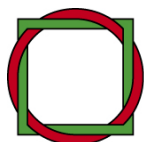


CDM EB MEETING REPORT

EB 85, 20 - 24 July 2015



Wuppertal Institute
for Climate, Environment
and Energy

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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 85th Meeting

20 – 24 July 2015

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Governance and Management

Strategic Planning

Voluntary cancellation of CERs

The Secretariat presented its work on the platform for voluntary cancellation of Certified Emission Reductions (CERs). After explaining the reasons for its development along with its requirements and general features, the Secretariat presented a preliminary version of the web-based platform. The platform enables CER sellers to free up CERs which buyers can then cancel for a fee. Once the transaction is complete, the buyer receives confirmation of the voluntary cancellation. Buyers can filter projects according to specific criteria such as project size, host country and contributions to sustainable development. Payment is managed via the PayPal secure payment service, with transactions initially being limited to a maximum of USD 5,000.

Afterwards, the Secretariat presented the planned measures for advertising the platform and its launch. The launch will take place at the Climate Week New York event on 22 September. As the International Civil Aviation Organization (ICAO) had shown great interest in using the CDM, the Secretariat also plans to give a live demonstration of the platform at the ICAO Global Aviation Partnerships on Emission Reduction Seminar in Montreal on 16 – 17 September.

The Board welcomed the Secretariat's efforts regarding the platform, but discussed certain aspects in-depth. One of the main issues

involved its name. Many Board members were unhappy with the name suggested by the Secretariat – The United Nations Climate Credit Store – and were especially critical of the use of the words credit and store. The Board also discussed how the projects are presented, the filter options, the limitation regarding the maximum transaction amount, the proposed payment method using PayPal and other platform features.

The Secretariat explained the reasons for developing the platform and its current design, but made it clear that despite the tight timelines there was still room to make any necessary changes. For example, projects could be displayed both at random and in rotation to prevent certain projects being better positioned when sorted by CER price or in alphabetical order. The name of the platform could also be changed and links created to social media and the CDM page on the UNFCCC website. But for the time being, the transaction amount must remain limited for reasons of liability and security.

The Board instructed the Secretariat to revise the website's filters in line with the input received. The platform is scheduled to be launched in September.

Project evaluation by climate financing institutes: Project database

The Secretariat presented its concept note on the development of a project database to promote matching of CDM activities with investors. At EB 84, the Board had asked the Secretariat to provide further details of the cost

implications and to specify the information contained in the database together with its sources (see EB Report 84).

With its new concept note, the Secretariat proposed a number of potential data components of which six were seen as priority components. Data would be collected from existing internal databases, in a survey of project developers and from various external sources. To publish the project information, use of a data sheet was proposed which can be downloaded from the UNFCCC website. The cost implications are clearly stated in the concept note.

The Board welcomed the Secretariat's proposal, but criticised the fact that certain data components could not be objectively transferred to a database. For example, it was unclear how the criterion 'adherence with national priorities of the host country regarding technology and sustainable development' could be met without interpreting the situation. The Board also criticised the use of data sources which are not controlled by the UN. This could lead to complications. The Board thus instructed the Secretariat to revise the proposal during the course of the meeting.

In a second round, the Secretariat presented a revised table containing various project characteristics to be stored in the database. The Board welcomed the revised proposal and approved the list with those data components that could be extracted from the materials available to the Secretariat. Whether the data collected in the survey can also be entered into the database will be decided once the survey results are available.

Performance Management

Work plan

The Secretariat presented a revised work plan containing changes required due to instructions received at EB 84.

The presentation originally planned for EB 86 on recommendations on the applicability of the modalities and procedures for afforestation and reforestation projects (A/R Modalities and Procedures) in revegetation activities had been brought forward to EB 85. An update on interaction with the JISC regarding the agenda for this meeting was also added.

The concept notes on developing sector-specific standardized baselines and sectoral emission factors were postponed for EB 86. In light of the request at EB 84 for a revision of a concept note to support stranded projects, the presentation of two documents was put on hold for later meetings. The Board took note of the changes to the work plan without further discussion.

Management Plan 2015

The Secretariat presented its bi-annual report on implementation of the Management Plan (MAP) 2015. The Board took note of the report and determined that there was no need to make changes to the MAP. A first draft of MAP 2016 is to be presented at EB 87.

Report to the CMP

In a closed session, the Board agreed on the key messages contained in the annual report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) and instructed the Secretariat to prepare a first draft for presentation at EB 86.

Report on the UNFCCC negotiations in June

The Secretariat presented its report on the meeting of the UNFCCC Subsidiary Body for Implementation (SBI), the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) held in June.

The negotiations on revising the CDM Modalities and Procedures (M&P) under the SBI continue at a slow pace. The Parties agreed to place greater focus on Programmes of Activities (PoAs) and the role of Designated National Authorities (DNAs) not covered by the M&P so far. Progress was also made in identifying potential M&P content and principles. A decision was not, however, reached because there was no agreement on how the issue is to be addressed at the climate negotiations in Paris at the end of the year.

In the negotiations on new mechanisms (New Market Mechanism (NMM), Framework for Various Approaches (FVA), and Non Market-Based Approaches (NMA)), discussions focused largely on technical issues (counting rules, measurement, report and verification (MRV) and net emission reductions). No decision could be reached because there was no agreement on whether these issues should be taken up in Paris. With regard to the negotiations on the revision of the CDM Modalities and Procedures and on the new mechanisms, Rule 16 of the UNFCCC Rules of Procedure could apply, which states that, unless otherwise decided, items from the current meeting are to automatically be placed on the agenda for the next meeting.

Both issues will thus be re-addressed in Paris. As a result, the Secretariat remains unclear about the role of the mechanisms in the Paris Agreement. While very few documented outcomes were achieved, great interest was shown in the issue. In the ADP text from Geneva, market mechanisms are mentioned in

particular in relation to climate change and transparency. The scope of standpoints from the Parties ranges from continuation with the CDM/JI to the introduction of new mechanisms and on to rejection of all requirements for market mechanisms. In the ADP negotiations, three key issues are coming to light:

- The right to use the mechanisms in implementing pledged contributions
- Creating a central mechanism
- Counting of use of the market mechanisms

The Secretariat reported that the NMA model was being pushed forward in that some Parties were reworking individual elements of the Geneva negotiation text.

The EB Chair reported on a Technical Expert Meeting to promote energy efficiency in urban areas which he had recently attended. At that meeting, the importance of the revenue from trade in emission certificates had been emphasised. This could help overcome the obstacles whereby this revenue is passed on to stakeholders who would otherwise have no financial benefit from the energy savings. The EB Chair also report on the great interest numerous financial institutions had expressed and, in this context, stressed the importance of the CDM as a results-based financing system.

Upon request, the Chair confirmed that there had been no meeting with the Green Climate Fund and promised to look into the matter further.

The Chair reported on an informal meeting of the Board with the JISC. The representatives of both bodies had addressed various issues, including the challenges facing JI and the CDM under current market conditions. The EB Chair informed the JISC Co-Chair regarding the Board's decision on a joint accreditation committee, an idea the Board had rejected at

EB 82. Further options for cooperation in this area are not being pursued.

Performance monitoring by DOEs

The Secretariat presented its concept note on revising the procedure for Performance Monitoring by Designated Operational Entities (DOEs). At EB 76, the Secretariat had been asked to review the procedure in terms of the current market situation. Given the drop in the number of applications for project registration and CER issuance, there is less data available for use in preparing performance reports. Performance-related problems have also dropped significantly.

Against this backdrop, the Secretariat suggested reducing the number of monitoring reports from three to one per twelve-month monitoring period. The Secretariat also recommended that rather than submitting separate reports to the Accreditation Panel (AP) and the Board respectively, only one report should be written and submitted to both. These changes, which are initially to apply for two years, are designed to take account of the altered conditions regarding data availability and also to save costs. The Board discussed both the proposed procedure and its period of applicability.

One Board member expressed fundamental doubts regarding the proposed procedure, saying that it was only suitable for the next six months and not as a long-term solution. Also, it constituted a radical move away from existing practice, for example by introducing a qualitative approach in which the Secretariat reported significant changes in performance to the EB and AP in verbal form only. The Secretariat expressed concern that a purely qualitative approach might be too subjective, giving rise to a proposal for a combination of quantitative and qualitative approaches. The Board also discussed the procedure's limited period of applicability and suggested linking the validity

of the new requirements to prevailing market conditions.

In the end, the Board approved the revised procedure as it followed the Secretariat's recommendation to enhance the existing approach by adding a qualitative component.¹ This will ensure both the accuracy of the information and improve responsiveness to identified problems. The Board instructed the Secretariat to work with the Methodology Panel in developing qualitative performance indicators which would then be discussed at a future meeting. With regard to the validity of the procedure, it was agreed that it should be linked to the number of submissions.

Evaluation of Regional Collaboration Centres

The Board accepted the project plan for the evaluation of the Regional Collaboration Centres (RCCs) proposed by the evaluating consultant. The evaluation is to comprise interviews and stakeholder surveys (DNAs, project developers, NGOs, etc.) and take a Logical Framework Approach (LFA).²

¹ Available online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/C3FN BVR4WAD7EY0ZQ95TLX8SK1GOH2>

² The project plan can be viewed at:
<http://cdm.unfccc.int/UserManagement/FileStorage/OTUB 5FVGDS40CAPZNRK2197HJ3IX8W>

Case-specific Rulings

Accreditation

One DOE had successfully completed the regular on-site surveillance assessment. Another had completed the performance assessment.

Programmes of Activities

As of 24 July 2015, 285 PoAs had been registered, making for a total of 1,873 CPAs. To date, some 2,984,361 CERs have been issued for PoAs.

Registration of project activities

Some 7,652 CDM projects had been registered as of 24 July 2015.

The Board considered a request for a post-registration change and decided not to grant approval.

Issuance and voluntary cancellation of CERs

As of 24 July, a total of 1,607,508,641 CERs had been issued for individual CDM projects and 3,707,667 CERs had been voluntarily cancelled.

The Board considered a request for CER issuance on which the Secretariat and the Registration and Issuance Team (RIT) had come to differing conclusions in their evaluations or to which a Board member had raised objection. The Board decided not to register the project.

The Board discussed an application from a DOE to be allowed to verify a project it had already validated. This application was also rejected.

Regulatory Matters

Standards and Tools

Review of additionality requirements

At EB 82, the Board had asked for a concept note to be prepared on additionality to identify options to streamline the additionality check while retaining environmental integrity.

The Secretariat presented a concept note which set out the experience gained in evaluating and proving additionality under the CDM and other offsetting mechanisms in order to identify potential priority areas. Among other things, the Secretariat proposed the development of criteria for use in deciding when project-based approaches could be replaced by standardised approaches. Another area of focus involved the development of positive lists for projects which have no other sources of revenue apart from those generated under the CDM. The Secretariat also suggested looking at opportunities to expand the use of the Combined Tool, while the Additionality Tool should be used as little as possible in the future.

The Board needed to make a decision regarding mandates for additional work in the areas identified. The ensuing discussion brought a range of standpoints to light regarding a number of proposals. The Board finally agreed to issue the respective mandates for additional work because decisions regarding possible changes were to be made at a later date. The Board nonetheless called for a neutral approach with the aim of highlighting possible options in the sectors identified. The mandate was not to enable the changes to be made. Possible

changes and their impacts were to be explored in the following areas:

- Introducing probabilistic approaches for additionality
- Determining criteria for negative lists of project types that are clearly not additional
- Reassessing in specific situations the baseline scenario at the time of renewal of the crediting period
- Removing the requirement of prior consideration
- Removing the first of its kind as an approach to demonstrate additionality
- Introducing a threshold beyond which CDM projects are considered in the common practice analysis

Further development of the SB Guidelines

The Guidelines for the Establishment of Sector Specific Standardised Baselines approved at EB 62 are to be improved in an ongoing process building on the experience gained so far. EB 82 had agreed a number of measures for guideline enhancement, including a methodological framework for the development of standardized baselines for two sectors/project types. Against this backdrop, the Secretariat presented a concept note on sector selection and proposed the following areas:

- Energy-efficient appliances in buildings
- Energy efficiency in buildings

Upon request, the Secretariat explained that these project types were suggested because

they harboured great potential for emission reductions and the availability of data was comparatively good.

The Board approved the selection for developing the methodological framework for SB development in both sectors. The Board also approved the Secretariat's request to issue the Methodology Panel with a mandate to analyse the requirements for baseline and/or project emissions from cooling agents in refrigeration and air conditioning equipment and to propose revisions where necessary. The Methodology Panel and the Small-Scale Working Group thus received the mandate, but were instructed to consider the accounting requirements for greenhouse gas emissions as set out in paragraph 17 of the EB 34 Meeting Report. They are also to consider the outcomes of the ongoing meetings regarding treatment of F gases under the Montreal Protocol.

Technology database for SB development

The development of a database on the costs and efficiency of technologies for the development of standardized baselines stems from a work plan to implement the SB Guidelines which was approved at EB 65. Because the database is to focus on DNA requirements and thus be demand-driven, the Secretariat had conducted a DNA survey in 2014, inviting them to express their interest in top-down development of SBs. The Secretariat presented the results of the survey along with a proposal on how to proceed. It also suggested the brick, cement and charcoal sectors as priority areas for which investment costs are to be entered into the database. Their selection was based, among other things, on the growing emissions in these sectors and on initial experience gained in evaluating the SBs that had been submitted so far. Other sectors, including cooking stoves, were not added to the list despite repeated mention by the DNAs because

the Secretariat felt that potential use of positive lists along with the Micro-Scale and Small-Scale Additionality tools in baseline development and additionality demonstration would do away with the need for additional data.

The Board approved the selection of sectors. Various standpoints were expressed regarding whether the database would include information on costs other than investment costs and whether data should be actively collected or only taken from existing sources. Some Board members spoke in favour of using data from other institutions and justified this by citing the difficulties involved in accessing such data in some CDM host countries. One Board member said that collating existing data would only bring marginal benefit because this kind of support was already provided during actual SB development. He believed that the database should rather fill the data gaps that currently prevent certain countries from developing SBs. For this reason, it is important for the database to contain data other than investment costs – such as operating and maintenance costs – even though these differ from country to country.

Finally, the Board agreed that the database is to contain not investment costs only, but also operating costs, energy costs, maintenance costs and other relevant data. The data is to be collected from credible public sources along with new data from other sources. The data will be compiled and reviewed for quality and made available on the CDM website.

Use of micro-scale thresholds for PoAs

The Secretariat presented a concept note on use of micro-scale thresholds (positive lists) under PoAs. Options are to be sought to allow use of micro-scale thresholds at individual unit level rather than at Component Project Activities level (CPAs), as is currently the case. This would reduce transaction costs incurred by

project developers and simplify project development. The Secretariat put forward three potential options:

1. General approval of the use of micro-scale thresholds at individual unit level.
2. Approval of the use of micro-scale thresholds at individual unit level for technologies/methodologies for which micro-scale thresholds and small-scale positive lists have already been used for registered PoAs.
3. Development of new PoA-specific methodologies for use in introducing the use of micro-scale thresholds at unit level.

The Board discussed the various options. One member expressed considerable reservations regarding the first two, which provide for use of the existing thresholds at individual unit level. For many technologies, the size of the unit (refrigerator or lamp) is not a reliable indicator for additionality. To date, no studies have been conducted on the suitability of unit size as an additionality indicator. Another Board member explained that the idea behind introducing micro-scale thresholds was because their overall climate change impact would be so marginal that their assessment as an additional activity would pose no threat to environmental integrity. The same logic cannot be applied to PoAs, however, which can indeed have a significant combined effect on the climate.

Despite these reservations, the Board spoke in favour of the use of micro-scale thresholds at individual unit level, as provided for under Option 1. In addition, PoA-specific methodologies would be developed under Option 3. The Secretariat was instructed to assess the feasibility of merging the tool for demonstration of additionality of micro-scale activities with the tool for demonstration of additionality of small-scale project activities. When assessing

additionality, the Secretariat is to apply criteria other than the size of the unit used.

Methodology-specific tools for developing PDDs and PoA-DDs

The Secretariat presented its work on methodology-specific tools to assist project developers in developing PDDs and PoA-DDs. This involves transferring the requirements of the methodologies and other CDM requirements to a simple questionnaire which the project developer completes. This would reduce the amount of time needed to understand the methodologies and other requirements, and enhance consistency between documents.

The Secretariat demonstrated an Excel-based version of the tool with which around 70 percent of the questions can be answered by clicking on a drop-down menu or boxes, thus keeping text input to a minimum. Once the questionnaire has been completed, the tool generates the necessary documents.

The Board welcomed the Secretariat's efforts, but stressed the need for further tests and collection of feedback. One Board member pointed to a number of deficiencies where the options offered by the tool do not comply with CDM requirements. Also, it must be ensured that the selection options are sufficiently detailed and varied to allow project developers to accurately describe their project. There is a risk that the standardised process will result in less information being stored than with the current forms and that the process would not actually be simplified.

The Secretariat took note of this and other input and announced that further tests would be conducted. Feedback would also be collected from stakeholders such as the PD Forum and the World Bank. A web-based version of the tool is expected to be available at the start of 2016.

Methodologies for biofuel activities

Given the continued low number of biofuel activities under the CDM, at EB 82 the Board had requested a concept note on the development of methodologies for this project type. The Secretariat now presented that concept note. To identify obstacles in conducting biofuel activities and highlight areas for improvement, the Secretariat had looked into the potential risks involved and compared, among other things, the CDM methodology requirements with those of other standards.

The concept note sparked some strong responses. A representative from a non-Annex I country said it was eurocentric and imbalanced. Instead of identifying and breaking down obstacles to broader use of the methodologies, the concept note emphasised only the negative aspects of biofuels, meaning that their use would continue to fall in favour of fossil fuels. In some respects, it was said, the risks listed in the concept note were pure fabrication and did not reflect biofuel reality in developing countries. Other Board members criticised the selection of the literature studied, saying that some important works had not been considered. Yet others found the concept note to be balanced and wanted to use it as a basis on which to conduct further work.

The issue of indirect land-use change (ILUC) mentioned in the concept note proved to be particularly controversial. While a representative of a non-Annex I state described it as an invention by German and Dutch scientists, a representative of an Annex I state pointed to the related scientific findings in specialist journals and the fact that the IPCC promotes consideration of ILUC emissions. Other Board members stressed that ILUC emissions from other technologies, especially where use of fossil fuels is concerned, are not currently considered under the CDM. The current rule requiring that these emissions be considered

for biofuel activities disadvantages this technology.

Given the great differences across the Board, no common position could be reached regarding how to proceed and there were calls for this work stream to be halted. After much deliberation, the Board agreed that the Secretariat should conduct further analyses. Because the methodological restriction to biofuel had been identified as an obstacle, the Secretariat is to look for ways to enable use of the existing biodiesel methodology for biogas, biomethanol and bioethanol. To enable methodologies to be used in areas other than for vehicle fleets, alternatives are to be sought for dealing with the risk of double counting.

As regards dealing with indirect emissions, the Board asked the Secretariat to prepare a respective concept note. The Secretariat is also to conduct a legal review to clarify whether consideration of indirect emissions is a component of the current CDM Modalities and Procedures.

Combining large-scale methodologies under a PoA

Without prior approval from the Board, use of a combination of methodologies under a Programme of Activities (PoA) had originally been limited to small-scale methodologies. At EB 81, the Board had approved initial rules to allow the combination of various large-scale methodologies under a PoA to the extent that:

- a) The PoA design made a combination necessary
- b) Only one methodology was used per CPA
- c) There was no interaction between the various CPAs

At EB 81, the Board had requested the Methodologies Panel to continue its work on combining methodologies that require no prior

approval from the Board. This also applied to combinations involving reasonable/acceptable interactions between CPAs. The Panel had looked at eight different categories of combinations and only identified potential problems with baseline calculation in the combination of energy efficiency with fuel switch activities. For this reason, ongoing consideration of the rule approved at EB 81 (see above) was recommended for this particular combination.

For one EB member, it was not readily apparent why the combination of energy efficiency and fuel switch activities should be different to other combinations. It was more likely that similar problems would occur to those experienced with other combinations, such as energy efficiency and use of renewables. He thus called for greater consideration of the requirements set out at EB 81. Because the other EB members had nothing more to say on the matter, a small group was formed in which the EB member and the Secretariat exchanged their views. This exchange gave rise to a proposal not to approve the revised PoA standard and instead hand it back to the Methodologies Panel. The Panel is to work out a set of broadly applicable rules which can be used both in cases involving interactive effects and those where no such effects occurred. Requirements which do not relate to specific combinations are to be laid down in a separate document. The Board instructed the Methodologies Panel to revise the proposal in time for EB 87.

Standardized baseline for the grid emission factor for the Dominican Republic

A member of the Board had questioned both the format and certain wording in the proposed Standardized Baseline for the Grid Emission Factor for the Dominican Republic. Following

further revision by the Secretariat, the SB was subsequently approved by the Board.³

Methodologies

The Board again discussed the revision of the methodologies AM0031: Bus rapid transit project, AM0101: High speed passenger rail systems and ACM0016: Mass rapid transit projects. The aim is to introduce an alternative to the current tool for demonstrating additionality on the basis of CER revenue. At EB 83, the Methodology Panel has proposed an alternative approach to publicly funded Mass Rapid Transit (MRT) projects. The Board had requested further improvements to the proposal, including an evaluation of the proposed benchmarks, which some Board members had found too conservative to enable activities in developing countries and gave too little consideration of local project conditions. An analysis was also needed as to whether benchmarks were needed for the entire network of an MRT in place of the proposed delineation between trunk lines and feeder lines (see the EB 83 report).

The Methodologies Panel proposed adapted benchmarks which could be used for the entire network. They thought that local topography would have next to no impact and need not be taken into account. The Board then approved the three methodologies.⁴

The Board discussed the revision of the Guideline on the Assessment of Investment Analysis and followed the Methodologies

³ The SB can be viewed online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/EU005RLGQF4T9KJBMCAXS6ZPDV2N8>

⁴ See:
<http://cdm.unfccc.int/UserManagement/FileStorage/YWN7LCV5DQBEGK6483Z2JUFOS9IP0T>,
<http://cdm.unfccc.int/UserManagement/FileStorage/T015EO7WFYJ5XP8U62RK9CQ4MZBHV> ;
<http://cdm.unfccc.int/UserManagement/FileStorage/J7TXW1CB26QEUV4FOH5NDPG30IYASZ>

Panel's recommendations regarding the calculation of the cost of equity and of updating the respective standard values. In the course of the revision, the title of the document was changed to Methodological Tool: Investment Analysis.⁵

The Board revised four additional large-scale methodologies and a further tool. It also approved the new small-scale methodology AMS-III-BL: Integrated methodology for electrification of communities⁶ and revised seven others. See the Annex for further details.

Use of A/R modalities and procedures in revegetation activities

At EB 83, the Board had requested the A/R Working Group to draft a recommendation on use of A/R Modalities and Procedures in revegetation activities. According to the CMP definition, revegetation takes in all activities which increase CO₂ removal by sinks over a single land area of at least 0.05 hectares but do not comply with the definition of afforestation and/or reforestation activities (Decision 5/CMP.1 Annex, para. 8). This applies to projects using vegetation which, based on the national definition of forest, does not have the required potential to serve as afforestation and/or reforestation activities. Where, for example, the national definition of forest requires a tree crown height of at least three metres, use of vegetation which only grows to a maximum height of two metres counts as revegetation.

The working group believes that the A/R Modalities and Procedures could, after making the necessary changes, also be used for such

revegetation activities provided the selection criteria for vegetation activities are met.

The Board expressed its disappointment at this very general recommendation. Among other things, no detailed analysis of the situation had been conducted and the areas of the A/R Modalities and Procedures, which must be changed if revegetation activities are to be accepted, have not been identified. The Secretariat replied that the mandate issued at EB 83 had not allowed for in-depth analysis.

After much debate on the reasons behind the very general recommendations and the interpretation of the CMP mandate from which these efforts stem, the Board decided to issue the A/R Working Group with a new, more detailed mandate: the Working Group is first to look at the type of revegetation activities to be allowed and identify the approval criteria to be used in ease case. It is also to identify the parts of the A/R Modalities and Procedures that need to be changed and describe the changes needed.

Approaches to demonstrate suitability of land for A/R projects

Based on a CMP mandate, at EB 83 the Board had instructed the A/R Working Group to look into alternative ways of demonstrating the suitability of land for A/R activities. The reason the mandate was issued was that projects involving fragmented forest areas face high costs if the suitability of each of those areas must be proven as called for in the project standard.

The Working Group and the Secretariat both see approval of the sampling methodologies to be feasible in principle, but came to differing conclusions regarding both the impact of such approval and the changes needed in the methodological tool for demonstration of eligibility of lands for A/R CDM project activities and the A/R Modalities and Procedures. The

⁵ Available online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/A7D0F5ERQLWOC4SJ93ZK8ITH6MGU1X>

⁶ Available online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/A7TQFYM3Z5N9VESH4BIJ0D2OGK1C8P>

Secretariat thus recommended that the Board pass the issue back to the A/R Working Group.

The Board took up the recommendation and instructed the Working Group to look into the open questions in detail. The Board also asked the Secretariat to analyse the legal aspects of using sampling methodologies under the A/R Modalities and Procedures.

Procedures

Accreditation fees

The Secretariat presented a concept note on DOE accreditation fees which stemmed from a request issued at EB 81 for the fees to be fixed. The Secretariat had identified four options for charging accreditation fees. Aside from retaining the current procedure, in which the fees are calculated based on the actual costs involved (Option 1), the Secretariat proposed the charging of fixed fees according to the accreditation services performed (Option 2), the introduction of an annual fixed amount for all generic accreditation activities (Option 3) and a partial fixed accreditation fee (Option 4).

On the basis of an impact assessment, the Secretariat recommended retaining the current procedure (Option 1) because, among other things, it provided the best cost-benefit ratio. The other options harboured the risk of creating false incentives and other forms of distortion. For example, the charging of an annual fixed amount (Option 3) would disadvantage small DOEs.

The Board discussed the concept note in depth, although the main issue addressed was not the structure, but the question of subsidising the accreditation fee. One Board member was clearly in favour of a subsidy. The aim was to help DOEs foresee the probability of a fee being charged and reduce the amount involved. Given the difficult market situation, there was a need to reduce the costs incurred by DOEs in

order to keep them in the accreditation system. The Board member suggested that the UN could assume 80 percent of the costs. Several other members signalled their agreement and various options were discussed, including the possibility of the UN assuming the fee up front and charging the DOE at a later date.

Some Board members expressed scepticism regarding subsidisation of the accreditation fee by the UN. Why abolish a system in which businesses having been making money for years?

Finally, the Board instructed the Secretariat to work with the Accreditation Panel on a new concept note. In doing so, they are to look at the following implications of subsidisation:

- Possible policy objectives for the subsidy
- Possible level, structure and duration of the subsidy
- Cost for the DOEs, project participants and the CDM Trust Fund
- Incentives for DOEs
- Competition amongst DOEs
- The legalities of approving a subsidy

The concept note will be discussed at a future EB meeting.

Revision of the accreditation standard and procedure

At EB 83, the Board had asked the Secretariat and the Accreditation Panel (AP) to analyse options to improve the CDM accreditation standard and procedure and make necessary recommendations. Most of the proposed changes involve the accreditation procedure. For example, the Secretariat and the AP suggested allowing more flexibility in the composition of the accreditation team and regular monitoring activities. This meant that under certain circumstances, on-site assess-

ments would not be conducted by the entire team, but only by the head validator/verifier, while the remaining team members would participate in the accreditation procedure via a video conferencing link. Further changes give the accreditation team the opportunity to assess performance as satisfactory or unsatisfactory and to submit a respective recommendation to the AP. This would allow the AP to respond better and faster to any problems.

The Board agreed to accept this and other recommendations and asked the Secretariat to produce a draft revision of the accreditation procedure in time for the next meeting. The Board also followed the recommendation of the Secretariat and the AP not to revise the standard and instead to approve a clarification. The Board asked the Secretariat to prepare a respective draft. Apart from the previously approved improvement measures, the draft is also to contain the exception from paragraph 104 a), in which validators/verifiers who are trained during on-site validation/verification of a CDM activity are not monitored during their first validation/verification activity. This clarification would be approved at a future meeting.

Relationships with Forums and other Stakeholders

Designated Operational Entities

Werner Betzenbichler, Chair of the DOE/AE Forum, reported on a number of agenda items. With regard to the Secretariat's proposal to review DOE performance monitoring, he suggested that, due to the low number of project applications, it made sense to evaluate accumulated data from all DOEs and provide separate statements on individual performance.

The DOE/AE Chair provided detailed feedback on the Secretariat's concept note on DOE accreditation fees. In doing so, he spoke in favour of retaining the current system because all other options would result in an increase in costs. Upon request, he clarified that the options must be re-evaluated if it was to be ensured that the costs to DOEs would remain the same with the other options. The analysis regarding potential flexibilisation of the accreditation standard and procedure was also addressed in detail, with his comments being taken up by EB members in the course of the debate.

Observers

One observer had registered to attend the meeting via video link and enter into exchange with the Board. As the exchange had not been possible, the Board members received the observer's comments in written form.

Other Issues

Regional Collaboration Centres

Upon request from an EB member, the Secretariat explained the current status regarding the establishment of the Asian Regional Collaboration Centre in Bangkok. The process is well under way and Memoranda of Understanding are being signed with participating institutions. The Secretariat expects the RCC to be in place by the end of August.

Next Meeting

The next EB meeting will be held in Bonn on 12 – 16 October.

Annex

The following contains a list of the methodologies considered at and the direct outcomes of EB 85:

Standards for CDM project activities and PoAs

Approved standardized baseline

ASB0015: Grid emission factor for the Dominican Republic

Methodologies and Tools (Large-Scale)

Revised methodologies

AM0031: Bus rapid transit projects

AM0076: Methodology for implementation of fossil fuel trigeneration systems in existing industrial facilities

AM0084: Installation of cogeneration system supplying electricity and chilled water to new and existing consumers

AM0089: Production of diesel using a mixed feedstock of gasoil and vegetable oil

AM0091: Energy efficiency technologies and fuel switching in new and existing buildings

AM0101: High speed passenger rail system

ACM0016: Mass Rapid Transit Projects

Revised Tools

TOOL02: Combined tool to identify the baseline scenario and demonstrate additionality

TOOL27: Investment analysis

Methodologies and Tools (Small-Scale)

Approved new methodologies

AMS-III.BL: Integrated methodology for electrification of communities

Revised methodologies

AMS-II.G: Energy efficiency measures in thermal applications of non-renewable biomass

AMS-III.AV: Low greenhouse gas emitting safe drinking water production systems

AMS-III.AG: Switching from high carbon intensive grid electricity to low carbon intensive fossil fuel

AMS-III.AH: Shift from high carbon intensive fuel mix ratio to low carbon intensive fuel mix ratio

AMS-III.Z: Fuel Switch, process improvement and energy efficiency in brick manufacture

AMS-III.O: Hydrogen production using methane extracted from biogas

AMS-III.U: Cable Cars for Mass Rapid Transit System (MRTS)

Methodologies and Tools (A/R)

Revised methodology

AR-AMS 0007: Afforestation and reforestation project activities implemented on lands other than wetlands

Revised tools

AR-TOOL14: Estimation of carbon stocks and change in carbon stocks of trees and shrubs in A/R CDM project activities

AR-TOOL12: Estimation of carbon stocks and change in carbon stocks in dead wood and litter in A/R CDM project activities

Procedures

Procedure: Performance monitoring of designated operational entities (version 03.0)