

CDM EB MEETING REPORT

EB 97, 30 Oct. – 1 Nov. 2017

Disclaimer

This report represents the author's personal observations and views. Its contents have neither been coordinated with the German government, nor do they reflect the standpoint of the Wuppertal Institute.

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

Website

www.carbon-mechanisms.de/en/

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

Contact

Christof Arens

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

Email: christof.aren@wupperinst.org

Wuppertal Institute for Climate, Environment and Energy gGmbH

Döppersberg 19 • 42103 Wuppertal • Germany

www.wupperinst.org

Report

CDM Executive Board 97th Meeting

30 October – 1 November 2017

Christof Arens

Summary

- This short EB meeting was dominated by activities involving the CDM methodologies. The Board discussed a comprehensive **set of methodologies and tools for the biomass sector**, and approved an update to the standardized baseline for the charcoal sector in Uganda.
- The Board also approved a new tool for use in calculating the fraction of non-renewable biomass and revised two associated small-scale project methodologies (AMS-I.E and AMS-II.G). Both methodologies refer to the above-mentioned new tool, contain updates to the emission factor for the substitution of non-renewable woody biomass by similar consumers and provide sample survey forms.
- When revising the methodologies, the Board also discussed the consolidated methodology **ACM0019 N2O abatement from nitric acid production** and approved a revision to **clarify the definition** of the historical **baseline emission factor** for projects that previously applied AM0028 or AM0034. The Board also revised methodology AM00118.
- Work involving the CDM in urban sectors is to be continued and will focus on the buildings sector.
- In a closed session, the EB approved its **Business and Management Plan 2018**. In addition to routine business, work on the rules for standardized baselines is to continue and the development of new methodologies is to be promoted to increase the CDM's scope of use. Work on simplifying the CDM methodologies continues to be a large-scale undertaking. In addition, process digitalisation is to be stepped up and, as part of a small-scale activity, the successes achieved with the CDM are to be collated anew.

Contents

- Governance and Management 1**
 - Strategic Planning 1*
 - Management of the Board and the Secretariat 2*
- Case-specific Rulings 3**
 - Registration of Project Activities..... 3*
 - CER Issuance and Voluntary Cancellation..... 3*
 - Accreditation..... 3*
- Regulatory Issues..... 4**
 - Standards and Tools 4*
 - New Methodologies and Methodology Revisions 4*
- Relationships with Forums and Other Stakeholders 6**
 - Other Issues 6*

Governance and Management

Strategic Planning

The Secretariat reported on current activities involving **other uses of the CDM**. A proposal for a green bond had been submitted to the GCF which would provide more affordable loans to enable a portfolio of CDM activities. With regard to crowd funding, activities had mostly involved outreach work. When reporting on cooperation with the development banks, the Secretariat emphasised the collaboration with the West African BOAD Bank. In cooperation with the AfDB and the regional RCCs, numerous activities have been initiated, among them several financing platforms and informational and networking projects. Work with the BOAD is designed to serve the model for further activities, such as with the East African Development Bank, which have yet to develop real momentum.

Also, in cooperation with the Zimbabwe Development Bank, a Green Investment Roundtable had been introduced which is designed to support the establishment of a green bond programme with the Bank's support. The Secretariat proposed two new activities: one in cooperation with the Uganda Development Bank, which wants to integrate the CDM into its own evaluation processes, and another in cooperation with the Association of Southeast Asian Nations (ASEAN) which also involves a green bond. The Board welcomed the activities and approved their continuation into 2019. It also accepted and approved the two new proposals.

The Board then heard the regular report on **carbon market developments**. Among other things, the Secretariat reported on recent developments involving South Korea's ETS and the idea of allowing not only emission certifications from national CDM activities, but also – starting in 2018 – those from international projects and focusing on least developed countries. If these proposals are accepted, they would result in additional demand amounting to some 200 Mt CO₂e. While little progress has been made concerning the offsetting rules for the tax-based systems in South Africa, Columbia and Mexico, there has been some movement with regard to linking carbon markets within South America – between Peru and Chile under the Pacific Alliance – and a joint declaration from Ontario, Quebec and Mexico on creating a Pan-American market.

As part of its effort concerning CDM projects at risk of becoming stranded, the World Bank Carbon Initiative for Development has purchased five million CERs, largely from Sub-Saharan Africa. Turning to matters involving CORSIA, the Secretariat then reported on the timeline for the negotiations regarding the approval in June 2018 of standards and recommended practices for offsetting (SARPS). These will enter into force in 2019, with the first CORSIA phase commencing in 2021. The ICAO has approved use of CERs and potential certificates generated under the mechanism contained in Article 6.4 in that the SARPS will set out rules regarding double counting, vintage and timeframe.

Management of the Board and the Secretariat

In a closed session, the EB approved its **Business and Management Plan 2018**. In addition to routine business, work on the rules for standardized baselines is to continue and the development of new methodologies is to be promoted to increase the CDM's scope of use. Work on simplifying the CDM methodologies continues to be a large-scale undertaking. In addition, process digitalisation is to be stepped up and, as part of a small-scale activity, the successes achieved with the CDM are to be collated anew. At USD 19 million, the budget remains constant for 2018 and 2019, although revenue is only expected to reach USD 9 million. However, as fiscal year 2017 had started with an excess of USD 135 million, funding to finance the mechanism is secured for the medium term.¹

¹ The BMAP can be viewed at:
<https://cdm.unfccc.int/UserManagement/FileStorage/VLJXZAKUNY98SWH73TFEOD261MIR04>

Case-specific Rulings

Registration of Project Activities

7,786 CDM projects were registered as of 1 November 2017. This represents an increase of two projects since the previous EB meeting in September. 310 PoAs were registered as of the same date, meaning no change since September. These covered a total of 2,090 CPAs.

CER Issuance and Voluntary Cancellation

1,869,202,841 CERs had been issued for CDM projects as of 1 November 2017 and 10,500,142 had been issued from PoAs. This represents an increase of 3.7 million and 550,000 respectively since September 2017.

As of the same date, 23,095,472 CERs had been cancelled voluntarily. This represents an increase of 1 million CERS since September. Of these, 155,755 had been cancelled using the online Climate Neutral Now platform for voluntary cancellation. This represents a five percent increase compared with the figures for September.

Accreditation

The Board re-accredited the DOE TÜV SÜD South Asia for a further five years. Regular on-site surveillance assessments had been successfully completed for five DOEs, while performance assessments had been successfully completed for another eight DOEs.

Regulatory Issues

Standards and Tools

The Secretariat reported on its work involving the **CDM in Urban Sectors**, which is largely aimed at standardising parameters for PoAs. The Meth Panel proposed developing a CDM PoA DD template for mitigation activities in the building sector. A workshop had been held on this topic in August in conjunction with UNEP and IFC. During the workshop, the Excellence in Design for Greater Efficiencies (EDGE) tool had been identified as a promising analysis and certification system, and is to be adapted for use with the CDM.² The Board welcomed the proposals, but rejected those from the Secretariat concerning innovative approaches for additionality in the building sector. Activities will continue without these components.

New Methodologies and Methodology Revisions

The Board discussed a comprehensive set of methodologies and tools for the **biomass sector**, and approved an update to the standardized baseline for the charcoal sector in Uganda (see Report EB 96). Current figures were available for use in calculating the fraction of non-renewable biomass, such as for forested area or areas available for biomass removal. The Board accepted the figures supplied by the DNA, but requested the Meth Panel to conduct closer comparisons of data supplied by the DNA with prevailing scientific literature. Deviations had occurred, but they had fallen

within the tolerance range for acceptance by the EB.

The Board also approved a new tool for use in calculating the fraction of non-renewable biomass. At the request of the EB, the Meth Panel had revised the calculation methodology for the fraction of renewable biomass contained in the first draft (see Report EB 96) in order to take adequate account of median annual growth rates.

The Board also revised two small-scale project methodologies: AMS-I.E: *Switch from non-renewable biomass for thermal applications by the user* and AMS-II.G: *Energy efficiency measures in thermal applications of non-renewable biomass*. Both methodologies refer to the above-mentioned new tool, contain updates to the emission factor for the substitution of non-renewable woody biomass by similar consumers and provide sample survey forms.

When revising the methodologies, the Board also discussed the consolidated methodology **ACM0019 N₂O abatement from nitric acid production** and approved a revision to **clarify the definition** of the historical **baseline emission factor** for projects that had previously applied AM0028 or AM0034. The Board also revised methodology AM00118.

With regard to large-scale project methodologies, the Board approved a new methodology: AM0120: **Energy-efficient refrigerators and air-conditioners**. The Meth Panel had implemented the Board's requirements compared with an earlier draft, had added standard values for use when documenting efficiency increases for the reporting period and included volume classifications for refrigerators to prevent miscalculation of emission reductions when comparing different-sized devices.

² The Concept Note can be viewed at:

Finally, the Board revised the ***Tool to calculate the emission factor for an electricity system.*** The new version contains simplified approaches for small, isolated electricity grids in LDCs and Small Island Developing States.

Relationships with Forums and Other Stakeholders

The Board consulted with Werner Betzenbichler, Chair of the DOE Forum, regarding the situation for auditors. In a video conference in which they had looked at the medium-term future, the DOEs had developed theories and wishes for the period beyond 2020. These included:

- A transfer mechanism from the CDM to Article 6.4
- Negotiations on continuation of the CDM beyond 2020
- A joint accreditation system for the CDM and Article 6.4
- Consideration of the CDM as an accounting tool for climate finance and for Article 6.2.

The DOEs also proposed combining the CDM accreditation system with ISO standard 14065 (Requirements for greenhouse gas validation and verification bodies). Mr. Betzenbichler referred to the EU ETS, where accreditation requires the approval of ISO standard 14065 because the EU ETS uses that standard as a basis. He said this was also possible under the CDM, but it would have to be recognised as the certification body for auditors in accordance with ISO 14065.

This latter issue met with astonishment from one Board member, who remarked that ISO 14065 and the CDM are vastly different. When asked for further details, Mr. Betzenbichler explained that many of their principles and requirements overlap which is why the DOE's believe that combining them would make sense.

Other Issues

The Board approved the meeting schedule for 2018. Five meetings are planned, the first to take place from 27 February to 2 March.