

CDM EB MEETING REPORT

EB 100, 27 - 31 August 2018

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Report

CDM Executive Board 100th Meeting

27 – 31 August 2018

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Contents

- Governance and Management 1**
 - Strategic Planning* 1
 - Publication of a report on CDM achievements 1
 - Performance Management* 1
 - SD Tool 1
 - Pre-2020 implementation and ambition: Input to the COP 1
 - Voluntary Cancellation 1
- Case-specific Rulings 2**
 - Accreditation* 2
 - Programmes of Activities* 2
 - Registration of Project Activities* 2
 - CER Issuance and Voluntary Cancellation* 2
 - Other decisions* 2
- Regulatory Issues 3**
 - Standards and Tools* 3
 - Coverage of data and validity of standardized baselines 3
 - Sector-specific standardized baselines 3
 - Crediting period and PoA period renewal 3
 - Revision of regulatory documents 4
 - Digitalisation 4
 - Updating of positive lists 4
 - Tool for SB development for energy efficiency in buildings 5
 - Updating of positive lists 5
 - Revision of existing methodologies 5
 - Efficient operation of public transport 6
 - Calculating non-renewable biomass 6
 - Developing the concept of market share 7
 - Procedures* 7
 - Standardized Baselines 7
- Relationships with Forums and Other Stakeholders 8**
 - CDM Loan Scheme* 8
 - Designated Operational Entities* 8
- Other Issues 8**
 - Dialogue with Observers* 8
 - Next meeting* 8

Governance and Management

Strategic Planning

Publication of a report on CDM achievements

On the occasion of the 100th meeting of the CDM Executive Board, the Board published a report entitled “The Achievements of the CDM – Harnessing Incentives for Climate Action (2001–2018)”. The report is available on the UNFCCC website.¹

Performance Management

SD Tool

The Secretariat presented several new features of the SD tool, among them improved user-friendliness, channels for direct dialogue with project proponents and an improved search function. The Board welcomed the improvements, but asked the Secretariat to provide a better demonstration of the new features at the next meeting to enable a better understanding of how they work.

Pre-2020 implementation and ambition: Input to the COP

In a closed session, the Board discussed a request from the COP Presidents to deliver input on pre-2020 implementation and ambition. The Board instructed the Secretariat to prepare a

draft response for subsequent comment by members of the EB.

Annual report to the CMP

In a closed session, the Board discussed the annual report to the CMP and instructed the Secretariat to prepare the report, taking account of the decisions reached at EB 100.

Voluntary Cancellation

The Secretariat reported on the current status of its work on voluntary cancellation of CERs, including the new version of the platform which went online on August 24th. The Board seemed somewhat disappointed that use of the platform was below expectations despite intensive advertising efforts. The Secretariat was instructed to provide an update at EB 101 on the status of the results of the social media campaign.

¹ The report is available at:
<https://unfccc.int/documents/181797>

Case-specific Rulings

Accreditation

Taking account of the recommendations of the CDM AP, the Board approved the re- accreditation of the DOEs GHD Limited, TÜV NORD CERT GmbH, LGAI Technological Center, S.A., CEPREI certification body and EPIC Sustainability Services Pvt. Ltd.

The Board considered a request from a DOE for permission to perform verification of a PoA for which it had already performed validation. The request was denied.

Programmes of Activities

315 PoAs were registered as of 31 August 2018, covering a total 2,169 CPAs. To date, 14,649,442 CERs have been issued for PoAs.

Registration of Project Activities

7,805 CDM projects were registered as of 31 August 2018.

CER Issuance and Voluntary Cancellation

1,952,506,402 CERs had been issued for CDM projects as of 31 August 2018 and 34,368,004 CERs were cancelled voluntarily. Of these, 340,186 were cancelled using the online Climate Neutral Now platform for voluntary cancellation.

Other decisions

The Board considered a request from a DOE for permission to perform both validation and verification of a CDM activity. The request was denied.

Regulatory Issues

Standards and Tools

Coverage of data and validity of standardized baselines

The Board discussed the standard “**Determining coverage of data and validity of standardized baselines**” and its update. This followed an EB 99 decision requesting clarification on the prevailing requirements. The draft standard prepared by the Secretariat provided clarity as to the requirements that must be complied with for dynamic SBs as well as those for constant (formerly static) SBs. Constant SBs are SBs whose standardised values or parameters do not change during the validity period of the SB. In the case of dynamic SBs, their values and parameters change during the validity period, with the change having been defined in advance. The revised standard also clarifies that the activity data used in developing constant SBs must cover a period of at least three years. For dynamic SBs, the minimum coverage period is five years. Under certain circumstances, such as when an SB is developed for LDCs, shorter coverage periods of one year are possible for constant SBs and of three years for dynamic SBs.

The Board adopted the revised standard, which entered into force on 31 August 2018.²

² The revised standard “Determining coverage of data and validity of standardized baselines” is available at: <https://cdm.unfccc.int/UserManagement/FileStorage/MQF17J8RANY1CBWVSK43GD2TH50X9Z>

Sector-specific standardized baselines

The Board discussed the revised draft of the “Guidelines for the establishment of sector specific standardized baselines”. One Board member pointed to the various deficits of the draft document and to the inadequate provisions to prevent possible weakening of environmental integrity. As the EB member’s proposal to have the Board revise the document was rejected, the Board asked the Meth Panel to further revise the draft in time for EB 101 where, following comments from the Board, the document would be reclassified as a standard.

Crediting period and PoA period renewal

The Secretariat returned once again to the requirements for renewal of the crediting period for CDM projects, which it has previously brought up at EB 99. The previous two-step process requires that project proponents inform the Secretariat of their intention to request renewal of the crediting period (renewal intention) between 180 and 270 days prior to the end of the current crediting period. Having done that, the DOE must then submit a renewal request. Project proponents who fail to meet the deadline for submitting a crediting period renewal request are not entitled to receive the full amount of CERs. Both the Secretariat and a number of Board members felt this posed an unnecessary disadvantage for those project proponents involved. At EB 99, the Secretariat had thus proposed abolishing the first step of communicating renewal intention. At EB 99, the Board had, however, requested better clarification of the available options, including any related advantages and disadvantages, and for a

Call for Public Input to be announced (see Report EB 99).

During the Secretariat's presentation on its evaluation of the input received, the Board was again unable to agree: While some members were in favour of abolishing the renewal intention step without implementing any further changes, others called for the current process to be retained. In the end, the EB agreed to change the process as follows:

- Notification of renewal intention is no longer required.
- A DOE must submit a renewal request no later than one year prior to end of the current crediting period.
- Project proponents will receive a reminder 270 days in advance of the date on which their current crediting period ends.
- For projects whose crediting period has expired and has not been renewed, the Board agreed a period of grace which allows project proponents to submit their renewal request no later than 31 December 2019.

The Board instructed the Secretariat to integrate the requirements into the regulatory documents and present the results at EB 101.

The results of an analysis of the practices used in crediting period renewal were worthy of note: While the number of projects which are eligible for renewal is increasing, the number of projects for which renewal requests have been submitted is extremely low. In response to this trend, one Board member used the term "dead patient" to describe the CDM.

With regard to renewal of the PoA period, the Board had already agreed on changes to the requirements at EB 99 (see Report EB 99). These were now adopted by the Board, so that PoA implementers no longer have to inform the Secretariat of their renewal intention. In addition, the Board also determined that the PoA renewal request should be submitted no earlier than 270 days prior to the end of the current period. The necessary changes to the regulatory

documents will be presented at the next EB meeting.

Revision of regulatory documents

The Board discussed the Secretariat's draft revision of the CDM Project Standards, CDM Validation and Verification Standards, and the CDM Project Cycle Procedures. The Board pointed to the inconsistencies in the draft: For example, the term "tool" had not been used consistently. The Secretariat was instructed to rectify the deficits in time for EB 101 and in doing so to integrate the changes agreed at EB 100 concerning crediting period and PoA period renewal.

On this point, the Board discussed a proposal from an EB member in which project proponents are required to sign a declaration in which they confirm the accuracy of the information contained in the PDD. A similar procedure is already in use with other standards, such as the Verified Carbon Standard (VCS). The Board was unable to reach agreement on this and no further mandate was issued in this regard.

Digitalisation

The Secretariat reported on the current status of work involving digitalisation of methodologies and, using the example of Methodology "ACM0002: Grid-connected electricity generation from renewable sources", used screenshots to demonstrate how the system works. As a next step, the system will be tested in collaboration with stakeholders.

Updating of positive lists

The Board discussed a concept note from the Meth Panel on updating methodologies contained in positive lists. The technologies in the positive lists are deemed automatically additional. The main focus of the analysis was dealing with methodologies whose positive lists

contained expiry dates but for which no procedure and no designated responsibilities for updating them exist. For these methodologies, the Meth Panel proposed removing the expiry date and requiring a re-evaluation of the positive lists once every three years if they are based on costs and penetration of the technologies concerned.

The Board rejected the proposal and, following further discussion, instructed the Meth Panel to develop a draft tool. The tool should encompass the positive lists which contain an expiry date and a draft procedure for use in updating them. The draft is to be discussed in EB 101.

Tool for SB development for energy efficiency in buildings

The Secretariat presented a draft tool designed to help DNAs develop standardized baselines for the building sector. The tool enables the use of benchmarks to calculate carbon emissions based on the top 20 percent of the most energy-efficient buildings. A second option that provided for the use of building codes was, in the Board's view, not fit for purpose and thus rejected, partly because building codes do not cover all of the emission sources taken into account by the tool – and because their level of enforcement differs greatly from region to region. The Board approved the tool after option two had been removed³ and then instructed the Meth Panel to revise four methodologies to enable the tool to be used.⁴

³ The tool is available at:

<http://cdm.unfccc.int/UserManagement/FileStorage/HRJ01NZX4OGUKW79FCIP3ED8LQ6YAM>

⁴ The following methodologies were revised: "AM0091: Energy efficiency technologies and fuel switching in new and existing buildings"; "AMS-II.E: Energy efficiency and fuel switching measures for buildings"; "AMS-II.Q: Energy efficiency and/or energy supply projects in commercial buildings"; "AMS-III.AE: Energy efficiency and renewable energy measures in new residential buildings".

Updating of positive lists

The Board discussed the updating of the positive lists contained in "Tool 21: Demonstration of additionality of small-scale project activities" and also in the large-scale methodologies "ACM0002: Grid-connected electricity generation from renewable sources" and "AM0103: Renewable energy power generation in isolated grids". This involved the Meth Panel's recommendation to exclude photovoltaics from the positive lists because these technologies no longer meet the necessary criteria due to growing global penetration and a reduction in costs.

The Meth Panel's recommendation was seen as controversial by members of the Board. Many members were vehemently against excluding photovoltaic technologies from the positive lists and pointed to the difficulties involved in implementing such projects in many developing countries. In response, one Board member said that the matter was not of politically-motivated exclusion of photovoltaic projects from the CDM, but of removing them from a globally applicable positive list whose application is justified by pre-determined criteria. It was felt that implementers of photovoltaic projects could find other ways to demonstrate additionality.

In the end, the Board decided not to remove photovoltaic projects from the positive list, but instead to extend the validity period of the positive lists in their current form by a further two years. The Meth Panel was asked to perform an analysis that takes greater account of the conditions for implementing photovoltaic projects in developing countries.

Revision of existing methodologies

As part of the revision of existing methodologies, the Board extended the following four methodologies by adding positive lists:

- “AMS-I.E: Switch from non-renewable biomass for thermal applications by the user”⁵
- „AMS-I.J: Solar water heating systems (SWH)”⁶
- “AMS-II.G: Energy efficiency measures in thermal applications of non-renewable biomass”⁷
- “AMS-III.AR: Substituting fossil fuel based lighting with LED/CFL lighting systems”⁸.

Globally prescribed values were also updated for two methodologies:

- “AMS-III.AJ: Recovery and recycling of materials from solid wastes”⁹
- “AMS-III.BA: Recovery and recycling of materials from E-waste”¹⁰

The following methodologies and tools were also revised:

- “AM0036: Fuel switch from fossil fuels to biomass residues in heat generation equipment”¹¹
- “TOOL07: Tool to calculate the emission factor for an electricity system”¹²

⁵ Available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/FXYJHUB2OT0IQ4V7SZP6RLC3G5KD8E>

⁶ Available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/43RKGUEXYFS71HIQCLJDTZW268POA9>

⁷ Available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/HMKJSP8AWN7Q2B5IVE9TD6Y3X140GZ>

⁸ Available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/0WT D4YQEUAR1B35FZHSC792NV68PMJ>

⁹ The revised methodology is available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/H0J5OAPIS4BX69318GDMFZKV2TCYWU>

¹⁰ The revised methodology is available online at:

<https://cdm.unfccc.int/UserManagement/FileStorage/XAM6ZEY9WQ8SC4DB7PHUR2IJ3LKOOT>

¹¹ The revised methodology is available online at:

<http://cdm.unfccc.int/UserManagement/FileStorage/4NRWKAZ3XVLFQ9EC110T7SG52YDJ8>

¹² The revised methodology is available online at:

<http://cdm.unfccc.int/UserManagement/FileStorage/TJUNP2WBS15MZGYXRD07HEOQ83ILF6>

- “AM0103: Renewable energy power generation in isolated grids”¹³
- “ACM0002: Grid-connected electricity generation from renewable sources”¹⁴
- “AMS-III.AV: Low greenhouse gas emitting safe drinking water production systems”¹⁵

Efficient operation of public transport

The Secretariat presented the results of its work on a methodology for more efficient operation of public transport, which the Board had requested at EB 89. The methodology is designed for use with various types of activities, including the creation of dedicated bus lanes and improving the surface of roads.

One Board member expressed fundamental concerns regarding calculation of emission reductions because diverse influencing factors that could not be apportioned to the CDM activity could have either positive or negative effects of emission reductions achieved. The Board instructed the Meth Panel to take account of alternative methodologies for use in calculating emission reductions in the revised draft.

Calculating non-renewable biomass

The Board considered a request from the Meth Panel to issue a mandate for the revision of “Tool 30: Calculation of the fraction of non-renewable biomass”. This stemmed from public input indicating deficiencies in the tool, including too stringent requirements regarding data collection and prescribed values for use in cal-

¹³ The revised methodology is available online at:

<http://cdm.unfccc.int/UserManagement/FileStorage/Q5W7VL8PUEG6TZJ24HNMARS3FI9XDY>

¹⁴ The revised methodology is available online at:

<http://cdm.unfccc.int/UserManagement/FileStorage/IGF610X25ALSK4PZ3W7MTUVCYDJ9OQ>

¹⁵ The revised methodology is available online at:

<http://cdm.unfccc.int/UserManagement/FileStorage/BAVRZ2GTNDSQXJOE4F1ICU0LHYK68M>

culating the fraction of non-renewable biomass, which are significantly below those contained in voluntary standards and thus result in lower emission reductions achieved.

The Board decided to have the Meth Panel revise the tool in order to simplify data collection on biomass. With regard to the prescribed values for use in calculating the fraction of non-renewable biomass, the Board made it clear that it did not want to accept any further work, partly because the values had been calculated on the basis of input received from the CMP.

Developing the concept of market share

The Board considered a request from the Meth Panel for permission to further develop the concept of market share. The reason for the request was the Panel's ongoing work on revising automatic additionality methodologies and tools. In its work, the Meth Panel had determined that the concept of market share needed to be developed further in order to standardise the thresholds used in the methodologies and tools. The mandate should also enable the penetration rate to be integrated as an additional component used in assessing whether a project is additional. The Board requested the Meth Panel to set out the project and the associated goals in a concept note to enable a decision to be made on the need for a mandate at a later date.

Procedures

Standardized Baselines

The Secretariat presented a draft revision of the SB procedure which had been prepared in an attempt to bring clarity in certain areas. Among other things, it made clear that project implementers can choose a period of validity for their SBs that exceeds the prescribed period of three

years. For SBs that do not involve collection or processing of dedicated data, the Secretariat proposed doing away with the requirement to submit a DOE-prepared assessment report.

The Board approved the option for project proponents to choose a longer period of validity for their SBs. It did not approve any exceptions with regard to SB evaluation, meaning that in future a report must be submitted for all SBs. As part of the process, clarification was also provided in that the requirements related to data evaluation should not be used for these SBs. The Board approved the revised procedure, which entered into force on 31 August 2018.¹⁶

¹⁶ The revised procedure is available online at: <https://cdm.unfccc.int/UserManagement/FileStorage/9MFVNOQI8HRTBU2SDGZ0KX7JCP531W>

Relationships with Forums and Other Stakeholders

CDM Loan Scheme

The Board discussed the CDM Loan Scheme and took note of its annual report without discussing it any further. The Fund, which due to the low CER prices has not accepted any new applications since 2017, will be closed at the end of this year.

Designated Operational Entities

The Board consulted with Werner Betzenbichler, Chair of the DOE Forum. Mr. Betzenbichler reported that other system operators were increasingly moving away from the CDM accreditation system. A draft of the VCS Standard does not mention accreditation under the CDM, but instead requires compliance with DIN Standard 14065. And in the Colombian carbon tax system, which provides for use of CERs, accreditation under the CDM does not suffice. Verifiers must thus be accredited by the national accreditation authority or by an accreditation body

which belongs to the International Accreditation Forum (IAF). Against this backdrop, the DOE Chair sought the Board's support in seeking to have CDM accreditation taken into account. The Board expressed their understanding for his concerns, but did not announce any activities which could be used to promote accreditation under the CDM.

Dialogue with Observers

The Board consulted with one observer with IE-TA accreditation. The observer criticised the rule on the Share of Proceeds decided at EB 96 (see Report EB 96), which requires that project developers pay this fee in advance at the time CERs are issued. The Board took note of the observer's input.

Other Issues

Next meeting

The next meeting will be held from 26 – 29 November 2018 in Katowice, Poland.