

CDM EB MEETING REPORT

EB 87, 23 - 27 November 2015



Wuppertal Institute
for Climate, Environment
and Energy

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Report

CDM Executive Board 87th Meeting

23 - 27 November 2015

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Governance and Management

Strategic Planning

Increase in demand

The Board discussed measures to increase the demand for CERs. The Secretariat reported on its related activities in 2015, including the voluntary cancellation platform and talks with the ICAO.

The Board members emphasised the need to make the platform more user friendly. Up to now, the platform could not be found via Internet search engines and offered only limited payment options (which excluded direct debit). In addition, the EB requested the Secretariat to improve both the supply and demand aspects of the platform.

Streamlining the CDM

The Board also discussed measures to simplify the CDM. The Secretariat presented a revised draft on measures the Board has requested be further developed. An in-depth discussion arose on the question of the conditions under which DOEs could waive on-site inspections in validation and verification. This has only been possible in a very limited number of cases up to now and the Board had asked the Secretariat to look into ways of further easing the rules.

The Secretariat proposed extending the exemption for on-site inspections in validation, but to insist that they be performed at least for the initial verification. For subsequent verifications, it

could be left to the DOE's discretion to decide whether they perform an on-site inspection.

Most Board members responded with scepticism. They were especially concerned about how to handle project activities that had not been inspected at validation, but where issues arose during verification. Many believed the lack of an on-site inspection for subsequent verifications was too risky. Others argued that as long as reliable monitoring data was available, such as through electronic information-gathering, the latter option certainly had potential.

In the end, the Board asked the Secretariat to further define its draft proposals, both as regards the criteria on which the DOEs could waive on-site inspections and in respect of the possible consequences should issues which, due to the lack of an on-site inspection at validation, only come to light during verification.

The Board approved the Secretariat's other simplification proposals and asked for the necessary changes to be made to the underlying regulations. These include:

- Expanding post-registration change types that do not require prior approval by the Board
- Allowing debundling and flexible verification schedules for bundled project activities
- Extending the validity of methodologies for resubmissions

RCCs

Further development of the Regional Collaboration Centres (RCCs) was discussed in depth. The Secretariat reported positive results (see also the evaluation report and the EB 86 Report). The Secretariat stressed that governments see the RCCs as a UNFCCC initiative (and not CDM-related), hence the frequent requests for support for NAMAs, INDCs, national communications and such. As a result, the Secretariat recommended both expanding the advisory services provided by the RCCs and that the services be performed in partnership with other institutions and networks to create a broad-based consultation network.

Most Board members were critical of this option, saying it went way beyond the scope of the CDM. They requested that financial resources from the CDM Trust Fund be used exclusively for CDM-related activities. The EB determined that the RCCs may perform work in areas other than the CDM, but stressed once again that these must be financed purely using resources from the partner organisations.

The Board also requested the Secretariat to ensure proper accounting and separation between CDM funds and other funding sources, including with regard to overhead costs. The Board also decided that, in future, greater priority is to be given to supporting CDM activities in LDCs, SIDs and African countries.

Re-registration of project activities

Finally, the Board considered the Secretariat's regulatory proposal for cases where a project that was voluntarily deregistered is resubmitted. Given the low number of cases involved, the Board decided against regulation for the time being and chose not to pursue the matter further.

Performance Management

The Board took note of the synthesis report of the annual activity reports on the work performed by DOEs and considered a concept note on performance monitoring for DOEs. After a brief discussion, the Board followed the Secretariat's recommendation and decided to put DOE performance monitoring on hold for the next two years due to the low number of cases involved. The Accreditation Panel will, however, continue to monitor DOE performance on the basis of their project registration requests and issuance of CERs.

The Board and its support structure

Business and management plans

The Board discussed, for the most part in a closed session, the two-year business plan for 2016-2017 and the management plan (MAP) for 2016. The scope of work to be performed by the RCCs, the usefulness of regional DNA forums and the work being done on Standardized Baselines were seen as controversial. The respective in-depth discussions were held in a closed session which resulted in a cut in the RCC budget and the DNA forums being reduced to one global DNA Forum.

Expenditure has been significantly reduced, from almost USD 30 million in 2015 to just under USD 20 million in 2016. This is partly due to restructuring within the Secretariat, whose staffing was downsized from 173 in 2015 to 87 in 2016. Compared with 2013, the personnel costs involved in providing the support structure have been halved.

The budget for the RCCs is now just under USD 2 million. Other significant budget items include the voluntary cancellation platform (USD 1.2 million) and work on the methodologies, in-

cluding the Standardized Baselines (around USD 1 million). Additional budget cuts were achieved by reducing the number of EB meetings to five per year.

Accreditation fees

The Board again discussed accreditation fees. It considered a concept note to reduce these by means of subsidy and asked the Secretariat to analyse the impacts of distributing costs evenly across the five-year accreditation and to present its recommendations to the Board at a future meeting. The Board further agreed to require DOEs to report on auditing activities (e.g. validation or verification of greenhouse gas assertions in other schemes) in their annual synthesis reports.

Case-specific Rulings

Accreditation

Based on a negative on-site inspection, the Board suspended the accreditation for the DOE "Foundation for Industrial Development" (MASCI). It now has until February 27 to take corrective action and remedy the issues identified. An on-site inspection will be held on 27 May to assess if such action has been taken.

A further five DOEs were inspected by means of desk reviews. The DOE "Hong Kong Quality Assurance Agency" (HKQAA) was re-accredited for Sectoral Scope 1.

Another DOE lost its accreditation altogether, while DNV withdrew its accreditation for Sectoral Scope 14.

Registration of project activities

Some 7,682 CDM projects were registered as at 27 November 2015, plus a further 287 CDM PoAs (including 1,906 CPAs).

CER issuance and voluntary cancellation

On 27 November, 1,636,193,313 CERs had been issued for CDM project activities, along with 3,630,786 for PoAs.

5,216,405 CERs have been voluntarily cancelled, of which 4,487 were cancelled using the new platform for voluntary cancellation of CERs.

Regulatory Matters

Standards und Tools

Digital documents

The Secretariat reported on its work on a tool to enable digital generation of PDDs. It had created an Excel-based questionnaire taking the AMS-III.AR methodology as an example. The questionnaire is designed to simulate data entry via a web-based interface, and has been made available to several practitioners. Both those practitioners and the EB Board members felt that the test document was far too specialised, saying it was impossible to create an individual digitisation tool for each and every methodology.

Also, many of the terms used were not self-explanatory and fears were expressed that the use of text boxes which users must fill out and, in some cases, questions which are to be answered by ticking off a box would lead to inaccuracies. One Board member reminded the Secretariat that the aim should not be to allow users to fill out a form without any previous knowledge of the CDM whatsoever.

The Board requested the Secretariat to continue with its work, paying particular attention to making the tool more user friendly and applying a modular approach so that it can accommodate multiple methodologies and standards, and be suited to broad application.

Expanded methodology for the agricultural sector

The Board considered the results of the Secretariat's initial analysis regarding options for developing CDM methodologies for the agricul-

tural sector. The members felt the findings were too qualitative and requested the Secretariat to revise them by giving more detailed information regarding the technical potential, the achievable reductions and the costs involved. Biodiversity issues and the potential role of genetically modified crops and organisms should also be assessed.

Standardized Baselines

With very little discussion, the Board approved the Standardized Baseline (SB) "Baseline woody biomass consumption for household cookstoves in Burundi". This is the first top-down SB to be approved and increases the overall number of approved SBs to 18.

Further standards

The Board also discussed the reclassification of the sectoral scopes. The issue here is that the accreditation of DOEs for various scopes is not always in line with methodology classifications. To solve the problem, the Secretariat had developed various solutions and the Board asked the Secretariat to request the DOEs to provide their comments on them. Also, for methodologies that will be newly developed or revised in the future, the information on mandatory and conditional sectoral scopes should be included as a new section of each methodology.

Finally, the Board considered changes to the standards for the use of multiple methodologies in PoAs. Among other things, these changes involve incorporating the provisions of the "Guidelines for the consideration of interactive effects" into the standard itself, thus making the separate guideline obsolete.

Methodologies

The Board approved a new methodology in which aircraft ground operations are managed with the help of additionally installed electric motors (electric taxiing). This methodology was developed in a top-down approach with the ICAO and is the first CDM methodology to be developed for the aviation sector. It is, however, only applicable for domestic flights (territorial principle).

The methodology "ACM0012 Waste energy recovery" was also revised. The revision adds best practice examples as a guide for project developers. The methodology "AM0058 Introduction of a new primary district heating system" was changed to allow industrial consumers to use heat supplied by a CDM project and to simplify the calculation of baseline emissions and demonstration of additionality. Four tools were also modified.

The Board discussed the further development of the positive list for automatic additionality for small-scale project activities. It decided to follow the recommendations of the Small-Scale Projects Working Group and leave the list unchanged. The Secretariat was asked to look at whether the list should be disaggregated (by technologies and countries) and whether the frequency of review for the positive list might be extended from three to five years.

The Board also considered a small-scale, top-down methodology also developed in conjunction with the ICAO for the use of solar power for 'at gate' operations. This relates to the operation of ventilation, air conditioning and heating on board the aircraft while it is parked at the gate. The energy required is currently supplied by additional engines on board the aircraft or by mobile generators on the ground.

Where necessary, power is also obtained from small-scale fossil-fuelled power stations or from the national grid. In the project scenario, these

activities should be covered by renewable energy. The Board asked the Secretariat to provide more clarity regarding the substitution of power from local power stations and to look at how international flights might be taken into account given that the issue is not about reducing flight-related emissions, but about reducing emissions caused by airport operators. The methodology is to be discussed again at the next meeting.

Procedures

The Board considered a compromise proposal from a small working group on the question of improving stakeholder consultations and the handling of human rights issues. The group had formed at the previous EB meeting as no agreement had been reached regarding a proposal put forward by the Secretariat. However, the wording used by the small working group provoked such heated debate, that the Board decided to continue the discussions in a closed session.

In the end, agreement was reached on both the local stakeholder consultation procedure and the human rights issues. The changes bring more clarity to the way stakeholders are invited to submit comments. In addition, a formal process is to be introduced to allow third parties to submit comments during a project life-cycle. Up to now, this has only been possible during the planning phase. With regard to the human rights issues, the Board decided that such comments should be forwarded to the relevant bodies within the UN and the host country government.

Relations with Forums and other Stakeholders

The Board spoke with Ms. Laurence Mortier, Co-Chair of the DNA Forum, regarding the situation with DNAs. Ms. Mortier reported that the DNAs are becoming increasingly involved in other processes, such as NAMAs and preparing INDCs. She said that many authorities view the current market situation as critical, even though initiatives such as the Pilot Auction Facility have generated some movement.

The DNAs fear a huge loss of confidence in market-based instruments, which is why many call for increasing demand, both from Annex I countries and from private businesses who are interested in voluntary cancellation. The DNAs also believe that the CDM should be used for climate finance and results-based finance.

Ms. Mortier talked with the EB members about the CDM Platform for Voluntary Cancellation of CERs, which is still largely unknown to many DNAs. The host country authorities have recognised this, however, and are trying to improve the situation by offering workshops and initiating marketing activities. Ms. Mortier referred to the example of the Brazilian government, which has used CERs to offset the emissions from the Rio+20 Summit and the FIFA World Cup.

The Board also held talks with Werner Betzenbichler, Chair of the COE Forum, on the issue of an exemption for on-site inspections by DOEs. (These talks were held at the start of the EB meeting). Mr. Betzenbichler reminded the Board that the current rules already allowed for exemptions, such as for extremely remote project locations and where security issues were involved. These options were rarely used, however. Many DOEs also believe that the on-site

inspections are indispensable in ensuring an adequate level of reliability. Against this backdrop, said Mr. Betzenbichler, the expected reductions in transaction costs were to be viewed with scepticism.

The Board members reminded the DOEs that performance monitoring would in no way be stopped as the slides presented by the DOE Forum Chair appeared to suggest. Monitoring would instead take a different form.

The Board then met with registered observer Emiko Matsuda (OECC Japan), who raised the question how the CDM might be used to support NAMAs. The Board said that all CDM standards and rules are transparent, published and publicly available for use by all. PoAs and the standardised baselines in particular contain elements which NAMAs can build on. Also, it is the responsibility of NAMA developers and funders to decide on the extent and type of MRV to be applied to NAMAs. The Board was not in a position to assume that role.

Other Matters

Next Meeting

The next EB meeting will be held in Bonn from 7
– 11 March.