

## Decision 21/CP.8

### Guidance to the Executive Board of the clean development mechanism

*The Conference of the Parties,*

*Recalling* its decisions 15/CP.7 and 17/CP.7,

*Noting with appreciation* the first report of the Executive Board of the clean development mechanism,<sup>1</sup> and encouraging the Executive Board to continue to report on its activities, including on the implementation of rules 26 and 27 of the rules of procedure contained in annex I to this decision,

*Expressing its appreciation* to the Executive Board for the successful accomplishment of all elements of the work programme stipulated in decision 17/CP.7 and for its efforts to provide for dialogue and the exchange of information with the public,

1. *Decides*, in accordance with the provisions of decision 17/CP.7 and its annex:
  - (a) To adopt the rules of procedure of the Executive Board as contained in annex I to this decision;
  - (b) To encourage the Executive Board to keep its rules of procedure under review and, if necessary, make recommendations, in accordance with paragraph 5 (b) of the annex to decision 17/CP.7, on any amendments or additions aimed at safeguarding its efficient, cost-effective and transparent functioning;
  - (c) To adopt the simplified modalities and procedures for small-scale clean development mechanism project activities as contained in annex II to this decision;
  - (d) To authorize the Executive Board to accredit operational entities and designate them, on a provisional basis, pending the designation by the Conference of the Parties at its next session;
  - (e) To commend the Executive Board and the secretariat for the provision of up-to-date public information on the operational requirements of the clean development mechanism, such as on the accreditation procedures for operational entities and on the clean development mechanism project design document available in all six official languages of the United Nations on the secretariat web site<sup>2</sup> and on CD-ROM;
  - (f) To call to the attention of each Party wishing to participate in clean development mechanism project activities the need to identify a designated national authority and the possibility that information pertaining to the establishment of this authority can be made publicly available through the secretariat web site;
  - (g) To reiterate its invitation to Parties to finance the administrative expenses of operating the clean development mechanism by making contributions to the UNFCCC Trust Fund for Supplementary Activities;

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<sup>1</sup> FCCC/CP/2002/3 and Add.1.

<sup>2</sup> <http://unfccc.int/cdm/index.html>

2. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

*7<sup>th</sup> plenary meeting  
1 November 2002*

**Draft decision -/CMP.1**

**Guidance to the Executive Board of the clean development mechanism**

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Aware of its decisions -/CMP.1 (Mechanisms), and -/CMP.1 (Article 12),*

*Cognizant of decisions 15/CP.7 and 17/CP.7,*

*Decides to confirm and give full effect to any actions taken pursuant to decision 21/CP.8.*

## ANNEX I

### Rules of procedure of the Executive Board of the clean development mechanism

#### I. SCOPE

##### Rule 1

These rules of procedures shall apply to all activities of the Executive Board of the clean development mechanism (CDM) undertaken in accordance with decision 17/CP.7, and the annex thereto on the modalities and procedures for a CDM, as defined in Article 12 of the Kyoto Protocol.

#### II. DEFINITIONS

##### Rule 2

For the purpose of these rules:

1. “Decision 17/CP.7” means the decision taken by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its seventh session on the modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol;<sup>1</sup>
2. “CDM modalities and procedures” means modalities and procedures for a clean development mechanism contained in the annex to decision 17/CP.7;<sup>2</sup>
3. “UNFCCC” means the United Nations Framework Convention on Climate Change;
4. “COP” means the Conference of the Parties to the United Nations Framework Convention on Climate Change;
5. “COP/MOP” means the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
6. “CDM” means the clean development mechanism as defined in Article 12 of the Kyoto Protocol;
7. “Executive Board” means the Executive Board of the clean development mechanism as defined in Article 12 of the Kyoto Protocol;
8. “Chair” and “Vice-Chair” mean the members of the Executive Board elected as Chair and Vice-Chair by the Executive Board of the clean development mechanism;
9. “Member” means member of the Executive Board of the clean development mechanism;
10. “Alternate member” means alternate member of the Executive Board of the clean development mechanism;
11. “Secretariat” means the secretariat referred to in Article 14 of the Kyoto Protocol and the paragraph 19 of the CDM modalities and procedures;
12. “Technical reports commissioned” refers to reports commissioned by the Executive Board to obtain outside expertise other than reports produced by committees, panels and working groups specified in section VII of these rules of procedure;

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<sup>1</sup> FCCC/CP/2001/13/Add.2

<sup>2</sup> FCCC/CP/2001/13/Add.2

Paragraph 1 (e) of the CDM modalities and procedures:

13. “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

14. For the purpose of rules 26 and 27, Parties to the Convention that are not Parties to the Kyoto Protocol may exercise the same rights as all other observers.

### **III. MEMBERS AND ALTERNATE MEMBERS**

#### **A. Nomination, election and re-election**

##### Rule 3

Paragraph 7 of the CDM modalities and procedures:

The Executive Board shall comprise ten members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

##### Rule 4

Paragraph 8 (a) to (d) of the CDM modalities and procedures:

1. Members, including alternate members, of the Executive Board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 {of the CDM modalities and procedures} and be elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 {of the CDM modalities and procedures} shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity;

(d) Be bound by the rules of procedure of the Executive Board.

2. The term of service of a member, or an alternate member, shall start on 1 January of the calendar year following his/her election by the COP/MOP and shall end on 31 December, two or three years thereafter, as applicable.

Rule 5

Paragraph 9 of the CDM modalities and procedures:

1. The COP/MOP shall elect an alternate for each member of the Executive Board based on the criteria in paragraphs 7 and 8 {of the CDM modalities and procedures}. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

2. Any reference in these rules to a member shall be deemed to include his/her alternate when such alternate acts for the member.

3. In the absence of a member from a meeting of the Board, his/her alternate shall serve as the member for that meeting.

Rule 6

Paragraph 8 (c) of the CDM modalities and procedures:

1. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the Executive Board.

2. Funding for participation shall be provided in accordance with the financial regulations of the United Nations and the financial procedures of the UNFCCC.

**B. Suspension, termination and resignation**

Rule 7

Paragraph 10 of the CDM modalities and procedures:

1. The Executive Board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, inter alia, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the Executive Board without proper justification.

2. Any motion calling for the suspension of, and recommendation to the COP/MOP to terminate the membership of, a member, or an alternate member, shall immediately be put to the vote in accordance with the voting rules in section V below. When the motion concerns the suspension of, and recommendation to the COP/MOP to terminate the membership of, the Chair, the Vice-Chair shall act as Chair until the voting has been conducted and its result announced.

3. The Executive Board shall suspend and recommend termination of the membership of a member, or an alternate member, only after the member, or alternate member, has been afforded the opportunity of a hearing by the Board in a meeting.

#### Rule 8

Paragraph 11 of the CDM modalities and procedures:

1. If a member, or an alternate member, of the Executive Board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the Executive Board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

2. The Executive Board shall request the relevant constituency to nominate the new member, or the new alternate member, to be appointed in accordance with paragraph 1 of this rule.

#### **C. Conflict of interest and confidentiality**

#### Rule 9

Paragraph 8 (f) of the CDM modalities and procedures:

{Members, including alternate members, of the Executive Board shall} {h}ave no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity.

#### Rule 10

Paragraph 8 (e) of the CDM modalities and procedures:

1. {Members, including alternate members, of the Executive Board shall} take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties.

2. The written oath of service shall read as follows:

“I solemnly declare that I will perform my duties as a member/alternate member of the Executive Board of the clean development mechanism pursuant to Article 12 of the Kyoto Protocol, honourably, faithfully, impartially and conscientiously.

“I further solemnly declare and promise that I shall have no financial interest in any aspect of the clean development mechanism, including accreditation of operational entities, registration of CDM project activities and/or the issuance of related certified emission reductions. Subject to my responsibilities to the Executive Board, I shall not disclose, even after the termination of my functions, any confidential or proprietary information which is transferred to the Executive Board in accordance with the CDM modalities and procedures, or any other confidential information coming to my knowledge by reason of my duties for the Executive Board.

“I shall disclose to the Executive Secretary of the United Nations Framework Convention on Climate Change and to the Executive Board any interest in any matter under discussion before the Executive Board which may constitute a conflict of interest or which might be incompatible with the requirements of integrity and impartiality expected of a member of the Executive Board and I shall refrain from participating in the work of the Board in relation to such matter.”

#### Rule 11

Paragraph 8 (g) of the CDM modalities and procedures:

1. {Members, including alternate members of the Executive Board shall,} subject to their responsibilities to the Executive Board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the Executive Board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the Executive Board.

Paragraph 6 of the CDM modalities and procedures:

2. Information obtained {by members, and alternate members} from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 {of the CDM modalities and procedures}, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) {of the CDM modalities and procedures}, shall not be considered as proprietary or confidential.

#### **D. Officers**

#### Rule 12

Paragraph 12 of the CDM modalities and procedures:

1. The Executive Board shall elect its own {Chair} and {Vice-Chair}, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of {Chair} and {Vice-Chair} shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

2. At the first Executive Board meeting of each calendar year, the Board shall elect a Chair and a Vice-Chair from among its members.

#### Rule 13

1. The Chair and Vice-Chair shall serve in their respective capacities at any meeting of the Executive Board.

2. If the elected Chair is not able to serve in that capacity for a meeting, the Vice-Chair shall serve as Chair. If both are unable to serve in their respective capacities, the Board shall elect a member from among its members present to serve as Chair for that meeting.

3. If the Chair or Vice-Chair ceases to be able to carry out his or her functions, or ceases to be a member, a new Chair or Vice-Chair shall be elected for the remainder of the term.

#### Rule 14

1. The Chair shall preside over the meetings of the Executive Board as provided for under this rule.

2. In addition to exercising the functions conferred upon the Chair elsewhere by these rules, the Chair shall declare the opening and closing of meetings, preside at meetings, ensure the observance of these rules, accord the right to speak, put questions to the vote and announce decisions. The Chair shall rule on points of order and, subject to these rules, shall have complete control of the proceedings and over the maintenance of order at the meeting.

3. The Chair may propose to the Executive Board a limitation on the time to be allowed to speakers and on the number of times each member may speak on a question, the adjournment or closure of the debate and the suspension or adjournment of a meeting.

4. The Chair, or any other member designated by the Executive Board, shall represent the Board as necessary, including at sessions of the COP/MOP.

### IV. MEETINGS

#### A. Dates

#### Rule 15

Paragraph 13 of the CDM modalities and procedures:

The Executive Board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 {of the CDM modalities and procedures.}

Rule 16

1. At the first Executive Board meeting of each calendar year, the Chair shall propose for the approval of the Board a schedule of meetings for that calendar year. To the extent possible, these meetings shall be held in conjunction with sessions of the COP, the COP/MOP or their subsidiary bodies.
2. If changes to the schedule or additional meetings are required, the Chair shall, after consultations with all members, give notice of any changes in the dates of scheduled meetings, and/or of the dates of additional meetings.

Rule 17

The Chair shall convene and give notice of the date of each meeting of the Executive Board not less than eight weeks prior to the date of such meeting.

Rule 18

The secretariat shall promptly notify all those invited to the meeting.

**B. Venue**

Rule 19

Meetings of the Executive Board held in conjunction with meetings of the COP, the COP/MOP or their subsidiary bodies shall be held at the same location as the meetings of these bodies. Other meetings of the Executive Board shall take place at the location of the secretariat, unless the Executive Board decides otherwise or other appropriate arrangements are made by the secretariat in consultation with the Chair.

**C. Agenda**

Rule 20

The Chair, assisted by the secretariat, shall draft the provisional agenda of each meeting of the Executive Board and transmit a copy of such provisional agenda, agreed upon by the Executive Board at its previous meeting, to all those invited to the meeting.

Rule 21

Additions or changes to the provisional agenda of a meeting may be proposed to the secretariat by any member, or alternate member, and incorporated in the proposed agenda provided that the member, or alternate member, shall give notice thereof to the secretariat not less than four weeks before the date set for the opening of the meeting. The proposed agenda for the meeting shall be transmitted by the secretariat to all those invited to the meeting three weeks before the date set for the opening of the meeting.

## Rule 22

The Executive Board shall, at the beginning of each meeting, adopt the agenda for the meeting.

## Rule 23

Any item included on the agenda for a meeting of the Executive Board, consideration of which has not been completed at that meeting, shall be included automatically on the provisional agenda for the next meeting, unless otherwise decided by the Executive Board.

**D. Documentation**

## Rule 24

1. All documentation for an Executive Board meeting shall be made available to members and alternate members through the secretariat at least two weeks before the meeting.
2. Documentation shall be made publicly available by the secretariat via the Internet soon after transmission to members and alternate members. Availability of such documentation shall be subject to confidentiality provisions.

## Rule 25

Paragraph 5 (j) of the CDM modalities and procedures:

{The Executive Board shall} make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration.

**E. Transparency**

## Rule 26

Subject to the need to protect confidential information, the principle of transparency should apply to all the work of the Executive Board, encompassing the timely public availability of documentation and channels through which external comments by all Parties and all UNFCCC accredited observers and stakeholders can be submitted for consideration by the Board. The posting of the Board's meetings on the Internet is one way to ensure transparency.

**F. Attendance**

## Rule 27

Paragraph 16 of the CDM modalities and procedures:

1. Meetings of the Executive Board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the Executive

Board.

2. Observers may, upon invitation by the Board, make presentations relating to matters under consideration by the Board.

### **G. Quorum**

#### Rule 28

Paragraph 14 of the CDM modalities and procedures:

At least two thirds of the members of the Executive Board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

### **V. VOTING**

#### Rule 29

Paragraph 15 of the CDM modalities and procedures:

1. Decisions by the Executive Board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

2. The Chair shall ascertain whether consensus has been reached. The Chair shall declare that a consensus does not exist if there is a stated objection to the proposed decision under consideration by a member of the Executive Board or by an alternate member acting for a member.

3. Each member shall have one vote. For the purpose of this rule, the phrase "members present and voting" means members present at the meeting at which voting takes place and casting an affirmative or negative vote.

4. Alternate members may participate in the proceedings of the Board without the right to vote. An alternate member may cast a vote only if acting for the member.

#### Rule 30

1. Whenever, in the judgment of the Chair, a decision must be taken by the Executive Board which cannot be postponed until the next meeting of the Executive Board, the Chair shall transmit to each member a proposed decision, with an invitation to approve the decision by consensus. Together with the proposed decision, the Chair shall provide, subject to the applicable confidentiality requirements, the relevant facts that, in the Chair's judgement, justify decision-making pursuant to this rule 30. The proposed decision shall be transmitted in the form of an electronic message through the listserv of the

Executive Board. A quorum of the Board is required to confirm the receipt of the message. Such message shall also be transmitted to alternate members for information.

2. Members, and/or alternate members, shall be given two weeks from the date of receipt of the proposed decision for comments. These comments shall be made available to members and alternate members via the Executive Board listserv.
3. At the expiration of the period referred to in paragraph 2 above, the proposed decision shall be considered approved if there is no objection by any member. If an objection is raised, the Chair shall include consideration of the proposed decision as an item on the proposed agenda for the next meeting of the Executive Board and inform the Board accordingly.
4. Any decision made using the procedure specified in paragraphs 1 to 3 of this rule shall be included in the report of the Board at its next meeting.

## **VI. LANGUAGES**

### **Rule 31**

Paragraph 17 of the CDM modalities and procedures:

The full text of all decisions of the Executive Board shall be made publicly available. The working language of the Executive Board shall be English. Decisions shall be made available in all six official languages of the United Nations.

## **VII. COMMITTEES, PANELS AND WORKING GROUPS**

### **Rule 32**

Paragraph 18 of the CDM modalities and procedures:

1. The Executive Board may establish committees, panels or working groups to assist it in the performance of its functions. The Executive Board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.
2. The panel shall be composed of an appropriate number of panel members determined by the Executive Board. Members of a panel shall have demonstrated and recognized technical expertise in the relevant field of work.
3. In establishing a panel, the Executive Board shall appoint two Executive Board members to act as Chair and Vice-Chair of the panel, one from a Party included in Annex I and one from a Party not

included in Annex I. The Executive Board may appoint additional members and alternate members to participate in a panel.

4. In establishing a panel, the Executive Board shall determine its terms of reference. The terms of reference shall include a work plan, the deadline for submission of documents, the criteria for the selection of the panel members and the necessary budgetary provisions.

5. Reports of committees, panels and working groups to the Executive Board shall be made publicly available, subject to confidentiality provisions.

## **VIII. SECRETARIAT**

### **Rule 33**

Paragraph 19 of the CDM modalities and procedures:

The secretariat shall service the Executive Board.

### **Rule 34**

The Executive Secretary of the UNFCCC shall arrange for the provision of staff and services required for the servicing of the Executive Board from within available resources. The Executive Secretary shall manage and direct such staff and services and provide appropriate support and advice to the Executive Board.

### **Rule 35**

An official of the secretariat designated by the Executive Secretary shall serve as secretary to the Executive Board.

### **Rule 36**

In addition to the functions specified in the CDM modalities and procedures and/or any subsequent decision by the COP/MOP, the secretariat shall, in accordance with these rules, and subject to the availability of resources:

(a) Receive, reproduce and distribute to members and alternate members the documents of a meeting;

(b) Receive and translate decisions into all six official languages of the United Nations and make publicly available the full texts of all decisions of the Executive Board;

(c) Assist the Executive Board in fulfilling tasks relating to the maintenance of files and the collection, processing and public availability of information;

(d) Perform all other work that the Executive Board may require.

Rule 37

The financial regulations of the United Nations and the financial procedures of the UNFCCC shall apply.

**IX. CONDUCT OF BUSINESS**

Rule 38

The Executive Board shall undertake any tasks assigned to it by decision 17/CP.7, in accordance with the CDM modalities and procedures, and by any subsequent decision taken by the COP/MOP.

**X. RECORD OF THE MEETING**

Rule 39

Before the end of each meeting, the Chair shall present draft conclusions and decisions of the meeting for consideration and approval by the Executive Board. Any written records of the Executive Board or recordings of proceedings shall be kept by the secretariat in accordance with United Nations rules and regulations.

**XI. AMENDMENTS TO THE RULES**

Rule 40

Paragraph 5 (b) of the CDM modalities and procedures:

{The Executive Board shall} make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the Executive Board contained in the {CDM modalities and procedures}, as appropriate.

## ANNEX II

### **Simplified modalities and procedures for small-scale clean development mechanism project activities**

#### **I. FURTHER CLARIFICATIONS ON DEFINITIONS OF ELIGIBLE ACTIVITIES**

##### **A. Type (i) project activities: renewable energy project activities with a maximum output capacity equivalent to up to 15 megawatts (or an appropriate equivalent) (decision 17/CP.7, paragraph 6 (c) (i))**

1. Definition of “renewable energy”: the Executive Board agreed to draw up an indicative list of energy sources/eligible project activities,<sup>1</sup> as proposed in the attachment to annex 2 of the annotated agenda of its third meeting.<sup>2</sup> In drawing up such a list, the Board shall consider recognized classifications of renewable energy technologies/sources and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the “bottom-up” project cycle approach of the clean development mechanism (CDM), this list shall evolve and be further elaborated over time as new project activities are proposed and registered.

2. Definition of “maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent)”:

(a) Definition of “maximum output”: the Board agreed to define “output” as installed/rated capacity, as indicated by the manufacturer of the equipment or plant, disregarding the actual load factor of the plant;

(b) Definition of “appropriate equivalent” of 15 megawatts: the Board agreed that, whereas decision 17/CP.7, paragraph 6 (c) (i), refers to megawatts (MW), project proposals may refer to MW(p), MW(e) or MW(th).<sup>3</sup> As MW(e) is the most common denomination, and MW(th) only refers to the production of heat which can also be derived from MW(e), the Board agreed to define MW as MW(e) and otherwise to apply an appropriate conversion factor.

##### **B. Type (ii) project activities: energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatt hours per year (decision 17/CP.7, paragraph 6 (c) (ii))**

3. Definition of “energy efficiency improvement project activities”:

(a) The Executive Board agreed to draw up an indicative list of eligible project activities/sectors, as proposed in the attachment to annex 2 of the annotated agenda of its third meeting. In drawing up such a list, the Board shall consider recognized classifications of energy efficiency and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the CDM “bottom-up” approach, this list shall evolve and be further elaborated over time as new project activities are proposed and registered;

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<sup>1</sup> Project activities referring to the burning of peat and non-biogenic waste should not be included in the indicative list.

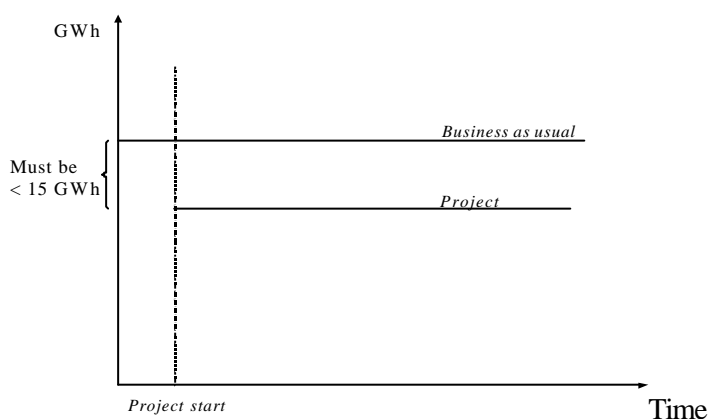
<sup>2</sup> Please refer to <http://unfccc.int/cdm/ebmeetings/eb003/eb03annan2.pdf>.

<sup>3</sup> Where (p) stands for peak, (e) stands for electric and (th) stands for thermal.

- (b) The Board further agreed on the following clarifications:
- (i) Energy efficiency is the improvement in the service provided per unit power, that is, project activities which increase unit output of traction, work, electricity, heat, light (or fuel) per MW input are energy efficiency project activities;
  - (ii) Energy consumption is the consumption reduced and measured in watt-hours with reference to an approved baseline. Lower consumption as a result of lower activity shall not be taken into consideration;

(c) Demand side, as well as supply side, projects shall be taken into consideration, provided that a project activity results in a reduction of maximum 15 gigawatt hours (GWh), as illustrated by figure 1. A total saving of 15 GWh is equivalent to 1000 hours of operation of a 15 MW plant or  $15 \times 3.6 \text{ TJ} = 54 \text{ TJ}$ , where TJ stands for terajoules.

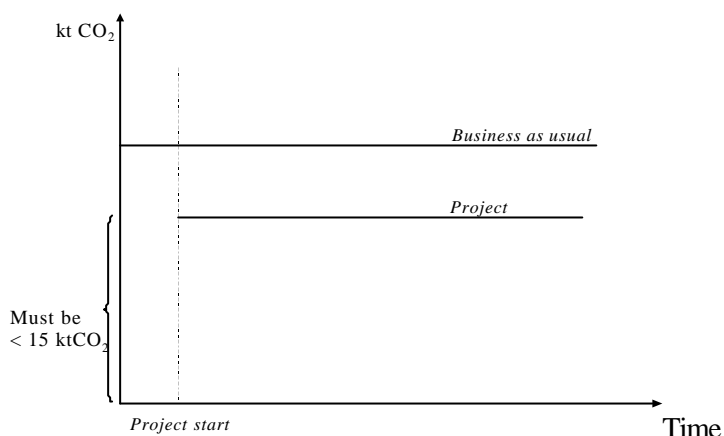
**Figure 1: eligibility for type (ii) project activities**



**C. Type (iii) project activities: other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually (decision 17/CP.7, paragraph 6 (c) (iii)):**

4. As figure 2 illustrates, type (iii) projects shall not exceed total direct emissions of 15 kilotonnes (kt) of carbon dioxide (CO<sub>2</sub>) equivalent annually, and must reduce greenhouse gas emissions.

**Figure 2: eligibility for type (iii) project activities**



5. As presented in the attachment to annex 2 of the annotated agenda of the third meeting of the Executive Board, type (iii) CDM project activities could include agricultural projects, fuel switching, industrial processes and waste management. Possible examples in the agricultural sector include improved manure management, reduction of enteric fermentation, improved fertilizer usage or improved water management in rice cultivation.

6. Other project activities that could qualify include CO<sub>2</sub> recycling, carbon electrodes, adipic acid production and the use of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) making reference to the emission reductions generated by such projects expressed in CO<sub>2</sub> equivalent. In order for these to be calculated in a consistent and transparent manner, appropriate baseline methodologies need to be developed.

**D. Interpretation of types of project activity to be mutually exclusive (decision 17/CP.7, paragraph 6 (c), (i), (ii) and (iii))**

7. The Board agreed that the three types of project activities outlined in decision 17/CP.7, paragraph 6 (c), are mutually exclusive. In a project activity with more than one component that will benefit from simplified CDM modalities and procedures, each component shall meet the threshold criterion of each applicable type, e.g. for a project with both a renewable energy and an energy efficiency component, the renewable energy component shall meet the criterion for “renewable energy” and the energy efficiency component that for “energy efficiency”.

**E. Point in the project activity lifetime at which reference values are to be applied (decision 17/CP.7, paragraph 6 (c), (i), (ii) and (iii))**

8. The Board agreed that if the maximum reference value of a small-scale CDM project activity is exceeded on an annual average basis during any verified period, CERs should be issued only up to the maximum value.

**II. DRAFT SIMPLIFIED MODALITIES AND PROCEDURES FOR SMALL-SCALE CDM PROJECT ACTIVITIES**

## **A. Introduction**

9. Small-scale CDM project activities shall follow the stages of the project cycle specified in the modalities and procedures for a clean development mechanism contained in the annex to decision 17/CP.7 (hereinafter referred as the CDM modalities and procedures). In order to reduce transaction costs modalities and procedures are simplified for small-scale CDM project activities, as follows:

(a) Project activities may be bundled or portfolio bundled at the following stages in the project cycle: the project design document, validation, registration, monitoring, verification and certification. The size of the total bundle should not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7;

(b) The requirements for the project design document are reduced;

(c) Baselines methodologies by project category are simplified to reduce the cost of developing a project baseline;

(d) Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs;

(e) The same operational entity may undertake validation, and verification and certification.

10. Simplified baseline and monitoring methodologies have been developed for 14 small-scale CDM project activity categories related to types (i) to (iii).<sup>4</sup> They are presented in appendix B. This list shall not preclude other types of small-scale CDM project activities. If a proposed small-scale CDM project activity does not fall into any of the categories in appendix B, the project participants may submit a request to the Executive Board for approval of a simplified baseline and/or monitoring plan developed bearing in mind provisions in paragraph 16 below.

11. The CDM modalities and procedures shall apply to small-scale CDM project activities except for its paragraphs 37 to 60. The following paragraphs 12 to 39 apply instead. Appendix A to this annex should replace, as appropriate, provisions in appendix B of the CDM modalities and procedures.

## **B. Simplified modalities and procedures for small-scale CDM project activities**

12. To use simplified modalities and procedures for small-scale CDM project activities, a proposed project activity shall:

(a) Meet the eligibility criteria for small-scale CDM project activities set out in paragraph 6 (c) of decision 17/CP.7;

(b) Conform to one of the project categories in appendix B to this annex;

(c) Not be a debundled component of a larger project activity, as determined through appendix C to this annex.

13. Project participants shall prepare a project design document in accordance with the format specified in appendix A to this annex.

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<sup>4</sup> Type (i): Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent); Type (ii): Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatthours per year; and Type (iii): Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually.

14. Project participants may use the simplified baseline and monitoring methodologies specified in appendix B for their project category.
15. Project participants involved in small-scale CDM project activities may propose changes to the simplified baseline and monitoring methodologies specified in appendix B or propose additional project categories for consideration by the Executive Board.
16. Project participants willing to submit a new small-scale project activity category or revisions to a methodology shall make a request in writing to the Board providing information about the technology/activity and proposals on how a simplified baseline and monitoring methodology would be applied to this category. The Board may draw on expertise, as appropriate, in considering new project categories and/or revisions of and amendments to simplified methodologies. The Executive Board shall expeditiously, if possible at its next meeting, review the proposed methodology. Once approved, the Executive Board shall amend appendix B.
17. The Executive Board shall review and amend, as necessary, appendix B at least once a year.
18. Any amendments to appendix B shall apply only to project activities registered subsequent to the date of amendment and shall not affect registered CDM project activities during the crediting periods for which they are registered.
19. Several small-scale CDM project activities may be bundled for the purpose of validation. An overall monitoring plan that monitors performance of the constituent project activities on a sample basis may be proposed for bundled project activities. If bundled project activities are registered with an overall monitoring plan, this monitoring plan shall be implemented and each verification/certification of the emission reductions achieved shall cover all of the bundled project activities.
20. A single designated operational entity may perform validation as well as verification and certification for a small-scale CDM project activity or bundled small-scale CDM project activities.
21. The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, may consider proposing lower fees for small-scale CDM project activities.

### **C. Validation and registration**

22. The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:
  - (a) The participation requirements set out in paragraphs 28 to 30 of the CDM modalities and procedures are satisfied;
  - (b) Comments by local stakeholders have been invited and a summary of the comments received has been provided to the designated operational entity together with a report indicating how due account was taken of any comments received;
  - (c) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, if required by the host Party;
  - (d) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 26 to 28 below;

(e) The small-scale project activity conforms to one of the project categories in appendix B and uses the simplified baseline and monitoring methodology for that project activity category as specified in appendix B, or a bundle of small-scale project activities satisfies the conditions for bundling and the overall monitoring plan for the bundled small-scale project activities is appropriate;

(f) The project activity conforms to all other requirements for CDM project activities in the CDM modalities and procedures that are not replaced by these simplified modalities and procedures;

23. The designated operational entity shall:

(a) Prior to the submission of the validation report to the Executive Board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;

(b) In accordance with provisions on confidentiality contained in paragraph 27 (h) of the CDM modalities and procedures, make publicly available the project design document;

(c) Receive, within 30 days, comments on the project design document from Parties, stakeholders and UNFCCC accredited non-governmental organizations, and make them publicly available;

(d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;

(e) Inform project participants of its determination on the validation of the project activity. Notification to the project participants shall include either:

(i) Confirmation of validation and date of submission of the validation report to the Executive Board; or

(ii) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation.

(f) Submit to the Executive Board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party as referred to in paragraph 23 (a) above, and an explanation of how it has taken due account of comments received;

(g) Make this validation report publicly available upon transmission to the Executive Board.

24. The registration by the Executive Board shall be deemed final four weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the project activity or at least three members of the Executive Board request a review of the proposed CDM project activity. The review by the Executive Board shall be made in accordance with the following provisions:

(a) It shall be related to issues associated with the validation requirements;

(b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

25. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

26. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

27. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A simplified baseline for a small-scale CDM project activity specified in appendix B shall be deemed to reasonably represent the anthropogenic emissions that would occur in the absence of the proposed small-scale project activity. If a simplified baseline is not used, the baseline proposed shall cover emissions from all gases, sectors and source categories listed in Annex A to the Kyoto Protocol within the project boundary.

28. A simplified baseline and monitoring methodology listed in appendix B may be used for a small-scale CDM project activity if the project participants are able to demonstrate to a designated operational entity that the project activity would otherwise not be implemented due to the existence of one or more of the barriers listed in attachment A of appendix B. Where specified in appendix B for a project category, quantitative evidence that the project activity would otherwise not be implemented may be provided instead of a demonstration based on the barriers listed in attachment A to appendix B.

29. Project participants shall select a crediting period for a proposed small-scale CDM project activity from one of the following alternatives:

(a) A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable;

(b) A maximum of 10 years with no option of renewal.

30. Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity. Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the provisions of appendix B for the relevant project categories. The Executive Board shall consider simplification of the leakage calculation for any other project categories added to appendix B.

31. The project boundary shall encompass significant anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are reasonably attributable to the small-scale CDM project activity, in accordance with provisions of appendix B for the relevant project category.

#### **D. Monitoring**

32. Project participants shall include, as part of the project design document for a small-scale CDM project activity or bundle of small-scale CDM project activities, a monitoring plan. The monitoring plan shall provide for the collection and archiving of the data needed to:

(a) Estimate or measure anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period as specified in appendix B for the relevant project category;

(b) Determine the baseline of anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period, as specified in appendix B for the relevant project category;

(c) Calculate the reductions of anthropogenic emissions by sources by the proposed small-scale CDM project activity, and for leakage effects, in accordance with provisions of appendix B for the relevant project category.

33. The monitoring plan for a small-scale CDM project activity may use the monitoring methodology specified in appendix B for the relevant project category if the designated operational entity determines at validation that the monitoring methodology reflects good monitoring practice appropriate to the circumstances of the project activity.

34. If project activities are bundled, a separate monitoring plan shall apply for each of the constituent project activities in accordance with paragraphs 32 and 33 above, or an overall monitoring plan shall apply for the bundled projects, as determined by the designated operational entity at validation to reflect good monitoring practice appropriate to the bundled project activities and to provide for collection and archiving of the data needed to calculate the emission reductions achieved by the bundled project activities.

35. Project participants shall implement the monitoring plan contained in the registered project design document, archive the relevant monitored data and report the relevant monitoring data to a designated operational entity contracted to verify the emission reductions achieved during the crediting period specified by the project participants.

36. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

37. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of certified emission reductions (CERs).

38. Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a small-scale CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions, and adjusting for leakage, as appropriate, in accordance with appendix B for the relevant project category.

39. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 32 above for the purpose of verification and certification.

#### APPENDIX A

### **Simplified project design document for small-scale CDM project activities**

*(The full appendix developed by the Executive Board can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

APPENDIX B

**Indicative simplified baseline and monitoring methodologies  
for selected small-scale CDM project activity categories**

*(The full appendix developed by the Executive Board can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

Project types*	Project categories	Technology/ Measure	Boundary	Baseline	Leakage	Monitoring
<b>Type (i): Renewable energy projects</b>	A. Electricity generation by the user/household					
	B. Mechanical energy for the user/enterprise					
	C. Thermal energy for the user					
	D. Electricity generation for a system					
<b>Type (ii): Energy efficiency improvement projects</b>	E. Supply-side energy efficiency improvements – transmission and distribution activities					
	F. Supply-side energy efficiency improvements – generation					
	G. Demand-side energy efficiency programmes for specific technologies					
	H. Energy efficiency and fuel switching measures for industrial facilities					
	I. Energy efficiency and fuel switching measures for buildings					
<b>Type (iii): Other project activities</b>	J. Agriculture					
	K. Switching fossil fuels					
	L. Emission reductions in the transport sector					
	M. Methane recovery					
<b>Types (i)–(iii)</b>	N. Other small-scale project**					

\* In accordance with paragraph 6 (c) of decision 17/CP.7

\*\* Paragraphs 8 to 10 of the simplified modalities and procedures for small-scale CDM project activities allow for project participants to submit a new small-scale project activity category or revisions to a methodology to the Executive Board for consideration and amendment of appendix B by the Executive Board, as appropriate.

**Attachment A to Appendix B**

*(The full attachment A to appendix B, referred to in paragraph 28 of the simplified modalities and procedures for small-scale CDM project activities, can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm>)*

APPENDIX C

**Decision tree for determining the occurrence of debundling**

*(The full appendix developed by the Executive Board, with the title “Determining the occurrence of debundling,” can be found on the UNFCCC CDM web site: <http://unfccc.int/cdm> )*