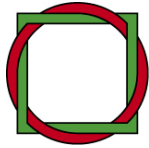


CDM EB MEETING REPORT

EB 83, 13 - 16 April 2015





Wuppertal Institute
for Climate, Environment
and Energy

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.

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Report

CDM Executive Board 83rd Meeting

13 – 16 April 2015

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Guidance and Management

Strategic Planning

Platform for voluntary cancellation of CERs

The Secretariat reported on the current status of the platform for voluntary cancellation of CERs. Launch of the new online tool, which was originally planned for April 2015, was moved to September 2015. An initial prototype of the platform will be presented at EB 85. The Secretariat explained that the main reason for the delay was due to liability issues which had forced negotiations with the developer to be postponed. German-based Objektkultur Software GmbH had been selected as platform developer and contract negotiations were still underway. Without providing any further details, the Secretariat announced that the costs were expected to lie below the expected USD 350,000 to USD 400,000.

A Board member called for the contract to be signed without delay because this is the only way to legally secure the platform's development by the developer. The same Board member also called for the Paris COP to be used to request the COP Presidency, the UNFCCC Secretariat and other COP participants to offset their carbon footprints using the online platform. Upon request, the Secretariat explained that consultations are underway regarding the use of a specific logo and promised to provide an update at a future meeting.

Workplan 2015

The Secretariat presented the revised workplan. A Board member called for a better overview of the costs involved in individual work requests and their share of the overall budget. The Sec-

retariat replied that this was not possible due to the costing format used by the UN, but that the UN Financial Committee was working on a solution.

One Board member again criticised the lack of clarity in the transition rules governing the introduction of new standards, methodologies and so on. In response, the Board requested the Secretariat not only to present an Information Note to EB 84, but to also analyse the current practice involved and draw up recommendations for improvement.

Nairobi Framework Partnership

The Board took note of the Nairobi Framework Partnership (NFP) workplan, but criticised the fact that it also includes activities which do not relate to the objectives of the NFP. The Board determined that future workplans and reports should relate only to the objectives of the framework. The reports, with which the results of the activities are communicated, should contain a summary of the accomplished activities. One Board member expressed surprise that DNAs continue to be assigned capacity-building measures. The Secretariat took note of the matter and said it would look into it further.

Improving the MAP preparation process

At EB 81, the Board had called for the CDM Management Plan (MAP) preparation process to be improved. After considering an associated concept note, the Board at EB 82 requested the Finance Committee (EBFC) to work with the Secretariat to discuss open issues and develop a set of proposals.

Following intense discussion, the Board adopted the EBFC's proposed timeline for preparing

both the Business Plan (BP) and the MAP 2016, which includes:

- Drafting a mid-year review report
- Collecting project ideas at EB 85
- Approval of BP and MAP drafts at EB 87 with the option for review and revision at EB 88 to take account of possible outcomes from the CMP in Paris.

In addition, the Board agreed that the Finance Committee should assume a greater role and that exchange between the EBFC, the Board and the Secretariat should be intensified.

Fulfilling the CMP mandate to secure prudent management of CDM resources and ensure that the Executive Board remains operational was discussed at length. Some Board members stressed the difficulty involved in balancing the budget (which is based on the UN expenditure targets) with the funding provision requirements contained in the MAP. This exacerbates decision-making. Decisions must be better based on scenarios and forecasts. The Secretariat made it clear that great effort had already been put into harmonising the two systems. Given the challenges still faced in financial planning, the Board asked the Secretariat to develop options for improvement and to inform the Board accordingly.

Cooperation with standardisation committees

At the request of Martin Enderlin, Chair of the Accreditation Panel (AP), the Board asked the AP to assess the work of the International Organization for Standardization (ISO) in order to identify areas that might be of interest to the Board.

This was made possible by the Board's decision to grant the chairs of panels and working groups, in coordination with the co-chairs, the right to place additional items on the agenda. The Secretariat was requested to make the nec-

essary change to the Terms of Reference during the next revision.

Organisation of panels and working groups

The chair of the AP reported on the outcome of the 71st meeting of the Accreditation Panel. The AP had received 23 projects for accreditation, of which 21 had been forwarded to the Board. In his presentation, the AP Chair again put forward the AP's recommendations, which include activities to improve work organisation within the AP and reduce the frequency of evaluations conducted by experts on the Accreditation Roster of Experts. The Board supported the recommendations in principle. The Secretariat proposed to initially assess the impacts of the respective measures and to document the outcomes as part of the next revision of the affected documents in order to help the EB reach a decision. The Board welcomed this proposal.

Case-specific Rulings

Accreditation

The Board accredited one DOE and suspended the accreditation of another DOE for areas 6 – 8. Five DOEs have successfully completed the regular on-site surveillance assessments. 11 DOEs have successfully completed the performance assessments. One DOE voluntarily withdrew its accreditation.

Programmes of Activities

As of 16 April, there were 280 registered PoAs comprising a total of 1,854 CPAs. Some 2,474,663 CERs have been issued for PoAs to date.

Registration of project activities

A total of 7,627 CDM projects had been registered as of 16 April 2015. The Board considered and subsequently approved an application to allow a project to be changed after registration.

CER issuance and voluntary cancellation

As of 16 April, some 1,551,206,661 CERs had been issued and 3,014,857 CERs voluntarily cancelled.

Regulatory Issues

Standards and Tools

Non-binding best practice examples

The Secretariat presented its work on the development of non-binding best practice examples for methodologies. These are designed to simplify use of the methodologies and reduce the frequency of errors in their application. The Secretariat proposed using four criteria when selecting methodologies, these included the frequency of use and the number of methodological problems that occur when applying for registration and issuing CERs. As a result, the Secretariat recommended including best practice examples for four methodologies.

The Board welcomed the procedure in principle, but asked the MP and the SSC-WG to take account of synergies when developing best practice examples for similar methodologies. In such cases, the selection criteria should be capable of being applied flexibly. The Board followed the Secretariat's recommendation to prioritise the following methodologies for the development of non-binding best practice examples:

ACM0001: Flaring or use of landfill gas

ACM0012: Consolidated baseline methodology for GHG emission reductions from waste energy recovery projects

AMS-III.D: Methane recovery in animal manure management systems

AMS-III.H: Methane recovery in wastewater treatment

Use of A/R modalities and procedures in revegetation activities

At the Climate Conference in Lima in 2014, the CMP had requested the Board to assess the extent to which the A/R modalities and procedures might be used for vegetation projects. The Secretariat presented the results of an initial assessment which indicates that A/R modalities and procedures are suited in general, but that some adjustments might be necessary. The Secretariat recommended conducting a detailed analysis to identify the areas requiring change.

The Board requested the A/R working group to draft a recommendation for EB 86. The EB stressed, however, that the working group should identify only those areas that could be affected by potential changes. They should not, however, describe the changes in detail as required in the CMP mandate.

Demonstrating suitability of land for A/R projects

In Lima, the CMP had also requested the Board to assess other cost-effective approaches to demonstrate the suitability of land for A/R activities conducted under the CDM. The request was based on the fact that projects involving fragmented forest areas face high costs if the suitability of each of those areas must be proven. To reduce the costs involved in such cases, the Secretariat proposed the approval of sampling methodologies. This would, however, require a revision of the project standard.

The Board requested the A/R working group to explore this and other approaches and to report their findings at EB 85. In doing so, they

should take account of information received in response to a call for inputs.

Conducting a new project on the site of an earlier project whose crediting period has expired

The Secretariat presented a concept note on the issue of conducting a new project on the site of an earlier project whose crediting period has expired. At the Climate Conference in Warsaw in 2013, the CMP had asked the Board to draw up criteria to differentiate new projects from activities which constitute the continuation or modification of earlier projects. It was also asked to assess whether this would require changes to the CDM modalities and procedures. At EB 81, the Board had asked the Methodologies Panel to look into the matter further.

The joint proposal put forward by the Methodologies Panel and the Secretariat included a positive list with criteria for use in identifying new projects. Using these criteria, new projects would be those which, when compared to earlier projects, use a different activity in GHG reduction and a different technology or where the components of the earlier project (physical components or approvals) are no longer used. For all projects not classed as new according to the criteria, clarification must be requested. In such cases, the proposal contains a new procedure to provide clarification prior to registration. In addition, new requirements were recommended for reporting on earlier projects. A revision of the CDM modalities and procedures was not, however, deemed necessary.

The Board engaged in heated discussion regarding the proposal. One member criticised the criteria for identifying new projects as too strict, and said that they were only suited to identifying new projects in very few cases. Another member initially rejected the approach which uses criteria to differentiate between new and old projects and referred to the fact that this is already considered during baseline

calculation in the PDD. Yet another member referred to the CMP mandate, which requires the development of criteria. The Secretariat also explained the goal of the mandate: the idea was to prevent the event of slight modifications to an existing project resulting in that project being registered as new. If this happens, there is a risk that emission reduction activities from the earlier project, which would in any case be continued, would be counted as a new project or could be stopped. A related transfer effect beyond the project boundaries would also prove problematic.

As no agreement could be reached, the Board opted for a compromise. The definition of a positive list based on specific criteria, as set out in the proposal, was rejected. Instead, developers of affected projects should provide to the Board information on the criteria prior to applying for project registration. The Board approved an associated clarification statement.¹ The Board also asked the Secretariat to further assess the extent to which the criteria can be used for projects whose crediting period has not yet expired and to expand the criteria further. The matter of a positive list was postponed for a future meeting.

Revision of the Accreditation Standard

The Chair of the Accreditation Panel (AP) presented the Panel's recommendations regarding exceptions in the application of Paragraph 104 of the Accreditation Standard. For validators/verifiers who are trained during on-site validation/verification of a CDM activity, monitoring would not take place during their first validation/verification activity.

¹ The clarification statement can be viewed at: <http://cdm.unfccc.int/UserManagement/FileStorage/3HUS01Q9T6PIDOBXAVE8CM7LKJ2WGF>

The Board decided to implement the recommendations of the AP at the next revision of the Accreditation Standard and asked both the Secretariat and the AP to analyse the recommendation and other options to improve the Accreditation Standard in time for EB 85.

Methodologies

The Board approved the consolidated large-scale methodology ACM0025: Construction of a new natural gas power plant² and withdrew the two methodologies on which it was based: AM0029: Baseline Methodology for Grid Connected Electricity Generation Plants using Natural Gas and AM0087: Construction of a new natural gas power plant supplying electricity to the grid or a single consumer.

In sum, the Board revised the four large-scale methodologies and two methodological tools. With regard to the standards for small-scale projects, the Board approved two methodologies for the use of renewable energy in the transportation sector. These were integrated into the consolidated methodology AMS-III.C: Emission reductions by electric and hybrid vehicles.³ The consolidated methodology offers additional options for the calculation of baseline and project emissions. This is done based on the amount of electricity used in charging the vehicles. Two small-scale methodologies were also revised. See the Annex to the report for details.

While the majority of the Board welcomed the proposals drawn up by the Methodologies Panel and the Secretariat, a proposal from the Methodologies Panel on proving additionality of projects in passenger transport was the sub-

ject of heated debate. At EB 75, the Board had instructed the Methodologies Panel to rework the methodologies AM0031: Bus rapid transit project, AM0101: High speed passenger rail systems and ACM0016: Mass rapid transit projects to provide an alternative to the current approach used in proving additionality based on CER revenues. The Methodologies Panel suggested a two-step approach for publicly funded mass rapid transit (MRT) projects as an alternative. In a first step, an assessment would be made to ascertain whether fewer than two MRT routes are in operation in the host city. Should this be the case, the project is automatically deemed additional. Where more than two MRT routes exist, benchmarks are used to assess the additionality. For bus rapid transit (BRT) projects, for example, a threshold of 30 gCO₂ per person kilometre (PKM) would apply.

The Board discussed the Methodologies Panel's recommendation at length. Several members criticised the 30 gCO₂/PKM threshold, saying it was too conservative to facilitate projects in developing countries. Also, location-dependent conditions such as ambient temperature and topography were not taken into account. The Secretariat explained that the benchmark was based on IEA and IPCC data, and was in fact realistic because it referred only to trunk lines and did not take feeder lines into account. The threshold had been increased from an original 20 gCO₂/PKM, it was argued.

In the end, the Board requested the Methodologies Panel to conduct a new analysis and re-evaluate the benchmarks. The analysis should take account of various factors, such as geographic location and utilisation. The Methodologies Panel was also asked to assess whether the benchmarks could be set for the entire system rather than differentiating between trunk lines and feeder lines. The Board also requested an impact assessment for the proposed benchmarks. The Methodologies Panel will present the results at a future meeting and submit

² The methodology can be viewed at:
<http://cdm.unfccc.int/UserManagement/FileStorage/18LP9WJ35GVF67NXD2ARY4BH0QZSIT>

³ The methodology is available for download at:
<http://cdm.unfccc.int/UserManagement/FileStorage/JQRH ZUN1KY2IPTFX096E35CD SGWL47>

a new recommendation for revision of the methodologies.

Procedures

Development, revision, clarification and updating of standardized baselines

The Board considered a proposal from the Secretariat for the revision of the procedure for the development, revision, clarification and updating of standardized baselines. Among other things, the draft introduces a new process which allows deviation from existing procedures when submitting standardised baselines. Based on the experience gained so far, the procedure should also improve and simplify existing SB procedures, and provide more flexibility in their use.

The Board discussed numerous aspects of the proposed procedure, including the distribution of responsibility between DNAs, DOEs and the Secretariat where top-down development of SBs is involved. Some Board members believed that DOEs should play a greater role in SB development. On the question of who could approve the development of top-down SBs, the Board emphasised its role as the ultimate decision-making authority. Various positions were taken regarding the issue of whether a new SB need necessarily refer to one or more methodologies. Given the varying standpoints of the Board members, the Secretariat was asked to assess the situation. The assessment should compare different combinations of methodologies, tools, guidelines and standards for SB submission. The Secretariat was asked to present the results of the assessment together with a revised draft of the procedure at EB 84. The revised draft should provide clarification that existing quality assurance and control guidelines will be adhered to and that the SB will only be approved once the methodology on which it is based has itself been approved.

Selection and evaluation of experts

The Board approved a procedure for the selection and evaluation of experts on the CDM Registration and Issuance Team and the Methodologies Roster of Experts. The procedure provides for the Board to elect four Board members as assessors who will evaluate the experts with the help of the Secretariat. Having approved the procedure, the Board named four of its members as assessors.

Policy Issues

E-policies

The Board again looked at the issue of e-policies. The proposal from a Board member to commission an external consulting firm to analyse the situation was put on hold for the time being. Instead, the existing small group of Board members will continue its analysis of the issue and then decide how to proceed further.

Relationships with Forums and other Stakeholders

Designated Operational Entities

Werner Betzenbichler, Chair of the DOE/AE Forum, reported on the current status of the CDM market from the validator/verifier perspective. Demand for validation and verification is still on the decline: since the start of the year, only 20 projects and one PoA have begun validation. Fewer than 160 CDM activities (including PoAs) have begun verification since 1 January 2015. Poor demand has already had an impact on pricing. The price for verification of reports has thus dropped below USD 2,000. Given such conditions and with over 40 DOEs, this is not a viable business option.

The DOE/AE Chair also reported on an internal study in which DOEs had been surveyed on a range of topics such as positive contributions to sustainable development and standardised baselines. Betzenbickler viewed the fact that only one response had been submitted as a possible indication of (inner) resignation.

Observers

At its previous meeting, the Board had decided to give observers the opportunity to enter into exchange with Board members via video conferencing. One observer was in attendance via video link. The observer thanked the Board for the change in procedure regarding exchange with observers to allow them to interact with Board members during EB meetings and announced substantive contributions for future EB meetings and also for the meeting of the SB Subsidiary Bodies in June.

Next meeting

The next EB meeting will be held in Bonn on 25 – 28 May.

Annex

The following contains a list of the methodologies considered at and the direct outcomes of EB 83:

Methodologies and Tools (large-scale)

Approved new consolidated methodology

ACM0025: Construction of a new natural gas power plant

Revised methodologies

AM0086: Distribution of zero energy water purification systems for safe drinking water

AM0107: New natural gas based cogeneration plant

AM0110: Modal shift in transportation of liquid fuels

ACM0012: Waste energy recovery

Revised tools

Emissions from solid waste disposal sites

Project and leakage emissions from biomass

Withdrawn methodologies

AM0029: Baseline Methodology for Grid Connected Electricity Generation Plants using Natural Gas

AM0087: Construction of a new natural gas power plant supplying electricity to the grid or a single consumer.

Methodologies and Tools (small-scale)

Approved methodologies

SSC-NM097: Using renewable energy sources to charge electric vehicles

SSC-NM098: GHG reduction methodology by constructing charging stations and charging points to provide charging service to electric vehicles and to displace fossil fuel vehicles

Approved new consolidated methodologies

AMS-III.C: Emission reductions by electric and hybrid vehicles

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Methodology revisions

AMS-III.B: Switching fossil fuels

AMS-III.Q: Waste energy recovery (gas/heat/pressure) projects

Revised documents due to restructuring

Methodological tool: Demonstrating additionality of microscale project activity

Methodological tool: Assessment of debundling for small-scale project activities

Methodological tool: Demonstration of additionality of small-scale project activities

Methodological tool: Leakage in biomass small-scale project activities