

CDM EB MEETING REPORT

EB 89, 9-13 May 2016





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

Website

www.carbon-mechanisms.de

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

Contact

Christof Arens

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

Email: christofar@wupperinst.org

Wuppertal Institute for Climate, Environment and Energy

Döppersberg 19 • 42103 Wuppertal • Germany

www.wupperinst.org

Report

CDM Executive Board 89th Meeting

9-13 May 2016

Christof Arens

Contents

- Governance and Management 3**
 - Strategic Planning3*
 - The Board and its Support Structure4*
- Case-specific Rulings 5**
 - Accreditation.....5*
 - Project Registration5*
 - CER Issuance.....5*
- Regulatory Matters..... 6**
 - Standards and Tools6*
 - Approval of New and Revised Methodologies7*
 - Procedures7*
 - Policy Issues.....7*
- Relations with Forums and other Stakeholders..... 9**
 - Interaction with the DNA Forum Chair.....9*
 - Interaction with the DOE Forum9*

Governance and Management

Strategic Planning

The Board discussed a revised list prepared by the Secretariat on options for using the CDM as a tool for other uses. The Secretariat had put together a range of uses, such as in aviation (ICAO), GCF and green bonds, combined with suggestions as to how the Board might promote them.¹ The EB responded critically. Many members argued that the CMP had asked for options and did not mandate a work programme for implementation. Also, some of the proposed activities did not come within the responsibility of the EB or early action with regard to the ICAO. In addition, as the Japanese representative noted, the list only related to use of the CDM as a whole and left out various aspects such as the use of methodologies or procedures. The EB mandated the Secretariat to revise the list once again and to analyse possible implications, including of existing alternative uses.

On simplification and streamlining, the Board considered various aspects with regard to the inclusion of CPAs. It decided that in future, CMEs can include CPAs without validation by a DOE if they are automatically additional microscale CPAs. The DOE that carries out the first verification must verify the eligibility of the CPA for inclusion; erroneously included CPAs are excluded. In the event of erroneous

inclusion, the DOE is to be held liable for any surplus CERs issued. This last point is still subject to legal appraisal. Likewise in the event of wrongly added CPAs, the CME concerned may no longer use the option of simplified inclusion.

The Board also laid down that in future, on verification of generic CPAs by the Board and the Secretariat, a specific-case sample CPA will no longer have to be presented as has been the practice so far. Instead, the Board will conduct sampling. With regard to CPAs that are not included and are ruled out, the Board decided that these may be applied for within another PoA or as separate CDM activities.

In the case of CPAs that cover multiple technologies or measures, the current practice is retained under which a separate, generic CPA for each technology/measure must be submitted for approval.

These various CPA-related decisions are now to be worked through by the Secretariat and will then be incorporated in a substantial revision of procedures at the end of the year.

New arrangements apply for on-site inspections by auditors. Following lively discussion, the Board sought a balance between safeguarding environmental integrity and transaction costs. In future, the following rules apply: For validation:

- On-site inspections are mandatory for projects that achieve very large emission reductions (threshold yet to be specified)

¹ See

<https://cdm.unfccc.int/UserManagement/FileStorage/YE9C2BT7MOIA634L0VNKDSPJ8WZX5H>

- For smaller projects, on-site inspections are optional; exceptions apply, for example, when information cannot be obtained otherwise.

For verification:

- On-site inspections are mandatory on first-time verification.
- For subsequent verifications there is an obligation to carry out regular inspections, at greater frequency for larger projects and lower frequency for smaller projects.

At the suggestion of the DOE Forum (see below), the Board additionally decided that project status updates now only have to be performed twice a year.

The Board and its Support Structure

The Board critically discussed the status of the online platform for voluntary cancellation of CERs. User numbers remain low and fewer than 20,000 CERs have been cancelled. The Board therefore decided to shelve the Secretariat's proposed options for express selection of CERs. Instead, work is first to be carried out on translating the platform into French and Spanish and an external consultant is to be hired to evaluate the platform's user-friendliness. Finally, the Secretariat is to ensure that text on sustainability is extracted from PDDs and made directly visible on the platform, as mandated by the CMP.

Case-specific Rulings

Accreditation

The Foundation for Industrial Development DOE voluntary withdrew its accreditation for scopes 3, 4, 9, 10 and 15.

Project Registration

7,710 CDM projects and 291 PoAs are currently registered. 1,946 CPAs have been included in PoAs.

No disputed cases were considered with regard to registration.

CER Issuance

Up to and including 13 May, 1,672,730,379 CERs had been issued, and 4,805,968 CERs for PoAs. The Board again did not consider any disputed cases with regard to issuance.

Regulatory Matters

Standards and Tools

The Board considered a concept note on methodological work for the transport sector. The Secretariat had formulated the following proposals:

- Development of a new top-down methodology for non-motorised transportation
- Development of a top-down methodology for improved operation of public transportation
- Work to facilitate the combination of transport methodologies
- Improvement of existing vehicle efficiency methodologies
- Improvement of existing mass rapid transport system (MRTS) methodologies
- Scoping note on transit-oriented development (TOD)

The Board acknowledged the proposals but most of all criticised the last one. One member said it was difficult to quantifiable reduction effects from urban development measures. With regard to the first proposal, the EB Chair argued that in developing countries, it is often the case that cycling infrastructure is built but then goes unused, because in many cities climate, topography and distances discourage bicycle use in general. However, the Board reached consensus on requesting development of a methodology to promote infrastructure and technologies for bicycles and tricycles, including those with electric power. A second new top-down methodology will address improved operation of public transportation.

A second extensive concept note looked into the development of methodologies for the agricultural sector. The Secretariat proposed measures as follows:

- New methodologies for grazing land and livestock management
- Simplification of the existing livestock management methodology, AMS-III.BK
- New methodologies for crop nutrition management, including fertilisers
- Revisions to the extensions to the existing methodologies AMS-III.Y and AMS-III.F
- A new methodology for reducing food wastes
- New methodologies for application of renewable energy and energy efficiency for agriculture

The Board welcomed the proposals but asked for more detail, most of all on the proposed new methodologies. The Secretariat is to present additional specifics here with regard to potential demand, resource implications, feasibility of the CDM methodology and cooperation with partners such as FAO. The Board requested the revisions mentioned.

Concerning the rules on standardized baselines (SBs), the EB followed a recommendation of the Methodologies Panel and approved a supplementary clarification of the guidelines on the establishment of SBs. This is to explain all options for the establishment of SBs (based on a methodology, a tool or the SB guidelines), use of positive lists, etc., to ensure that users are fully informed.

The EB further noted the status of revisions to the project standard, the VVS and the PCP. It reminded the Secretariat that this work has to be completed by the end of the year. In

parallel, at the request of the CMP, a separate document is to be compiled summarising the PoA Guidance.

The Board further decided on a proposal by the Secretariat to simplify the demonstration of automatic additionality on registration. Objective criteria are thus to be incorporated in the PDD form for this step and made verifiable with a simple information request. Clear form-filling instructions are also to be provided. The Board endorsed these proposals.

The Board members additionally considered projects in the physical or geographical location of an earlier CDM project. The Methodologies Panel pointed out that the existing rules need to be added to for this purpose, because so far, projects whose crediting period has not yet expired are not regulated, and the criteria for the existing procedure need to be clarified.

The Board discussed at length, among other things on the issue of what relationship old and new projects may have to each other. It was noted, for example, in the case of industrial gas projects that it may be desirable to carry out a new project with the same technology when the crediting period runs out. Overlaps would arise, however, because certain elements, equipment, etc. from the old project would be used in the new one.

The EB finally requested the Secretariat to revise the proposals, with the main focus on the implications of whether or not the crediting period of the existing project has expired.

The EB subsequently discussed definitions and accounting with regard to indirect greenhouse gas emissions and concluded that the references in the methodologies should be clarified by replacing the term 'indirect emissions' with 'leakage'.

Approval of New and Revised Methodologies

The EB revised the following methodologies:

- ACM0002 (Electricity generation from renewable sources): Clarification of leakage provisions
- ACM0001: (Landfill gas): Extension to cases where consumers are supplied with landfill gas by pipeline
- AM0116 (Electric taxiing systems for airplanes): Extension to non-commercial aircraft.

With regard to small-scale projects, the EB approved a new methodology (AMS-I.M) for the use of solar power for aircraft at-gate operations, which include heating, ventilation and air conditioning for aircraft during ground time. The methodology was revised jointly with the ICAO and adopted with minor changes. The following other methodologies were revised:

- AMS-II.C (demand side energy efficiency): new conservative default values and consistency with AMS-II.J
- AMS-II.J (Efficient lighting): new monitoring options and clarification of barrier analysis

Procedures

The Board adopted a revised version of the Methodologies Procedure. This had become necessary among other things because CMP 11 decided that it should be possible to revise methodologies without specific reference to projects/PoAs.

Policy Issues

The Board once again considered the issuance of CERs for afforestation and reforestation activities and the problems relating to projects spanning more than one Kyoto commitment period (CP) – see EB 88

Report. It decided to change the rules as follows:

- For ICERs whose monitoring period spans two commitment periods, all removals since the last verification are allocated to the second CP.
- For tCERs, all removals occurring since the start of the project activity are issued for the CP in which the monitoring period ends.

The EB also considered a further elaboration of the communication requirements for project developers to avoid situations where the Board is not sufficiently informed about the status of projects. It asked the Secretariat to compile a proposal on this point.

Relations with Forums and other Stakeholders

Interaction with the DNA Forum Chair

The Board heard, via video conference, input from the Chair of the Global DNA Forum, Juan Carlos Moneterrey (Panama). Mr. Monterrey reported on a survey of DOEs, notably on the role of the CDM post-2020. The findings include responses from Latin America and Europe.

DNAs want new instruments under the Paris Agreement to build on the experience gained with the CDM and to use elements of the established CDM infrastructure. A number of DNAs also see the possibility of integrating a reformed CDM as a window in a new mechanism. DNAs see themselves in the role as focal points for Article 6 activities in the context of the NDCs and would like to contribute their expertise in the policy process.

DNAs are also concerned about the situation with regard to CDM projects in underrepresented regions, notably with regard to the lack of DOEs. They would like to see an analysis from the EB of how the presence of DOEs can be strengthened in underrepresented regions, for example by reducing fees.

Finally, the DOEs gave their opinion regarding SD benefits. They expect the existing tools to be made more detailed and based on the SDGs, with increased promotion of the SD tool and its added value. A number of DNAs would like to see workshops explaining the use of the tool with the aim of incorporat-

ing the effect of SD benefits in national reporting.

Interaction with the DOE Forum

The Board held a video conference with Werner Betzenbichler, Chair of the DOE Forum. Mr. Betzenbichler gave comments on the agenda and explained current concerns from the perspective of auditors. The DOEs support the planned simplification and streamlining. However, they consider that the conclusions on on-site visits need to be cast into clear guidance. They also question whether status reporting by DOEs in accordance with the PCP is still in keeping with the times given the small numbers of cases.

EB members asked among other things about what role the DOEs see themselves as having in connection with the extension of the CDM to other uses. Mr. Betzenbichler explained that the services of DOEs were also available for other uses and, as with JI, other institutions and procedures could assume the work of the CDM accreditation system to cut costs. The same or similar applies for the Paris Agreement, he said, where it makes sense to use independent auditors in relation, for example, to performance-based transfers.