of recommendations for improvement concerning simplified additionality. These had been requested by the Board because during the methodologies revision, it had come to light that the positive lists for simplified additionality provisions were contained in numerous methodologies and these must be periodically renewed. The Board had asked whether it might be better to manage such recurring processes through the use of an overarching tool.

The Secretariat presented a range of possible options, but was against introducing a universal tool. The reason was that the tool would have to be updated at frequent intervals to keep pace with technological advancements and that the intervals would vary depending on the technology involved. The Board agreed and asked the Secretariat to also make methodologies with simplified additionality provisions more visible on the CDM website in

order to raise users’ awareness to the simplified procedure.

Standardized Baseline Refrigerators and Air Conditioners

The Board heard a proposal for a methodological tool to aid the development of standardized baselines for energy-efficient refrigerators and air conditioning units. The tool had been developed by the Secretariat as part of a top-down process. It provides a framework with options for calculating relevant parameters such as annual energy use and region-specific, appliance-related energy consumption, and uses various data sources to do so. To ensure the necessary data quality consistency, up to three different data sources must be used.

The Board welcomed these developments, but asked for a number of improvements such as consideration of prevailing national energy consumption standards. The EB asked the Meth Panel and the Small Scale Working Group to work on the tool and make the necessary corrections and additions. The EB also asked them to develop a new methodology for use with the tool to enable development of standardized baselines for this sector.

Digitisation

The Board also heard an interim report on the activities concerning digitisation of the CDM framework. The Secretariat is working primarily on methodology-specific forms for projects and PoAs. The aim is to digitise PDD/PoADD/CPA/SB forms. Work should be completed in August. Following a test phase, the results will be presented at the EB meeting in October.

Cost-effective MRV

The EB also addressed a concept note presented by the Secretariat on cost-effective and context-appropriate approaches for MRV. This goes back to mandates issued at CMP 11 and 12 which, among other things, called for procedures for dealing with data gaps and to reduce the transaction costs in monitoring.

The Secretariat proposed including best practice examples in methodology-based tools and sampling guidelines, the development of a new guideline on dealing with data gaps and the use of clarification requests for sectoral or national data or use of standard data to fill data gaps. The Board also asked for an assessment of whether tiered approaches could be used for specific methodologies. The Secretariat suggested exploring methodologies that cover urban areas as one option in conducting that kind of assessment.

The Board was highly sceptical regarding the clarification requests approach. It felt that the project cycle procedure allowed for deviations, including post-registration, and that that was sufficient. The Board also questioned the idea of integrating best-practice components into methodologies. Data gaps are an overarching phenomenon and are not restricted to a specific methodology. This led one Board member to ask whether it might not be better to revise the project standard instead. The Secretariat confirmed that there were already regulating documents available which addressed the data gaps. However, as the CMP mandate must be acted upon, this solution – which the Secretariat believes effective – had been developed as a result.

The Board agreed to adopt the best practice examples approach. Use of tiered approaches is to be considered if methodologies that can be used for activities in the urban sector are revised. The Board also approved changes to the sampling standard to enable surveys for a group of PoAs.

Discounting

The Board then took note of the Secretariat's explanation regarding methodologies that apply the discounting principle. In the course of its consultations on additionality, the EB had requested that this issue be assessed. The Secretariat stressed that it is not just a matter of dealing with uncertainties to achieve conservative estimates of potential emission reductions. The CDM methodologies also use discounting for reduction/adjustment of parameters, baseline emissions and/or emission reductions, deduction of a parameter component or emissions and exclusion of (parts of) emission reductions from a given monitoring period. In some cases, the discounting principle is also used to simplify monitoring, for example in the case of lower project emissions or leakages.

New methodologies and methodology revision

The Board then turned its attention to specific CDM methodologies – an issue it had not addressed for some time – and approved a newly-developed methodology for sulphur hexafluoride abatement (“AM0119: SF6 emission reductions in gas insulated metal enclosed switchgear”). The new methodology applies to project activities that introduce new or replace existing gas insulated switchgear(s) with those filled with a lower content of sulphur hexafluoride compared to the baseline or introduce sulphur hexafluoride free gas.

The Board also reviewed a number of methodologies, including ACM0001 on the use of landfill gas. The revision included the approval of an updated positive list to provide clarity on the simplified additionality provisions (see above). Other revisions involved “ACM0006: Electricity and heat generation from biomass” and “ACM0017: Production of

biofuel". In both, the requirements concerning project emissions and leakages were more clearly defined.

With regard to small-scale project methodologies, the Board approved a new methodology for emission reductions achieved through reactive power compensation ("AMS-II.T: Emission reduction through reactive power compensation in power distribution network"). The methodologies "AMS-III.AH: Shift from high carbon-intensive fuel mix ratio to low carbon-intensive fuel mix ratio" and "AMS-III.AJ: Recovery and recycling of materials from solid wastes" were also revised, among other things to improve baseline calculation.

Relationships with Forums and Other Stakeholders

The EB interacted with the co-chairs of the Global DNA Forum, Anne Omambia (Kenya) and Laurence Mortier (Switzerland), both of whom stressed the continued importance of the CDM for host countries. The DNAs would like to see more systematic participation at COPs and called for further simplification of the CDM rules and procedures. They believe the GCF is the best option for projects which are not to be continued; one DNA had called for host country governments to provide financial support. On the subject of developing national carbon markets and standardized baselines, the DNAs would like to receive more international-level support. They are also in favour of an international tool for use in improving visibility of sustainable development benefits. The Board had no questions concerning these issues and thanked the DNA Forum co-chairs for their input.

Interaction with Werner Betzenbichler, Chair of the DOE Forum, on auditors' needs was brief. Mr. Betzenbichler commented on the meeting's agenda and suggested, among other things, that the planned digitisation of forms might be beneficial where road testing is concerned.

Next meeting

The next EB meeting will be held in Bonn from 11 to 13 July.