

SUMMARY OF CDM EXECUTIVE BOARD MEETING 63

Held in Ecuador, 25 - 29 September 2011

Dear readers,

Brussels, 6 October 2011

CDM Watch summarizes the most relevant outcomes of the last CDM Executive Board meeting. The **64th Board meeting will be held 24-26 October 2011, less than a month from now and the 65th meeting will be just ahead of the COP in Durban, 21-25 November 2011.** We added links to relevant documents as possible and we welcome your feedback!

- Your CDM Watch team

HIGHLIGHTS

STATISTICS

As of 29 September 2011, **3,472 CDM projects** have been registered and **744,174,126 CERs** issued.

THE CDM'S FUTURE: BOARD ANNOUNCES "A WIDE-RANGING DIALOGUE"

The board announced a major effort "to make a transformed CDM the key instrument for stimulating low-carbon investment in developing countries" including "a wide-ranging dialogue with government policymakers and climate change experts to help make that happen."

BAD NEWS ON COAL PROJECTS

Another Indian Supercritical coal power project was registered. "Greenhouse Gas Emission Reductions Through Super Critical Technology – Jharkhand Integrated Power Ltd." (4629); This despite clear evidence that the project is not additional. See our comments [here](#).

HFC-23 STILL UP IN THE AIR

HFC-23 methodology revision was discussed again with a new proposal to encourage the destruction of HFC-23 from production lines that are currently not eligible under the CDM. No decision was taken but the Board was overall sympathetic to this solution. The decision about what to do with the first HFC-23 project that has applied for renewal of registration has been postponed.

STANDARDIZED BASELINES: THE FRENZY CONTINUES, WE ARE WORRIED

The Board adopted guidelines and a procedure for developing and approving standardized baselines. Unfortunately, the guidelines are not sufficiently developed and the procedures for how such new approaches would be evaluated and approved are too weak.

BIG ARGUMENTS OVER RULES ON RENEWAL OF CREDITING PERIOD

Neither the Methodology Panel nor the Board could agree on conservative rules on this issue and instead tasked the Secretariat to prepare a draft revision of the guidelines.

BOARD ISSUES FOUR NEW CALLS FOR PUBLIC INPUT

The calls include 'suppressed demand' and 'non-renewable biomass.' More details can be found [here](#).

All documents and annexes of the CDM Executive Board meeting 63 can be downloaded [here](#).

TABLE OF CONTENTS

1. The CDM’s Future: Board Announces “a wide-ranging dialogue”	3
2. Bad News on Coal Projects	3
3. HFC-23 Still Up In The Air	4
4. Standardized Baselines: The Frenzy Continues. We are worried.	4
5. Big Arguments over Rules on Renewal of Crediting Period	5
6. Some Good News On FOIK - Not So Good News On Common Practice	5
7. “Positive List” Deems Some Technologies Automatically Additional for SSC Projects	5
8. Call for Public Input on Suppressed Demand	6
9. Call of Public Input on How to Quantify the Fraction of Non-renewable Biomass.....	6
10. “Significant deficiencies,” Board Discusses Liability and Over-Crediting.....	6
11. Big Push for Projects of Activities (PoAs)	7
12. New Methodologies Approved.....	7
13. 80% of Projects That the Board Considered Jumped Through The Hoop	7
14. Board Member Changes	7

SUMMARY OF IMPORTANT DECISIONS AT EB-63

All documents and annexes of the meeting can be downloaded [here](#).

1. THE CDM'S FUTURE: BOARD ANNOUNCES "A WIDE-RANGING DIALOGUE"

The Board held an annual strategy retreat back-to-back with the 63th meeting of the Board. The board announced a major effort "to make a transformed CDM the key instrument for stimulating low-carbon investment in developing countries" including "a wide-ranging dialogue with government policymakers and climate change experts to help make that happen." A [UNFCCC press release from Sept 29](#) further states:

To be launched in Durban in November, the dialogue on the future CDM will include a full review of experience, intended to position the mechanism to respond to future challenges and opportunities.

"In the past 10 years, CDM private and public stakeholders have built a unique, global mechanism that works. Now is the time to tap into the experience gained implementing the mechanism and put it to work in a revitalized CDM," said CDM Board Chair Martin Hession.

Some of key priorities the Board identified include:

- Enhance the effectiveness of its planning and implementation, with clear monitoring of the implementation and adjustments being made if necessary;
- Further simplify the standards and procedures for the CDM, including through conducting an analysis of the value added by their elements and an examination of whether less complex approaches may be applied to achieve the same result;
→ **see our comments on standardisation and also see our [newsletter](#) article on this topic.**
- Launch a policy dialogue to review past CDM experience and help ensure the readiness and positioning of the CDM to meet the challenges of the post-2012 period;
→ **CDM Watch will keep you posted on this!**
- Ensure greater involvement of stakeholders in design of standards and procedures and collaboration with other offset and crediting programmes;
→ **CDM Watch will push hard to ensure that 'stakeholders' includes civil societies and NGOs and not just project developers and investors.**
- Ensure capacity to manage the expected increase in case submissions towards the end of the first commitment period.
→ **CDM Watch is concerned that the quality of review will suffer because of rush to get projects registered before the end of 2012. We will keep watching this issue.**

The comprehensive review will be launched in Durban next month and will include stakeholder dialogues. "I'm particularly conscious that, for this to be successful, we need to bring with us civil society, policy-makers and market participants, including our harshest critics," Hession said. The outcome is expected to inform Board decisions and recommendations to Parties to the Kyoto Protocol in 2012.

2. BAD NEWS ON COAL PROJECTS

Another Indian Supercritical coal power project was registered. "Greenhouse Gas Emission Reductions Through Super Critical Technology – Jharkhand Integrated Power Ltd." (4629);

- **The Board registered another coal project despite clear evidence that the project is not additional. See our comments [here](#). This brings the number of registered coal projects to 6. In our analysis, none of them are additional. See individual comments [here](#), download our coal policy brief [here](#).**

The decision about what to do with the first HFC-23 project that has applied for renewal of registration "HFC Decomposition Project in Ulsan" (0003) has been postponed.

3. HFC-23 STILL UP IN THE AIR

HFC-23 methodology revision was discussed again with a new proposal that would encourage the destruction of HFC-23 from production lines that are currently not eligible under the CDM:

- Facilities that only destroy HFC-23 from CDM-eligible HCFC-22 production lines would have to use a waste generation rate of 1%
- To incentivize the voluntarily destruction of HFC-23 from HCFC-22 production lines that are not eligible under the CDM (e.g. because they were added later) facilities who would choose to do so would be allowed to use a higher waste generation rate of 1.2% for credit generation of CDM production lines.

No decision was taken but the Board members seemed overall sympathetic to this solution and requested the Meth Panel to analyze the consequences of possible approaches where project developers may select one of the two options mentioned above, more details in Annex 13. (We were unable to link directly to the documents. It can be downloaded from [here](#): Go to meeting 63 → show all → Methodological standards for large-scale CDM project activities.)

The decision about what to do with the first HFC-23 project that has applied for renewal of registration “HFC Decomposition Project in Ulsan” (0003) has been postponed.

→ CDM Watch believes that an incineration rate of 0.2% should be used to avoid exorbitant profits that can lead to perverse incentives. The suggested waste rates of 1 and 1.2% are too high. Nevertheless CDM Watch welcomes the idea to incentivize the incineration of HFC-23 from lines that are currently not covered under the CDM. For more information on HFC-23 go [here](#) and read the article in our June [newsletter](#).

4. STANDARDIZED BASELINES: THE FRENZY CONTINUES. WE ARE WORRIED.

Background: At the negotiations in Cancun late last year, the Parties asked for increased standardisation of CDM methodologies that are used for CDM projects, in an effort to simplify and streamline the CDM. At its last meeting the Board approved “Guidelines for the establishment of sector specific standardized baselines.” (Go [here](#) → Meeting 62 → Annex 8). In our last [newsletter](#) we commented on some of the shortcoming of this framework. We were not alone, the Meth Panel also provided critical [feedback](#).

At this meeting Board adopted a “Procedure for submission and consideration of standardized baselines.” (Go [here](#) → Meeting 63 → Annex 28) and requested the secretariat to prepare an implementation plan. The slides that summarize the procedure to get a standardized methodology approved can be found [here](#).

→ This is very untested ground. No experience has been made with actual projects and the approved procedure is too simplistic to ensure integrity, given the high complexity and data issues that arise with standartisation.

The guidelines are not sufficiently developed and the procedures for how such new approaches would be evaluated and approved are too weak, for example, new standardized methodologies:

- **Are not reviewed but the Methodology Panel as a whole by only 2 Panel members and by staff at the UNFCCC Secretariat and.**
- **Do not undergo a public commenting period.**
- **The time allocated to the review is very short given the complexity of the issue.**
- **Project proponents can use a ‘pick-and-choose’ approach (using either a project specific or a standardised baseline) this undermines the environmental integrity.**
- **There is no guidance for the Board on how to set the baseline and/or additionality thresholds.**

During this first pilot phase of standartisation, each submission should be assessed prior to approval to determine the number of free-riders that could result, based on actual data.

Procedures for how to validate and verify projects under such new standartised methodologies have to be developed in parallel. Such projects cannot be evacuated with the existing project-based rules and guidelines.

5. BIG ARGUMENTS OVER RULES ON RENEWAL OF CREDITING PERIOD

The Board had a long and contentious discussion about what exactly the rules should be when a project applies for renewal of its crediting period (see our article in our last [newsletter](#)). The Meth Panel had issued a note on the topic. Unfortunately a minority of Meth Panel members insisted that the rules should be kept lenient and vague. This protects project developers but not the environmental integrity of the CDM. The Board could not agree on handing the issue back to the Meth Panel and instead tasked the Secretariat to work further on the [Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period](#) and prepare a new draft the Board will discuss at its next meeting.

→ CDM Watch disagrees with the Boards non-conservative interpretation. Projects can choose to receive credits either for 10 years, or for three times 7 years. So if a project developer chooses this 21-year option, they have to weigh the benefit of a much longer crediting period against the risks of generating fewer credits in each new crediting period. To ensure the quality (and correct amount) of credits issued in the subsequent crediting period, the circumstances that should be assessed should include economic changes, technological changes and changes in market structure.

6. SOME GOOD NEWS ON FOIK - NOT SO GOOD NEWS ON COMMON PRACTICE

Background: At its last meeting the Board had announced an open call for inputs on First-of-its kind (FOIK) and Common Practice (CP). CDM Watch [submitted input](#). The Secretariat subsequently published:

- [Summary note of the public inputs received from the call on the use of first-of-its-kind barrier and the assessment of common practice](#) and
- Guidelines on additionality of First-of-its-kind project activities (Annex 11)
- Guidelines on Common Practice (Annex 12)

(We were unable to link directly to these documents. The new standards can be downloaded from [here](#). Go to meeting 63 → show all → Methodological standards for large-scale CDM project activities.)

The Board adopted both new guidelines:

1. A project is considered **common practice** if more than 3 facilities of the same size (output or capacity) in the same country use the same technology.

→ What is troubling about this rule is that it excludes CDM projects. The footnote in the document (“This should be subject to further review”) indicates that this issue was contentious. Unfortunately the more lenient approach was taken.

2. A project is considered **FOIK**, and therefore automatically additional in the applicable geographical area if:

- (a) The project is the first in the applicable geographical area that applies a technology that is different from any other technologies able to deliver the same output and that have started commercial operation in the applicable geographical area before the start date of the project; and
- (b) Project participants selected a crediting period for the project activity that is a maximum of 10 years with no option of renewal.

→ CDM Watch welcomes this conservative definition of FOIK which allows only the very first project of a certain technology and size in a country to be automatically deemed additional.

7. “POSITIVE LIST” DEEMS SOME TECHNOLOGIES AUTOMATICALLY ADDITIONAL FOR SSC PROJECTS

The Board agreed to establish a positive list of renewable electricity generation technologies that are automatically defined as additional, without further documentation of barriers, as included in the [Attachment A of appendix B of](#)

[the Simplified modalities and procedures for small-scale CDM project activities](#). The list initially includes the following technologies of installed capacity of 15 MW or less:

- Grid-connected solar technologies (photovoltaic and solar thermal electricity generation);
- Grid-connected off-shore wind technologies;
- Grid-connected marine technologies (wave, tidal).
- In addition all micro-scale grid-connected renewable energy projects are automatically considered additional if the installed capacity of the specific renewable energy technology in the host country is less than 3%.

8. CALL FOR PUBLIC INPUT ON SUPPRESSED DEMAND

Background: The very poor have such small carbon footprints that it is difficult to implement CDM projects that target them, since there are practically no emissions to reduce. The concept of ‘suppressed demand’ tries to take into account the fact that emissions would be much higher if the poor had access to energy and goods (see our article in our last [newsletter](#))

The Board approved the “work programme on suppressed demand” ([annex 30](#)) and has launched a call for public input on how to further improve and clarify the guidelines as well as to revise methodologies to integrate the aspects of suppressed demand.

The call for public inputs will be open from 30 September 2011 to 30 October 2011. For details and documents, see [here](#).

9. CALL OF PUBLIC INPUT ON HOW TO QUANTIFY THE FRACTION OF NON-RENEWABLE BIOMASS

Background: “Non-renewable biomass” is the wood and charcoal that comes from forests that are not reforested (e.g. permanent deforestation due to fuel wood collection). Renewable biomass on the other hand, is the biomass used that does not lead to a significant decrease in carbon stocks. Determining how much of the biomass used is non-renewable is a complex, expensive and technically challenging task for project developers and that can lead to over-crediting if it is not done carefully.

The Board has launched a call for public input on how to standardize the quantification of the fraction of non-renewable biomass. **The call for public inputs will be open from 30 September 2011 to 30 October 2011. For details and documents, see [here](#).**

10. “SIGNIFICANT DEFICIENCIES,” BOARD DISCUSSES LIABILITY AND OVER-CREDITING

Background: The CDM management plan 2011 states that the Board will develop a “consolidated validation and verification procedure, including a procedure to identify and correct significant deficiencies in validation and verification reports.” A draft procedure was presented at a stakeholder workshop held in Bonn on 24-26 August 2011. Subsequently the Secretariat wrote an “information note” on the topic. (The information note can be downloaded by going [here](#) and downloading Annex 16). At this meeting the Board requested the secretariat to prepare a draft procedure based on the guidance given by the Board at this meeting and to also draft a recommendation for the CMP.

→ These efforts deal with the questions of who is liable and what should be done in cases when too many CERs have been issued to a project, either because the DOE or the Project Developer made a significant error. CDM Watch advocates for a conservative and stringent approach that ensures that environmental integrity is protected.

11. BIG PUSH FOR PROJECTS OF ACTIVITIES (PoAs)

The Board discussed PoAs extensively and adopted the following:

- Standard for demonstration of additionality of GHG emission reductions achieved by a programme of activities (EB Report 63, Annex 2)
- Standard for the development of eligibility criteria for the inclusion of a project activity as a CPA under a PoA (EB Report 63, Annex 3)
- Standard for application of multiple CDM methodologies for a programme of activities (EB Report 63, Annex 4)
- The Board also considered the draft standard for sampling and surveys for CDM project activities and programme of activities. A call for inputs from DOEs and PPs will be open from 7 October 2011 to 17 October 2011. The Board further noted that the secretariat may organize a teleconference to collect feedback from stakeholders, including representatives from DOEs and PPs.
→ ***CDM Watch wonders why NGOs are not invited to participate in this stakeholder process.***

We were unable to link directly to these documents. The new standards can be downloaded from [here](#). Go to meeting 63 → show all → Methodological standards for large-scale CDM project activities.

→ ***CDM Watch would welcome your comments on the new standards***

12. NEW METHODOLOGIES APPROVED

The Board approved five new large scale methodologies:

- AM0095 "Waste gas based combined cycle power plant in a Greenfield iron and steel plant"
- AM0096 "CF4 emission reduction from installation of an abatement system in a semiconductor manufacturing facility"
- AM0097 "Installation of high voltage direct current power transmission line"
- AM0098 "Utilization of ammonia-plant off gas for steam generation"
- ACM0020 "Co-firing of biomass residues for heat generation and/or electricity generation in grid connected power plants"

Meth Panel developed a first draft of the following methodology and tool:

- Draft methodology "Renewable energy power generation in isolated grids"; and
- Draft tool "Project and leakage emissions from composting".

The Board also agreed to launch a call for public input on the drafts, starting on **30 September 2011** and ending on **10 October 2011**.

→ ***CDM Watch would welcome your comments on the new standards***

13. 80% OF PROJECTS THAT THE BOARD CONSIDERED JUMPED THROUGH THE HOOP

The Board considered 21 requests for registration and registered 17 of them (among them the above mentioned coal project). The board did not request any project reviews.

14. BOARD MEMBER CHANGES

- Mr. José Miguel Leiva, from Guatemala, resigned on 20 July 2011, replaced by Mr. Raúl Castañeda, from Guatemala
- Mr. Akihiro Kuroki, from Japan resigned on 21 September 2011, replaced by Mr. Kazunari Kainou, from Japan