



CDM and JI in CHARTS

Ver. 4.0
(August 2005)

This document aims to give a comprehensive and easy-to-understand description of the Clean Development Mechanism (CDM) and other Kyoto Mechanisms. It should be noted that this document does not replicate in the exact manner all the texts agreed upon in the international negotiations. Also, there are issues yet to be settled in the international negotiations regarding detailed interpretations and processes.

Therefore, this document is to be updated according to the developments in the international negotiations and rule-setting.

As for the details and exact expressions in the agreed texts, please refer to the respective documents available on the website of the secretariat of the United Nations Framework Convention on Climate Change <<http://unfccc.int/>>.

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Examples of abbreviated titles used in this document and corresponding formal document titles

<i>Examples of abbreviated titles used in this document, shown in []</i>	<i>Corresponding formal document titles</i>
CDM M&P	CDM Modalities and Procedures (Annex to Decision 17/CP.7) (FCCC/CP/2001/13/Add.2, p26-41)
CDM A/R M&P	Modalities and Procedures for Afforestation and Reforestation project activities under the CDM (Annex to Decision 19/CP.9) (FCCC/CP/2003/6/Add.2, p16-27)
CP/2001/13/Ad2, p2 para1(a)	FCCC/CP/2001/13/Add.2, page 2 paragraph1(a)
KP Art.2 para1(a)	The Kyoto Protocol, Article2, paragraph1(a)
EB01 Rep, p3 para2(a)	Executive Board of the Clean Development Mechanism, 1st Meeting Report, page 3 paragraph2(a)
MP01 Rep, p3 para2(a)	Report of the 1st Meeting of the Methodologies Panel, page 3 paragraph2(a)
PDD guidelines ver3, p1	Guidelines for Completing CDM-PDD, CDM-NMB and CDM-NMM Version 03, page 1
SSC guidelines ver1, p1	Guidelines for Completing CDM-SSC-PDD and the forms for submission on methodologies for small-scale CDM project activities, Version 01, page 1
Anx stands for Annex , Apx for Appendix , Att for Attachment , and Ann for Annotation .	

1. The Kyoto Protocol

1-1. Overview

- ◆ The Kyoto Protocol was adopted at the 3rd session of the Conference of the Parties (COP3) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Kyoto, Japan, in December 1997.
- ◆ The protocol defines quantified greenhouse gas (GHG) emissions reduction targets (p6) for Annex I Parties.

GHGs defined by the Protocol are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), HFCs, PFCs, and SF₆.

Countries have different targets for the 5-year period of 2008-2012 (1st commitment period)

- ☞ For example, EU countries commit to reduce their emissions by 8%, the USA by 7% and Japan by 6%, from their base-year emissions.
- ☞ The base-year emissions are the Party's aggregate GHG emissions in 1990 (whereas, countries may use 1995 as its base year for HFCs, PFCs, and SF₆).
- ☞ 'Assigned amounts' for each Party is calculated from the base-year emissions and emission reduction target.

Annex I Parties means those listed in Annex I of the UNFCCC. (p3) They are developed countries including Economies in Transitions, e.g. Russia and Eastern Europe.

- ◆ The Protocol introduces 3 market mechanisms, namely the Kyoto Mechanisms. Annex I Parties would be able to achieve their emission reduction targets cost-effectively, by using these mechanisms.

Joint Implementation (JI)
<Article 6 of the protocol>

Clean Development Mechanism (CDM)
<Article 12 of the protocol>

International Emissions Trading
<Article 17 of the protocol>

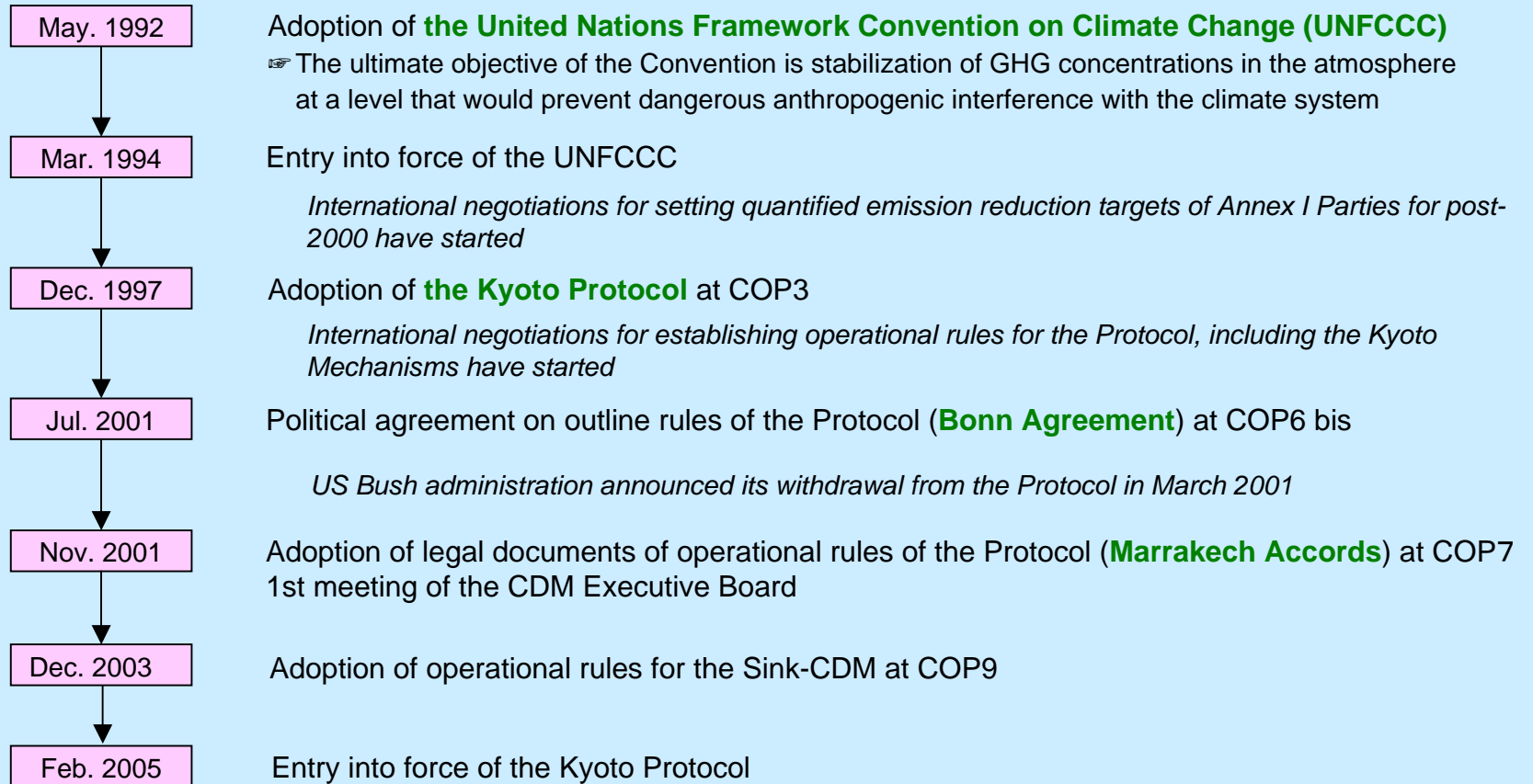
- ◆ Besides countries, private firms can use the Kyoto Mechanisms.
 - ☞ Provided the private firms meet eligibility requirements for using the Kyoto Mechanisms. (p58)

BOX: Global Warming Potential (GWP)

GWP is a measure of the relative radiative effect of greenhouse gases compared to CO₂. GWP used by Parties should be those provided by the IPCC 2nd Assessment Report ("1995 IPCC GWP values") based on the effects of the greenhouse gases over a 100-year time horizon [CP/1997/7/Ad1, p31 para3]. GWP of methane is 21, nitrous oxide is 310, HFCs is 140-11700, PFCs is 6500-9200, and SF₆ is 23900. Thus, 1t of methane emissions is equivalent to 21t of CO₂ emissions. The value of GWP is fixed for the 1st commitment period, but it is subject to change for the subsequent commitment periods depending on new scientific findings.

1-2. History

◆ Negotiation history of the Kyoto Protocol is as follows:



BOX: Entry into force of the Kyoto Protocol

The Kyoto Protocol shall enter into force on the 90th day after the date on which not less than 55 Parties to the UNFCCC, incorporating Annex I Parties which accounted in total for at least 55% of the total CO₂ emissions for 1990 of the Annex I Parties, have deposited their instruments of ratification, acceptance, approval or accession. [KP Art.25 para1]

☞ As of 23 March 2005, 146 Parties have ratified the Protocol.

☞ 61.6% of the total CO₂ emissions for 1990 of the Annex I Parties have ratified the Protocol.

→ The Protocol entered into force on 16 February 2005.

1-3. List of Annex I Parties

- ◆ Quantified GHG emissions reduction targets (in other words, emission caps) for Annex I Parties are as follows.
 - ☞ Reduction targets stipulated in the Kyoto Protocol are -8% for each EU (15) member state Parties. However, the table below shows their reduction targets after adjusting the targets amongst the EU (15) member state Parties.

[Council decision of 25 April 2002 (2002/358/CE)]

European Union (15 member states)			Economies in Transition (EIT)			Other Parties		
Party	Target	GHG emissions in 1990	Party	Target	GHG emissions in 1990	Party	Target	GHG emissions in 1990
Portugal	27.0%	58.4	Russian Federation	0%	3,050.0	Iceland	10%	3.3
Greece	25.0%	107.1	Ukraine	0%	919.2	<i>Australia</i>	8%	430.5
Spain	15.0%	284.6	<i>Croatia</i>	-5%	31.6	Norway	1%	52.1
Ireland	13.0%	53.4	Poland	-6%	564.4	New Zealand	0%	61.6
Sweden	4.0%	72.1	Romania	-8%	262.8	Canada	-6%	608.7
Finland	0.0%	76.8	Czech Republic	-8%	192.0	Japan	-6%	1,187.3
France	0.0%	564.2	Bulgaria	-8%	141.8	<i>USA</i>	-7%	6,129.1
Netherlands	-6.0%	211.4	Hungary	-6%	113.1	Switzerland	-8%	53.1
Italy	-6.5%	509.1	Slovakia	-8%	72.4	Liechtenstein	-8%	0.2
Belgium	-7.5%	146.1	Lithuania	-8%	50.1	<i>Monaco</i>	-8%	0.1
UK	-12.5%	742.6	Estonia	-8%	43.5	<i>Turkey</i>		
Austria	-13.0%	77.7	Latvia	-8%	28.9			
Denmark	-21.0%	68.8	Slovenia	-8%	20.6			
Germany	-21.0%	1,246.8	Belarus		126.6			
Luxembourg	-28.0%	13.4						
EU	-8.0%	4,231.4						

- ⇒ *Countries written in Italic have not ratified the Kyoto Protocol as of March 2005.*
- ⇒ Source of of GHG emissions in 1990 (unit:million t-CO₂ equivalent) is FCCC/CP/2004/5, and those figures are different from the base-year emissions under the Kyoto Protocol.
- ⇒ EIT Parties, which do not set 1990 as their base-year for the GHG emissions are Bulgaria(1988), Hungary(1985-87Average), Poland(1988), Romania(1989) and Slovenia(1986).
- ⇒ Croatia, Slovenia, Liechtenstein and Monaco have GHG emission reduction targets as Annex B Parties to the Kyoto Protocol; but they are not Annex I Parties to the UNFCCC.

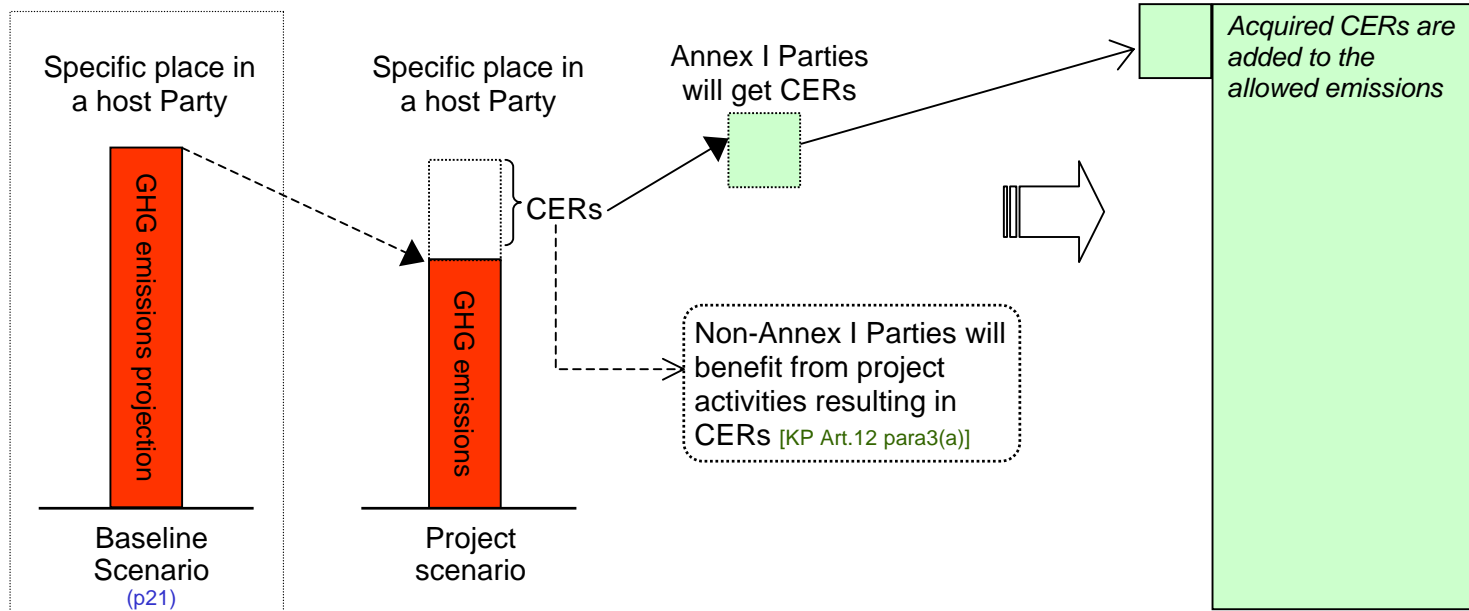
- ◆ There is no quantified GHG emissions reduction targets for non-Annex I Parties.
 - ☞ There are 152 non-Annex I Parties which have ratified the UNFCCC, and the Kyoto protocol, as of 27 July 2005.

2. The Kyoto Mechanisms

2-1. The Clean Development Mechanism (CDM)

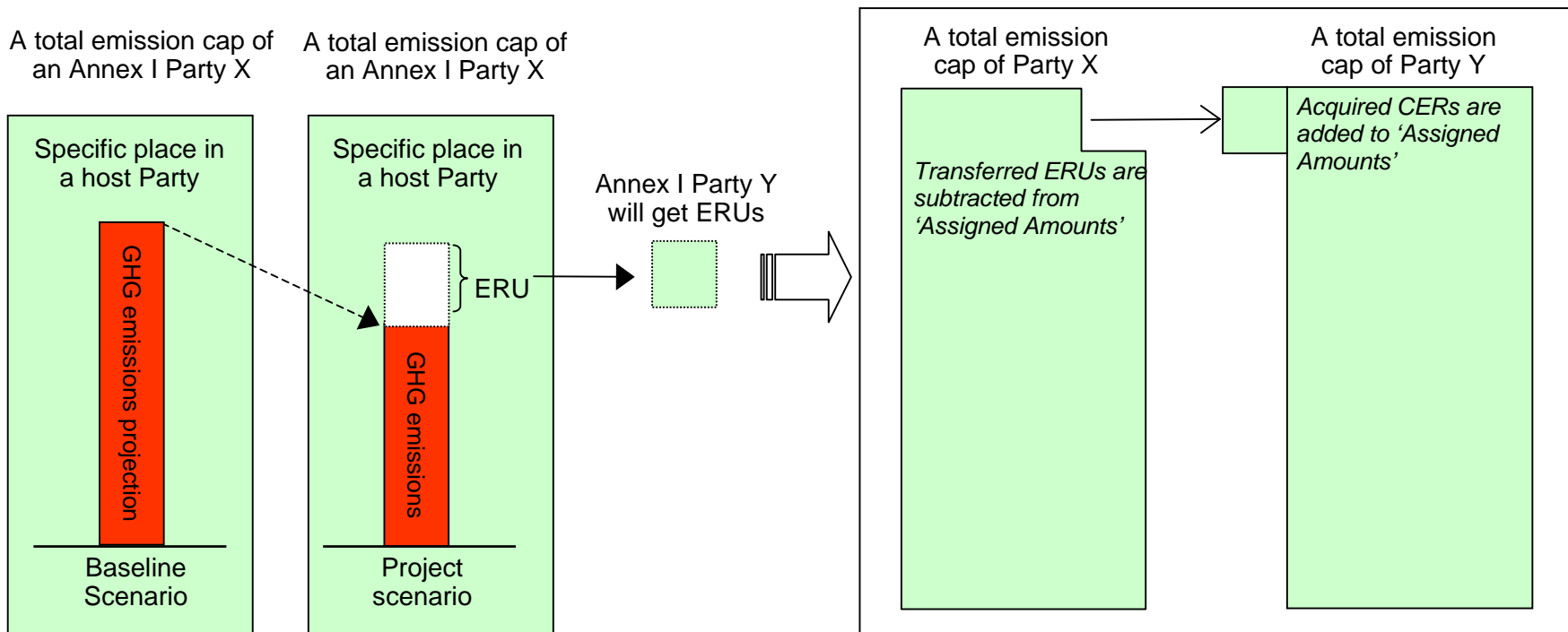
- ◆ Annex I Parties which have emission caps, assist non-Annex I Parties which don't have emission caps, to implement project activities to reduce GHG emissions (or remove by sinks), and credits will be issued based on emission reductions (or removals by sinks) achieved by the project activities.
 - ☞ A Party where CDM project is implemented, is called a host Party.
 - ☞ The credit from the CDM is called certified emission reduction (CER). [CDM M&P, p26 para1(b)]
 - ☞ Reductions in emissions shall be additional to any that would occur in the absence of the certified project activity. [KP Art.12 para5(c)]
- ◆ Annex I Parties can use CERs to contribute to compliance of their quantified GHG emissions reduction targets of the Kyoto Protocol. [KP Art.12 para3(b)]
 - ☞ As a result, the total amount of emission cap of Annex I Parties will increase.
- ◆ The CDM will issue credits before the 1st commitment period.
 - ☞ CERs issued based on emission reductions during the period from the year 2000 up to 2007 can be used to assist in achieving compliance of Annex I parties in the 1st commitment period. [KP Art.12 para10]

Host Party (non-Annex I) which doesn't have an emission cap



2-2. Joint Implementation (JI)

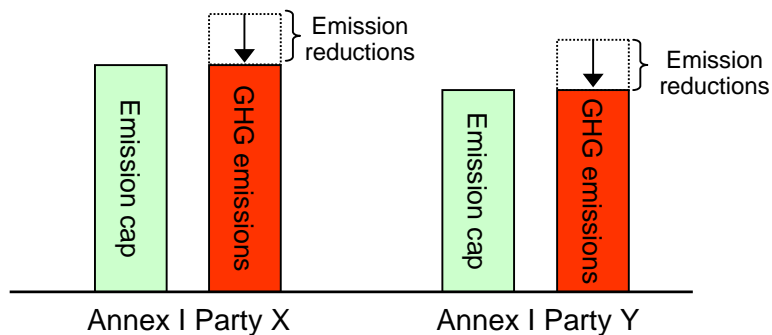
- ◆ Annex I Parties which have emission caps, assist other Annex I Parties to implement project activities to reduce GHG emissions (or remove by sinks), and credits will be issued based on emission reductions (or removals by sinks) achieved by the project activities.
 - ☞ A Party where JI project is implemented, is called a host Party.
 - ☞ The credit from the JI is called emission reduction unit (ERU). [CP/2001/13/Ad2, p8 para1(a)]
 - ☞ Any such project shall provide a GHG emission reductions, or removals by sinks, that is additional to any that would otherwise occur. [KP Art.6 para1(b)]
- ◆ Annex I Parties can use ERUs to contribute to compliance of their quantified GHG emissions reduction targets of the Kyoto Protocol. [KP Art.6 para1]
 - ☞ The total amount of emission cap of Annex I Parties will not change, because JI is credits transfer between the Parties both of which have emission caps.
- ◆ ERUs will be issued after 2008. [CP/2001/13/Ad2, p6 para5]



2-3. International Emissions Trading

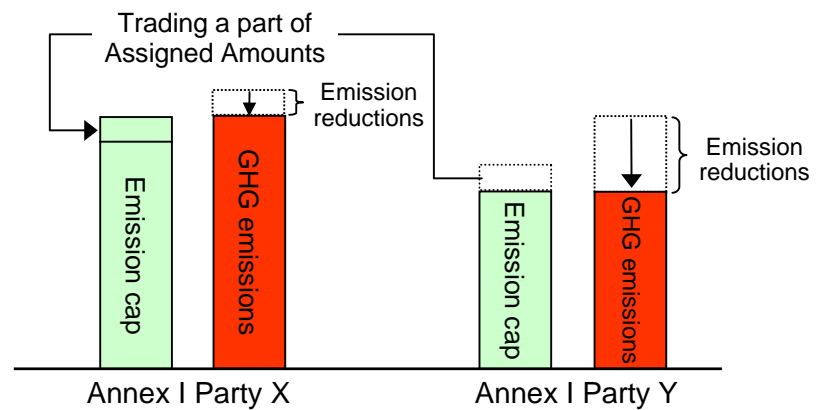
- ◆ International Emissions Trading is to trade a part of emission cap between Annex I Parties.
 - ☞ The total amount of emission cap of Annex I Parties will not change.
 - ☞ Only Annex B Parties of the Kyoto Protocol can participate International Emissions Trading.
- ◆ Through market mechanism, International Emissions Trading can decrease total cost of Annex I Parties to achieve their collective emission reduction targets.

Without International Emissions Trading



	A	B	Total
Before ET: Emission cap	10	8	18
Trading a part of the cap	-	-	-
After ET: Emission cap	10	8	18
GHG emissions	12	10	22
Necessary reduction	2	2	4
Unit cost of reduction	\$200	\$100	-
Total cost of reduction	\$400	\$200	\$600
Trading cost	-	-	-
Total compliance cost	\$400	\$200	\$600

With International Emissions Trading



	A	B	Total
Before ET: Emission cap	10	8	18
Trading a part of the cap	1	-1	0
After ET: Emission cap	11	7	18
GHG emissions	12	10	22
Necessary reduction	1	3	4
Unit cost of reduction	\$200	\$100	-
Total cost of reduction	\$200	\$300	\$500
Trading cost	150	-150	0
Total compliance cost	\$350	\$150	\$500

Note: Party Y sold part of its emission cap to Party X at \$150.

◆ Annex I Parties can trade following types of Kyoto Protocol units.

☞ **Assigned amount unit (AAU)** [CP/2001/13/Ad2, p52 para1(c)]

⇒ Total amount of AAUs of an Annex I Party is calculated from its base year emissions and emission reduction target

☞ **Removal unit (RMU)** [CP/2001/13/Ad2, p52 para1(d)]

⇒ Total amount of RMU of an Annex I Party is calculated from net removal of GHGs by afforestation and reforestation (A/R) activities [CP/2001/13/Ad1, p58 para1(a)-(d)] and additional activities related to GHG removals by sinks [CP/2001/13/Ad1, p58 para1(e)-(h)]

☞ **Emission reduction unit (ERU)** from JI

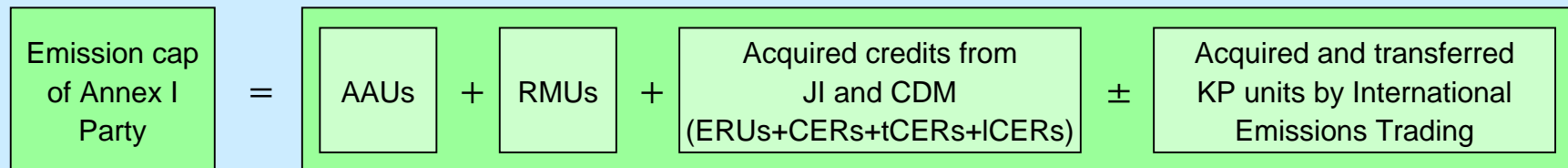
☞ **Certified emission reduction (CER)** from the CDM

☞ **Temporary CER (tCER)** and **long-term CER (ICER)**

⇒ tCER and ICER are issued from A/R project activities under the CDM. [CP/2003/6/Ad2, p16 para1(g)-(h)]

◆ Minimum trading unit is 1t-CO₂ equivalent.

◆ GHG emission cap of an Annex I Party at the end of the 1st commitment period is as follows.



BOX: Carry-over

If an emission cap of an Annex I Party at the end of additional period (p67) is more than its GHG emissions during the 1st commitment period, the surplus can be carried over to the subsequent commitment period.

[CP/2001/13/Ad2, p61 para15][CP/2001/13/Ad2, p64 para36]

☞ The end of additional period is the 100th day after the date set by the COP/MOP. [CP/2001/13/Ad3, p74 XIII]

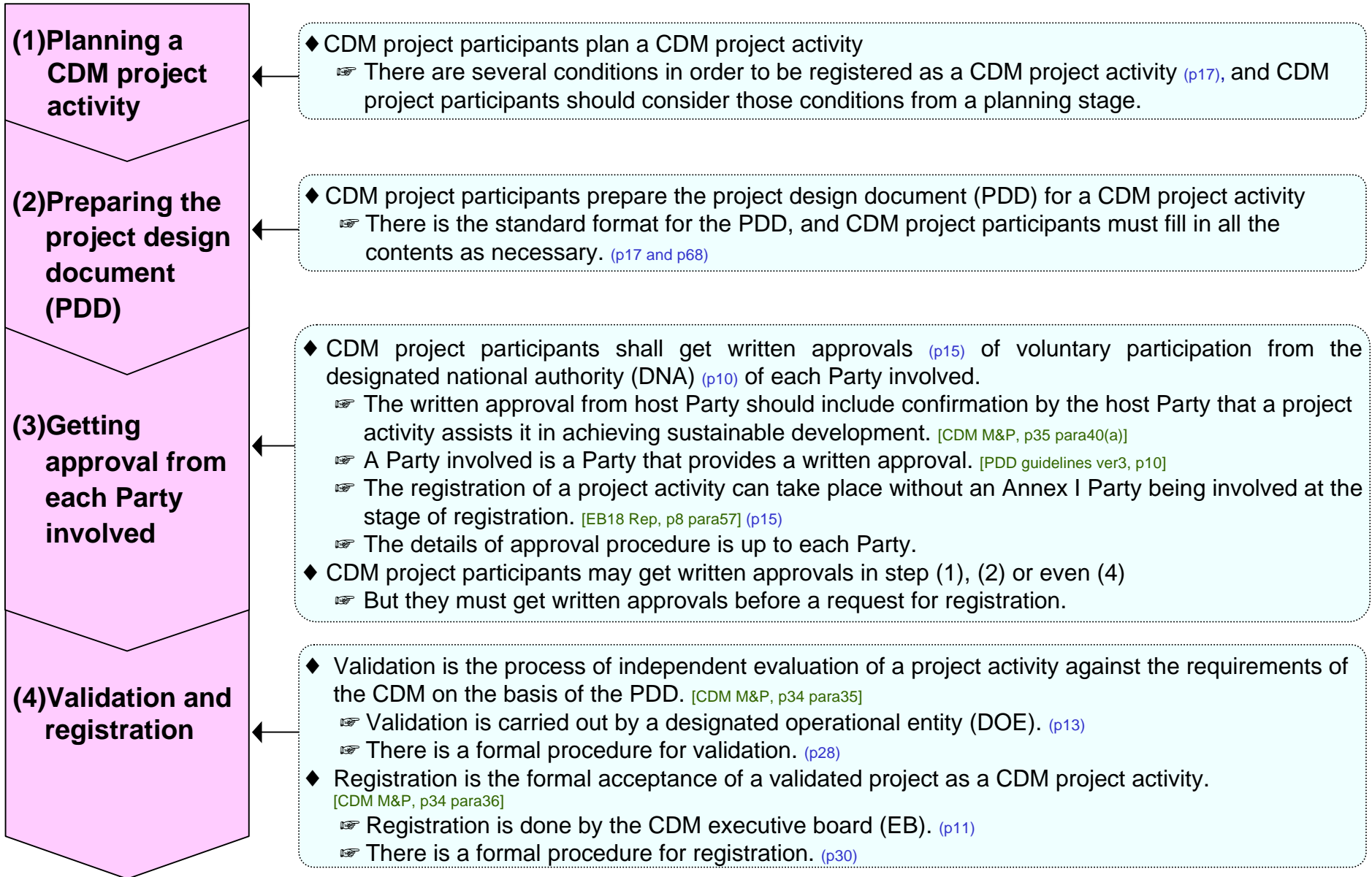
☞ There are several restrictions depending on the type of KP units. (p60)

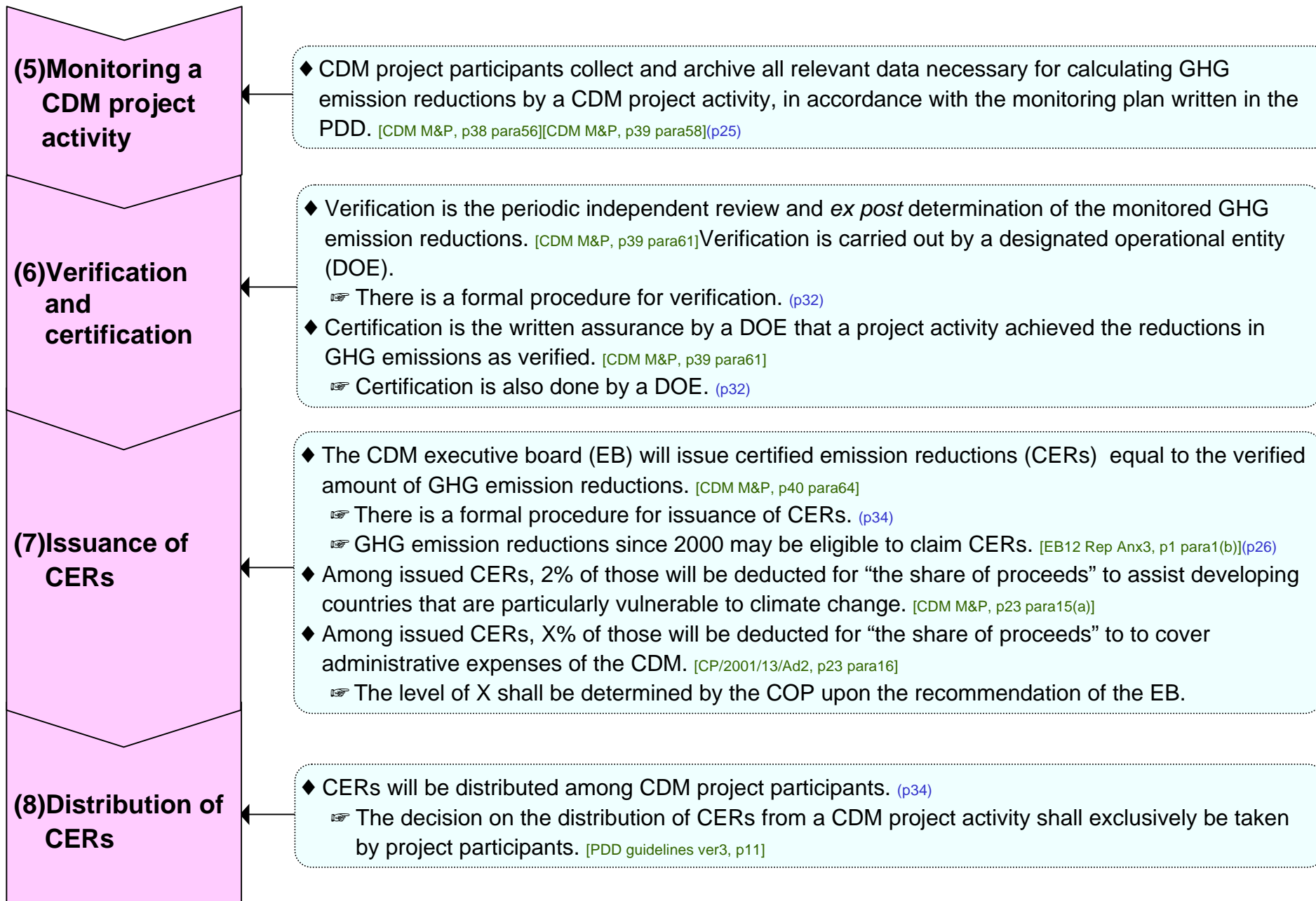
BOX: tCER and ICER

“tCER and ICER” will expire in the end in order to address non-permanence of an A/R project activity under the CDM. (p43)

3. CDM project cycle

Sections 3 to 11 describe normal-scale emission reduction CDM project activity. For small-scale emission reduction CDM project activity, see page 37. For afforestation and reforestation CDM (A/R CDM) project activity, see page 41.





4. CDM-related organizations

4-1. COP/MOP

- ◆ The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) [CDM M&P, p26 para2-4]:
 - ☞ Has authority over and provides guidance to the CDM;
 - ☞ Decides on the recommendations made by the EB on its rules of procedure, and in accordance with provisions of decision 17/CP.7 [CP/2001/13/Ad2 p20-49], the present annex and relevant decisions of the COP/MOP;
 - ☞ Decides on the designation of operational entities (OEs) accredited by the EB;
 - ☞ Reviews annual reports of the EB;
 - ☞ Reviews the regional and subregional distribution of designated operational entities (DOEs) and CDM project activities;
 - ☞ Assists in arranging funding of CDM project activities, as necessary.
- ◆ The COP (to the UNFCCC) shall assume the responsibilities of the COP/MOP before the entry into force of the Kyoto Protocol. [CP/2001/13/Ad2, p21 para2]

4-2. Designated National Authority (DNA)

- ◆ Parties participating in the CDM shall set up a designated national authority (DNA) for the CDM. [CDM M&P, p32 para29]
- ◆ CDM project participants shall receive written approval of voluntary participation from the DNA of each Party involved.
 - ☞ The written approval shall include confirmation by the host Party that the project activity assists it in achieving sustainable development. [CDM M&P, p35 para40(a)]
 - ☞ The details of approval procedure is up to each Party.

4-3. CDM Executive Board (EB)

- ◆ The EB supervises the CDM, under the authority and guidance of the COP/MOP [CDM M&P, p27 para5], and shall:
 - ☞ Make recommendations to the COP/MOP on further modalities and procedures for the CDM and/or any amendments or additions to rules of procedure for the EB, as appropriate;
 - ☞ Approve new methodologies (p21) related to, *inter alia*, baselines, monitoring plans and project boundaries;
 - ☞ Review provisions with regard to simplified modalities, procedures and the definitions of small scale CDM (SSC) project activities, and if necessary, makes appropriate recommendations to the COP/MOP;
 - ☞ Be responsible for the accreditation of operational entities (OEs), and make recommendations to the COP/MOP for the designation of OEs. This responsibility includes:
 - ⇒ Decisions on re-accreditation, suspension and withdrawal of accreditation;
 - ⇒ Operationalization of accreditation procedures and standards;(p13)
 - ☞ Make any technical reports to the public and provide a period of at least 8 weeks for public comments on draft methodologies and guidance;
 - ☞ Develop and maintain the CDM registry (p63);
 - ☞ Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews for the registration and Issuance of CERs;
 - ⇒ Until their adoption by the COP/MOP, the procedures shall be applied provisionally.
 - ☞ Formally accept a validated project as a CDM project activity (registration); [CDM M&P, p34 para36]
 - ☞ Instruct to issue CERs for a CDM project activity to the CDM registry administrator; [CDM M&P, p40 para66]
 - ☞ Etc.
- ◆ Activities of the EB, and approved rules, procedures, methodologies and standards related to the CDM can be downloaded from <http://cdm.unfccc.int/>.

Members of the EB [CDM M&P, p28 para7-12]

- ☞ The EB comprises 10 members from Parties to the KP.
 - ⇒ 1 member from each of the 5 UN regional groups, 2 other members from the Annex I Parties, 2 other members from the non-Annex I Parties, and 1 representative of the small island developing States.
 - ⇒ The 5 regional groups of the UN are: Asia, Africa, Latin America, Eastern Europe, and the Western European and Others Group
 - ⇒ As a result, 4 are from Annex I Parties and 6 are from non-Annex I Parties, unless 1 member from Asia is selected from Japan.
 - ⇒ There is an alternate for each member of the EB.
- ☞ Members, including alternate members, of the EB are nominated by the relevant constituencies referred above, and be elected by the COP/MOP.
 - ⇒ Vacancies shall be filled in the same way.
- ☞ Members are elected for a period of 2 years and be eligible to serve a maximum of 2 consecutive terms.
 - ⇒ Terms as alternate members do not count.
- ☞ 5 members and 5 alternate members are elected initially for a term of 3 years, and other members and alternate members for a term of 2 years. Thereafter, the COP/MOP elects, every year, 5 new members, and 5 new alternate members, for a term of 2 years.
- ☞ The EB elects its own chair and vice-chair, with one being a member from an Annex I Party and the other being from a non-Annex I Party.
 - ⇒ The positions of chair and vice-chair alternate annually between a member from an Annex I Party and a non-Annex I Party.
- ☞ After the entry into force of the KP, any member of the EB whose country has not ratified the KP shall be replaced. [CP/2001/13/Ad2, p21 para 3(b)]

Meeting and decision of the EB [CDM M&P, p30 para13-16]

- ☞ The EB meets as necessary but no less than 3 times a year.
- ☞ At least 2/3 of the members of the EB, representing a majority of members from Annex I Parties and a majority of members from non-Annex I Parties, must be present to constitute a quorum.
- ☞ Decisions by the EB is taken by consensus, whenever possible. If that is not possible, decisions shall be taken by 3/4 majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.
- ☞ Meetings of the EB are open to attendance, as observers, except where otherwise decided by the EB.

4-4. Panels and Working Groups

- ◆ The EB may establish committees, panels or working groups to assist it in the performance of its functions. The EB 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. [CP/2001/13/Ad2, p30 para18]
- ◆ The EB has established following panels and working groups so far. <<http://cdm.unfccc.int/EB/Panels>>

CDM executive board (EB)

Meth Panel (MP) (Methodologies Panel)

[EB13 Rep Anx1]

- ◆ The Meth Panel shall:
 - ☞ Prepare recommendations on submitted proposals for new baseline and monitoring methodologies (NMs);
 - ☞ Prepare draft reformatted versions of proposed NMs approved by the EB;
 - ☞ Elaborate recommendations for consideration and adoption by the EB, as appropriate, on, *inter alia*:
 - Revisions to the PDD, in particular on sections relevant to baseline and monitoring;
 - Amendments on the annex on indicative simplified methodologies for CDM small-scale project activities.
 - ☞ Etc.
- ◆ 2 members of the EB will act as Chair and vice Chair of the panel, respectively. In addition to the designated EB members, the panel shall be composed of 15 members. [EB19 Rep para43]

AR working group (AR-WG) (Working group on afforestation and reforestation project activities)

[EB14 Rep Anx8]

- ◆ The AR-WG shall:
 - ☞ Prepare recommendations on submitted proposals for new baseline and monitoring methodologies for A/R CDM project activities;
 - ☞ Prepare draft reformatted versions of proposed NMs for A/R CDM project activities approved by the EB;
 - ☞ Elaborate precise and workable recommendations for consideration and adoption by the EB, as appropriate, on, *inter alia*:
 - Development and revisions of the PDD for A/R CDM project activities, in particular on those sections relevant to baseline and monitoring.
 - ☞ Etc.
- ◆ 2 members or alternate members of the EB will act as Chair and vice Chair of the WG, respectively. In addition to the designated EB members, the panel shall be composed of 5 members.

SSC WG

(Working group to assist the EB in reviewing proposed methodologies and project categories for small-scale CDM project activities)

- ◆ The SSC WG shall prepare recommendations for consideration and adoption by the EB on submitted proposals for new small-scale project activity categories and new simplified baseline and monitoring plans and etc. [EB15 Rep Anx11]

SSC panel

(Panel to recommend draft simplified modalities and procedures for small-scale CDM project activities)

- ◆ The SSC panel shall elaborate recommendations for draft simplified modalities and procedures for small-scale CDM project activities for consideration by the EB. [TOR for SSC panel approved by the EB on 22 March 2002]
- ☞ The panel completed its tasks and finished its activity.

CDM-AP

(CDM accreditation panel)

- ◆ The CDM-AP shall make recommendations to the EB regarding:
 - ☞ The accreditation of an applicant OE;
 - ☞ The suspension of accreditation of a DOE;
 - ☞ The withdrawal of accreditation of a DOE;
 - ☞ The re-accreditation of a DOE.
- ◆ The CDM-AP also carries out selecting the members of a CDM accreditation assessment team (CDM-AT) and etc.
- ◆ 2 members or alternate members of the EB will act as Chair and vice Chair of the panel, respectively. In addition to the designated EB members, the panel shall be composed of 5 members. [EB03 Rep Anx1]

CDM-AT

(CDM accreditation assessment team)

- ◆ The CDM-AT shall undertake an assessment of the applicant and/or designated OEs and prepare an assessment report for the CDM-AP.
- ◆ A team shall be composed of a team leader and at least 2 team members chosen to serve in a team for an assessment at a time. [EB09 Rep Anx1]

4-5. Designated Operational Entity (DOE)

- ◆ A DOE under the CDM :
 - ☞ Is either a domestic legal entity or an international organization accredited and designated, on a provisional basis until confirmed by the COP/MOP, by the EB.
 - ☞ has two key functions:
 - ⇒ It validates (p28) and subsequently requests registration of a proposed CDM project activity
 - ⇒ It verifies (p32) emission reduction of a registered CDM project activity, certifies as appropriate and requests the EB to issue Certified Emission Reductions (CERs)(p4) accordingly.
- ◆ Upon request, the EB may allow a single DOE to perform all these functions within a single CDM project activity. [CDM M&P, p31 para27]

The terms used in DOE related official documents are:

- ☞ Entity = prior to application;
- ☞ Applicant entity (AE)= once application has been duly submitted/subject to a procedure;
- ☞ Designated operational entity (DOE)= after designation by COP/MOP.

[CDM-ACCR-01, p2 footnote]

Procedure for accrediting OEs [CDM-ACCR-01, p2 para3]

- ◆ A CDM-AT (p12) , under the guidance of the CDM-AP (p12) , undertakes the detailed assessment of an AE and/or DOE, identifies non-conformities and reports to the CDM-AP.
 - ☞ A CDM-AT shall be established by the CDM-AP which draws members from a roster of experts established by the EB for this purpose.
- ◆ The CDM-AP is responsible for preparing a recommendation to the EB regarding the accreditation of an AE based on assessment work conducted by a CDM-AT.
 - ☞ The CDM-AP is also responsible for preparing recommendations regarding unscheduled surveillance, re-accreditation and accreditation for additional sectoral scope(s).
- ◆ The EB takes the decision whether or not to accredit an AE and recommend it to the COP/MOP for designation.
- ◆ The COP/MOP designates operational entities based on a recommendation by the EB.
- ◆ The secretariat supports the implementation of the CDM accreditation procedure.

Sectoral scope(s) of accreditation [CDM-ACCR-01, p4 para6]

- ☞ The scope of accreditation of a DOE is defined by the EB to be composed of sectoral scope(s) of accreditation.
- ☞ A sectoral scope(s) (p84) of accreditation sets the limits for work which a DOE may perform under the CDM with regard to validation as well as verification and certification related to identified sector(s).

Spot-check [CDM-ACCR-01, p3 para5]

- ☞ “Spot-check” is an unscheduled assessment activity of a DOE involving the CDM-AP and CDM-AT on the basis of which the CDM-AP shall prepare a recommendation to the EB.
- ☞ The EB shall conduct a “spot-check” at any time with a view to assessing whether a DOE still meets the accreditation requirements.
- ☞ The EB shall take a final decision on the status of accreditation of a DOE which has undergone a “spot-check”.

Suspension or withdrawal of a DOE [CDM M&P, p31 para21]

- ◆ The EB may recommend to the COP/MOP to suspend or withdraw the designation of a DOE if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP.
 - ☞ The EB may recommend the suspension or withdrawal of designation only after the DOE has had the possibility of a hearing.
 - ☞ The suspension or withdrawal is with immediate effect, on a provisional basis, once the EB has made a recommendation, and remains in effect pending a final decision by the COP/MOP.
 - ☞ The affected entity shall be notified, immediately and in writing, once the EB has recommended its suspension or withdrawal.
 - ☞ The recommendation by the EB and the decision by the COP/MOP on such a case shall be made public.
 - ⇒ It is assumed that if the COP/MOP decides the affected DOE meets the accreditation standards, the DOE will recover from its suspension or withdrawal.

Affect to registered CDM project activities by the suspension or withdrawal of designation of a DOE [CDM M&P, p31 para22-24]

- ☞ Registered project activities shall not be affected by the suspension or withdrawal of designation of a DOE unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible.
 - ⇒ There is no clear definition of “significant deficiencies.”
- ☞ In this case, the EB shall decide whether a different DOE shall be appointed to review, and where appropriate correct, such deficiencies.
 - ⇒ Any costs related to the review shall be borne by the DOE whose designation has been withdrawn or suspended.
- ☞ If such a review reveals that excess CERs were issued, the DOE whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of CO₂ equivalent equal to the excess CERs issued, as determined by the EB, to a cancellation account in the CDM registry (p63).
- ☞ Any suspension or withdrawal of a DOE that adversely affects registered project activities shall be recommended by the EB only after the affected project participants have had the possibility of a hearing.

4-6. Project participants

- ◆ Participation in a CDM project activity is voluntary. [CDM M&P, p32 para28]
- ◆ A project participant is (a) a Party involved, and/or (b) a private and/or public entity authorized by a Party involved to participate in a CDM project activity. [PDD guidelines ver3, p11]

A Party

- ☞ Parties participating in the CDM shall designate a national authority (DNA) for the CDM. [CDM M&P, p32 para29]
- ☞ A non-Annex I Party may participate in a CDM project activity if it is a Party to the Kyoto Protocol. [CDM M&P, p32 para30]

A private and/or public entity

- ☞ Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time. [CDM M&P, p33 para33]
- ☞ A written approval constitutes the authorization by a designated national authority (DNA) of specific entity(ies)' participation as project proponents in the specific CDM project activity. [PDD guidelines ver3, p5]

A change of project participants

[PDD guidelines ver3, p11]

- ☞ A change of project participants shall immediately be communicated to the EB through the secretariat in accordance with the modalities of communication (p16).
- ☞ The indication of change shall be signed by all project participants of the previous communication and by all new and remaining project participants.
- ☞ Each new project participant needs authorization, as required.

Participation by a fund [PDD guidelines ver3, p5]

- ☞ Multilateral funds do not necessarily require written approval from each participant's DNA. However those not providing a written approval may be giving up some of their rights and privileges in terms of being a Party involved in the project.

Approval by Parties involved [PDD guidelines ver3, p5]

- ◆ The DNA of a Party involved in a proposed CDM project activity shall issue a statement including the following:
 - ☞ The Party has ratified the Kyoto Protocol.
 - ☞ The approval of voluntary participation in the proposed CDM project activity
 - ☞ In the case of Host Party(ies): statement that the proposed CDM project activity contributes to sustainable development of the Host Party(ies).
- ◆ The written approval shall be unconditional with respect to the above.
- ◆ A written approval from a Party may cover more than one project provided that all projects are clearly listed in the letter.
- ◆ The DOE shall receive documentation of the approval.

- ☞ The registration of a project activity can take place without an Annex I Party being involved at the stage of registration.
- ☞ Before an Annex I Party acquires CERs from such a project activity from an account within the CDM registry (p63), it shall submit a letter of approval to the EB in order for the CDM Registry administrator to be able to forward CERs from the CDM registry to the Annex I national registry (p61). [EB18 Rep, p8 para57]

Modalities of communication of project participants with the EB [PDD guidelines ver3, p9]

- ◆ The modalities of communication between project participants and the EB are indicated at the time of registration by submitting a statement signed by all project participants.
- ◆ All official communication from and to project participants, after a request for registration (p30) is submitted by a DOE, shall be handled in accordance with these modalities of communication.
- ◆ If these modalities have to be modified, the new statement shall be signed by all project participants and submitted in accordance with the modalities that are to be replaced.

BOX: Confidential/proprietary information [PDD guidelines ver3, p7]

Information obtained 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, to describe the baseline methodology and its application, and to support an environmental impact assessment shall not be considered as proprietary or confidential.

Project participants shall submit documentation that contains confidential and proprietary information in two versions:

- ☞ One marked up version where all confidential/proprietary parts shall be made illegible by the project participants (e.g. by covering those parts with black ink) so that this can be made publicly available.
- ☞ A second version containing all information which shall be treated as strictly confidential by all handling this documentation (DOEs/AEs, EB members and alternates, panel/committee and working group members, external experts requested to consider such documents in support of work for the EB, and the secretariat).

5. Conditions for CDM projects

◆ When planning a CDM project activity, it is necessary to keep in mind following points:

- ☞ The CDM shall assist non-Annex I Parties in achieving sustainable development; [CP/2001/13/Ad2, p20]
 - ⇒ It is the host Party's prerogative to confirm whether a CDM project activity assists it in achieving sustainable development. [CP/2001/13/Ad2, p20]
- ☞ A CDM project activity is additional if GHG emissions are reduced below those that would have occurred in the absence of the registered CDM project activity; [CDM M&P, p36 para43] (p19)
- ☞ Annex I Parties are to refrain from using CERs generated from nuclear facilities to meet their quantified GHG emissions reduction targets; [CP/2001/13/Ad2, p20]
- ☞ The eligibility of land use, land-use change and forestry project activities under the CDM is limited to afforestation and reforestation (A/R); [CP/2001/13/Ad2, p22 para7(a)] (p41)
- ☞ Public funding for CDM projects from Annex I Parties is not to result in the diversion of official development assistance (ODA) and is to be separate from and not counted towards the financial obligations of Annex I Parties. [CP/2001/13/Ad2, p20]
 - ⇒ Annex I Parties shall provide an affirmation that such funding does not result in a diversion of ODA. [PDD guidelines ver3, p17]
- ◆ It is necessary to prepare a project design document (PDD) in order to be registered as a CDM project activity.
 - ☞ The contents of PDD is described in Attachment 1 (p68) .

BOX: Registration fee of the CDM project activity [EB6 Rep Anx5]

- ☞ CDM project participants shall pay registration fee at registration stage. (p30)
 - ⇒ Fee level depends on the estimated or approved average annual emissions reductions (tonnes of CO₂ equivalent) to be realized over the crediting period.

Reductions per year	US\$
<= 15,000	5,000
> 15,000 and <= 50,000	10,000
> 50,000 and <= 100,000	15,000
> 100,000 and <= 200,000	20,000
> 200,000	30,000

- ⇒ The DOE shall include a statement of the likelihood of the project activity to achieve the anticipated emission reductions stated in the PDD. This statement will constitute the basis for the calculation of the registration fee. [EB11 Rep Anx6]

- ☞ The registration fee paid will be deducted from the share of proceeds (p34) for administration due at issuance of CERs.

BOX: Revision of the modalities and procedures for the CDM

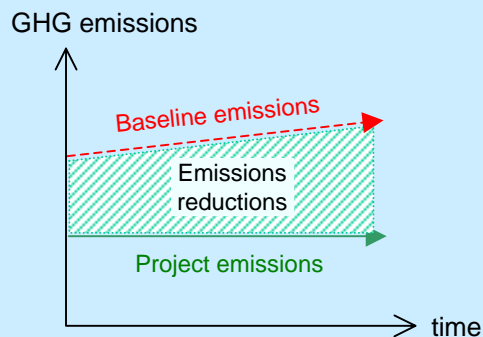
[CP/2001/13/Ad2, p23 para19][CP/2001/13/Ad2, p25 para4]

- ☞ Revision of the modalities and procedures for the CDM shall be decided in accordance with the rules of procedure of the COP/MOP.
 - ⇒ The 1st review shall be carried out no later than 1 year after the end of the 1st commitment period
 - ⇒ The 1st review shall be carried out based on recommendations by the EB and by the SBI drawing on technical advice from the SBSTA, as needed.
 - ⇒ Further reviews shall be carried out periodically thereafter.
- ☞ Any revision of the decision shall not affect clean development mechanism project activities already registered

6. Baseline

6-1. Concept of the baseline

- ◆ The baseline (scenario and emissions) for a CDM project activity is the scenario that reasonably represents GHG emissions that would occur in the absence of the proposed project activity. [CDM M&P, p36 para44]
 - ☞ A baseline emissions shall cover emissions from all gases, sectors and source categories listed in Annex A of the Kyoto Protocol within the project boundary (p25).
 - ☞ The baseline scenario may include a scenario where future GHG emissions are projected to rise above current levels, due to the specific circumstances of the host Party. [CDM M&P, p37 para46]



- ◆ Difference between the baseline emissions and GHG emissions after implementing the CDM project activity (project emissions) is emission reductions, which is equal to amount of credits.
- ◆ Before calculating baseline emissions, it is necessary to identify baseline scenarios (p20).

- ◆ A baseline (scenario and emissions) shall be established: [CDM M&P, p36 para45]
 - (a) By project participants in accordance with provisions for the use of approved and new methodologies (p21);
 - (b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
 - ⇒ “Transparent and conservative manner” means assumptions are explicitly explained and choices are substantiated. In case of uncertainty regarding values of variables and parameters, the establishment of a baseline is considered conservative if the resulting projection of the baseline does not lead to an overestimation of emission reductions attributable to the CDM project activity (that is, in the case of doubt, values that generate a lower baseline projection shall be used). [EB05 Rep Anx3, p2 para10(a)]
 - (c) On a project-specific basis;
 - (d) In the case of small-scale CDM project activities (p35), in accordance with simplified procedures developed for such activities;(p37)
 - (e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector. (p20)

6-2. Additionality

“**Additionality**” is one of the most important concept in the CDM. Following are descriptions explaining additionality in the Kyoto Protocol, Marrakech Accords and reports of the EB. “The tool for the demonstration and assessment of additionality” provides a general framework for demonstrating and assessing additionality (p72). Project participants may also propose other tools for the demonstration of additionality.

- ◆ Reductions in emissions shall be **additional** to any that would occur in the absence of the certified project activity. [KP Art.12 para5(c)]

- ◆ The DOE shall review the PDD and any supporting documentation to confirm that the project activity is expected to result in a reduction in GHG emissions that are **additional** to any that would occur in the absence of the proposed project activity. [CDM M&P, p34 para37(d)]
- ◆ A CDM project activity is **additional** if GHG emissions are reduced below those that would have occurred in the absence of the registered CDM project activity. [CDM M&P, p36 para43]

Baseline and additionality

☞ A proposed new methodology shall explain how a project activity using the methodology can demonstrate that it is additional i.e. different from the baseline scenario. Project participants shall therefore describe how to develop the baseline scenario and “how the baseline methodology addresses the determination of project **additionality**”. [EB09 Rep Anx3 para2]

☞ Project participants shall refrain from providing glossaries or using key terminology not used in the COP documents and the CDM glossary (environmental/investment **additionality**). [EB09 Rep Anx3 para3]

☞ As part of the basis for determining the baseline scenario an explanation shall be made of how, through the use of the methodology, it can be demonstrated that a project activity is **additional** and therefore not the baseline scenario.

☞ Examples of tools that may be used to demonstrate that a project activity is **additional** and therefore not the baseline scenario include, among others: [EB10 Rep Anx1 para2]

(a) A flow-chart or series of questions that lead to a narrowing of potential baseline options; and/or

(b) A qualitative or quantitative assessment of different potential options and an indication of why the non-project option is more likely; and/or

(c) A qualitative or quantitative assessment of one or more barriers facing the proposed project activity (such as those laid out for small-scale CDM projects); and/or

(d) An indication that the project type is not common practice (e.g. occurs in less than x% of similar cases) in the proposed area of implementation, and not required by a Party’s legislation/regulations.

☞ Explanation of how and why this project activity is **additional** and therefore not the baseline scenario in accordance with the selected baseline methodology. Include

- ⇒ a description of the baseline scenario determined by applying the methodology,
- ⇒ a description of the project activity scenario, and
- ⇒ an analysis showing why the emissions in the baseline scenario would likely exceed emissions in the project activity scenario. [PDD guidelines ver3, p17]

BOX: A project activity requesting retroactive credits (p26)

☞ Project participants shall, for assessing additionality, consider the information that was available at the time when the decision was made to undertake the project. [EB19 Rep, p7 para42]

6-3. Baseline scenario

- ◆ The baseline scenario for a CDM project activity is the scenario that reasonably represents GHG emissions that would occur in the absence of the proposed project activity. [PDD guidelines ver3, p7]
- ◆ Different scenarios may be elaborated as potential evolutions of the situation existing before the proposed CDM project activity.
 - ☞ The continuation of a current activity could be one of them;
 - ☞ Implementing the proposed project activity may be another;
 - ☞ And many others could be envisaged.
- ◆ Baseline methodologies shall require a narrative description of all reasonable baseline scenarios.
- ◆ To elaborate the different scenarios, different elements shall be taken into consideration.
 - ☞ For instance, the project participants shall take into account national / sectoral policies and circumstances, ongoing technological improvements, investment barriers, etc.

Clarifications on the treatment of national and/or sectoral policies and regulations in determining a baseline scenario (p18)[EB16 Rep Anx3]

- ◆ The EB agreed to differentiate ways to address the following 4 types of national and/or sectoral policies in determining a baseline scenario:

Type E+ Existing policies or regulations which give comparative advantages to more emissions-intensive technologies or fuels

- ☞ Only “Type E+” policies or regulations that have been implemented before adoption of the Kyoto Protocol (11 December 1997) shall be taken into account when developing a baseline scenario.
- ☞ If “Type E+” policies or regulations were implemented since the adoption of the Kyoto Protocol, the baseline scenario should refer to a hypothetical situation without the policies or regulations being in place.

Type L+ Sectoral mandatory regulations that aim the reduction of negative local environmental externalities and which incidentally prevent the adoption/diffusion of less GHG emitting technology.

Type E- Policies or regulations that give positive comparative advantages to less emissions-intensive technologies

- ☞ e.g. public subsidies to promote the diffusion of renewable energy or to finance energy efficiency programs.

- ☞ “Type E-” policies or regulations that have been implemented since the adoption of the CDM M&P (11 November 2001) may not be taken into account in developing a baseline scenario.
 - ⇒ i.e. the baseline scenario should refer to a hypothetical situation without the policies or regulations being in place.

Type L- Sectoral mandatory regulations that aim the reduction of negative local environmental externalities and/or energy conservation and which would incidentally also reduce GHG emissions.

- ☞ The EB noted that the Meth Panel is to continue to consider possible additional recommendations regarding national and/or sectoral policies or regulations of types L- and L+.

6-4. Baseline methodology

- ◆ Baseline emission under the selected baseline scenarios shall be calculated by project participants in accordance with **approved methodologies (AMs)** or **new methodologies (NMs)**.
- ◆ No methodology is excluded a priori so that project participants have the opportunity to propose any methodology. [PDD guidelines ver3, p6]

A baseline methodology approved by the EB is publicly available along with relevant guidance on the UNFCCC CDM website

(<http://unfccc.int/cdm>). [PDD guidelines ver3, p7]

- ☞ If DOEs wish to submit queries regarding the applicability of **approved methodologies**, the procedures for the submission and consideration of queries from DOEs to the Methodologies Panel (MP) regarding the application of approved methodologies is written in **EB20 Rep Anx6**.

If a DOE determines that a proposed project activity intends to use a **new baseline methodology**, it shall, prior to the submission for registration of this project activity, forward the proposed methodology to the EB for review, i.e. consideration and approval (p22), if appropriate. [EB20 Rep Anx2, p2 para2]

Baseline approach (para 48 of CDM M&P) [CDM M&P, p37 para48]

- ◆ In choosing a baseline methodology for a project activity, project participants shall select from among the following baseline approaches (para 48 of CDM M&P) the one deemed most appropriate for the project activity, and justify the appropriateness of their choice:

(a) Existing actual or historical emissions, as applicable; or

(b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or

(c) The average emissions of similar project activities undertaken in the previous 5 years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category. <See [EB08 Rep Anx1 para4-5] for guidance>

☞ Proponents of methodologies have indicated some apparent overlap between approaches (a), (b), and (c) of para 48 of the CDM M&P.

☞ Since para 48 stipulates that only one approach should be chosen, developers are advised to select the one that most closely reflects the process used for calculating baseline emissions or baseline emission rates. [EB10 Rep Anx1 para4]

Proposed project activities applying more than one methodology [EB08 Rep Anx1, p2 para6]

- ☞ If a proposed CDM project activity comprises different “sub-activities” requiring different methodologies, project participants may forward the proposal using one CDM-PDD but shall complete the methodologies sections (sections A.4.2, A.4.3, A.4.4. and B to E of the CDM-PDD (p68)) for each “sub-activity”.

Decrease in activity levels [EB08 Rep Anx1, p2 para7-9]

- ☞ An output- or product-linked definition of baseline values (i.e. CO₂equ. per unit of output) shall be applied.

Guidance regarding the treatment of “existing” and “newly built” facilities [EB08 Rep Anx1, p2 para10]

- ☞ If a proposed CDM project activity seeks to retrofit or otherwise modify an existing facility, the baseline may refer to the characteristics (i.e. emissions) of the existing facility only to the extent that the project activity does not increase the output or lifetime of the existing facility.

Clarifications on ex post calculation of baselines [EB10 Rep Anx1, p2 para6]

- ☞ The ex post calculation of baseline emission rates may only be used if proper justification is provided. Notwithstanding, the baseline emission rates shall also be calculated ex-ante and reported in the draft CDM-PDD (p68).

6-5. Procedures for the submission of a proposed new methodology

<http://cdm.unfccc.int/Reference/Procedures/Pnm_proced_ver07.pdf>

(1) Project participants intend to propose a new baseline or monitoring methodology for approval by the EB, prepare the methodologies forms for baseline and monitoring methodologies (CDM-NMB and CDM-NMM) and a draft PDD and as a minimum, complete sections A to E, including relevant annexes, following its respective current guidelines.

(2) The secretariat checks that the “CDM: Proposed new methodology form” (F-CDM-NM) has been duly filled by the DOE and documentation provided by the DOE is complete.

(3) The secretariat forwards the documentation to 1 member of the MP. This member is to assess the quality of the submission and grade it as being 1 and 2 in accordance with the criteria for pre-assessment as contained in the “CDM: Proposed new methodology assessment form” (F-CDM-NMas).

- ☞ If the grade is 2, the documentation is to be sent back to the project participants.
- ☞ If the grade is 1, the documentation is considered as received by the EB, and be forwarded by the secretariat for consideration of the EB and the MP.

The date of receipt of the proposed NM

(4) At the same time, the secretariat makes the proposed new methodology (NM) publicly available on the UNFCCC CDM web site and invite public inputs for a period of **15 working days**.

Public inputs shall be made using the “public comment form” (F-CDM-NMpu)

(5) Comments are forwarded to the MP at the moment of receipt and made available to the public at the end of the 15 working day period.

(6) Upon receipt of a proposed NM, 2 members of the MP are selected on a rotational basis in alphabetical order. The 2 members prepare draft recommendations by the MP to the EB.

The 2 panel members shall be paid a fee for 1 working day for the preparation of the draft recommendations.

(7) The Chair and the Vice-Chair of the MP, with the assistance of the 2 designated panel members and the secretariat, shall, **no later than 7 working days** after the receipt of the proposed NM, select 2 experts from a roster of experts who are to undertake a desk review to appraise the validity of the proposed NM, being one the lead reviewer.

The lead is to be paid 3 days fee and the second reviewer a 2 days fee.

(8) Each desk reviewer forwards his/her recommendation to the MP independently, wherever possible, within **10 working days** after having received a proposed NM using lead expert desk review form (F-CDM-NMex_3d) and second expert desk review form (F-CDM-NMex_2d).

(9) The MP may request, through the secretariat, and via the DOE, the project participants additional technical information within a deadline stipulated by the Chair of MP.

Any additional technical information provided by project participants to the MP shall be made available to the EB and to the public soon after its receipt by the secretariat.

(10) The MP prepares its preliminary recommendation regarding the approval of the proposed NM to the EB using the forms “CDM: Proposed NM - Panel recommendation to the EB” (F-CDM-NMmp) and “CDM: Proposed NM - Panel recommendation summary to the EB” (F-CDM-NMSUMmp).

(11) The MP, through the secretariat, and via the DOE, forwards its preliminary recommendation to project participants.

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The current version of F-CDM-NMas, F-CDM-NMmp, F-CDM-NMex_3d, F-CDM-NMex_2d, F-CDM-NMmp and F-CDM-NMSUMmp can be downloaded from <<http://cdm.unfccc.int/Reference/Forms/Methodologies>>.

6-5. Procedures for the submission of a proposed new methodology

(12) Within **10 working days** after the receipt of the preliminary recommendation of the MP, the project participants may submit, via the DOE, clarifications to the MP, through the secretariat, on technical issues. Technical clarifications provided by the project participants shall include revisions in the CDM-NMB and CDM-NMM in highlighted form.

(13 a) If project participants do not provide any clarification within the 10-day period, or if the preliminary recommendation by the MP is in favour of approving (so called A case) or not approving (so called C case) the proposed NM, it is considered as a final recommendation

(13 b) If project participants provide clarifications related to the preliminary recommendation by the MP, the MP considers these clarifications **at its next meeting** and prepare its final recommendation to the EB.

(14) The final recommendation is forwarded to the EB and made publicly available.

(15) The EB considers a proposed NM **at the next meeting** following the receipt of the final recommendation regarding the approval of the proposed NM by the MP.

(Once approved by the EB, it shall make the approved methodology (AM) publicly available and the DOE may proceed with the validation of the project activity and submit the PDD for registration.

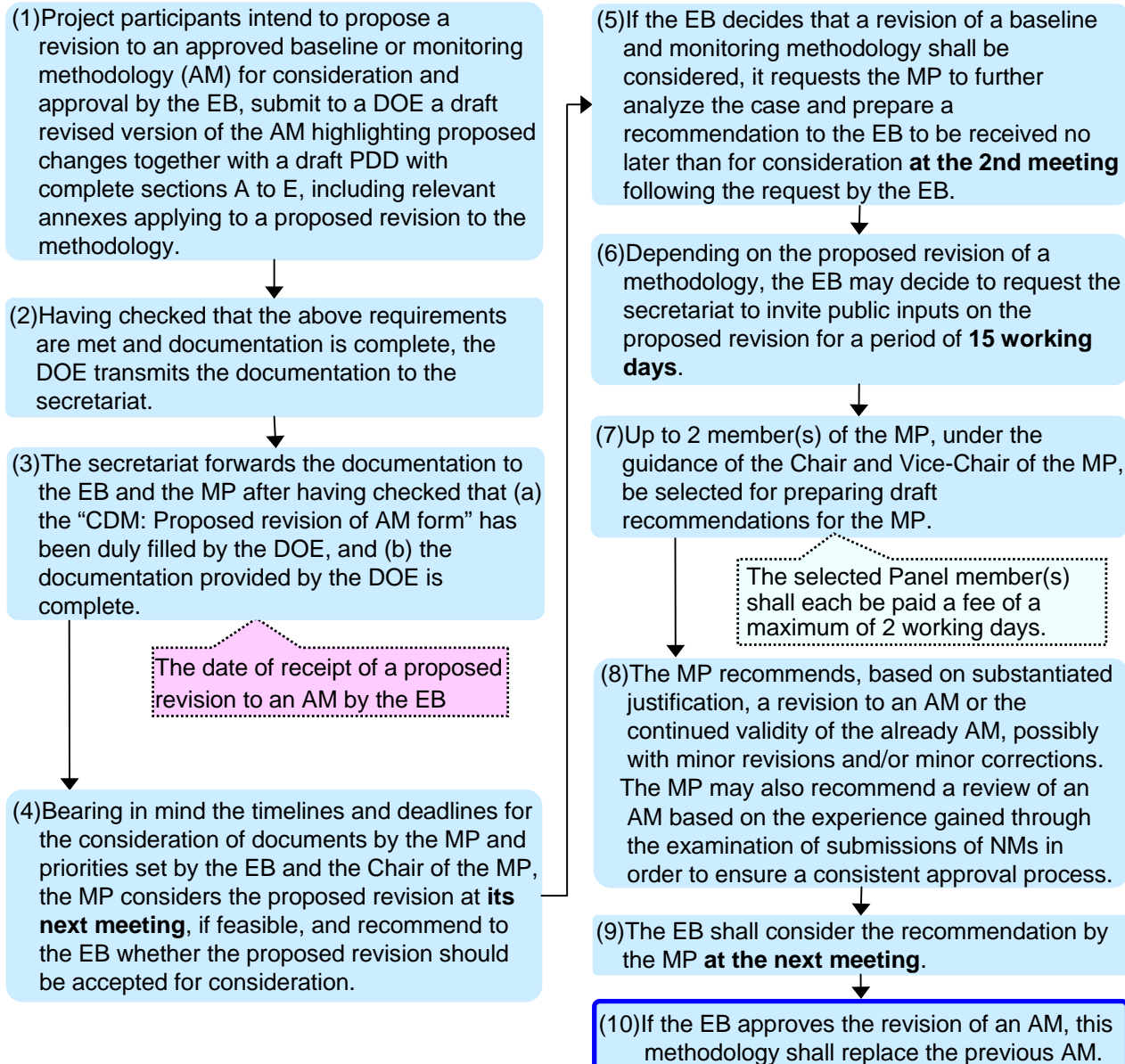
- ☞ The MP makes a recommendation to the EB, if possible **at its next meeting**.
- ☞ A proposed NM shall be available to the MP at least **10 weeks prior to its next meeting**.
- ☞ In case more than 10 proposed NMs are submitted by the deadline, the Chair of the MP ascertains how many proposals are analyzed at the next MP meeting and decide to postpone the analysis of some submissions.
- ☞ Submissions are treated on a "First come first served" basis.
- ☞ The EB may decide to change a deadline for submissions of proposed NMs taking into account the workload of the MP.

- ☞ The EB shall expeditiously, if possible **at its next meeting** but **not later than 4 months** after the date of receipt of the proposed NM, review the proposed NM in accordance with the CDM M&P.

- ☞ Methodology cases that were not approved by the EB are always invited to be resubmitted once they have incorporated recommendations from the MP and the EB. The EB requested the MP to prepare recommendations to the EB on detailed criteria for the non-approval of methodologies.
- ☞ The EB considers its practice of allowing the reconsideration of proposed methodologies without further desk reviews in so-called B cases and interaction with project participants through a feedback-loop to be important measures for ensuring that project participants benefit from expert inputs when further developing a methodology. A methodology, which is in imperfect shape, can thereby be improved for re-appraisal. This practice to facilitate the methodology consideration process leads, however, to delays and has added to the workload of the MP and the EB.
- ☞ In order to alleviate the bottlenecks, the EB agreed to consider limiting the number times that B case can be re-submitted.
[EB19 Rep, p4 para25]
- ☞ The EB agreed to limit the time frame for resubmission of a proposed methodology to a maximum of 5 months after the EB has agreed that a methodology may be resubmitted with required changes (i.e. rated as "B")
[EB20 Rep, p4 para18]

6-6. Procedures for the revision of an approved methodology

[EB19 Rep Anx3]



BOX: Revision of an AM

- ☞ Any revision to an AM only be applicable to project activities registered subsequent to the date when the revision took effect.
- ☞ The date of revision shall be the date/time (Bonn, GMT) at which the EB has agreed on the case (not adoption of report).
- ☞ The revision shall not affect (a) registered CDM project activities during their crediting period; and (b) project activities that use the previously AM and that have been submitted for registration prior to the date of revision.

- ☞ If the EB considers that the possible revision of the methodology could have significant implications for the use of the methodology, the EB may agree to suspend the use of the methodology, by putting it “on hold”, with immediate effect.
- ☞ Project activities which use this methodology but have not been submitted for registration **within 4 weeks** after the methodology “on hold”, will not be able to use the methodology until the EB has decided on any revision of the methodology.
- ☞ If the EB puts a methodology “on hold”, a revised methodology should be approved not later than **at the 3rd meeting** of the EB after it has agreed to put the methodology “on hold”.

7. Items in the project design document (PDD)

7-1. Project boundary and leakage

Project Boundary

- ◆ The project boundary shall encompass all anthropogenic GHG emissions by sources under the control of the project participants that are significant and reasonably attributable to the CDM project activity. [CDM M&P, p37 para52]
 - ☞ The Meth Panel (MP) shall develop specific proposals for consideration by the EB on how to operationalize the terms “under the control of”, “significant” and “reasonably attributable.” [PDD guidelines ver3, p10]
 - ☞ Pending decisions by the EB on these terms, project participants are invited to explain their interpretation of such terms when completing and submitting the CDM-NMB and CDM-NMM. (p70 and 71)

Leakage

- ☞ Leakage is defined as the net change of GHG emissions which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity. [CDM M&P, p37 para51]
 - ⇒ In an operational context, the terms measurable and attributable should be read as “which can be measured” and “directly attributable”, respectively. [PDD guidelines ver3, p9]
- ☞ Reductions in GHG emissions shall be adjusted for leakage in accordance with the monitoring and verification provisions. [CDM M&P, p37 para50]

7-2. Monitoring

- ◆ Monitoring refers to the collection and archiving of all relevant data necessary for determining the baseline, measuring GHG emissions within the project boundary of a CDM project activity and leakage, as applicable. [PDD guidelines ver3, p9]
- ◆ A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology. [CDM M&P, p38 para54]
 - ☞ A monitoring methodology refers to the method used by project participants for the collection and archiving of all relevant data necessary for the implementation of the monitoring plan. [PDD guidelines ver3, p9]

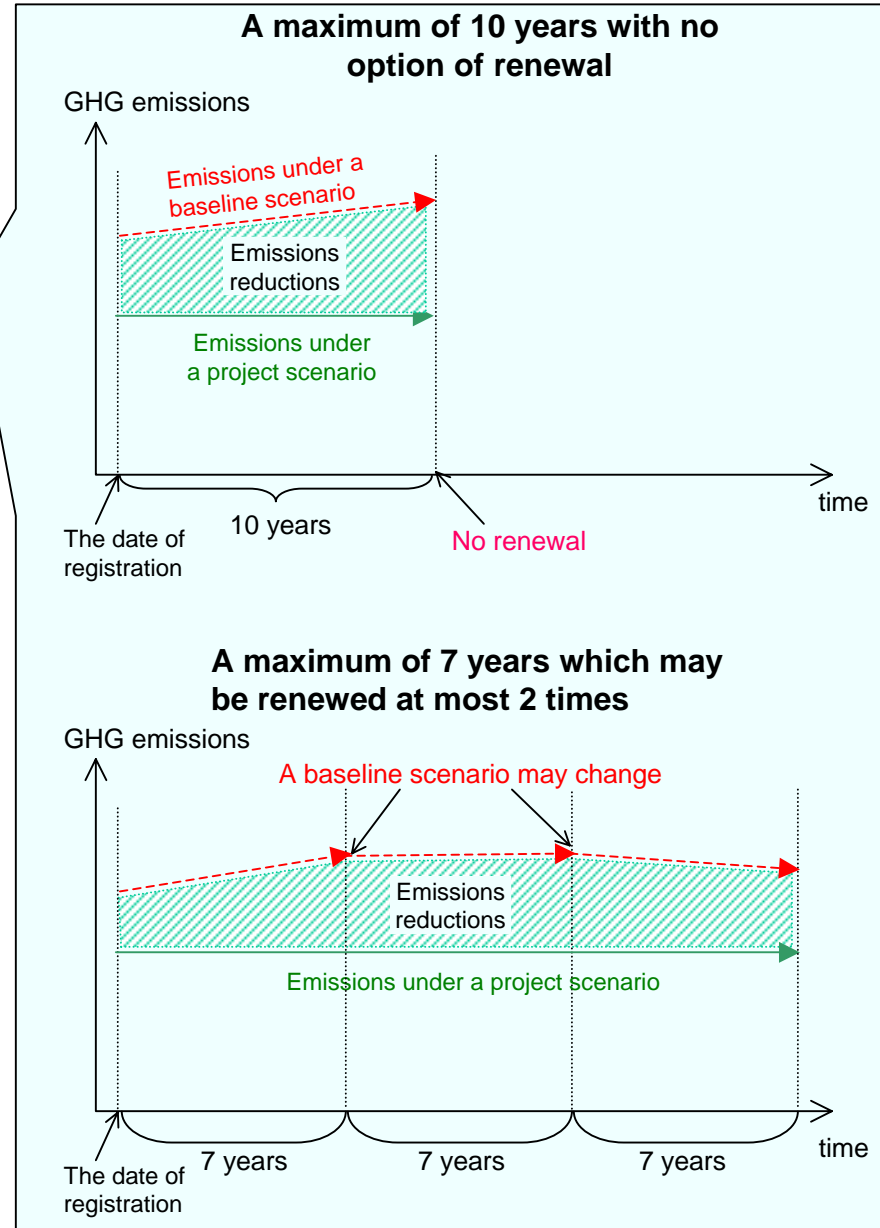
- ☞ A monitoring methodology approved by the EB and made publicly available along with relevant guidance. [PDD guidelines ver3, p10]
- ☞ Project participants may propose a new monitoring methodology. In developing a monitoring methodology, the 1st step is to identify the most appropriate methodology bearing in mind good monitoring practice in relevant sectors.
- ☞ Project participants shall submit a proposal for a new methodology to a DOE by forwarding a completed “Proposed New Methodology: Baseline (CDM-NMB)” along with a completed “Proposed New Methodology: Monitoring (CDM-NMM)” and the CDM-PDD with sections A to E completed in order to demonstrate the application of the proposed new methodology to a proposed project activity.
 - ⇒ Procedures for the submission of a proposed new monitoring methodology is same as that of new baseline methodology. (p22)

7-3. Crediting period

- ◆ CERs shall only be issued for a crediting period starting after the date of registration of a CDM project activity. [CP/2001/13/Ad2, p23 para12]
- ◆ Project participants select a crediting period for a proposed project activity from one of the following alternative approaches [CDM M&P, p37 para49] :
 - ☞ A maximum of 7 years which may be renewed at most 2 times.
 - ⇒ For each renewal, a DOE determines and informs the EB that the original project baseline is still valid or has been updated taking account of new data where applicable.
 - ☞ A maximum of 10 years with no option of renewal.

Retroactivity of a crediting period

- ☞ A project activity starting between 1 January 2000 and the date of the 1st registration of a CDM project activity (18 Nov. 2004) may use a crediting period starting before the date of its registration. [CP/2001/13/Ad2, p23 para13] [CP/2003/6/Ad2, p5 para1(c)]
 - ⇒ Only if the project activity is submitted for registration before 31 December 2005.
- ☞ The starting date of a CDM project activity is the date at which the implementation or construction or real action of a project activity begins. [PDD guidelines ver3, p11]
 - ⇒ Project activities starting between 1 January 2000 and the date of the registration of a 1st CDM project have to provide documentation, at the time of registration, showing that the starting date fell within this period, if the project activity is submitted for registration before 31 December 2005.



Procedures and documentation which need to be used for the renewal of a crediting period [EB20 Rep Anx7]

◆ The EB agreed that at the start of the 2nd and 3rd crediting period for a project activity, 2 issues need to be addressed:

Assessing the continued validity of the baseline

- ☞ The DOE shall verify whether the baseline scenario chosen is still the most likely scenario, using the approved methodology for the project activity.
- ☞ The DOE shall verify whether the project activity still generates lower emissions than the revised baseline emissions.
 - ⇒ If the revised baseline emissions are lower than the project activity emissions, the project is automatically non-additional and will not generate any emission reductions.
- ☞ A change in the relevant national and/or sectoral regulations between 2 crediting periods has to be examined at the start of the new crediting period.
 - ⇒ If at the start of the project activity, the project activity was not mandated by regulations, but at the start of the 2nd or 3rd crediting period regulations are in place that enforce the practice or norms or technologies that are used by the project activity, the new regulation (formulated after the registration of the project activity) has to be examined to determine if it applies to existing plants or not.
 - ⇒ If the new regulation applies to existing CDM project activities, the baseline has to be reviewed and, if the regulation is binding, the baseline for the project activity should take this into account.
 - ⇒ This assessment will be undertaken by the verifying DOE.

Updating the baseline

- ☞ For updating the baseline at the start of the 2nd and 3rd crediting period, there shall be no change in the methodology for determining the baseline emissions.
- ☞ However, new data available will be used to revise the baseline emissions.
 - ⇒ For example, if the “average of 3 most recent years data” was used to determine the baseline emissions for the 1st crediting period, the baseline shall be updated using the average for the 3 most recent years prior to the start of the subsequent crediting period.
- ☞ In the case of baselines where emission factors are determined ex ante (and not updated during a crediting period), the baseline emissions factor shall be updated for the subsequent crediting period.
 - ⇒ This shall not be necessary for baselines which are constantly updated.
 - ⇒ In both cases, the CDM project activities are not included in the revised estimation of the baseline emissions.
- ☞ Project participants shall assess and incorporate the impact of new regulations on baseline emissions. The DOE shall verify this.

8. Validation of a CDM project activity

<<http://cdm.unfccc.int/Reference/Procedures>>[Version 4 / June 2005]

8-1. Overview of validation procedures

CDM project participants

(1) Select a DOE for validation from a list of DOEs and contract with them. [CDM M&P, p34 para37]

(2) Submit a PDD and any supporting documentation to the DOE.

Designated operational entity (DOE)

(3) Review the PDD to confirm that the requirements for the CDM have been met. (p29)[CDM M&P, p34 para37]

(4) Establish a web site where CDM-PDDs shall be made publicly available in PDF format with a link to the UNFCCC CDM web site; or directly publicly available on the UNFCCC CDM web.

Submit the following information to be made publicly available:

- (a) The name of the proposed CDM project activity
- (b) The address of the web page where the CDM-PDD will be found or the CDM-PDD which would be made available on the UNFCCC CDM web site.

(6) Receive comments from Parties, stakeholders and accredited NGOs within **30 days**. [CDM M&P, p35 para40(c)]
The DOE promptly acknowledges receipt of comments.

(7) Specify how comments on a PDD are communicated, providing both e-mail and fax details. Display at the end of the **30 days** period all comments received.

(8) Make a determination whether the project activity should be validated. [CDM M&P, p35 para40(d)]

No

Inform project participants of reasons for non-acceptance

May be reconsidered for validation and subsequent registration, after appropriate revisions. [CDM M&P, p36 para42]

Yes

(9) Inform project participants of confirmation of validation. [CDM-M&P, p35 para40(e)]

Registration Procedure

UNFCCC secretariat

- (5 a) In case the DOE is accredited for all sectoral scope(s), the secretariat, through the CDM information system, makes automatically available the link to the web page of the DOE or the CDM-PDD on the UNFCCC CDM web site. The system will forward the announcement to the DOE.
- (5 b) In case the DOE is not accredited for all sectoral scope(s), the secretariat shall determine within **3 days** whether the proposed project activity has been accepted as a witnessing opportunity. If it is accepted, step (5 a) will apply. If it is not accepted, the secretariat will initiate appropriate steps within the accreditation procedure.

8-2. Validation requirements

- ◆ The DOE selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the PDD and any supporting documentation to confirm that the following requirements have been met. [CDM M&P, p34 para37]
 - ☞ The participation requirements, as follows, are satisfied;
 - ⇒ Participation in a CDM project activity is voluntary. Parties participating in the CDM shall designate a national authority (DNA) for the CDM. A non-Annex I Party may participate in a CDM project activity if it is a Party to the Kyoto Protocol.
 - ☞ Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the DOE on how due account was taken of any comments has been received;
 - ☞ Project participants have submitted to the DOE documentation on the analysis of the environmental impacts of the project activity or an environmental impact assessment in accordance with procedures as required by the host Party;
 - ☞ The project activity is expected to result in GHG reductions that are additional to any that would occur in the absence of the proposed project activity;
 - ☞ The baseline and monitoring methodologies comply with requirements pertaining to methodologies previously approved by the EB, or modalities and procedures for establishing a new methodology;
 - ☞ Provisions for monitoring, verification and reporting are in accordance with CDM M&P and relevant decisions of the COP/MOP;
 - ☞ The project activity conforms to all other requirements for CDM project activities in CDM M&P and relevant decisions by the COP/MOP and the EB.

Validation Report

- ◆ The DOE shall: [CDM M&P, p35 para40]
 - ☞ Prior to the submission of the validation report to the EB, have received from the project participants written approval of voluntary participation from the DNA of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;
 - ☞ In accordance with provisions on confidentiality (p16) above, make publicly available the PDD;
 - ☞ Submit to the EB, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the PDD, the written approval of the host Party, and an explanation of how it has taken due account of comments received;
 - ☞ Make this validation report publicly available upon transmission to the executive board.

9. Registration of a CDM project activity

9-1. Overview of registration procedures

[CP/2003/6/Ad2 Anx2, p9][EB14 Rep Anx7]

Designated operational entity (DOE)

UNFCCC secretariat

CDM executive board (EB)

(1) Prepare validation report using the “CDM project activity registration and validation report form” (F-CDM-REG) including the PDD, the written approval of the host Party and an explanation of how it has taken account of comments received on the PDD.

F-CDM-REG can be downloaded from <http://cdm.unfccc.int/Reference/Forms/Registration>

(2) Submit all required documents using the electronic, internet-based, submission tool provided by the secretariat to each DOE.

(3) Provide, automatically, a unique reference number which is used to identify the bank transfer of the non-reimbursable registration fee. (p17)

(4) Submit the proof of payment which shall indicate the unique reference number, using the submission tool.

(5) Upon receipt of the non-reimbursable registration fee, the secretariat immediately informs the DOE.

(6) Determine whether the submission by the DOE is complete.

(7) After the non-reimbursable registration fee has been received and the secretariat has determined that the submission by a DOE is complete, the “request for registration” shall be considered received and make publicly available through the UNFCCC CDM web site for a period of **8 weeks**.

(10) Marked in the UNFCCC CDM web site as “registration completed”. The registered CDM project activity and related documents are displayed as registered and made publicly available in accordance with provisions on confidentiality. (p15)

(8) Whether a Party involved in the project activity or at least 3 members of the EB request a review of the proposed CDM project activity (p31) within **8 weeks** after the date of receipt of the request for registration. [CDM M&P, p36 para41]

No Yes

(9) Registration as CDM project activity.

The review by the EB shall be finalized no later than **at the 2nd meeting** following the request for review. The decision and the reasons for it are communicated to the project participants and the public.

Can be registered

Not registered

May be reconsidered for validation and subsequent registration, after appropriate revisions. [CDM M&P, p36 para42]

9-2. Procedures for review of registration

[EB16 Rep Anx5]

The EB shall recommend to the COP/MOP, for adoption at its next session, procedures for conducting the reviews of registration of the proposed CDM project activity and issuance of CER. Until their adoption by the COP/MOP, the procedures shall be applied provisionally. [CDM M&P, p28 para5(o)]

(1) Request for review (p30)

By a Party involved in a proposed CDM project activity

A request for review shall be sent by the relevant DNA to the EB, through the secretariat, using official means of communication (such as recognized official letterhead and signature or an official dedicated e-mail account).

By a member of the EB

A request for review shall be made by notifying the EB.

The secretariat acknowledges the receipt of a request for review and promptly forward the request to the EB via the list-serve.

As soon as a Party involved or 3 EB members request a review of a proposed project activity, the following action are taken:

- (a) The consideration of a review of the proposed project activity shall be included in the proposed agenda of the next EB meeting;
- (b) The EB notifies the project participants and the DOE that a review has been requested, and inform about the date and venue of the next and subsequent EB meetings at which the request for review will be considered. Stakeholders interested in the review process also be given opportunity to attend the EB meeting;
- (c) The project participants and the DOE shall each provide a contact person for the review process;
- (d) The proposed project activity will be marked as being "under review" on the UNFCCC CDM web site and a notification be sent through UNFCCC CDM News facility.

(2) Scope and modalities of review

- ☞ The EB considers and decides, at its next meeting, either to undertake a review or register as a CDM project activity.
- ☞ If the EB agrees to undertake a review, it decides on the scope of the review and the composition of a review team, at the same meeting. The review team consists of 2 EB members and outside experts, as appropriate.
- ☞ The review team requests further information to the DOE and project participants and analyze information received.

(3) Review process

- ☞ The decision by the EB on the scope of the review is made publicly available as part of the report of its meeting.
- ☞ A request for further information is sent to the DOE and the project participants. Answers shall be submitted to the review team, through the secretariat, within **5 working days** after the receipt of the request for clarification.
- ☞ The 2 EB members prepare the recommendation to be forwarded to the EB via list serve at least **2 weeks** before the next EB meeting.

(4) Review decision

- ☞ The review by the EB shall be finalized no later than **at the 2nd meeting** following a request for review.
- ☞ The EB decides on whether: to register the proposed project activity; to request the DOE and project participants to make corrections before proceeding with registration; or to reject it.
- ☞ The EB shall communicate the decision to the public.
- ☞ If the review indicates any issues relating to performance of the DOE, the EB considers whether or not to trigger a spot-checking of the DOE.

BOX: Coverage of costs of the request for review

The EB bears the costs for reviewing. If the EB rejects the registration and if a DOE is found in the situation of malfeasance or incompetence, the DOE shall reimburse the EB for the expenses. This provision is subject to review as experience accrues.

A review shall be related to issues associated with the validation requirements. A request for review shall be specific in this regard.

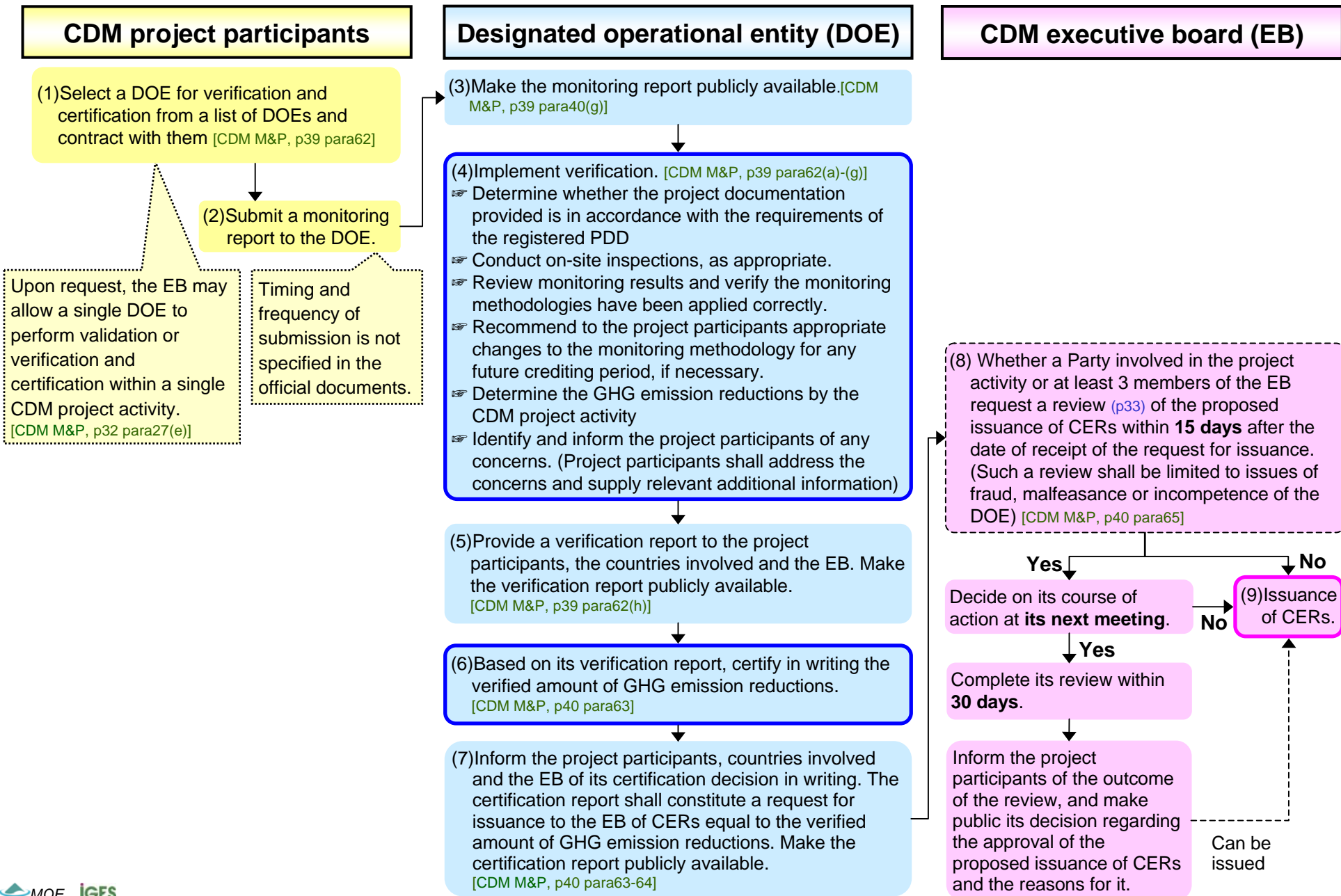
A request for review shall include the form "CDM Project Activity Registration Review" (F-CDM-RR) and provide reasons, including any supporting documentation.

A request for review is considered to be received by the EB as of the date it has been received by the secretariat, and not be considered if it is received after **17:00 GMT** of the last day of the **8 week** period after the receipt of the request for registration.

F-CDM-RR can be downloaded from <http://cdm.unfccc.int/Reference/Forms/Registration>

10. Verification, certification and issuance of CERs

10-1. Overview of procedures for verification, certification and issuance of CERs



10-2. Procedures for review of issuance [EB15 Rep Anx12]

The EB shall recommend to the COP/MOP, for adoption at its next session, procedures for conducting the reviews of registration of the proposed CDM project activity and issuance of CER. Until their adoption by the COP/MOP, the procedures shall be applied provisionally. [CDM M&P, p28 para5(o)]

(1) Request for review (p32)

By a Party involved in a proposed CDM project activity

A request for review shall be sent by the relevant DNA to the EB, through the secretariat, using official means of communication (such as recognized official letterhead and signature or an official dedicated e-mail account).

By a member of the EB

A request for review shall be sent to the EB.

The secretariat acknowledges the receipt of a request for review and promptly forward the request to the EB via the list-serve.

As soon as a Party involved or 3 EB members request a review of a proposed issuance of CERs, the following action are taken:

- (a) The consideration of a review of the proposed issuance of CERs shall be included in the proposed agenda of the next EB meeting;
- (b) The EB notifies the project participants and the DOE that a review has been requested, informed about the date and venue of the EB meeting at which the request for review will be considered. Stakeholders interested in the review process also be given an opportunity to attend the EB meeting;
- (c) The project participants and the DOE shall each provide a contact person for the review process;
- (d) The proposed issuance of CERs shall be marked as being "under review" on the UNFCCC CDM web site and a notification shall be sent through the UNFCCC CDM News facility.

(2) Scope and modalities of review

- ☞ The EB considers and decides, at its next meeting, either to perform a review of the proposed issuance of CERs or to approve the issuance.
- ☞ If the EB agrees to perform a review, it decides on the scope of the review and the composition of a review team, at the same meeting. The review team consists of 2 EB members and outside experts, as appropriate.
- ☞ The review team requests further information to the DOE and project participants and analyze information received.

(3) Review process

- ☞ The decision by the EB is made publicly available as part of the report of its meeting.
- ☞ Requests for clarification and further information may be sent to the DOE and the project participants. Answers shall be submitted to the review team, through the secretariat, within **5 working days** after the receipt of the request for clarification.
- ☞ The 2 EB members shall be responsible for compiling inputs and comments and preparing the recommendation to be forwarded to the EB via listserv.

(4) Review decision

- ☞ The EB shall complete its review within **30 days** following its decision to perform the review.
- ☞ The EB decides on whether: to approve the proposed issuance of CERs; to request the DOE to make corrections based on the findings from the review before approving the issuance of CERs; or to not approve the proposed issuance of CERs.
- ☞ The EB shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.
- ☞ If the review indicates any issues relating to performance of the DOE, the EB shall consider whether or not to trigger a spot-check of the DOE.

A review shall be limited to issues of fraud, malfeasance or incompetence of the DOEs.

A request for review shall be considered received by the EB on the date it has been received by the secretariat, and not be considered if it is received after **17:00 GMT** of the last day of the **15 days** period after the receipt of the request for issuance of CERs.

BOX: Coverage of costs of the request for review
The EB bears the costs for reviewing. If the EB decides not to approve a proposed issuance of CERs and if a DOE is found to be in the situation of malfeasance or incompetence, the DOE shall reimburse the EB for the expenses. This provision is subject to review as experience accrues.

11. Distribution of CERs

(1) Upon being instructed by the EB to issue CERs for a CDM project activity, the CDM registry administrator promptly issues the specified quantity of CERs.
[CDM M&P, p40 para66]

- ◆ CERs are issued into the pending account of the EB in the CDM registry.
 - ☞ The CDM registry is established and maintained by the EB in order to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. [CP/2001/13/Ad2 Apx D, p47 para1] (p63)
 - ☞ Pending account for the EB is for issuance of CERs before being transferred to other accounts. [CP/2001/13/Ad2 Apx D, p47 para3(a)] (p63)

(2) The quantity of CERs corresponding to the “share of proceeds” are deducted.
[CDM M&P, p40 para66(a)]

- ◆ The share of proceeds is utilized to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.
 - ☞ The share of proceeds to assist in meeting costs of adaptation is 2 per cent of the CERs issued for a CDM project activity. [CP/2001/13/Ad2, p23 para15]
 - ⇒ CDM project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation. [CP/2001/13/Ad2, p23 para15]
 - ☞ The level of the share of proceeds to cover administrative expenses of the CDM shall be determined by the COP upon the recommendation of the EB. [CP/2001/13/Ad2, p23 para16]
 - ⇒ The EB has not determined the level yet.
- ◆ The share of proceeds is forwarded to the appropriate accounts in the CDM registry.

(3) The remaining CERs are forwarded to the registry accounts of Parties and project participants involved, in accordance with their request.
[CDM M&P, p41 para66(b)]

- ◆ The decision on the distribution of CERs from a CDM project activity shall exclusively be taken by project participants. [PDD guidelines ver3, p11]
 - ☞ Project participants shall communicate with the EB, through the secretariat, in writing in accordance with the “modalities of communication” as indicated at the time of registration or as subsequently altered.
 - ☞ If a project participant does not wish to be involved in taking decisions on the distribution of CERs, this shall be communicated to the EB through the secretariat at the latest when the request regarding the distribution is made.
- ◆ The request regarding the distribution of CERs can only be changed if all signatories have agreed to the change and signed the appropriate document. [PDD guidelines ver3, p11]

12. Small-scale CDM (SSC)

12-1. Definition of a small-scale CDM project activity

Simplified modalities and procedures are applicable for the following small-scale CDM project activities. [SSC guidelines, ver1 p16-19]

Type (i) : Renewable energy project activities with a maximum output capacity equivalent to up to 15 MW (or an appropriate equivalent)

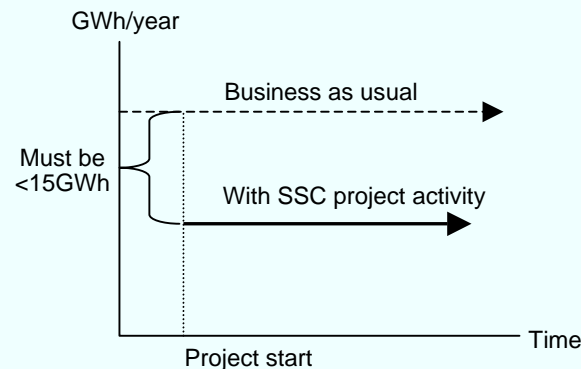
- ☞ Maximum “output” is defined as installed/rated capacity, as indicated by the manufacturer of the equipment or plant, disregarding the actual load factor of the plant;
- ☞ “Appropriate equivalent” of 15 MW is defined as 15 MW (electric).
⇒ Projects referring to MW (peak) or MW (thermal) will have to use a conversion factor to 15 MW (electric)
- ☞ Project activities referring to the burning of peat and non-biogenic waste should not be included.

BOX: Equipment performance

[SSC guidelines, ver1 p12]

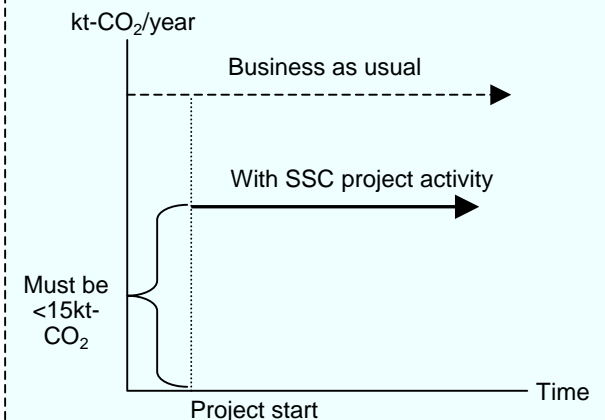
- ◆ To determine equipment performance, project participants shall use:
 - ☞ (a) The appropriate value specified in Appendix B (=CP/2002/7/Ad3 ApxB);
 - ☞ (b) If the value specified in (a) is not available, the national standard for the performance of the equipment type;
 - ☞ (c) If the value specified in (b) is not available, an international standard for the performance of the equipment type, such as ISO and IEC standards;
 - ☞ (d) If a value specified in (c) is not available, the manufacturer’s specifications provided that they are tested and certified by national or international certifiers.
- ◆ Project participants have the option of using performance data from test results conducted by an independent entity for equipment installed under the project activity.

Type (ii) : Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15GWh/year



- ☞ 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;
- ☞ 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;
- ☞ 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 GWh.
⇒ 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.

Type (iii) : Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15,000 t-CO₂ equivalent annually



- ☞ Type (iii) projects shall not exceed total direct emissions of 15,000 t-CO₂ equivalent annually, and must reduce GHG emissions.
- ☞ 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.
 - ⇒ Other project activities that could qualify include CO₂ recycling, carbon electrodes, adipic acid production and the use of HFCs, PFCs and SF₆ making reference to the emission reductions generated by such projects expressed in CO₂ equivalent.

Project activity with more than one component

- ◆ The 3 types of project activities are mutually exclusive.
 - ☞ In a project activity with more than one component that will benefit from simplified CDM modalities and procedures (p37), 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”.

In case a SSC project activity goes beyond the limit

- ◆ SSC project activities shall remain under the limits for SSC project activities types, every year during each year of the crediting period.
 - ☞ If a project activity goes beyond the limit of its type in any year of the crediting period, the emission reductions that can be claimed by the project during this particular year will be capped at the maximum emission reduction level estimated in the CDM-SSC-PDD by the project participants for that year during the crediting period.

Proof of eligibility for a SSC project activity

- ◆ Project participants shall demonstrate in the CDM-SSC-PDD that the project activity characteristics are defined in a way that precludes project activities to go beyond the limits:
 - ☞ For type I: project participants shall provide proof that the installed capacity of the proposed project activity will not increase beyond 15 MW;
 - ☞ For type II: project participants shall provide proof that the efficiency improvements are below the equivalent of 15 GWh/year every year throughout the crediting period;
 - ☞ For type III: project participants shall provide an estimation of emissions of the project activity over the crediting period and proof that the emissions every year will not go beyond the limits of 15,000 t-CO₂e/y over the entire crediting period.

Renewal of a crediting period of a SSC project activity

- ◆ Project activities using a renewable crediting period shall reassess their compliance with the limits at the time when they request renewal of the crediting period.

[SSC guidelines, ver1 p16]

12-2. Simplified modalities and procedures

- ◆ SSC project activities shall follow the stages of the project cycle specified in the CDM M&P. In order to reduce transaction costs, however, modalities and procedures are simplified for SSC project activities, as follows: [CP/2002/7/Ad3, p20 para9]
 - ☞ Project activities may be bundled or portfolio bundled at the following stages in the project cycle: the PDD, validation, registration, monitoring, verification and certification (p40);
 - ☞ The requirements for the PDD are reduced;
 - ☞ Baselines methodologies by project category are simplified to reduce the cost of developing a project baseline;
 - ☞ Monitoring plans are simplified to reduce monitoring costs;
 - ☞ The same operational entity may undertake validation, and verification and certification.
- ◆ The other differences from normal CDM project activities are as follows:
 - ☞ The share of proceeds to cover administrative expenses and registration fees may be lower. [CP/2002/7/Ad3, p22 para21]
 - ☞ The registration by the EB shall be deemed final 4 weeks after the date of receipt of the request for registration, unless there is a request for review of the proposed CDM project activity. [CP/2002/7/Ad3, p23 para24]
 - ⇒ For normal CDM project activities, it needs final 8 weeks (p30).

- ◆ Baseline and monitoring methodologies approved by the EB is included in an indicative list of simplified baseline and monitoring methodologies for selected SSC project activity categories (contained in the Appendix B (=CP/2002/7/Ad3 ApxB)) and is publicly available along with relevant guidance on the UNFCCC CDM website <http://cdm.unfccc.int/methodologies/SSCmethodologies/approved>. [SSC guidelines, ver1 p7]
- ◆ A simplified baseline and monitoring methodology listed in Appendix B (=CP/2002/7/Ad3 ApxB) may be used for a SSC project activity if the project participants are able to demonstrate to a DOE that the project activity would otherwise not be implemented due to the existence of one or more of the barriers (p38) listed in the attachment A to Appendix B (=CP/2002/7/Ad3 ApxB AttA). [SSC guidelines, ver1 p6]

BOX: Overall monitoring plan [SSC guidelines, ver1 p14]

- ◆ If project activities are bundled (p40), a separate monitoring plan shall apply for each of the constituent project activities, or an overall monitoring plan shall apply for the bundled projects, as determined by the DOE 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

Additionality for SSC project activities [SSC guidelines, ver1 p6]

- ◆ The attachment A to Appendix B (=CP/2002/7/Ad3 ApxB AttA) corresponds to list of barriers project participants shall use in order to demonstrate that a small-scale project activity would not have occurred otherwise (i.e. is additional).
- ◆ Project participants shall provide an explanation to show that the project activity would not have occurred anyway due to at least one of the following barriers:

Investment barrier:

☞ a financially more viable alternative to the project activity would have led to higher emissions;

Technological barrier:

☞ a less technologically advanced alternative to the project activity involves lower risks due to the performance uncertainty or low market share of the new technology adopted for the project activity and so would have led to higher emissions;

Barrier due to prevailing practice:

☞ prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions;

Other barriers:

☞ without the project activity, for another specific reason identified by the project participant, such as institutional barriers or limited information, managerial resources, organizational capacity, financial resources, or capacity to absorb new technologies, emissions would have been higher.

- ◆ Quantitative evidence that the project activity would otherwise not be implemented may be provided instead of a demonstration based on the barriers listed above.

12-3. Simplified baseline and monitoring methodologies

- ◆ Indicative simplified baseline and monitoring methodologies for selected SSC project activity categories, including recommendations for determining the project boundary, leakage, baseline and monitoring, have been developed for the following categories except for III.A. [CP/2002/7/Ad3 ApxB] [Version 05: 25 February 2005]

TYPE I - RENEWABLE ENERGY PROJECTS

- I.A. Electricity generation by the user
- I.B. Mechanical energy for the user
- I.C. Thermal energy for the user
- I.D. Renewable electricity generation for a grid

TYPE II - ENERGY EFFICIENCY IMPROVEMENT PROJECTS

- II.A. Supply side energy efficiency improvements - transmission and distribution
- II.B. Supply side energy efficiency improvements - generation
- II.C. Demand-side energy efficiency programmes for specific technologies
- II.D. Energy efficiency and fuel switching measures for industrial facilities
- II.E. Energy efficiency and fuel switching measures for buildings
- II.F. Energy efficiency and fuel switching measures for agricultural facilities and activities

TYPE III - OTHER PROJECT ACTIVITIES

- III.A. Agriculture
- III.B. Switching fossil fuels
- III.C. Emission reductions by low-greenhouse gas emitting vehicles
- III.D. Methane recovery
- III.E. Avoidance of methane production from biomass decay through controlled combustion

New types of SSC project activities

[SSC guidelines, ver1 p17]

- ☞ Project participants may propose changes to the simplified baseline and monitoring methodologies or propose additional project categories for consideration by the EB.
- ☞ 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 EB providing information about the technology/activity and proposals on how a simplified baseline and monitoring methodology would be applied to this category.
- ☞ The EB may draw on expertise, as appropriate, in considering new project categories and/or revisions of and amendments to simplified methodologies.
- ☞ The EB shall expeditiously, if possible at its next meeting, review the proposed methodology.
- ☞ Once approved, the EB shall amend the indicative list of simplified baseline and monitoring methodologies contained in Appendix B (=CP/2002/7/Ad3 ApxB).

12-4. Bundling of SSC projects activities

Bundling

- ◆ Bringing together of several SSC project activities, to form a single CDM project activity or portfolio without the loss of distinctive characteristics of each component project activity and with the total bundle not exceeding the limits for SSC project activities types with the aim of lowering transaction costs per unit. [SSC guidelines, ver1 p8]
 - ☞ The distinctive characteristics of each component project include: its technology/measure; location; application of simplified baseline methodology.
 - ☞ Each component project activity has to retain its distinctive characteristics. [SSC guidelines, ver1 p9]
- ◆ The EB agreed on the following clarifications: [EB20 Rep, p9 para60]
 - ☞ Project activities wishing to be bundled shall indicate when making the request for registration;
 - ☞ Once a project activity becomes part of a bundle for a project cycle stage, it shall not be de-bundled for this stage. The EB may consider debundling in exceptional situations;
 - ☞ The composition of bundles shall not change over time (i.e. the submission of project activities to be used in a bundle shall be made at the same time);
 - ☞ All project activities in the bundle shall have the same crediting period (p29).
- ◆ The EB requested the SSC WG (p12) to develop recommendations on detailed bundling guidelines for the following two bundling cases: [EB20 Rep, p9 para61]
 - ☞ Bundling of project activities of the same type, same category and technology/measure;
 - ☞ Bundling of project activities of the same type, same category and different technologies/measures.
- ◆ The EB requested the SSC WG to further analyze technical implications regarding the possible bundling of the following cases and prepare recommendations for the consideration of the EB: [EB20 Rep, p9 para62]
 - ☞ Bundling of project activities of the same type, different categories and technologies/measures;
 - ☞ Bundling of project activities of different types.

Debundling [SSC guidelines, ver1 p10]

- ◆ Debundling is defined as the fragmentation of a large project activity into smaller parts.
 - ☞ A small-scale project activity that is part of a large project activity is not eligible to use the simplified modalities and procedures for SSC project activities.
 - ☞ The full project activity or any component of the full project activity shall follow the regular CDM modalities and procedures.
- ◆ A proposed small-scale project activity shall be deemed to be a debundled component of a large project activity if there is a registered SSC project activity or a request for registration by another small-scale project activity:
 - ⇒ By the same project participants;
 - ⇒ In the same project category and technology/measure; and
 - ⇒ Registered within the previous 2 years; and
 - ⇒ Whose project boundary is within 1 km of the project boundary of the proposed small-scale activity at the closest point.
- ◆ If a proposed small-scale project activity is deemed to be a debundled component, but the total size of such an activity combined with the previous registered SSC project activity does not exceed the limits for SSC project activities, the project activity can qualify to use simplified modalities and procedures for SSC project activities.

13. Afforestation and Reforestation CDM (A/R CDM) project activity

13-1. Overview of A/R CDM project activity

Rules and procedures regarding A/R CDM project activities are similar to those of GHG emission reduction CDM project activity including project cycle, PDD contents, and validation and verification procedure. The most significant difference between the emission reduction CDM and A/R CDM is non-permanence. Once GHG emission reductions are achieved, they are permanent reduction whereas in A/R CDM, CO₂ once sequestered in trees could be release back into the atmosphere in an occasion of such as forest fire or die back from pests. The issue of non-permanence is addressed by creating new type of CERs, namely temporary CERs (**tCERs**) and long-term CERs (**ICERs**). (p43)

Types of A/R CDM project activities

◆ Land use, Land-use change and Forestry project activities under the CDM is limited to afforestation and reforestation [CP/2001/13/Ad2, p22 para7(a)]

☞ “Afforestation” is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources.

☞ “Reforestation” is the conversion of non-forested land to forested land, on land that was forested but that has been converted to non-forested land. For the 1st commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989.

[FCCC/CP/2001/13/Add.1 Anx, p58 para1(b)-(c)]

Participation requirements [CDM A/R M&P, p17 para7-8]

◆ All provisions of participation requirements of the CDM M&P apply mutatis mutandis to A/R CDM.

◆ An non-Annex I Party may host an A/R CDM project, if it has selected and reported to the EB through its DNA:

- (a) A single minimum tree crown cover value between 10 and 30%; and
- (b) A single minimum land area value between 0.05 and 1 hectare; and
- (c) A single minimum tree height value between 2 and 5 metres.

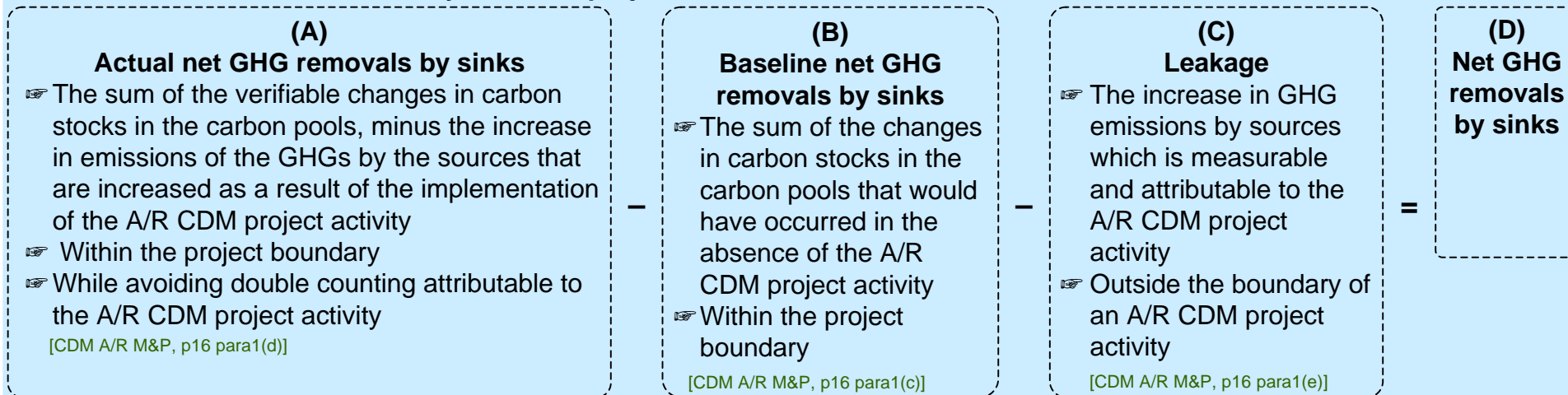
Crediting period of the A/R CDM project activity [CDM A/R M&P, p21 para23]

☞ It begins at the start of the A/R CDM project activity and can be either:

- ⇒ A maximum of 20 years, may be renewed twice (total 60 years maximum)
- ⇒ A maximum of 30 years

13-2. Calculation of GHG removals

Calculation of net GHG removals by A/R CDM project activities [CDM A/R M&P, p16 para1(f)]



Carbon pools

- ☞ The carbon pools are above-ground biomass, belowground biomass, litter, dead wood and soil organic carbon. [CDM A/R M&P, p16 para1(a)]
- ☞ Project participants may choose not to account for one or more carbon pools, and/or emissions of the GHGs measured in CO₂ equivalents, while avoiding double counting. Project participants need to prove that the choice of carbon pools will not increase the expected net GHG removals by sinks. [CDM A/R M&P, p10 para21]

Project boundary

- ☞ The “project boundary” geographically delineates the A/R project activity under the control of the project participants. The project activity may contain more than one discrete area of land.
- [CDM A/R M&P, p16 para1(b)]

Baseline approach for an A/R CDM project activity [CDM A/R M&P, p10 para22]

- ◆ In choosing a baseline methodology for an A/R CDM project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the EB, and justify the appropriateness of their choice:

(a) Existing or historical, as applicable, changes in carbon stocks in the carbon pools within the project boundary;

(b) Changes in carbon stocks in the carbon pools within the project boundary from a land use that represents an economically attractive course of action, taking into account barriers to investment;

(c) Changes in carbon stocks in the pools within the project boundary from the most likely land use at the time the project starts.

13-3. Non-permanence of A/R CDM project activities (tCER and ICER)

◆ Temporary CERs (tCERs) and Long-term CERs (ICERs):

- ☞ The project participants shall select one of the following approaches to addressing non-permanence of an A/R CDM project activity [CDM A/R M&P, p24 para38]:
 - (a) Issuance of tCERs for the net GHG removals by sinks achieved by the project activity since the project start date; or
 - (b) Issuance of ICERs for the net GHG removals by sinks achieved by the project activity during each verification period
- ☞ The approach chosen to address non-permanence shall remain fixed for the crediting period including any renewals.

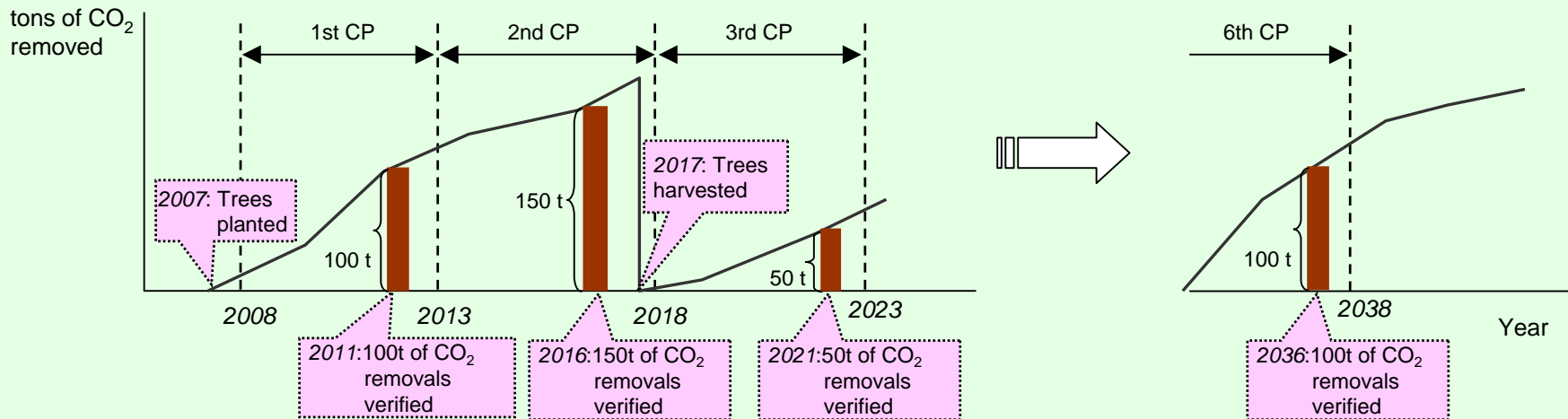
Expiry of tCERs and ICERs

- ☞ Each tCER shall expire at the end of the commitment period subsequent to the commitment period for which it was issued. [CDM A/R M&P, p24 para42]
- ☞ Each ICER shall expire at the end of the crediting period or, where a renewable crediting period is chosen, at the end of the last crediting period of the project activity. [CDM A/R M&P, p25 para46]

Example: Changes in net GHG removals by a A/R project activityt

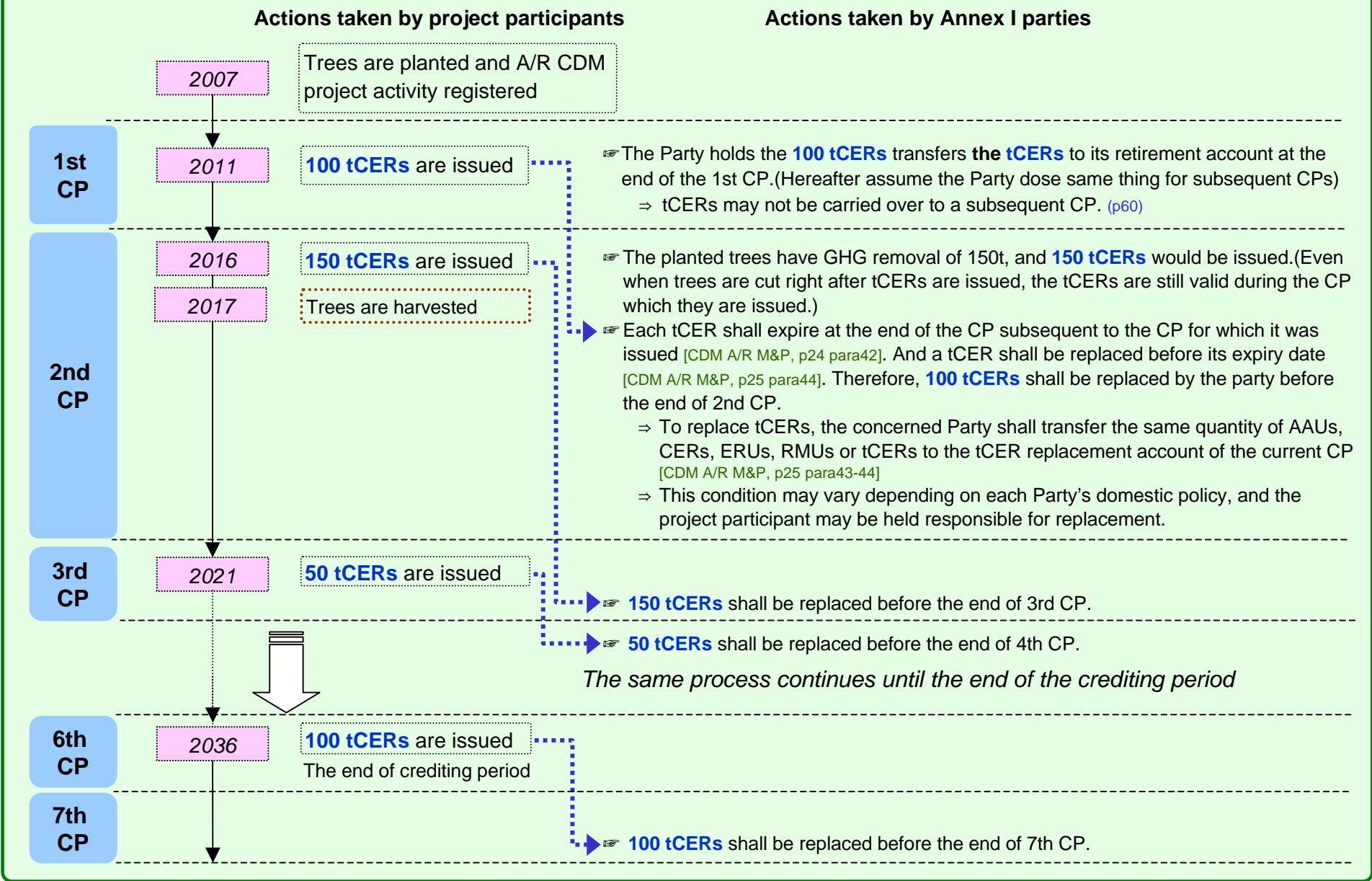
◆ The chart below shows changes in GHG removals by an A/R project activity. In the next two pages, an explanation of issuance and expiration of tCERs and ICERs will be given based on the assumptions shown in the chart below.

- ☞ Trees are planted in 2007.
- ☞ 1st issuance of tCERs or ICERs takes place in 2011. Trees are left to grow during the 1st and 2nd commitment periods (assuming each commitment period would be 5 years) and 2nd issuance of tCERs or ICERs takes place in 2016.
- ☞ Trees are cut in 2017 before the end of the 2nd commitment period (CP) and 3rd issuance takes place in 2021. The last issuance takes place in 2036.
- ☞ Each tCER or ICER issued will be used for achieving a Party's emission reduction target.
- ☞ Crediting period is 30 years without renewal.



13-3. Non-permanence of A/R CDM project activities (tCER and ICER)

Example: From issuance to replacement of tCERs



13-3. Non-permanence of A/R CDM project activities (tCER and ICER)

Example: From issuance to replacement of ICERs

Actions taken by project participants

Actions taken by Annex I parties

2007

Trees are planted and A/R CDM project activity registered

1st CP

2011

100 ICERs are issued

The Party holds 100 ICERs transfers the ICERs to its retirement account at the end of the 1st CP. (Hereafter assume the Party dose same thing for subsequent CPs)
 => ICERs may not be carried over to a subsequent CP. (p60)

2nd CP

2016

50 ICERs are issued

The planted trees have GHG removal of 150t, 50 ICERs would be issued. (The difference between the previous and the current GHG removals).

2017

Trees are harvested

3rd CP

2021

Reversal of 100 t-CO₂ removal is found

Where the certification report of the DOE indicates a reversal of GHG removals since the previous certification, an equivalent quantity of ICERs shall be replaced [CDM A/R M&P, p25 para49]. Therefore, 100 ICERs shall be replaced by the party.

=> To replace ICERs, the concerned Party shall transfer the same quantity of AUs, CERs, ERUs, RMUs or ICER to the ICER replacement account of the current CP within 30 days. [CDM A/R M&P, p26 para49(d)]

=> This condition may vary depending on each Party's domestic policy, and the project participant may be held responsible for replacement.

As far as reversal of removal is not found, ICER does not have to be replaced until the end of crediting period

The same process continues until the end of the crediting period

6th CP

2036

50 ICERs are issued
 The end of crediting period

100 ICERs that have been transferred to the retirement account of the Party and have not been replaced yet, shall be replaced before its expiry date.

7th CP

13-4. Small-scale A/R CDM project activity

Definition of small-scale A/R CDM project activity

- ☞ Those that are expected to result in net GHG removals by sinks of less than 8,000 t-CO₂/year; [CDM A/R M&P, p16 para1(i)]
 - ⇒ The average projected net GHG removals by sinks for each verification period shall not exceed 8,000 t-CO₂/year. [CP/2004/10/Ad2, p26 para1(b)]
- ☞ Developed or implemented by low-income communities and individuals as determined by the host Party. [CDM A/R M&P, p16 para1(i)]
 - ⇒ Prior to the submission of the validation report to the EB, the DOE have received from the project participants a written declaration of that. [CP/2004/10/Ad2, p32 para15(b)]

☞ If a small-scale A/R CDM project activity results in net GHG removals by sinks greater than 8,000t of CO₂ per year, the excess removals will not be eligible for the issuance of **tCERs** or **ICERs**.
[CDM A/R M&P, p16 para1(i)]

Simplified modalities and procedures for small-scale A/R CDM project activity

- ◆ In order to reduce transaction costs, modalities and procedures are simplified for small-scale A/R CDM project activities as follows: [CP/2004/10/Ad2, p29 para1]
 - ☞ The requirements for the project design document are reduced;
 - ☞ Baseline methodologies by project type are simplified to reduce the cost of developing a project baseline;
 - ☞ Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs;
 - ☞ The same operational entity may undertake validation, and verification and certification.
- ◆ Small-scale A/R CDM project activities shall be:
 - ☞ exempt from the share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change;
 - ☞ entitled to a reduced level of the non-reimbursable fee for requesting registration and a reduced rate of the share of proceeds to cover administrative expenses of the CDM.
[CP/2004/10/Ad2, p30 para13]

- ◆ The EB shall develop simplified baseline methodologies, for the following types of small-scale A/R CDM project activities: [CP/2004/10/Ad2, p38 para4]
 - ☞ (a) Grassland to forested land
 - ☞ (b) Cropland to forested land
 - ☞ (c) Wetland to forested land
 - ☞ (d) Settlements to forested land
- ◆ No monitoring of the baseline is requested.
- ◆ If project participants demonstrate that the small-scale A/R CDM project activity does not result in the displacement of activities or people, or does not trigger activities outside the project boundary, that would have been attributable to the small-scale A/R CDM project activity, such that an increase in GHG emissions by sources occurs, a leakage estimation is not required.
 - ☞ In all other cases leakage estimation is required.
 - ☞ The EB shall develop guidelines to estimate leakage. [CP/2004/10/Ad2, p39 para9]

14. Joint Implementation (JI)

14-1. JI project cycle

“Joint Implementation (JI)” is a common name for “Article 6 project activity” defined in the Kyoto Protocol. However, this guide employs the term JI since it is widely used and popularly recognized.

Track 1 and track 2

◆ The procedures for issuing emission reduction unit (ERU) based on a project activity which reduces or removes GHG emissions in a host Party (Annex I Party), are different depending on whether a host Party meets the eligibility requirements shown on the right.

Track 1 : Where it is considered a host Party meets the eligibility requirements, the host Party may issue the appropriate quantity of ERUs. [CP/2001/13/Ad2, p13 para23]

☞ Because JI involves credit transfers between Parties both of which have emission caps and the total amount of emission cap of Annex I Parties will not change, a host Party can decide the amount of ERUs to be issued and transferred.

☞ A host Party which meets the eligibility requirements may at any time elect to use the verification procedure under the Art.6-SC (which means track 2).

[CP/2001/13/Ad2, p13 para25]

Track 2 : Where it is considered a host Party does not meet the eligibility requirements, the verification of GHG emission reductions or removals by sinks from a JI project shall occur through the verification procedure as set out, which is similar to modalities and procedures for CDM.

[CP/2001/13/Ad2, p13 para24]

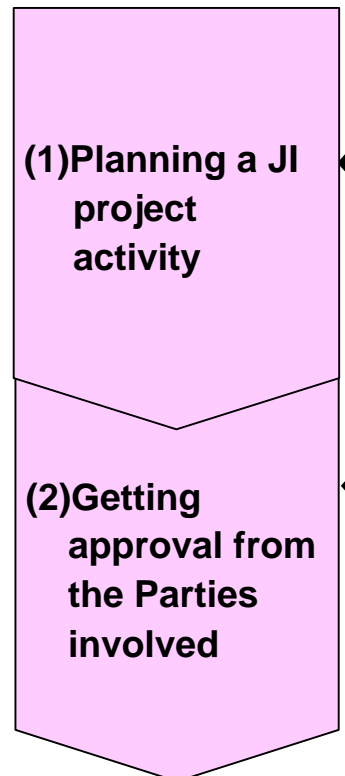
☞ The host Party may however only issue and transfer ERUs upon meeting the requirements below:

- ⇒ It is a Party to the Kyoto Protocol;
- ⇒ Its assigned amount (p1) has been calculated and recorded;
- ⇒ It has in place a national registry.(p61)

Eligibility requirements [CP/2001/13/Ad2, p12 para21]

- ☞ An Annex I Party is eligible to transfer and/or acquire ERUs issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:
- ⇒ It is a Party to the Kyoto Protocol;
 - ⇒ Its assigned amount (p1) has been calculated and recorded;
 - ⇒ It has in place a national registry;
 - ⇒ It has in place a national system for the estimation of GHG emissions and removals by sinks of GHGs;
 - ⇒ It has submitted annually the most recent required inventory, including the national inventory report and the common reporting format;
 - ⇒ For the 1st commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to GHG emissions from sources/sector categories from Annex A to the KP and the submission of the annual inventory on sinks;
 - ⇒ It submits the supplementary information on assigned amount and makes any additions to, and subtractions from, assigned amount, including for the activities under Art.3, para3 and 4 of the KP (land-use, land-use change and forestry).

14-1. JI project cycle



◆ JI project participants plan a JI project activity

- ☞ There are several conditions for a project activity to be registered as a JI project activity (p52), and JI project participants should consider those conditions from a planning stage.
- ◆ If it is track 2 JI, JI project participants shall prepare the project design document (PDD) that contains all information needed. (p52)

◆ JI project participants shall get approvals from designated focal point for approving JI projects of the Parties involved. [CP/2001/13/Ad2, p11 para20(a)]

- ☞ A Party involved in JI projects has its national guidelines and procedures for approving JI projects. [CP/2001/13/Ad2, p11 para20(b)]
- ☞ The details of approval procedure is up to each Party.

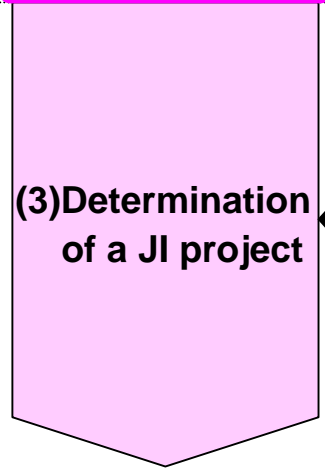
Where a host Party meets the eligibility requirements (p47)

Where a host Party does not meet the eligibility requirements (p47)



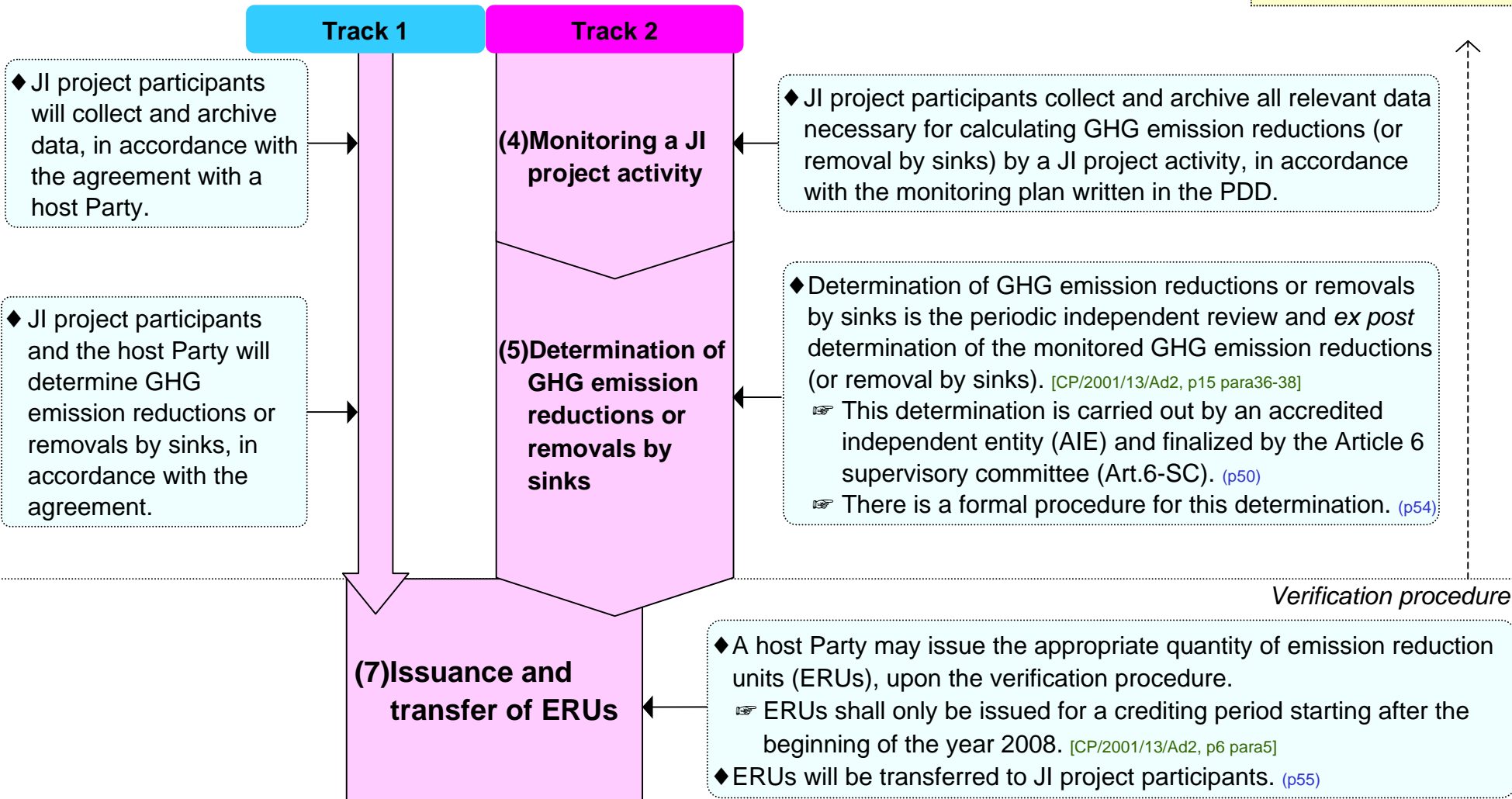
Verification procedure

◆ JI projects will be determined in consultation with a host Party



◆ Determination of a JI project is to judge whether a project meets the relevant requirements of JI and these guidelines. [CP/2001/13/Ad2, p13 para30]

- ☞ This determination is carries out by an independent entity (AIE) (p51), accredited pursuant to the standards and procedures.
- ☞ There is a formal procedure for this determination. (p53)



BOX: Future revision of the guidelines for the implementation of JI [CP/2001/13/Ad2, p6 para8]

- ☞ Future revision of the guidelines is decided in accordance with the rules of procedure of the COP/MOP, as applied.
 - ⇒ The 1st review is carried out no later than 1 year after the end of the 1st commitment period, and further reviews are carried out periodically thereafter.
 - ⇒ The 1st review is carried out based on recommendations by the Art.6-SC and by the SBI drawing on technical advice of the SBSTA, as needed.
 - ⇒ Any revision of the decision shall not affect ongoing JI projects.

14-2. JI-related organizations

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP)

- ◆ The COP/MOP shall provide guidance regarding the implementation of Article 6 (JI) and exercise authority over the Article 6 supervisory committee. [CP/2001/13/Ad2, p8 para2]

For Track 2

Article 6 supervisory committee (Art.6-SC)

- ◆ The Article 6 supervisory committee is established at COP/MOP1. [CP/2001/13/Ad2, p6 para3]
- ◆ It shall supervise, inter alia, the verification of ERUs generated by JI project activities. [CP/2001/13/Ad2, p9 para3]
- ◆ And it is responsible for: [CP/2001/13/Ad2, p9 para3]
 - ☞ The accreditation of independent entities (p51) in accordance with standards and procedures;
 - ☞ The review of standards and procedures for the accreditation of independent entities, giving consideration to relevant work of the CDM Executive Board and making recommendations to the COP/MOP on revisions to these standards and procedures;
 - ☞ The review and revision of reporting guidelines and criteria for baselines and monitoring, for consideration by the COP/MOP, giving consideration to relevant work of the CDM Executive Board;
 - ☞ The elaboration of the Article 6 (JI) project design document (p52), for consideration by the COP/MOP, taking into consideration of modalities and procedures for a CDM and giving consideration to relevant work of the EB;
 - ☞ etc.
- ◆ Any administrative costs arising from procedures relating to the functions of the Art.6-SC shall be borne by both the Parties included in Annex I and the project participants.
 - ☞ Specifications will be set out in a decision by the COP/MOP1. [CP/2001/13/Ad2, p6 para7]

Members of the Art.6-SC [CP/2001/13/Ad2, p9 para4-8]

- ☞ The Art.6-SC comprises 10 members from Parties to the KP.
 - ⇒ 3 members from EIT countries (Annex I Parties), 3 members from Annex I Parties not referred to in above, 3 members from non-Annex I Parties and 1 member from the small island developing States.
 - ⇒ As a result, 6 are from Annex I Parties and 4 are from non-Annex I Parties.
 - ⇒ There is an alternate for each member of the Art.6-SC.
- ☞ Members, including alternate members, of the Art.6-SC are nominated by the relevant constituencies referred above and be elected by the COP/MOP.
 - ⇒ The nomination by a constituency of a candidate member shall be accompanied by a nomination of a candidate alternate member from the same constituency.
- ☞ Members may be eligible to serve a maximum of 2 consecutive terms.
 - ⇒ Terms as alternate members do not count.
- ☞ 5 members and 5 alternate members are elected for a term of 2 years and 5 members and 5 alternate members for a term of 3 years. Thereafter, the COP/MOP elects, every year, 5 new members and 5 alternate members for a term of 2 years.
 - ⇒ The members and alternate members shall remain in office until their successors are elected.
- ☞ The Art.6-SC elects annually a chair and vice-chair from among its members, with one being from an Annex I Party and the other being from a non-Annex I Party.
 - ⇒ The positions of chairperson and vice-chairperson alternate annually between a member from an Annex I Party and the other being from a non-Annex I Party.

Meeting and decision of the Art.6-SC

- ☞ The Art.6-SC meets at least 2 times each year, whenever possible in conjunction with the meetings of the subsidiary bodies, unless decided otherwise. [CP/2001/13/Ad2, p10 para9]
- ☞ At least 2/3 of the members of the Art.6-SC, representing a majority of members from Annex I Parties and a majority of members from non-Annex I Parties, must be present to constitute a quorum. [CP/2001/13/Ad2, p11 para14]
- ☞ Decisions by the Art.6-SC is taken by consensus, whenever possible. If that is not possible, decisions shall as a last resort be adopted by a 3/4 majority vote of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting. [CP/2001/13/Ad2, p11 para15]

For Track 2

Accredited Independent Entity (AIE)

- ◆ The AIE is an independent verifier for track 2 JI, which corresponds a DOE for the CDM (p13), and it shall:
 - ☞ Determine whether a project which reduces GHG emissions (or removes by sinks) meets the relevant requirements of JI and these guidelines; [CP/2001/13/Ad2, p13 para30]
 - ☞ Make a determination of the GHG emission reductions (or removal by sinks) reported by project participants in accordance with criteria for baseline setting and monitoring. [CP/2001/13/Ad2, p15 para37]

Standards and procedures for the accreditation of IEs

- ◆ The AIEs are accredited by the Art.6-SC. [CP/2001/13/Ad2, p9 para3(b)]
- ◆ There are standards and procedures for the accreditation of IEs [CP/2001/13/Ad2 ApxA, p16]. For example, an IE shall:
 - ☞ Be a legal entity (either a domestic legal entity or an international organization);
 - ☞ Employ a sufficient number of persons, and have the financial stability and a management structure to have the necessary competence to perform its functions;
 - ☞ Have the necessary expertise to carry out the functions specified in the standards and procedures and relevant decisions by the COP/MOP;
 - ☞ Work in a credible, independent, non-discriminatory and transparent manner;
 - ☞ Etc.

Suspension or withdrawal of a AIE

[CP/2001/13/Ad2, p15 para42]

- ◆ The Art.6-SC shall suspend or withdraw the accreditation of an IE if it has carried out a review and found that the entity no longer meets the accreditation standards.
 - ☞ The Art.6-SC may suspend or withdraw accreditation only after the AIE has had the opportunity of a hearing and depending on the outcome of the hearing.
 - ☞ The suspension or withdrawal is with immediate effect.
 - ☞ The affected entity shall be notified, immediately and in writing, once the Art.6-SC has decided upon its suspension or withdrawal. The decision by the Art.6-SC on such a case shall be made public.

Affect to verified JI project by the suspension or withdrawal of accreditation of an AIE [CP/2001/13/Ad2, p16 para43-45]

- ☞ Verified projects shall not be affected by the suspension or withdrawal of the accreditation of an AIE unless significant deficiencies are identified in the determination for which the entity was responsible.
- ☞ In case that significant deficiencies are identified, the Art.6-SC shall decide whether a different AIE shall be appointed to assess and, where appropriate, correct such deficiencies.
 - ⇒ Any costs related to the assessment shall be borne by the AIE whose accreditation has been withdrawn or suspended.
- ☞ If such an assessment reveals that excess ERUs have been transferred as a result of the deficiencies identified in the determination, the IE whose accreditation has been withdrawn or suspended shall acquire an equivalent amount of AAUs and ERUs and place them in the holding account of the Party hosting the project within 30 days from the assessment mentioned above.
- ☞ Any suspension or withdrawal of an AIE that adversely affects verified projects shall be decided on by the Art.6-SC only after the affected project participants have had the opportunity of a hearing.

14-3. Conditions for JI projects

For Track 1

For Track 2

- ◆ When planning a JI project activity, it is necessary to keep in mind following points:
 - ☞ Annex I Parties are to refrain from using ERUs generated from nuclear facilities to meet their commitments of the KP; [CP/2001/13/Ad2, p5]
 - ☞ JI projects aimed at enhancing removals by sinks shall conform to definitions, accounting rules, modalities and guidelines under Art.3, para 3 and 4, of the KP. [CP/2001/13/Ad2, p6 para4]
 - ⇒ For the 1st commitment period, ERUs resulting from forest management project activities shall not exceed the value inscribed in the [CP/2001/13/Ad1 Apx,p63], times five, for each Party.
- ◆ A Party involved in a JI project shall inform the UNFCCC secretariat of its designated focal point for approving projects and its national guidelines and procedures for approving JI projects as well as monitoring and verification. [CP/2001/13/Ad2, p11 para20]
- ◆ Projects starting as of the year 2000 may be eligible as JI projects. [CP/2001/13/Ad2, p6 para5]
 - ☞ ERUs shall only be issued for a crediting period starting after the beginning of the year 2008.

For Track 2

Project design document (PDD)

- ◆ JI project participants shall submit to an AIE a PDD that contains all information needed for the determination of whether the project: [CP/2001/13/Ad2, p14 para31]
 - ☞ Has been approved by the Parties involved;
 - ☞ Would result in GHG emission reductions or removals by sinks that is additional to any that would otherwise occur;
 - ☞ Has an appropriate baseline and monitoring plan in accordance with the criteria set out.

- ◆ Project design document of JI will be elaborated for consideration by the COP/MOP, taking into consideration of modalities and procedures for a CDM and giving consideration to relevant work of the CDM Executive Board, as appropriate. [CP/2001/13/Ad2, p9 para3(e)]
- ◆ Criteria for baselines and monitoring will be reviewed and revised by the Art.6-SC for consideration by the COP/MOP, giving consideration to relevant work of the CDM Executive Board, as appropriate. [CP/2001/13/Ad2, p9 para3(d)]

14-4. Determination of JI projects

For Track 2

JI project participants

- (1) Select a AIE for determination and contract with them.
- (2) Submit a PDD that contains all information needed for the determination to the selected AIE. [CP/2001/13/Ad2, p14 para31]

Accredited independent entity (AIE)

- (3) Make the PDD publicly available through the UNFCCC secretariat, subject to confidentiality provisions. Receive comments from Parties, stakeholders and UNFCCC accredited observers for **30 days** from the date the PDD is made publicly available. [CP/2001/13/Ad2, p14 para32]
- (4) Determine whether the project meets the relevant requirements of JI and these guidelines. [CP/2001/13/Ad2, p14 para33]

Article 6 supervisory committee

- (6) Whether there is a Party involved in the project or 3 of the members of the Art.6-SC request a review by Art.6-SC within **45 days** after the date on which the determination is made public. [CP/2001/13/Ad2, p14 para35]
 - Yes**: The Art.6-SC shall finalize the review no later than **6 months** or at the **2nd meeting** following the request for review, and shall communicate its decision on the determination and the reasons for it to the project participants and the public. [CP/2001/13/Ad2, p14 para35]
 - No**: (7) Determination of JI project.

May be reconsidered for determination after appropriate revisions.

Not determined

Can be determined

14-5. Determination of the reductions or removals by JI projects

For Track 2

JI project participants

Accredited independent entity (AIE)

Article 6 supervisory committee

(1) Submit to an AIE a report in accordance with the monitoring plan on GHG emission reductions or removals by sinks that have already occurred.
 ☞ The report shall be made publicly available.
 [CP/2001/13/Ad2, p15 para36]

Timing and frequency of submission is not specified in the official documents.

(2) Make a determination of the GHG emission reductions or removals by sinks reported by project participants, provided that they were monitored and calculated in accordance with the monitoring plan.
 [CP/2001/13/Ad2, p15 para37]

(3) Make its determination publicly available through the UNFCCC secretariat, together with an explanation of its reasons.
 [CP/2001/13/Ad2, p15 para38]

(4) Whether there is a Party involved in the project or 3 of the members of the Art.6-SC request a review by Art.6-SC within **15 days** after the date on which it is made public.
 [CP/2001/13/Ad2, p15 para39]

Yes No

Decide on its course of action at its next meeting or no later than **30 days** after the formal request for the review.

No review

(5) Determination of the reductions or removals.

Review

Complete its review within **30 days** following its decision to perform the review.

Inform the project participants of the outcome of the review, and make public its decision and the reasons for it.

Can be determined

14-6. Issuance and transfer of ERUs

(1) A host Party will issue ERUs into its national registry by converting AAUs or RMUs previously issued by that Party and held in its national registry.

[CP/2001/13/Ad2, p63 para29]

◆ Each Annex I Party shall establish and maintain a national registry (p61) to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs, AAUs and RMUs and the carry-over of ERUs, CERs and AAUs. [CP/2001/13/Ad2, p61 para17]

(2) JI project participants will acquire ERUs (a host Party will transfer ERUs)

◆ If JI project participant is a Party, it is necessary that the Party meets eligibility requirements in order to acquire ERUs. (p58)
◆ If JI project participant is an entity, it is necessary that the authorizing Party is eligible to do so at that time in order to acquire ERUs. [CP/2001/13/Ad2, p13 para29]

15. International Emissions Trading

15-1. Overview of International Emissions Trading

The Kyoto Protocol (KP) and the Marrakech Accords do not clearly specify practical steps for International Emissions Trading. However, it can be assumed that the following steps would apply when a Party or legal entity transfers and acquires KP units (ERUs, CERs, tCERs, ICERs, AAUs and RMUs) through international International Emissions Trading under the KP (IET).

(1) Agreement of trading

- ◆ A buyer and seller (in another country) make an agreement regarding transfer and acquisition of KP units.
 - ☞ Terms to be agreed would be the amount of KP units to be traded, serial number (p62), price, timing of trading, and payment methods.

(2) Verification by the transaction log

- ◆ The seller directs its national registry (p61) to transfer specified KP units to the buyers account within another registry.
- ◆ The initiating registry sends a record of the proposed transaction to the transaction log (p64).
- ◆ The transaction log conducts an automated check to verify that there is no discrepancy with regard to the rules of IET.
 - ☞ Transaction log is a computerized automatic verification system maintained by the UNFCCC secretariat
 - ☞ An example of the rules of IET is the requirement to maintain a commitment period reserve (CPR). (p57)
 - ☞ Refer to p.59 for other limitations.
 - ☞ If a discrepancy is notified by the transaction log, the initiating registry shall terminate the transaction.

(3) Transfer and acquisition of KP units

- ◆ The buyer acquires KP units (transferred from the seller).
 - ☞ The transfer and acquisition of KP units is formally complete when the transaction has been reflected in both the initiating registry and acquiring registry.
- ◆ Transfer and acquisition of KP units can formally take place after the Parties that authorize the buyer and seller have met the eligibility requirements to participate in the Kyoto Mechanisms. (it is envisaged that will take place approximately around the year 2008) (p66)
 - ☞ It is conceivable, however, that “(1) agreement of transfer/acquisition” would take place before 2007.

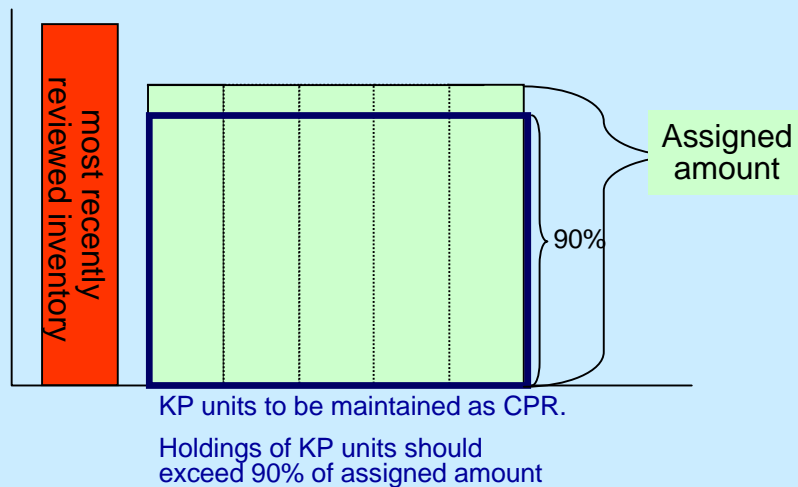
Reference: Future revision of the modalities, rules and guidelines for International Emissions Trading [CP/2001/13/Ad2, p50 para2]

- ☞ The future revision is to be decided in accordance with the rules of procedures of the COP/MOP.
 - The first review shall be carried out no later than 1 year after the end of the 1st commitment period.
 - The review will be based on recommendations by the SBI drawing on technical advice of the SBSTA, as needed. Further reviews shall be carried out periodically thereafter.

15-2. Commitment period reserve (CPR)

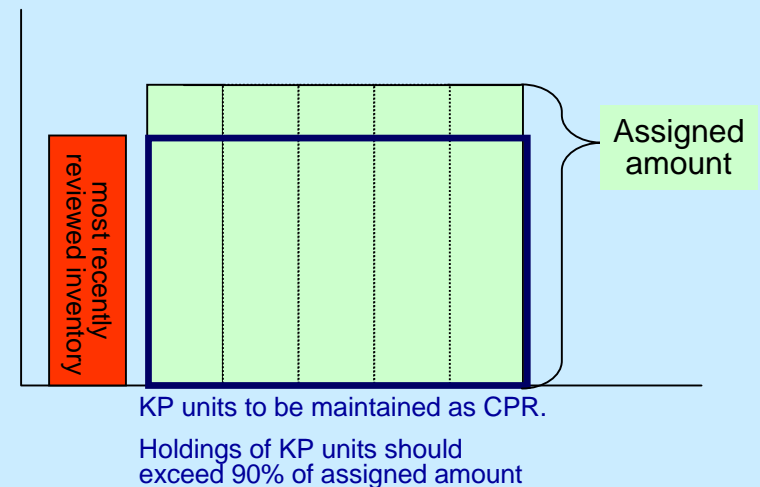
- ◆ Commitment period reserve (CPR) aims at preventing Annex I Parties to oversell KP units through IET, and as a result for their GHG emissions to exceed its holdings of KP units at the end of the 1st commitment period.
- ◆ Each Annex I Party maintains holdings of KP units (AAUs, ERUs, CERs, tCERs, ICERs and/or RMUs), in its national registry, the lower of (1) or (2) below as a CPR,. [CP/2001/13/Ad2, p54 para6-7]

(1) 90% of the Party's assigned amount calculated pursuant to Art.3, para7 and 8, of the Kyoto Protocol



(2) 100% of 5 times its most recently reviewed inventory.

☞ In case (2) above applies, the amount of KP units to be maintained as a CPR would vary every year depending on the inventory.



- ◆ A Party cannot make a transfer which would result in the holdings of KP units being below the required level of the CPR. [CP/2001/13/Ad2, p54 para8]
- ◆ In case of (2) above, if the amount of KP units to be maintained as a CPR fluctuates, and as a result, the required level of the CPR surpasses the Party's holdings of KP units valid for the relevant commitment period, which have not been cancelled, the Party would be notified by the secretariat. [CP/2001/13/Ad2, p54 para9]
 - ☞ The Party must bring its holdings to the required level within 30 days of the notification.
- ◆ Any provisions relating to the CPR shall not apply to transfers by a Party of ERUs issued into its national registry which were verified in accordance with the verification procedure under the Article 6 supervisory committee (i.e. JI track 2).

[CP/2001/13/Ad2, p15 para41] [CP/2001/13/Ad2, p54 para10]

16. Terms for the Kyoto Mechanisms

16-1. Eligibility requirements to participate the Kyoto Mechanisms

Eligibility requirements for a Party

- ◆ For an Annex I Party to participate the KM, it has to be in compliance with the following eligibility requirements.
[CP/2001/13/Ad2, p12 para21] [CDM M&P, p32 para31] [CP/2001/13/Ad2, p52 para2]
 - ☞ It is a Party to the Kyoto Protocol;
 - ☞ Its assigned amount (p1) has been calculated and recorded, and it submits the supplementary information (p65);
 - ☞ It has in place a national registry (p61);
 - ☞ It has in place a national system for the estimation of GHG emissions and removals by sinks of GHGs;
 - ☞ It has submitted annually the most recent required inventory.
 - For the 1st commitment period, to have passes the quality assessment. (p65);

Eligibility requirements for an entity

- ◆ Entities of an Annex I Party may develop CDM/JI projects, and CERs can be issued into the CDM registry and be forwarded to accounts in the CDM registry, even if the Party does not meet the eligibility requirements.
- ◆ The following must be satisfied for entities to acquire and transfer KP units by the KM:
 - ☞ The Party authorizing the entities to participate in the KM meets the eligibility requirements to participate in the KM.
[CP/2001/13/Ad2, p13 para29] [CDM M&P, p33 para33] [CP/2001/13/Ad2, p53 para5]
 - ☞ A holding account for each entity authorized by the Party has been set up within the national registry
 - ☞ It is possible to prepare CDM and JI projects before the Party fulfills eligibility requirements.

Here, “participate” means:

- ☞ to transfer/acquire KP units through International Emissions Trading;
- ☞ to use CERs to meet emissions reduction target of an Annex I Party. Eligibility requirement for issuance and acquisition of CERs is, the Party designate a national authority for the CDM (which is called DNA);
- ☞ to acquire ERUs through JI, and to issue and transfer ERUs through track 1 procedures. Eligibility requirements to issue and transfer ERUs through track 2 procedures are; to be a Party to the KP; its assigned amount has been calculated; and it has in place a national registry.

BOX: Obtaining eligibility to participate the KM

- ☞ An Annex I Party shall be considered to meet the eligibility requirements to participate the KM, after 16 months have elapsed since the submission of its report regarding the eligibility to the UNFCCC, unless “the enforcement branch of the compliance committee” finds that the Party does not meet these requirements.
 - A Party may acquire eligibility before 16 months have elapsed after the submission of the report if the enforcement branch so permits.
 - A Party is considered to continue to meet the eligibility requirements unless and until the enforcement branch of the compliance committee decides that the Party does not meet the eligibility requirements.

[CP/2001/13/Ad2, p12 para22] [CDM M&P, p33 para32] [CP/2001/13/Ad2, p53 para3]

BOX: Suspension and reinstatement of a Party’s eligibility

- ☞ Where the enforcement branch has determined that a Party does not meet the eligibility requirements, it shall suspend the eligibility of that Party (as well as entities authorized by that Party) to participate the KM.
[CP/2001/13/Ad3, p76 para4]
- ☞ Where the eligibility of a Party has been suspended, the Party concerned may submit a request to reinstate its eligibility to the enforcement branch after having taken necessary measures for reinstatement.
[CP/2001/13/Ad3, p73 para4]
- ☞ The enforcement branch shall reinstate that Party’s eligibility, unless it considers that there continues to be a question of implementation. (the same applies to entities authorized by that Party).
- ☞ The secretariat maintains publicly accessible lists of Annex I Parties that do not meet the requirements or have been suspended.
[CP/2001/13/Ad2, p13 para27] [CDM M&P, p33 para34] [CP/2001/13/Ad2, p53 para4]

16-2. Limitations of the acquisition and issuance of KP units

Supplementarity of the Kyoto Mechanisms

- ◆ The use of the KM must be supplemental to domestic action and that domestic action shall thus constitute a significant element of the effort made by each Annex I Party to meet its quantified emission limitation and reduction commitments under Art.3, para1 of the KP. [CP/2001/13/Ad2, p2]
 - ☞ This does not set any quantitative limits to the utilization (acquisition of KP units) of the KM.

Limitation for net acquisitions of tCERs and ICERs

- ◆ For the 1st commitment period, the total of credits from eligible A/R CDM project activities (p41) additions to a Party's assigned amount, shall not exceed 1 % of base year emissions of that Party, times five. [CP/2001/13/Ad2, p22 para7(b)]
 - ☞ This means net additions (acquisitions – transfers) and it will be checked at retirement.

Limitation for ERUs issuance from forest management

- ◆ For the 1st commitment period only, there is a limitation to amount of ERUs issuance from forest management JI project activities for each Party. [CP/2001/13/Ad1, p60 para10-11]
 - ☞ A limit is set to the total amount of RMUs resulting from domestic forest management activities and ERUs resulting from forest management JI project activities, for each Party.
- ◆ There is no limitation for ERUs resulting from afforestation and reforestation JI project activities.

☞ These limitations apply to Parties that participate the Kyoto Mechanisms. However, entities can also be indirectly affected by such limitations.

16-3. Restrictions to carry over KP units

Each Party may carry over KP units held in its registry, that have not been cancelled or retired for the 1st commitment period, to the subsequent commitment period [CP/2001/13/Ad2, p64 para36]. But there are some restrictions as follows.

☞ These restrictions apply to Parties that participate the Kyoto Mechanisms. However, entities can also be indirectly affected by such limitations.

Restrictions on carrying over of ERUs

- ◆ A maximum amount of ERUs acquired through JI project activities that can be carried over is limited to 2.5 % of the assigned amount of each Party.
- ◆ ERUs that have been converted from RMUs cannot be carried over
[CP/2001/13/Ad2, p61 para15]

Restrictions on carrying over of CERs

- ◆ A maximum amount of CERs acquired through CDM project activities that can be carried over is limited to 2.5 % of the assigned amount of each Party.
[CP/2001/13/Ad2, p61 para15(b)]

Restrictions on carrying over of tCERs and ICERs

- ◆ tCERs and ICERs may not be carried over.
[CP/2003/6/Ad2, p24 para41]
[CP/2003/6/Ad2, p25 para45]

Restrictions on carrying over of RMUs

- ◆ RMUs may not be carried over.
[CP/2001/13/Ad2, p61 para16]

- ◆ There is no restrictions on carrying over of AAUs [CP/2001/13/Ad2, p61 para15(c)]

16-4. Restrictions in case a Party is not in compliance for its commitments

- ◆ At the end of the additional period for fulfilling commitments (p67), if “the enforcement branch of the compliance committee” has determined that the emissions of a Party have exceeded its emission cap, suspension of the eligibility to make transfers under International Emissions Trading will be applied until the Party is reinstated. [CP/2001/13/Ad3, p76 para5]
☞ Suspension of the eligibility will apply to a legal entity in the Party as well.
- ◆ If it is declared that a Party is not in compliance with its commitments, a number of tonnes equal to 1.3 times the amount in tonnes of excess emissions will be deducted from the Party’s assigned amount for the 2nd commitment period
[CP/2001/13/Ad3, p76 para5(a)]

17. Modalities for dealing with KP units

Mainly related to Art.7, para4 of the KP

17-1. National registries

- ◆ Each Annex I Party must establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs, AAUs and RMUs and the carry-over of ERUs, CERs and AAUs. [CP/2001/13/Ad2, p61 para17]
 - ☞ Each Party designates an organization as its registry administrator to maintain the national registry of that Party. [CP/2001/13/Ad2, p61 para18]
 - ⇒ Any 2 or more Parties may voluntarily maintain their respective national registries in a consolidated system, provided that each national registry remains distinct.
 - ☞ A national registry is in the form of a standardized electronic database. The accurate, transparent and efficient exchange of data between national registries, the CDM registry (p63) and the transaction log (p64) should be ensured. [CP/2001/13/Ad2, p61 para19]
- ◆ Each national registry has the following accounts in order to account for KP units (AAUs, ERUs, CERs, tCERs, ICERs and RMUs): [CP/2001/13/Ad2, p61 para21] [CDM A/R M&P, p25 para43] [CDM A/R M&P, p25 para47]

(1) Holding account for the Party

(3) Cancellation account for LULUCF activities, to cancel the KP units in case such activities result in a net source of GHG emissions.

(6) tCER replacement account, to cancel AAUs, CERs, ERUs, RMUs and/or tCERs for the purposes of replacing tCERs prior to expiry.

(2) Holding account for each legal entity authorized by the Party, to hold KP units under its responsibility.

(4) Cancellation account for non compliance, to cancel the KP units equal to 1.3 times the amount of excess emissions in case the Party was not in compliance in the 1st commitment period

(7) ICER replacement account, to cancel AAUs, CERs, ICERs, ERUs and/or RMUs for the purposes of replacing ICERs.

(5) Cancellation account for other cancellations by the Party, to cancel KP units for purposes of cancellations other than (3) and (4) above.

(8) Retirement account, used to retire KP units valid for that commitment period for use towards meeting the Party's commitments. [CP/2001/13/Ad2, p60 para14]

- ☞ For accounts described in (1) (2)(3)(5), multiple accounts may be established.
- ☞ Accounts described in (3) (4) (5) (6) (7) (8) should be established for each commitment period.
- ☞ Each account must have a unique account number comprising a Party identifier and a unique number. [CP/2001/13/Ad2, p62 para22]

- ◆ KP units transferred to cancellation accounts may not be further transferred or carried over to the subsequent commitment period, or be used for the purpose of demonstrating the compliance of a Party. [CP/2001/13/Ad2, p64 para35]
- ◆ KP units transferred to the retirement account may not be further transferred or carried over to the subsequent commitment period. [CP/2001/13/Ad2, p64 para35]

Serial number of KP units *Below are images for illustrative purposes

- ◆ Every t-CO₂ of KP units is given a unique serial number.
- ◆ Each KP unit shall be held in only one account in one registry at a given time.

[CP/2001/13/Ad2, p61 para20]

Serial Number Identifiers

1	2	3	4	5	6	7	8	9	10	11
XX	1		000,000,000,000,001	999,999,999,999,999	01	01	1	0000001	1	XX/YY/ZZ

	Identifier	Range or Codes
1	Originating Registry	Two-letter country codes in ISO3166, as of 01 January 2005
2	Unit Type	1 = AAU, 2 = RMU, 3 = ERU converted from AAU, 4 = ERU converted from RMU, 5 = CER, 6 = tCER, 7 = ICER
3	Supplementary Unit Type	Blank for Kyoto-only Units, or as defined by STL
4	Unit Serial Block Start	Unique numeric values assigned by registry from 1 - 999,999,999,999,999
5	Unit Serial Block End	Unique numeric values assigned by registry from 1 - 999,999,999,999,999
6	Original Commitment Period	1 - 99
7	Applicable Commitment Period	1 - 99
8	LULUCF Activity	1 = Afforestation and reforestation, 2 = Deforestation, 3 = Forest management, 4 = Cropland management, 5 = Grazing land management, 6 = Revegetation
9	Project Identifier	Unique numeric value assigned by registry for Project
10	Track	1 or 2
11	Expiry Date	Expiry Date for tCERs or ICERs

[Data exchange standards for registry system under the Kyoto Protocol, draft technical specifications Annexes Non-paper, November 3, 2004, p F-2]

Publicly accessible information through national registry

Each national registry shall make non-confidential information publicly available through the Internet.

[CP/2001/13/Ad2, p67 para44-48]

☞ This also applies to information on accounts held by legal entities.

◆ Information on accounts

☞ The holder of the account, representative name and contact information of the account holder, etc.

◆ Information on the total quantity of KP units

◆ Holdings of KP units in each account

◆ Information on the JI project

☞ Project name, location, years of ERU issuance, relevant publicly available documentation.

◆ A list of legal entities authorized by the Party to participate to the Kyoto Mechanisms.

17-2. CDM registry

- ◆ The EB (p13) establishes and maintains a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by non-Annex I Parties. [CP/2001/13/Ad2, p47 para1-2]
 - ☞ The EB identifies a registry administrator to maintain the registry under its authority
 - ☞ The CDM registry is in the form of a standardized electronic database, which enables the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the international transaction log.
- ◆ The CDM registry will have the following accounts. [CP/2001/13/Ad2, p47 para3] [CP/2003/2/Ad1, p7 para26(b)] [CP/2003/6/Ad2, p31 para3]

(1) A pending account for the EB, into which CERs are issued before being transferred to other accounts.

(2) Holding accounts for non-Annex I Party of hosting a CDM project activity or requesting an account.

(3) Temporary accounts for Annex I Parties, and project participants from such Parties, until national registries for such Parties and entities are operational, for the purposes of receiving CERs.

(4) Cancellation account for excess CERs, to cancel KP units equal to excess CERs issued, as determined by the EB. (p14)

(5) Cancellation account for tCERs and ICERs, that have expired in a holding account of the CDM registry, and ICERs that have become ineligible. (p43)

(6) Account for the share of proceeds, to hold and transfer CERs corresponding to the share of proceeds. (p34)

- ◆ Accounts described in (2)(3)(4)(6) above may have multiple accounts.
 - ☞ Each account will have a unique account number comprising a Party/organization identifier and a number unique to that account. [CP/2001/13/Ad2, p47 para5]
- ◆ KP units transferred to a cancellation account may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment.
- ◆ Each CER has a unique serial number (p62) and be held in only one account in one registry at a given time. [CP/2001/13/Ad2, p47 para4]

Publicly accessible information through the CDM registry

The CDM registry shall make non-confidential information publicly available through the Internet.

[CP/2001/13/Ad2, p48 para9-12]

- ◆ Information on accounts
 - ☞ The holder of the account, representative name and contact information of the account holder.
- ◆ Information on the total quantity of CERs
 - ☞ The total quantities of CERs issued and transferred, and the identity of the acquiring accounts and registries
 - ☞ The total quantity of KP units cancelled for excess CERs issued.
- ◆ Information on CER holdings in each account
 - ☞ The total quantity of CERs in each account currently and at the beginning of the year.
- ◆ CDM project activity information
 - ☞ Project name, location, years of CER issuance, the OEs involved, and downloadable electronic versions of documentation to be made publicly available.

17-3. International transaction log (ITL)

- ◆ The UNFCCC secretariat establishes and maintain an international transaction log (ITL) to verify the validity of transactions, including issuance, transfer and acquisition between registries, cancellation, expiration and replacement (in case of tCER and ICER), retirement and the carry-over of KP units. [CP/2001/13/Ad2, p65 para38] [CDM A/R M&P, p26 para55-56]
 - ☞ The ITL is in the form of a standardized electronic database. The accurate, transparent and efficient exchange of data between national registries (p61), the CDM registry (p63) and the ITL should be ensured

- ◆ The ITL conducts the following automated check. [CP/2001/13/Ad2, p65 para42]

(1) All transactions (issuance, transfer and acquisition between registries, cancellation, retirement and carry-over)

- ☞ units previously retired or cancelled; units existing in more than one registry; units for which a previously identified discrepancy has not been resolved;
- ☞ units improperly carried over; units improperly issued;
- ☞ the authorization of legal entities involved to participate in the transaction. (p15)

(2) Transfers between registries

- ☞ the eligibility of Parties involved in the transaction to participate in the KM; (p58)
- ☞ infringement upon the commitment period reserve of the transferring Party. (p57)

(3) Acquisitions of CERs from A/R CDM projects

- ☞ infringement of the limits (limitation for net acquisitions of tCERs and ICERs) (p59)

(4) Retirement of CERs

- ☞ the eligibility of the Party involved to use CERs to contribute to its compliance

- ◆ Prior to the completion of any transactions, the initiating registry sends a record of the proposed transaction to the ITL and, in the case of transfers to another registry, to the acquiring national registry. [CP/2001/13/Ad2, p65 para41]
- ◆ The ITL shall records, and makes publicly available, all transaction records and the date and time of completion of each transaction. [CP/2001/13/Ad2, p66 para43(d)]
- ◆ The ITL notifies the Annex I Party that a replacement of the tCER or ICER has to occur, 1 month prior to the expiry of each tCER or ICER. [CDM A/R M&P, p26 para55]
 - ☞ Where a Annex I Party does not replace tCERs or ICERs in accordance with the rules, the ITL shall forward a record of non-replacement to the secretariat, for consideration as part of the review process for the relevant Party, under Art.8 of the KP, to the EB and to the Party concerned. [CDM A/R M&P, p26 para56]

BOX: In case a discrepancy is notified in the automated check by the ITL

- ☞ The initiating registry shall terminate the transaction, notify the ITL and, in the case of transfers to another registry, the acquiring registry of the termination. The ITL shall forward a record of the discrepancy to the secretariat for consideration as part of the review process for the relevant Party or Parties under Article 8. [CP/2001/13/Ad2, p66 para43(a)]
- ☞ In the event of a failure by the initiating registry to terminate the transaction, KP units involved in the transaction shall not be valid for use towards compliance with commitments, until the problem has been corrected and questions have been resolved.
 - The Party shall perform any necessary corrective action within 30 days. [CP/2001/13/Ad2, p66 para43(b)]

17-4. From issuance to retirement of KP units

1. Issuance of AAUs

(1) Submission of reports to calculate a Party's assigned amount

◆ To demonstrate its capacity to account for its emissions and assigned amount, each Party should submit a report, in 2 parts, to the secretariat. [CP/2001/13/Ad2, p58 para6]

☞ The report is to be submitted prior to 1 January 2007 or 1 year after the entry into force of the Kyoto Protocol for that Party, whichever is later. [CP/2001/13/Ad2, p56 para2]

Contents of part 1 of the report: [CP/2001/13/Ad2, p58 para7]

- ☞ Complete inventories of GHG emissions and removals for all years from 1990, or another approved base year or period to the most recent year available.
- ☞ Selected base year for HFCs, PFCs, and SF₆
- ☞ The agreement under Art.4, where the Party has reached such an agreement to fulfill its commitments jointly with other Parties
- ☞ Calculation of its assigned amount on the basis of its inventory of GHG emissions and removals.

Contents of part 2 of the report: [CP/2001/13/Ad2, p58 para8]

- ☞ Calculation of its commitment period reserve (p57) ;
- ☞ Identification of its selection of minimum values for use in accounting for its LULUCF activities;
- ☞ Identification of its election of activities under Art.3, para4 of the KP;
- ☞ Identification of whether, for each activity under Art.3, para3 and 4, it intends to account annually or for the entire commitment period;
- ☞ A description of its national system for the estimation of GHG emissions and removals ;
- ☞ A description of its national registry.

(2) Review of information by the expert review team (ERT)

◆ After initial review by the ERT and resolution of any questions, the assigned amount of each Party shall be recorded in the database for the compilation and accounting of emissions and assigned amounts

One of the eligibility requirements to participate in the Kyoto Mechanisms (p58) is that a Party's has submitted annually the most recent required inventory, and to have passes the quality assessment.

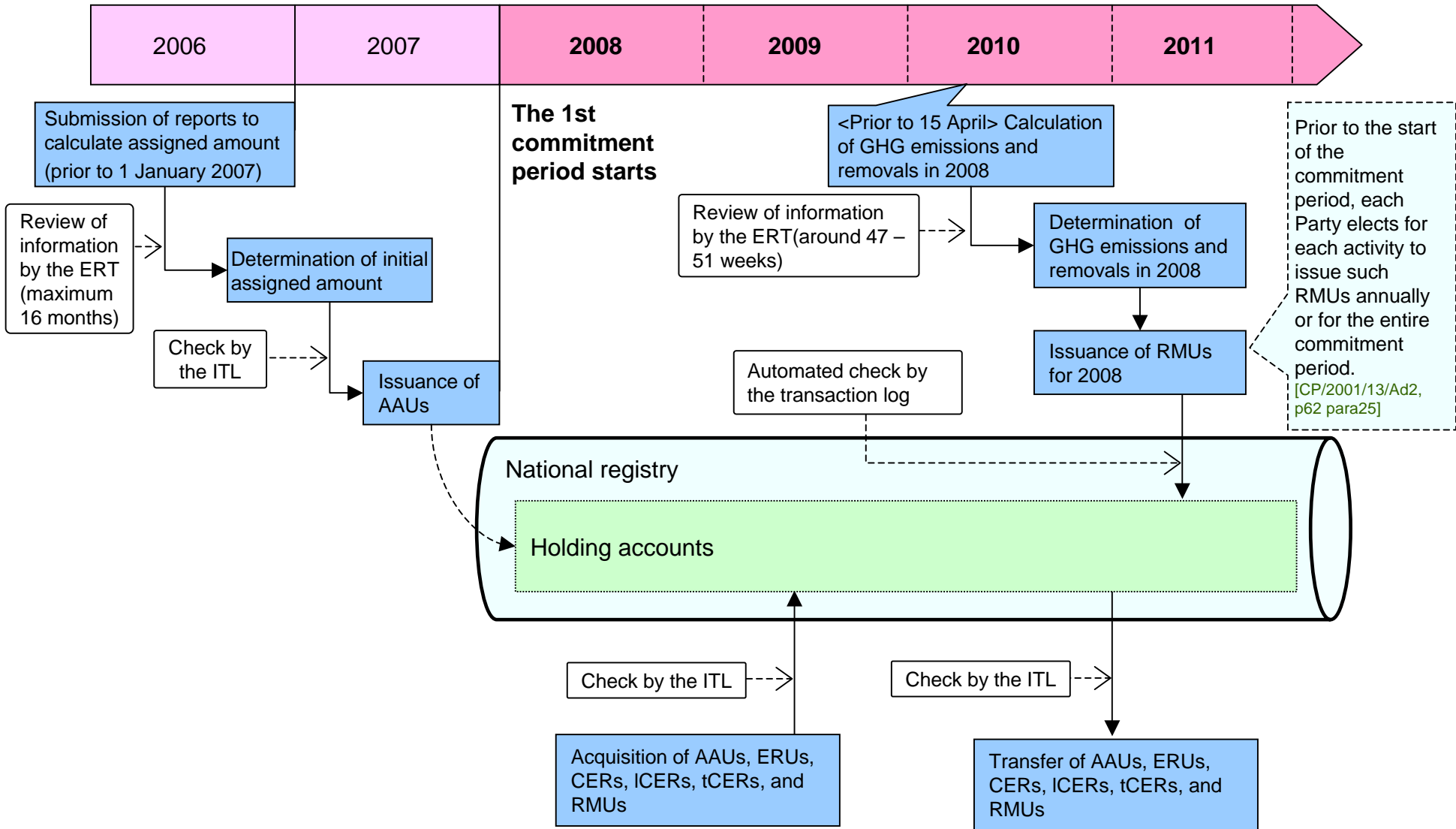
☞ For the 1st commitment period, the quality assessment needed for the purpose of determining eligibility shall be limited to the parts of the inventory pertaining to GHG emissions.

(3) Issuance of AAUs

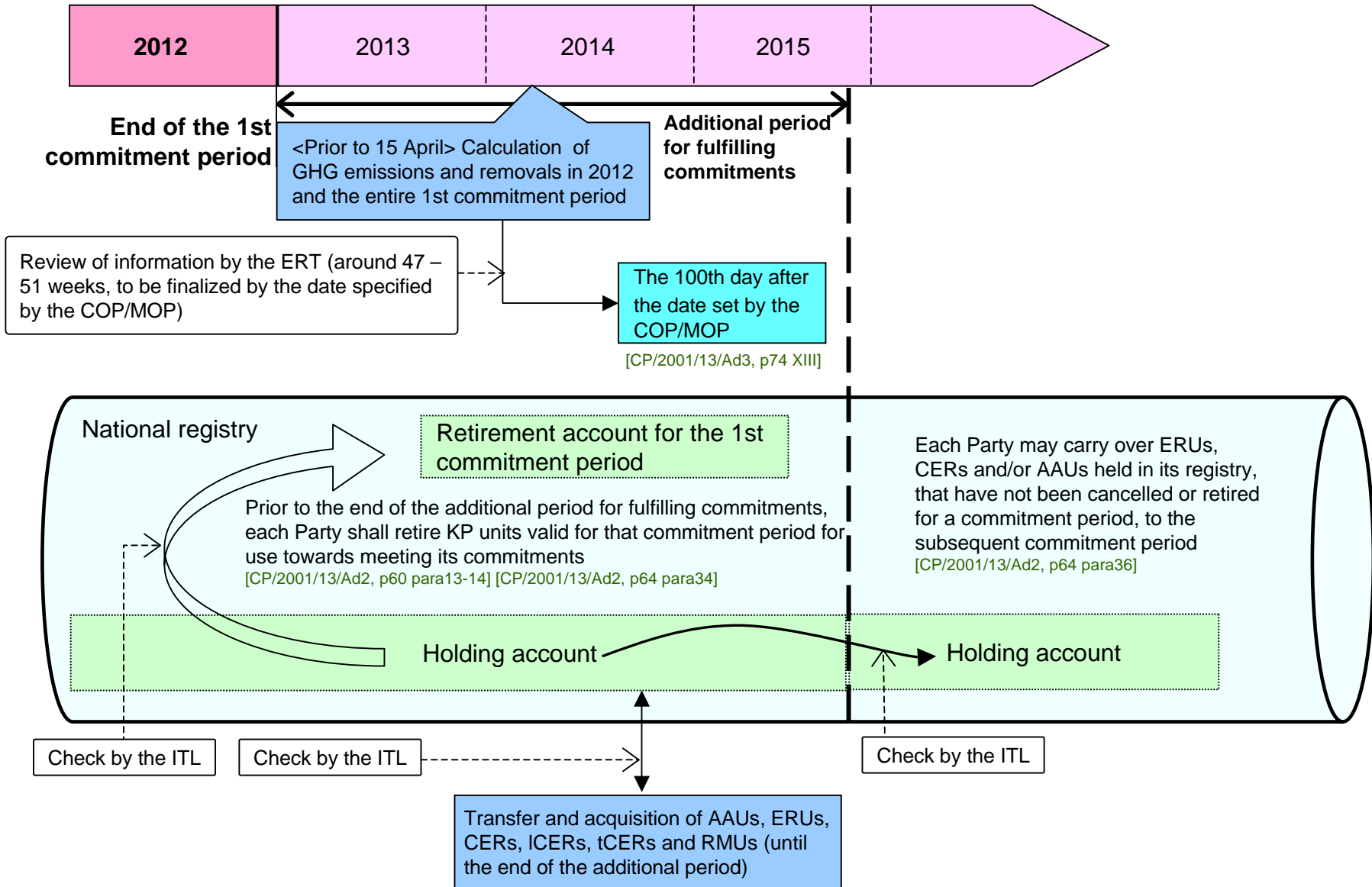
◆ Each Party will issue a quantity of AAUs equivalent to its assigned amount in its national registry

- ☞ AAUs should be issued prior to any transactions taking place for that commitment period

2. Issuance, transfer and acquisition of KP units



3. Retirement and carry-over of KP units



Attachment 1: Contents of the CDM-PDD, CDM-NMB and CDM-NMM

1-1. Contents of the Project Design Document (CDM-PDD)

(Version 03 - in effect as of 13 May 2005)

<p>SECTION A. General description of project activity</p> <p>A.1. Title of the project activity</p> <p>A.2. Description of the project activity</p> <p>A.3. Project participants</p> <p>A.4. Technical description of the project activity</p> <p style="padding-left: 20px;">A.4.1. Location of the project activity</p> <p style="padding-left: 40px;">A.4.1.1. Host Party(ies)</p> <p style="padding-left: 40px;">A.4.1.2. Region/State/Province etc</p> <p style="padding-left: 40px;">A.4.1.3. City/Town/Community etc</p> <p style="padding-left: 40px;">A.4.1.4. Detail of physical location, including information allowing the unique identification of this project activity:</p> <p style="padding-left: 20px;">A.4.2. Category(ies) of project activity</p> <p style="padding-left: 20px;">A.4.3. Technology to be employed by the project activity</p> <p style="padding-left: 20px;">A.4.4. Brief explanation of how the anthropogenic emissions of anthropogenic GHGs by sources are to be reduced by the proposed CDM project activity, including why the emission reductions would not occur in the absence of the proposed project activity, taking into account national and/or sectoral policies and circumstances</p> <p style="padding-left: 40px;">A.4.4.1. Estimated amount of emission reductions over the chosen crediting period</p> <p style="padding-left: 20px;">A.4.5. Public funding of the project activity</p>	<p>SECTION B. Application of a baseline methodology</p> <p>B.1. Title and reference of the approved baseline methodology applied to the project activity</p> <p style="padding-left: 20px;">B.1.1. Justification of the choice of the methodology and why it is applicable to the project activity</p> <p>B.2. Description of how the methodology is applied in the context of the project activity</p> <p>B.3. Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity</p> <p>B.4. Description of how the definition of the project boundary related to the baseline methodology selected is applied to the project activity</p> <p>B.5. Details of baseline information, including the date of completion of the baseline study and the name of person (s)/entity (ies) determining the baseline</p>
	<p>SECTION C. Duration of the project activity / Crediting period</p> <p>C.1. Duration of the project activity</p> <p style="padding-left: 20px;">C.1.1. Starting date of the project activity</p> <p style="padding-left: 20px;">C.1.2. Expected operational lifetime of the project activity</p> <p>C.2. Choice of crediting period and related information</p> <p style="padding-left: 20px;">C.2.1. Renewable crediting period</p> <p style="padding-left: 40px;">C.2.1.1. Starting date of the 1st crediting period</p> <p style="padding-left: 40px;">C.2.1.2. Length of the 1st crediting period</p> <p style="padding-left: 20px;">C.2.2. Fixed crediting period</p> <p style="padding-left: 40px;">C.2.2.1. Starting date</p> <p style="padding-left: 40px;">C.2.2.2. Length</p>

(Version 03 - in effect as of 13 May 2005)

1-1. Contents of the Project Design Document (CDM-PDD)

SECTION D. Application of a monitoring methodology and plan

- D.1. Name and reference of approved monitoring methodology applied to the project activity
- D.2. Justification of the choice of the methodology and why it is applicable to the project activity
 - D.2.1. Option 1: Monitoring of the emissions in the project scenario and the baseline scenario
 - D.2.1.1. Data to be collected in order to monitor emissions from the project activity, and how this data will be archived
 - D.2.1.2. Description of formulae used to estimate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
 - D.2.1.3. Relevant data necessary for determining the baseline of anthropogenic emissions by sources of GHGs within the project boundary and how such data will be collected and archived
 - D.2.1.4. Description of formulae used to estimate baseline emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
 - D.2.2. Option 2: Direct monitoring of emission reductions from the project activity (values should be consistent with those in section E).
 - D.2.2.1. Data to be collected in order to monitor emissions from the project activity, and how this data will be archived
 - D.2.2.2. Description of formulae used to calculate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
 - D.2.3. Treatment of leakage in the monitoring plan
 - D.2.3.1. If applicable, please describe the data and information that will be collected in order to monitor leakage effects of the project activity
 - D.2.3.2. Description of formulae used to estimate leakage (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
 - D.2.4. Description of formulae used to estimate emission reductions for the project activity (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
- D.3. Quality control (QC) and quality assurance (QA) procedures undertaken for data monitored
- D.4. Please describe the operational and management structure that the project operator will implement in order to monitor emission reductions and any leakage effects generated by the project activity
- D.5. Name of person/entity determining the monitoring methodology

SECTION E. Estimation of GHG emissions by sources

- E.1. Estimate of GHG emissions by sources
- E.2. Estimated leakage
- E.3. The sum of E.1 and E.2 representing the project activity emissions
- E.4. Estimated anthropogenic emissions by sources of GHG of the baseline
- E.5. Difference between E.4 and E.3 representing the emission reductions of the project activity
- E.6. Table providing values obtained when applying formulae above

SECTION F. Environmental impacts

- F.1. Documentation on the analysis of the environmental impacts, including transboundary impacts
- F.2. If environmental impacts are considered significant by the project participants or the host Party, please provide conclusions and all references to support documentation of an environmental impact assessment undertaken in accordance with the procedures as required by the host Party

SECTION G. Stakeholders' comments

- G.1. Brief description of how comments by local stakeholders have been invited and compiled
- G.2. Summary of the comments received
- G.3. Report on how due account was taken of any comments received

Annex 1. Contact information on participants in the project activity

Annex 2. Information regarding public funding

Annex 3. Baseline information

Annex 4. Monitoring plan

1-2. Contents of the proposed new methodology: baseline (CDM-NMB)

(Version 02 - in effect as of 15 July 2005)

SECTION A. Methodology title and summary description

Methodology title:

Summary description:

If this methodology is based on a previous submission, please state the previous reference number (NMXXXX/AMXXXX) here:

SECTION B. Applicability/ project activity

Methodology procedure:

Explanation/justification:

SECTION C. Project Boundary

Methodology procedure:

Explanation/justification:

SECTION D. Baseline Scenario

Methodology procedure:

Explanation/justification:

SECTION E. Additionality

Methodology procedure:

Explanation/justification:

SECTION F. Baseline emissions

Methodology procedure:

Explanation/justification:

SECTION G. Project activity emissions

Methodology procedure:

Explanation/justification:

SECTION H. Leakage

Methodology procedure:

Explanation/justification:

SECTION I. Emission reductions

Methodology procedure:

Explanation/justification:

SECTION J. Changes required for methodology implementation in 2nd and 3rd crediting periods (if relevant / optional)

Methodology procedure:

Explanation/justification:

SECTION K. Selected baseline approach from paragraph 48 of the CDM modalities and procedures

Choose One (delete others):

Explanation/justification of choice:

SECTION I. Other Information

Explanation/justification:

1-3. Contents of the proposed new methodology: monitoring (CDM-NMM)

(in effect as of 1 July 2004)

SECTION A. Identification of methodology

- A.1. Title of the proposed methodology
- A.2. List of category(ies) of project activity to which the methodology may apply
- A.3. Conditions under which the methodology is applicable to CDM project activities
- A.4. What are the potential strengths and weaknesses of this proposed new methodology?

SECTION B. Proposed new monitoring methodology

- B.1. Brief description of the new methodology
- B.2. Option 1: Monitoring of the emissions in the project scenario and the baseline scenario
 - B.2.1. Data to be collected or used in order to monitor emissions from the project activity, and how this data will be archived
 - B.2.2. Description of formulae used to estimate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)
 - B.2.3. Relevant data necessary for determining the baseline of anthropogenic emissions by sources of GHG within the project boundary and how such data will be collected and archived

B.2.4. Description of formulae used to estimate baseline emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

B.3. Option 2: Direct monitoring of emission reductions from the project activity

- B.3.1. Data to be collected or used in order to monitor emissions from the project activity, and how this data will be archived
- B.3.2. Description of formulae used to calculate project emissions (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

B.4. Treatment of leakage in the monitoring plan

- B.4.1. If applicable, please describe the data and information that will be collected in order to monitor leakage effects of the project activity
- B.4.2. Description of formulae used to estimate leakage (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

B.5. Description of formulae used to estimate emission reductions for the project activity (for each gas, source, formulae/algorithm, emissions units of CO₂ equ.)

B.6. Assumptions used in elaborating the new methodology

B.7. Please indicate whether quality control (QC) and quality assurance (QA) procedures are being undertaken for the items monitored

B.8. Has the methodology been applied successfully elsewhere and, if so, in which circumstances?

The tool provides a general framework for demonstrating and assessing additionality. Project participants proposing new baseline methodologies may incorporate this consolidated tool in their proposal. Project participants may also propose other tools for the demonstration of additionality to the EB for its consideration.

Step 0. Preliminary screening based on the starting date of the project activity

If project participants wish to have the crediting period starting prior to the registration of their project activity, they shall provide:

- ☞ Evidence that the starting date of the CDM project activity falls within the definition of a crediting period (p26).
- ☞ Evidence that the incentive from the CDM was seriously considered in the decision. This evidence shall be based on (preferably official, legal and/or other corporate) documentation that was available to 3rd parties at, or prior to, the start of the project activity.

↓ Pass

Step 1. Identification of alternatives to the project activity consistent with current laws and regulations

Sub-step 1a. Define alternatives to the project activity:

- ☞ Identify realistic and credible alternative(s) available to the project participants or similar project developers that provide outputs or services comparable with the proposed CDM project activity.

Sub-step 1b. Enforcement of applicable laws and regulations:

- ☞ The alternative(s) shall be in compliance with all applicable legal and regulatory requirements. If an alternative does not comply with all applicable legislation and regulations, then show that those applicable legal or regulatory requirements are systematically not enforced;
- ☞ If the proposed project activity is the only alternative amongst the ones considered by the project participants that is in compliance with all regulations with which there is general compliance, then the proposed CDM project activity is not additional.

↓ Pass

Step 2 or Step 3

Step 2. Investment analysis

Determine whether the proposed project activity is economically or financially less attractive than other alternatives without the revenue from the sale of CERs.

Sub-step 2a. Determine appropriate analysis method :

- ☞ If the CDM project activity generates no financial or economic benefits other than CDM related income, then apply the simple cost analysis (Option I). Otherwise, use the investment comparison analysis (Option II) or the benchmark analysis (Option III).

Sub-step 2b.

Option I. Apply simple cost analysis

- ☞ Document the costs associated with the CDM project activity and demonstrate that the activity produces no economic benefits other than CDM related income

Option II. Apply investment comparison analysis

- ☞ Identify the financial indicator, such as IRR, NPV, cost benefit ratio, or unit cost of service most suitable for the project type and decision-making context.

Option III. Apply benchmark analysis

- ☞ Identify the financial indicator. Identify the relevant benchmark value. Benchmarks can be derived from government bond rates, estimates of the cost of financing and required return on capital, and a company internal benchmark.

Sub-step 2c. Calculation and comparison of financial indicators (only applicable to options II and III):

- ☞ Present in the CDM-PDD a clear comparison of the financial indicator for the proposed CDM activity (excluding CER revenues) and:
 - The alternatives if Option II is used, or the financial benchmark if Option III is used. If the CDM project activity has a less favourable indicator, then the CDM project activity cannot be considered as financially attractive.

Sub-step 2d. Sensitivity analysis (only applicable to options II and III) :

- ☞ Include a sensitivity analysis that shows whether the conclusion is robust to reasonable variations in the critical assumptions.

↓ Pass

Step 3. Barrier analysis

Determine whether the proposed project activity faces barriers that prevent the implementation of this type of proposed project activity, and do not prevent the implementation of at least one of the alternatives.

Sub-step 3a. Identify barriers that would prevent the implementation of type of the proposed project activity:

- ☞ Establish that there are barriers that would prevent the implementation of the type of proposed project activity from being carried out if the project activity was not registered as a CDM activity. Such barriers may include, among others, investment barriers other than the economic/financial barriers in Step 2 above, technological barriers and barriers due to prevailing practice.
- ☞ Provide transparent and documented evidence, and offer conservative interpretations of this documented evidence, as to how it demonstrates the existence and significance of the identified barriers.

Sub-step 3 b. Show that the identified barriers would not prevent the implementation of at least one of the alternatives (except the proposed project activity):

- ☞ If the identified barriers also affect other alternatives, explain how they are affected less strongly than they affect the proposed CDM project activity.

Pass

Step 4. Common practice analysis

The above generic additionality tests shall be complemented with an analysis of the extent to which the proposed project type has already diffused in the relevant sector and region. This test is a credibility check to complement the investment analysis (Step 2) or barrier analysis (Step 3).

Sub-step 4a. Analyze other activities similar to the proposed project activity:

- ☞ Provide an analysis of any other activities implemented previously or currently underway that are similar to the proposed project activity. Other CDM project activities are not to be included in this analysis.

Sub-step 4b. Discuss any similar options that are occurring:

- ☞ If similar activities are identified above, then it is necessary to demonstrate why the existence of these activities does not contradict the claim that the proposed project activity is financially unattractive or subject to barriers.

Pass

Step 5. Impact of CDM registration

Explain how the approval and registration of the project activity as a CDM activity, and the attendant benefits and incentives derived from the project activity, will alleviate the economic and financial hurdles (Step 2) or other identified barriers (Step 3) and thus enable the project activity to be undertaken.

Pass

The proposed CDM project activity is additional

Attachment 3: Approved consolidated baseline methodology

3-1. Consolidated baseline methodology for landfill gas project activities (ACM0001) [EB15 Rep Anx1]

Applicability

This methodology is applicable to landfill gas capture project activities, where the baseline scenario is the partial or total atmospheric release of the gas and the project activities such as the captured gas is flared or used to produce energy (e.g. electricity/thermal energy).

- ☞ In case emission reductions are claimed for displacing or avoiding energy generation from other sources, a baseline methodology for electricity and/or thermal energy displaced shall be provided or an approved one used, including the ACM0002.
- ⇒ If capacity of electricity generated is less than 15MW, and/or thermal energy displaced is less than 54 TJ (15GWh), small-scale methodologies can be used.

Emission reductions (p75)

Additionality

- ☞ Tool for the demonstration and assessment of additionality shall apply.

Project boundary

- ☞ The project boundary is the site of the project activity where the gas is captured and destroyed/used.
- ☞ Possible CO₂ emissions resulting from combustion of other fuels than the methane recovered should be accounted as project emissions.
- ☞ In addition, electricity required for the operation of the project activity, including transport of heat, should be accounted and monitored.
- ☞ Where the project activity involves electricity generation, only the net quantity of electricity fed into the grid should be used to account for emission reductions due to displacement of electricity in other power plants.
- ☞ Where the project activity does not involve electricity generation, project participants should account for CO₂ emissions by multiplying the quantity of electricity required with the CO₂ emissions intensity of the electricity.

Leakage

- ☞ No leakage effects need to be accounted under this methodology.

Monitoring

- ☞ This baseline methodology shall be used in conjunction with the approved monitoring methodology ACM0001 (“Consolidated monitoring methodology for landfill gas project activities”). .

3-1. Consolidated baseline methodology for landfill gas project activities (ACM0001)

Emission reductions

ER_y
The GHG emission reduction achieved by the project activity during a given year “y”

=

The amount of methane destroyed/combusted during the year

+

CO₂ emission reduction by the electricity displaced during the year

+

CO₂ emission reduction by the thermal energy displaced during the year

$$(MD_{project, y} - MD_{reg, y}) * GWP_{CH_4}$$

$$EG_y * CEF_{electricity, y}$$

EG_y:the net quantity of electricity displaced during the year measured in [MWh]
CEFelectricity, y:CO₂ emissions intensity of the electricity displaced determined by other the methodology in [t-CO₂equ/MWh]

$$ET_y * CEF_{thermal, y}$$

ET_y:the net quantity of thermal energy displaced during the year measured in [TJ]
CEFthermal, y:CO₂ emissions intensity of the thermal energy displaced measured in [t-CO₂equ/TJ]

The methane destroyed by the project activity during a year

The amount of methane that would have been destroyed/combusted (as per a regulatory or contractual requirements) during the year in the absence of the project activity

Global Warming Potential value for methane for the 1st commitment period is 21 [t-CO₂equ/t-CH₄]

In cases where regulatory or contractual requirements do not specify MD_{reg,y},an “Adjustment Factor” (AF) shall be used and justified, taking into account the project context
MD_{reg, y} = MD_{project, y} * AF

$$MD_{project, y} = MD_{flared, y} + (MDelectricity, y + MDthermal, y)$$

$$MD_{flared, y} = LFG_{flare, y} * W_{CH_4, y} * D_{CH_4, y} * FE$$

LFG_{flare,y} :The quantity of landfill gas flared during the year measured in [m³]
W_{CH₄,y} :The average methane fraction of the landfill gas as measured during the year and expressed as a fraction in [m³-CH₄/m³-LFG]
FE :The flare efficiency (the fraction of the methane destroyed)
D_{CH₄} : The methane density expressed in [t-CH₄/m³-CH₄]

The quantity of methane destroyed by generation of electricity and/or thermal energy

$$MDelectricity, y = LFG_{electricity, y} * W_{CH_4, y} * D_{CH_4, y}$$

$$MDthermal, y = LFG_{thermal, y} * W_{CH_4, y} * D_{CH_4, y}$$

LFG_{electricity, y} :The quantity of landfill gas fed into electricity generator during the year measured in [m³]
LFG_{thermal, y} :The quantity of landfill gas fed into the boiler during the year measured in [m³]
W_{CH₄,y} :The average methane fraction of the landfill gas as measured during the year and expressed as a fraction in [m³-CH₄/m³-LFG]
D_{CH₄} : The methane density expressed in [t-CH₄/m³-CH₄]

This methodology might be revised in order to incorporate considerations by the EB on the impact of oxidation of biogas in the calculation of emission reductions of methane (CH₄) for landfill gas project activities. Any revisions shall not affect CDM project activities already registered using this current version of the methodology.

3-2. Consolidated baseline methodology for grid-connected electricity generation from renewable sources (ACM0002)

Applicability

This methodology is applicable to grid-connected renewable power generation project activities under the following conditions:

- ☞ Applies to electricity capacity additions from,
 - ⇒ Run-of-river hydro power plants; hydro power projects with existing reservoirs where the volume of the reservoir is not increased, wind sources, geothermal sources, solar sources, and wave and tidal sources.
- ☞ The geographic and system boundaries for the relevant electricity grid can be clearly identified and information on the characteristics of the grid is available.

Emission reductions and baseline (p77)

Additionality

- ☞ Tool for the demonstration and assessment of additionality shall apply.

Project boundary

- ☞ For the baseline determination, project participants shall only account CO₂ emissions from electricity generation in fossil fuel fired power that is displaced due to the project activity.
 - ⇒ For geothermal project activities, project participants shall account fugitive emissions of methane and CO₂ from non-condensable gases contained in geothermal steam and CO₂ emissions from combustion of fossil fuels required to operate the geothermal power plant.
- ☞ The spatial extent of the project boundary includes the project site and all power plants connected physically to the electricity system that the CDM project power plant is connected to.
 - ⇒ For the purpose of determining the build margin (BM) and operating margin (OM) emission factor (p78), a (regional) project electricity system is defined by the spatial extent of the power plants that can be dispatched without significant transmission constraints. In determining the project electricity system, project participants should justify their assumptions.
- ☞ Electricity transfers from connected electricity systems to the project electricity system are defined as electricity imports and electricity transfers to connected electricity systems are defined as electricity exports.
 - ⇒ For the purpose of determining the emission factor of the baseline emissions, project participants shall take into account electricity imports and exports. (for the detail, see [EB15 Rep Anx2, p2])

Leakage

- ☞ Project participants do not need to consider emissions arising due to activities such as power plant construction, fuel handling (extraction, processing, and transport), and land inundation as leakage in applying this methodology.

Monitoring

- ☞ This baseline methodology shall be used in conjunction with the approved monitoring methodology ACM0002 (Consolidated monitoring methodology for grid-connected electricity generation from renewable sources).

3-2. Consolidated baseline methodology for grid-connected electricity generation from renewable sources (ACM0002)

Emission reductions

ER_y
The GHG emission reduction achieved by the project activity during a given year “y”

BE_y
Baseline emissions

PE_y
Project emissions

=

$$BE_y = EF_y * EG_y$$

PE_y = 0
except for geothermal project activities

The baseline emissions factor in [t-CO₂/MWh] The electricity supplied by the project activity to the grid in [MWh]

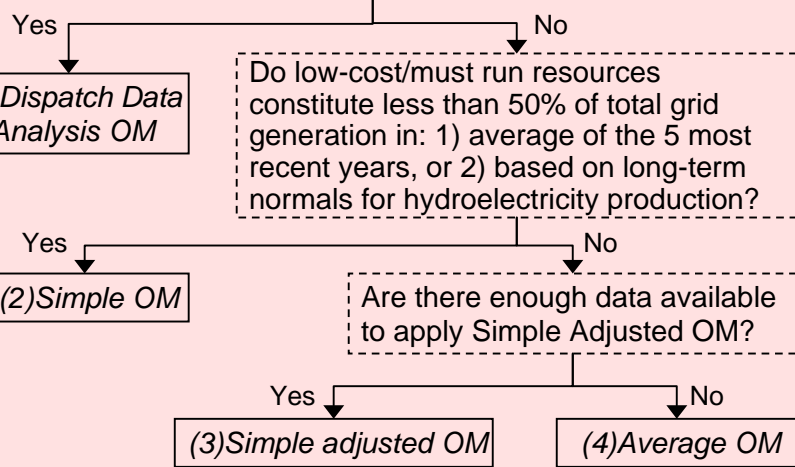
$$EF_y = w_{OM} * EF_{OM,y} + w_{BM} * EF_{BM,y}$$

The weights **w_{OM}** and **w_{BM}**, by default, are 50% (i.e., **w_{OM} = w_{BM} = 0.5**). Alternative weights can be used, as long as **w_{OM} + w_{BM} = 1**, and appropriate evidence justifying the alternative weights is presented. These justifying elements are to be assessed by the EB.

(for details, see [EB15 Rep Anx2,p2])

EF_{OM,y} (the Operating Margin emission factor)[t-CO₂/MWh]
EF_{OM,y} is calculated based on one of the following 4 methods:(p78)

Are there enough data available to analyze dispatch data?



Low operating cost and must run resources typically include hydro, geothermal, wind, low-cost biomass, nuclear and solar generation. If coal is obviously used as must-run, it should also be included in this list, i.e. excluded from the set of plants.

EF_{BM,y} (the Build Margin emission factor)[t-CO₂/MWh]
Project participants should choose between the following 2 options a sample group that has the larger annual generation:

- ⇒ The 5 power plants that have been built most recently, or
 - ⇒ The power plants capacity additions in the electricity system that comprise 20% of the system generation [in MWh] and that have been built most recently.
- (Power plant capacity additions registered as CDM project activities should be excluded from the sample group.)

EF_{BM,y} is calculated by dividing CO₂ emissions [t-CO₂] of the chosen sample group by the electricity [MWh] delivered to the grid by that group.

Project participants shall choose between one of the following 2 options:

- Option 1.* Calculate **EF_{BM,y}** ex ante based on the most recent information available on plants already built at the time of PDD submission.
- Option 2.* For the 1st crediting period, **EF_{BM,y}** must be updated annually ex post for the year in which actual project generation and associated emissions reductions occur. For subsequent crediting periods, **EF_{BM,y}** should be calculated ex-ante, as described in option 1 above.

3-2. Consolidated baseline methodology for grid-connected electricity generation from renewable sources (ACM0002)

Calculation methods for $EF_{OM,y}$ (the Operating Margin emission factor) [t-CO₂/MWh]**(1) Dispatch Data Analysis OM** [EB15 Rep Anx2, p7]

- (i) Obtain from a national dispatch center, the grid system dispatch order of operation for each power plant of the system, and the amount of power [MWh] that is dispatched from all plants in the system during each hour that the project activity is operating.
- (ii) At each hour in a year, stack each plants generation using the merit order. The set of plants consists of those plants at the top of the stack (i.e., having the least merit), whose combined generation comprises 10% of total generation from all plants during that hour (including imports to the extent they are dispatched).
- (iii) Calculate the hourly generation-weighted average emissions per electricity unit [t-CO₂/MWh] of the set of power plants in the top 10% of grid system dispatch order during each hour in a year.
- (iv) Multiply the hourly emission factor above by the generation of the CDM project [MWh] in each hour, which gives amount of CO₂ emissions [t-CO₂].
- (v) Divide the amount of CO₂ emissions above by the generation of the CDM project [MWh] in the year, which gives the Dispatch Data OM emission factor [t-CO₂/MWh].

(2) Simple OM [EB15 Rep Anx2, p4]

- (i) Identify the generating sources delivering electricity to the grid, not including low-operating cost and must-run power plants, and including imports to the grid.
- (ii) The Simple OM emission factor [t-CO₂/MWh] is calculated as the generation-weighted average emissions per electricity unit of the generating sources above in a year.

(3) Simple Adjusted OM [EB15 Rep Anx2, p5]

- (i) Separate the power sources (including imports) delivering electricity to the grid in low-cost/must-run power sources and other power sources.
- (ii) Calculate the generation-weighted average emissions per electricity unit [t-CO₂/MWh] of the set of power plants in a year for both low-cost/must-run power sources and other power sources.
- (iii) Calculate λ . (p79)
- (ii) The Simple Adjusted OM emission factor [t-CO₂/MWh] is calculated as “ $\lambda \times$ (emission factor of low-cost/must-run power sources)” + “ $(1 - \lambda) \times$ (other power sources)”

(4) Average OM [EB15 Rep Anx2, p7]

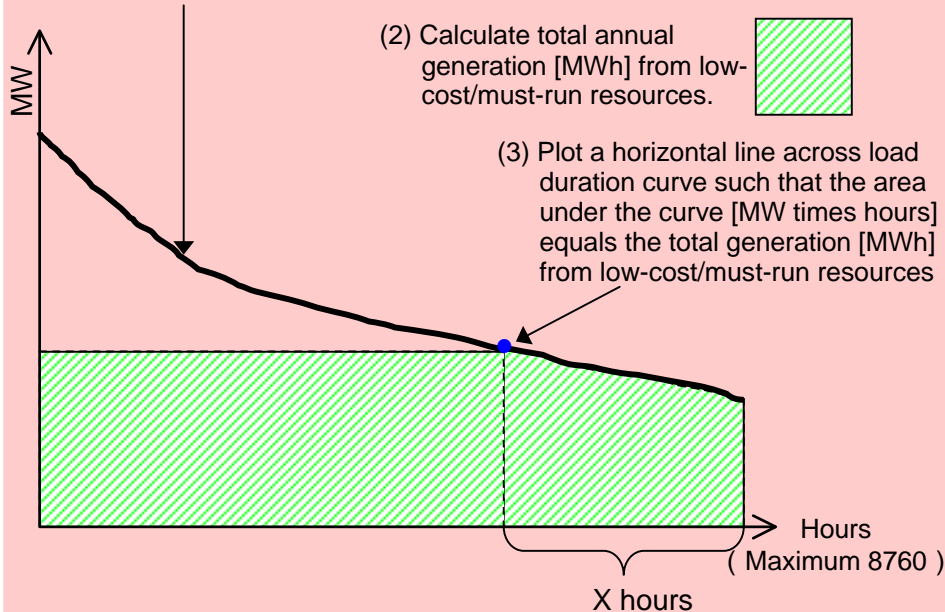
The average OM emission factor [t-CO₂/MWh] is calculated as the generation-weighted average emissions per electricity unit of all generating sources serving the system.

- Simple OM, Simple Adjusted OM and Average OM emission factors can be calculated using either of the two following data vintages for years:
- ⇒ A 3-year average, based on the most recent statistics available at the time of PDD submission, or
 - ⇒ The year in which project generation occurs, if OM emission factor for a year is updated based on ex post monitoring.

3-2. Consolidated baseline methodology for grid-connected electricity generation from renewable sources (ACM0002)

How to calculate λ for the Simple Adjusted OM

- (1) Collect chronological load data for each hour of a year, and sort load data from highest to lowest MW level. Plot MW against 8760 hours in the year, in descending order.



- (4) Determine “the Number of hours per year for which low-cost/must-run sources are on the margin”.

$$(5) \lambda = X/8760$$

*If the lines do not intersect at step (3), then λ is equal to zero.

Electricity imports and exports

- ◆ Electricity transfers from connected electricity systems to the CDM project electricity system are defined as **electricity imports** and electricity transfers to connected electricity systems are defined as **electricity exports**.

Electricity imports [EB15 Rep Anx2, p3]

- ◆ Determining the OM emission factor

- ☞ For imports from connected electricity system located in another country
 - ⇒ The emission factor is 0 [t-CO₂/MWh]
- ☞ For imports from connected electricity system located within the same country
 - ⇒ 0 [t-CO₂/MWh]
 - ⇒ The emission factor(s) of the specific power plant(s) from which electricity is imported, if and only if the specific plants are clearly known, or
 - ⇒ The average emission rate of the exporting grid, if and only if net imports do not exceed 20% of total generation in the project electricity system, or
 - ⇒ The emission factor of the exporting grid, determined as described in [page 77](#), if net imports exceed 20% of the total generation in the project electricity system.

- ◆ Determining the BM emission factor

- ☞ The spatial extent is limited to the project electricity system, except where recent or likely future additions to transmission capacity enable significant increases in imported electricity.
 - ⇒ In such cases, the transmission capacity may be considered a build margin source, with the emission factor determined as for the OM imports above.

Electricity exports [EB15 Rep Anx2, p3]

Electricity exports should not be subtracted from electricity generation data used for calculating and monitoring the baseline emission rate.

Attachment 4: Examples of simplified baseline and monitoring methodologies for SSC

Example 1

Type I.A. Renewable energy projects: Electricity generation by the user

[CP/2002/7/Ad3 ApxB] [Version 05: 25 February 2005]

Technology/measure

☞ This category comprises renewable energy generation units that supply individual households or users. Upgrading of existing equipment is not allowed. These units include technologies such as solar power, hydropower, wind power, and other technologies that produce electricity all of which is used on-site by the user, such as solar home systems, and wind battery chargers.

⇒ The renewable generating units may be new or replace existing fossil fuel fired generation. The capacity of these renewable energy generators shall not exceed 15 MW.

⇒ Combined heat and power (co-generation) systems are eligible under categories I.C and I.D.

Boundary

☞ The physical, geographical site of the renewable energy generating unit and the equipment that uses the electricity produced delineates the project boundary.

Baseline

Baseline emissions = (Annual energy baseline [kWh/year]) x (CO₂ emission coefficient for the fuel displaced [kg-CO₂/kWh])

(The estimated annual output of the renewable energy technologies [kWh/year] / (1- fraction (%)))

Average technical distribution losses that would have been observed in diesel powered mini-grids in isolated areas. A reasonable default value for distribution losses on low voltage rural distribution grid could be **20%**.

IPCC default values for emission coefficients may be used. A default value **0.9 kg CO₂/kWh**, which is derived from diesel generation units, may be used. A higher emissions factor may be used, with adequate justification.

Note: There are 2 options to calculate annual energy baseline. The other option is described in CP/2002/7/Ad3 ApxB [Version 05: 25 February 2005].

Leakage

☞ If the energy generating equipment is transferred from another activity or if the existing equipment is transferred to another activity, leakage is to be considered.

Monitoring

☞ (a) An annual check of all systems or a sample thereof to ensure that they are still operating (other evidence of continuing operation, such as on-going rental/lease payments could be a substitute).

or

☞ (b) Metering the electricity generated by all systems of a sample thereof.

Example 2

Type I.D. Renewable electricity generation for a grid

[CP/2002/7/Ad3 ApxB] [Version 05: 25 February 2005]

Technology/measure

- ☞ This category comprises renewable energy generation units, such as photovoltaics, hydro, tidal/wave, wind, geothermal, and biomass, that supply electricity to an electricity distribution system that is or would have been supplied by at least one fossil fuel or non-renewable biomass fired generating unit.
 - ⇒ If the unit added has both renewable and non-renewable components, the eligibility limit of 15MW for a SSC project activity applies only to the renewable component. If the unit added co-fires [non-]renewable biomass and fossil fuel, the capacity of the entire unit shall not exceed the limit of 15MW.
 - ⇒ Biomass combined heat and power (co-generation) systems that supply electricity to a grid are included in this category. To qualify under this category, the sum of all forms of energy output shall not exceed 45 MW_{thermal}.

Boundary

- ☞ The project boundary encompasses the physical, geographical site of the renewable generation source.

Baseline

Baseline emissions = (the kWh produced by the renewable generating unit [kWh]) x (CO₂ emission coefficient [kg-CO₂/kWh])

The average of the “approximate operating margin” and the “build margin”

or

The weighted average emissions [kg-CO₂/kWh] of the current generation mix

The weighted average emissions [kg-CO₂/kWh] of all generating sources serving the system, excluding hydro, geothermal, wind, low-cost biomass, nuclear and solar generation.

The weighted average emissions [kg-CO₂/kWh] of recent capacity additions to the system, which capacity additions are defined as the greater [in MWh] of **most recent 20%** of existing plants or the **5 most recent** plants.

Note: For a system where all fossil fuel fired generating units use fuel oil or diesel fuel, an emission coefficient is a modern diesel generating unit of the relevant capacity operating at optimal load as given in Table I.D.1. in CP/2002/7/Ad3 ApxB [Version 05: 25 February 2005].

Leakage

- ☞ If the energy generating equipment is transferred from another activity or if the existing equipment is transferred to another activity, leakage is to be considered.

Monitoring

- ☞ Monitoring shall consist of metering the electricity generated by the renewable technology. In the case of co-fired plants, the amount of biomass input and its energy content shall be monitored.

Example 3

Type II.C. Demand-side energy efficiency programmes for specific technologies

[CP/2002/7/Ad3 ApxB] [Version 05: 25 February 2005]

Technology/measure

- ☞ This category comprises programmes that encourage the adoption of energy-efficient equipment, lamps, ballasts, refrigerators, motors, fans, air conditioners, appliances, etc. at many sites.
- ☞ These technologies may replace existing equipment or be installed at new sites.
- ☞ The aggregate energy savings by a single project may not exceed the equivalent of 15 GWh per year.

Boundary

- ☞ The project boundary is the physical, geographical location of each measure (each piece of equipment) installed.

Baseline

Baseline emissions = (Annual energy baseline [kWh/year]) x (CO₂ emission coefficient [kg-CO₂/kWh])

$$\left(\sum_i (n_i * p_i * o_i) \text{ [kWh/year]} \right) / (1 - \text{fraction} [\%])$$

n_i = the number of installed devices

p_i = the power of the devices replaced

⇒ In the case of a retrofit programme, “power” is the weighted average of the devices replaced.

⇒ In the case of new installations, “power” is the weighted average of devices on the market.

o_i = the average annual operating hours of the installed devices.

Fraction is average technical distribution losses for the grid serving the locations where the devices are installed.

An emission coefficient is calculated in accordance with provisions of category I.D projects.

Note: If the energy displaced is a fossil fuel, see CP/2002/7/Ad3 ApxB [Version 05: 25 February 2005].

Leakage

- ☞ If the energy efficiency technology is equipment transferred from another activity, leakage calculation is required.

Monitoring

Recording the “power” of the device installed using nameplate data or bench tests of a sample of the units installed and metering a sample of the units installed for their operating hours using run time meters.

or

Metering the “energy use” of an appropriate sample of the devices installed. For technologies that represent fixed loads while operating, such as lamps, the sample can be small while for technologies that involve variable loads, such as air conditioners, the sample may need to be relatively large.

- ☞ In either case, monitoring shall include annual checks of a sample of non-metered systems to ensure that they are still operating (other evidence of continuing operation, such as on-going rental/lease payments could be a substitute).
- ☞ If the devices installed replace existing devices, the number and “power” of the replaced devices shall be recorded and monitored.

Example 4

Type III. D. Methane recovery

[CP/2002/7/Ad3 ApxB] [Version 05: 25 February 2005]

Technology/measure

- ☞ This project category comprises methane recovery from coalmines, agro-industries, landfills, wastewater treatment facilities and other sources. Measures shall both reduce anthropogenic emissions by sources and directly emit less than 15,000 t-CO₂ equivalent annually.
- ⇒ CO₂ emissions from combustion of non-biogenic methane shall be accounted for in the project activity.

Boundary

- ☞ The project boundary is the physical, geographical site of the methane recovery facility.

Baseline

Baseline emissions = [the amount of methane that would be emitted during the crediting period in the absence of the project activity]

The baseline shall cover only the capture and flaring that would not have happened in the absence of the project activity.

In the case of landfill gas, waste gas, waste water treatment and agro-industries projects:
 If the recovered methane is used for electricity generation, the project activity is also eligible under category I.D.
 If the recovered methane is used for heat generation it is also eligible under category I.C.
 In these cases project participants may submit 1 single project design document for all of the components of the project activity.

Leakage

- ☞ No leakage calculation is required.

Monitoring

- ☞ The amount of methane recovered and used as fuel or combusted shall be monitored, using flow meters and analyzing the methane content of the combusted gases either online, or with samples taken at least quarterly, and more frequently if the results show significant deviations from previous values.
- ☞ Regular maintenance should ensure optimal operation of flares. The flare efficiency, defined as the fraction of time in which the gas is combusted in the flare, multiplied by the efficiency of the flaring process, shall be monitored.
- ☞ Flow meters, sampling devices and gas analyzers shall be subject to regular maintenance, testing and calibration to ensure accuracy.

Attachment 5: The list of sectoral scope

Scope Number	Sectoral Scope	Approved Methodologies	Approved Small Scale Methodologies		
1	Energy industries (renewable - / non-renewable sources)	ACM0002 ACM0004 AM0004 AM0005 AM0007 AM0010 AM0014 AM0015 AM0019	AMS-I.A. AMS-I.D.	AMS-I.B. AMS-II.B.	AMS-I.C. AMS-III.B.
2	Energy distribution		AMS-II.A.		
3	Energy demand	AM0017 AM0018 AM0020	AMS-II.C.	AMS-II.E.	AMS-II.F.
4	Manufacturing industries	ACM0003 AM0007 AM0008 AM0014	AMS-II.D.		
5	Chemical industries	AM0021			
6	Construction				
7	Transport		AMS-III.C.		
8	Mining/mineral production				
9	Metal production				
10	Fugitive emissions from fuels (solid, oil and gas)	AM0009 AM0023	AMS-III.D.		
11	Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride	AM0001			
12	Solvent use				
13	Waste handling and disposal	ACM0001 AM0002 AM0003 AM0006 AM0010 AM0011 AM0012 AM0013 AM0016 AM0022	AMS-III.D.	AMS-III.E.	
14	Afforestation and reforestation				
15	Agriculture	AM0006 AM0016	AMS-III.E.		

Attachment 6: Glossary

AAU	Assigned Amount Unit
ACM	Approved Consolidated Methodology
AIE	Accredited Independent Entity
AM	Approved Methodology
A/R CDM	Afforestation and Reforestation Project Activities under the Clean Development Mechanism
AR	Afforestation and Reforestation
Art.6-SC	Article 6 Supervisory Committee
CDM	Clean Development Mechanism
CDM-AP	CDM Accreditation Panel
CER	Certified Emission Reduction
COP	Conference of the Parties (to the UNFCCC)
COP/MOP	the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
CPR	Commitment Period Reserve
DNA	Designated National Authority
DOE	Designated Operational Entity
EB	the CDM Executive Board
EIT	Economies in Transition
ERT	Expert Review Team
ERU	Emission Reduction Unit
GHG	Greenhouse Gas
GWP	Global Warming Potential
HFCs	Hydrofluorocarbon
IE	Independent Entity
IET	International emissions trading under the Kyoto Protocol
IPCC	Intergovernmental Panel on Climate Change
ITL	International Transaction Log
JI	Joint Implementation
KM	Kyoto Mechanisms
KP	Kyoto Protocol
LULUCF	Land Use, Land-Use Change and Forestry
MP	Methodologies Panel

NM	New Methodology
OE	Operational Entity
Party	Country or regional integration organization which has ratified the KP, unless otherwise specified
PDD	Project Design Document
PFCs	Perfluorocarbons
RMU	Removal Unit
SAR	(the IPCC) 2nd Assessment Report
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SF ₆	Sulfur Hexafluoride
SSC	Small Scale CDM
UNFCCC	United Nations Framework Convention on Climate Change



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