

CDM EB MEETING REPORT

CDM EB Meetings 98 & 99

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Report

CDM Executive Board 98th & 99th Meeting

27 Feb – 1 March/23 – 26 April 2018

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Governance and Management

Membership Issues

At EB 98, the Board elected Arthur Rolle, Bahamas, as Chair and Piotr Dombrowicki, Poland, as Vice Chair. Rolle, a meteorologist, works at the Bahamas Environment Ministry where, among other things, he is responsible for national communications and UNFCCC negotiations.

New to the Board this year are Omar Alcock, Jamaica, and Benjamin Karmorh Jr., Liberia. Alcock, an economist, works for the Jamaican government as a Senior Technical Officer in the field of climate action. Karmorh, a biologist, is a member of the Liberian Environmental Protection Agency. He is also UNFCCC Focal Point and a member of the Liberian DNA.

Strategic Planning

CMP Guidance

At EB 98, the Secretariat presented the CDM-related decisions from CMP 13. These instruct the Board to further simplify the rules on standardised baselines and, when requested to do so, provide support for DNAs in developing SBs. Also, cooperation with international financing institutions concerning other uses for the CDM is to continue. The Board is also required to support the work of the RCCs and inform the COP of the results.

Carbon market developments

The Secretariat reported ¹ on the latest developments in the carbon market. With regard to **developments at national level**, the Secretariat stressed that the launch of China's national ETS has been postponed until 2020 and administrative responsibility for the scheme has been transferred to the newly-established environment ministry. The Secretariat also reported on the reform of the EU ETS and the EU Effort Sharing Decision, Canada's plans to introduce a national carbon tax, and the status of South Africa's carbon tax which is to apply from January 2019 following repeated postponements in the past.

Closing its presentation, the Secretariat reported on developments at **international level**. In international aviation, the ICAO meeting scheduled for approval in June 2018 is of particular importance because it will be used to determine the eligibility criteria for usable certificates in ICAO's CORSIA scheme. Looking at international shipping, the Secretariat highlighted the approval of the climate action strategy under the IMO. Among other things, the strategy envisages that greenhouse gas emissions from international shipping will soon reach their peak and will then drop to 50% of 2008 levels by 2050. The creation of market-based mechanisms is not foreseen for the time being, but will be negotiated as part of the package of mechanisms to be adopted at the

¹ The presentation can be viewed online at:
<https://unfccc.events.azureedge.net/media/pdfs/86b3f300-073b-460d-977b-4936ac6110f2/d8547624-6f35-4903-82f4-0a39a94fdcf.pdf>

start of 2023. The Board took notice of the report.

Voluntary cancellation of CERs

At EB 99, the Secretariat reported on the current status regarding the online platform for voluntary cancellation. There are currently just under 1,500 registered users and more than 2,000 transactions have been conducted so far. The average price per CER was USD 0.97. Following an increase in transactions from 50,000 CERs to almost 140,000 CERs between 2016 and 2017, the Secretariat expects this trend to continue and anticipates volumes to reach 200,000 CERs. After presenting the results of the user analysis, the Secretariat reported on the status concerning the ongoing technical improvements being made to the platform. The new design will be launched to mark the platform's third anniversary on 15 September 2018.

The Board welcomed the platform's existence in principle, but pointed to its low user numbers and gave additional instructions for the Secretariat's future work. The Board instructed the Secretariat to ensure the accuracy of information given when advertising the platform. Advertising in connection with COP23 had stated that the full climate effect of flights could be offset. In actual fact, only the carbon emissions were taken into account. The Secretariat must also check the accuracy of statements made by project developers concerning use of external certification standards such as the Gold Standard. A detailed analysis of the platform will take place in the course of the two-year reporting cycle.

Financing and use of the CDM by international financing institutions

Given the continued poor demand for CERs, the Board with the help of the Secretariat is looking for alternative ways to finance CDM activities. At EB 99, the Secretariat reported on related activities conducted in conjunction with the

Regional Collaboration Centres (RCCs) in Q1 2018, in which support from local development banks had played a key role. The Board took note of the presentation without discussing it in any depth.

Performance Management

EB Workplan 2018

With little debate, the Board approved its Workplan for 2018. Apart from routine works, highlights include a Concept Note on dealing with stranded CERs, streamlining the rules on standardised baselines (CMP mandate, see Regulatory Matters below) and developing a top-down methodology "CDM in urban sectors".

Annual report to the CMP

In a closed session at EB 99, the Board agreed to the key messages to be contained in this year's report to the CMP and instructed the Secretariat to produce a first draft in time for the next EB meeting.

Annual DOE activity report

For the annual DOE activity report, DOEs will be asked to submit a wide range of information. At EB 99, the Board discussed the current survey form presented by the Secretariat.

Some Board members criticised the volume of data requested as well as the level of effort involved for DOEs. They also questioned the benefit of receiving the requested data. The Board instructed the Secretariat to work with the Accreditation Panel and the DOE Forum to develop a Concept Note outlining ways to simplify the process. The Concept Note is to be presented at the first meeting held in 2019.

Management of the Board and the Secretariat

At EB 98 at the start of the year, the Board approved the management of the Panel and

the working groups. The appointments for 2018 are as follows:

- Accreditation Panel
Chair Balisi Gopalang, Vice Chair Kazunari Kainou
- Methodologies Panel
Chair Martin Enderlin, Vice Chair José Miguez
- WG Afforestation/Reforestation
Chair Olivier Kassi, Vice Chair Moises Alvarez
- WG CCS
Chair Lambert Schneider, Vice Chair Eduardo Calvo

Case-specific rulings

Accreditation

Taking account of the recommendations from the Accreditation Panel, the Board approved among others the reaccreditation of DOE E-0009 "Bureau Veritas India Pvt. Ltd." (BVI) and DOE E-0023 "Lloyd's Register Quality Assurance Ltd." (LRQA). The Board also decided to withdraw accreditation for DOE "Perry Johnson Registrars Carbon Emissions Services" (PJRCS).

Programmes of Activities

311 PoAs were registered as of 6 April 2018, covering a total 2,128 CPAs. To date, 14,254,425 CERs have been issued for PoAs.

Registration of project activities

7,803 CDM projects were registered as of 6 April 2018.

CER issuance and voluntary cancellation

1,906,375,628 CERs had been issued for CDM projects as of 6 April 2018 and 30,046,657 CERs were cancelled voluntarily. Of these, 303,664 were cancelled using the online Climate Neutral Now platform for voluntary cancellation.

Regulatory Issues

Standards and Tools

Revision of the Accreditation Standard

At EB 98, the Board revised the accreditation standard. Among other things, the wording was more clearly formulated regarding the methodologies that DOEs must use to assess and describe the skills and abilities of their staff. The Board also brought clarity to the conditions under which DOEs may deploy external staff and the qualifications they must have.

At EB 99, the Board also reached the decisions outlined below.

Post-registration changes to projects and PoAs

Using the procedure for Post-Registration Changes (PRC), project implementers may make changes to previously registered projects and PoAs. It remained unclear as to whether changes are allowed which could result in a significant increase in the quantities of CERs issued. After discussing the initial Concept Note at EB 96, the Board instructed the Secretariat and the Meth Panel to revise it and in doing so, to take account not only of the Board's input but also to allow the perspectives of project developers and other stakeholders to flow into the draft.

A revised Concept Note was presented by the Secretariat. The Board largely followed the recommendations it contained on implementing the feedback given at EB 96, but also made further minor adjustments in certain areas. For example, the Secretariat and the Meth Panel had proposed that the PRC

procedure only be used for large-scale projects if additional project capacity resulting from the changes does not exceed 20 percent. The Board decided that this threshold should not be applied to the maximum additional number of CERs to be issued. This means that in future, project implementers may use the procedure if their additional emission reductions exceed the threshold. In cases where the causes for the increased capacity cannot be attributed to the project implementer, no limit is foreseen. The Board instructed the Secretariat to revise the regulatory documents so it could discuss this issue at the next meeting.

Renewal of the Credit Period and the PoA Period

The Secretariat presented a proposal to revise the procedure to renew the Crediting Period for CDM activities. This was based on the current two-phase procedure which requires that project implementers inform the Secretariat about their intention to renew the Crediting Period between 180 and 270 days prior to the end of the current Crediting Period. This done, the DOE must then submit a renewal request. Project implementers who fail to meet the deadline when submitting their request for renewal are not entitled to the full quantity of CERs. Given the disadvantages faced by project implementers who miss the deadline, the Secretariat believed action was needed and proposed a single-step procedure in which the first step of notifying the Board falls away. The Board was not in agreement with this: while some members welcomed the proposal and wanted to simplify the procedure for the benefit of project implementers, others wanted to retain the current procedure, saying that it

was accepted practice that missing a deadline has negative consequences. In the end, the Board instructed the Secretariat to revise the Concept Note and, among other things, make the advantages and disadvantages of the various options more transparent. Stakeholders are to be asked for their opinion as part of a Call for Public Input.

Another proposal from the Secretariat involved the current rules on renewing the PoA Period. PoA implementers must also inform the Secretariat of their intent to renew the PoA Period. However, where Programmes of Activity are concerned, the Crediting Period is determined for each individual CPA and not for the overarching PoA. Nonetheless, under the current rules CPAs running under a PoA whose PoA Period was not renewed by the deadline cannot generate CERs. The Secretariat criticised this rule and proposed changing the requirement so that PoA implementers no longer need to notify the Secretariat of their intent to renew the PoA Period. The Board members welcomes this proposal and the Board instructed the Secretariat to make the necessary changes to the regulatory documents so they could be discussed at the next meeting.

Standardized Baselines

The Secretariat presented a Concept Note on simplifying the development of Standardized Baselines in line with the CMP mandate. Among other things, the Secretariat proposed that SBs submitted by DNAs should no longer be evaluated by a DOE and that the entire evaluation process be transferred to the Secretariat. The Board rejected this proposal, referring to the expertise of the DOEs. It did, however, follow the Secretariat's proposals concerning other areas. For example, a passage is to be included in the SB procedure documents which points out the option to have an SB made valid for more than three years. The Board instructed the Secretariat to align the

rules accordingly and present the revised version for approval at a future meeting.

Recycling Materials

The Board discussed a Concept Note on expanding the scope of use for the CDM to include recycling activities. Many Board members expressed fundamental concerns regarding calculating emission reductions achieved from recycling and the poor availability of data in developing countries.

Integrating best practice examples

The Board discussed a Concept Note on selecting methodologies for use in integrating best-practice examples which are to be revised. The Board instructed the Meth Panel to give priority to two biomass methodologies: "ACM0006: Electricity and heat generation from biomass" and "AMS-II.G: Energy efficiency measures in thermal applications of non-renewable biomass". The Meth Panel was also asked to work with Secretariat to obtain feedback from users of the methodologies to identify problems that could be tackled by integrating best-practice examples.

Revising methodologies following the introduction of the Combined Tool

With the introduction of the Combined Tool, the reference case provision and proof of additionality have been combined. This raises the question of whether the Additionality Tool can be retained and if methodologies which still refer to the tool will have to be revised. The Board decided to retain the Additionality Tool and not to revise the methodologies, allowing them to continue to refer to the Additionality Tool.

Revision of existing methodologies

At EB 98, the Board revised two small-scale project methodologies for use in the biofuel sector: "AMS-I.H: Biofuel production and use for energy generation in stationary applications" and

"AMS-III.AK: Biofuel production and use for transport applications". For both methodologies, the scope of use was extended to other biofuels and a reference to relevant CDM tools was added.

At EB 99, the Board reached the following decisions concerning methodology revision. It revised methodology "ACM0002: Grid-connected electricity generation from renewable sources". The revision extends the validity of the positive lists by an additional year.²

The Board decided to delete the methodology "AM0042: Grid-connected electricity generation using biomass from newly developed dedicated plantations" because this area is covered by a combined methodology ("ACM0018: Electricity generation from biomass in power-only plants") and is not currently in use.

The Board revised the methodological tool "TOOL21: Demonstration of additionality of small-scale project activities". The revision integrates an extended positive list into the tool.³

Projects to promote use of bicycles and tricycles in public transport systems

At EB 99, the Board discussed a methodology to promote use of bicycles and tricycles in public transport systems. This was in response to criticism raised by the Board concerning a first draft presented at EB 96 (see Report EB96). The revised draft, which was jointly produced by the Secretariat and the Meth Panel, now takes account among other things of emissions arising from the potential for e-bikes to force conventional bikes off the roads. The Board's concerns regarding user data were also taken into account. The Board welcomed the

revision, but pointed to inconsistencies and areas in need of clarity. These were remedied in the course of the meeting, enabling the Board to approve the methodology without further any delay.⁴

Procedural Issues

Automatic additionality for microscale renewable energy projects

Also at EB 99, the Board discussed a proposal to revise the procedure used when microscale projects are to be considered as automatically additional. Due to changes made to the tool to demonstrate additionality in microscale projects, inconsistencies had arisen which will be remedied by the revision. The Board accepted the Secretariat's proposal and gave its approval for the procedure to be revised.⁵

² The revised methodology can be viewed online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/FI02P75GHWEKNSX8V6LQ4JYATDZB9U>

³

<http://cdm.unfccc.int/UserManagement/FileStorage/7KGLDHZPA0XQURFE8241CYS9MNB6OW>

⁴ The new methodology can be viewed under:
<http://cdm.unfccc.int/UserManagement/FileStorage/4XQZSF9IPE0DU7BO2M1CAVTNHGW8Y5>

⁵ The revised procedure can be viewed online at:
<http://cdm.unfccc.int/UserManagement/FileStorage/7L4258YEHGZP9D6SFKTUVB30RAIMOQ>

Relationships with Forums and Other Stakeholders

Interaction with UNFCCC management

At EB 99, the Board consulted with Ovais Sarmad (*Deputy Executive Secretary*) and Martin Frick (*UNFCCC Senior Director for Policy and Programme Coordination*) about the Secretariat's work.

Mr. Sarmad described three processes of tremendous significance which the UNFCCC Secretariat will implement during the course of 2018. One involves improving the work performed by the Secretariat in respect of the Paris Agreement. The aim is to make COP24 a success and contribute to structuring the Paris Agreement's climate change regime. The team will receive additional staff to ensure a valuable contribution in the transition period between the old and new climate change regimes. Another area of work involves securing the Secretariat's financial future, which is ailing due to scarce resources. Fund-raising measures are to be developed for use in obtain financial security. Mr. Sarmad also stressed the ongoing analysis of the Secretariat's current structure. It is necessary to assess, he said, whether the Secretariat will be able to meet the challenges and expectations it will face when the Paris Agreement enters into force. A consulting firm had been hired to help find answers to this question. The results of the analysis will be presented to Parties in the course of the coming year.

In his statement, Mr. Frick pointed out that the Paris Agreement has resulted in fundamental changes to the Secretariat's work. Among other

things, in the future questions will arise as to how countries are to be supported in implementing their NDCs and about the kind of contribution that non-state actors can make. When asked, the Secretariat representatives made it clear that this new area of work should not result in a reduction of the funds available for CDM-related work and that these should in fact be increased. The Board thanked the representatives for their honest and open input, and stressed the importance of the Secretariat's support.

Designated Operational Entities

The Board consulted with Werner Betzenbichler, the DOE Forum Chair. Among other things, Mr. Betzenbichler gave feedback on the planned revision of the rules on post-registration changes. For example, the draft contains a number of provisions which are not clearly formulated and result in uncertainty regarding implementation by the DOEs. The Board thanked Mr. Betzenbichler for his input and said it would be taken into account when addressing the issue further.

Designated National Authorities

Also at EB 99, the Board consulted with Maia Tskhvaradze, Co-Chair of the DNA Forum. Ms. Tskhvaradze presented the key findings of a survey in which a large number of DNAs had participated, most of them from developing countries. With a view to the relationship between the CDM and the mechanism contained in Article 6.4 of the Paris Agreement,

the surveyed DNAs were openly in favour of the two mechanisms being closely linked. They would like to see the CDM be integrated into the new Mechanism and for ongoing CDM projects to be re-registered and transferred to the Mechanism contained in Article 6.4. With regard to CER transfer beyond 2020, the DNAs were in favour of CERs staying with host countries. Transfers should only take place once countries have successfully implemented their NDCs. The Board talked to Ms. Tskhvaradze about this and other results of the survey, and thanked her for her input.

Other Issues

Next Meeting

The next meeting will be held from 27 – 31 August 2018.