

SUMMARY OF CDM EXECUTIVE BOARD MEETING 64

Held in Bonn, 24 – 26 October 2011/2011

Dear CDM Watch Network Members,

Brussels, 7 November 2011

This is a summary of the most relevant outcomes of the last CDM Executive Board meeting. It was a shorter meeting than usual (since it was an extra meeting that was held just 1 month after the 63th meeting). You find information about the discussions and decisions at the meeting, including our comments. Feel free to get in touch if you would like to get involved and/or have comments and feedback. We added links to relevant documents where possible! All documents and annexes of the 64th meeting can be downloaded [here](#).

We'll be again at the 65th meeting just ahead of the COP in Durban, 21-25 November 2011

- Your CDM Watch team

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SUMMARY OF IMPORTANT DECISIONS AT EB-64

1. CDM POLICY DIALOGUE MOVES AHEAD: UNFCCC IS LOOKING FOR PANEL NOMINATIONS

The Board discussed the purpose and implementation of “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” and agreed to [Terms of Reference](#) for the policy dialogue. The policy dialogue is to “engage a wide range of representatives of civil society, policymakers and market participants in considering the future of the CDM.” The Board agreed to choose up to 12 “distinguished members drawn from civil society, policymakers and market participants” to form a high level panel who will “conduct the dialogue in an independent manner under its own responsibility.” The panel will then be able to choose the topics they find most relevant and also be able to form working groups who can work on particular technical issues. Chair of the Board (Martin Hession) and the Executive Secretary of the UNFCCC ([Christiana Figueres](#)) will choose and invite potential panel members, (and consult with members of the Board on their choices).

The Board launched a [call for public inputs on the scope of the dialogue](#) “on issues to be addressed in the dialogue, including external forces affecting the CDM, future challenges it can be expected to face, and opportunities and possible directions for its future use and development.” The call will be open from **27 October 2011** until **16 January 2012**.

Schedule for the Policy Dialogue

| Date | Action and deliverable |
|------------------------|---|
| October/November 2011 | Invitations to potential members of the panel Preparation of a detailed plan and budget (for incorporation in the CDM management plan for 2012). |
| November/December 2011 | Official dialogue launch at CMP 7 in Durban, South Africa, through an event with wide and high-level participation and strong media presence |
| February/March 2012 | Release of a discussion paper/s to facilitate the consultation phase |
| March- July 2012 | Consultation phase to engage with representatives, including from governmental, intergovernmental, business, environmental, research and other communities, for example through submissions, workshops, hearings, visits and working groups |
| By September 2012 | Release of the final dialogue report |

The main output of the dialogue is to be the publication of a report in the fall of 2012. The findings will be presented to the CMP 8 (the one after Durban) in the next report of the CDM Executive Board to the CMP and also be used for an update of the *CDM Modalities and Procedures* which is scheduled for late 2013.

The discussions around the aim and scope of this policy dialogue were quite long. Board members discussed what themes should be covered. Sustainable development, scaling up, E+/E-, additionality and baseline determination were all mentioned as important topics. Board members also discussed the composition of the Panel and different members called for well balanced regional representation and the inclusion of stakeholders that have not been able to make their concerns heard.

CDM Watch comments:

This policy dialogue will be an important opportunity to bring forward concerns and suggest solutions. The way it is presented, it intends to open doors to all actors. CDM Watch is working to make sure that at least one member of the panel will represent the views of civil society and local communities and that issues related to environmental integrity and social wellbeing are addressed. In order to make our voices heard effectively later in the process, it is therefore

important that we recommend what we expect from this policy dialogue as part of the call for public input. We will definitely work on this policy dialogue and will keep you informed about developments. Please let us know if you would like to get actively involved in preparing an input to the public call.

2. BOARD DISCUSSED DRAFT OF ANNUAL REPORT TO THE CMP

Some members stressed that it is important to highlight some of the difficulties the Board has faced in the last year, including the HFC-23 methodology and the human rights abuses. The Secretariat will finalize the report together with the Chair and send it to the CMP. The report will only later become publically available.

CDM Watch Recommends:

The Board report to the CMP is important because it summarizes the work the CDM Executive Board has done over the last year and provides the basis for the new CMP guidance to the Board which will have a large influence on the focus of the work of the CDM Board in 2012. We definitely recommend reading the draft.

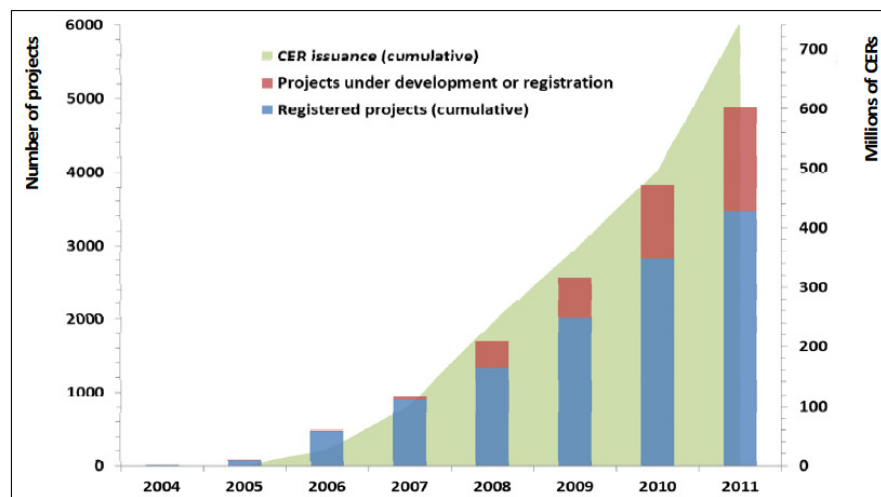
The draft of the report can be found [here](#) → download annex 2.

3. A “RISK-BASED-APPROACH” CONSIDERED AHEAD OF EXPECTED REGISTRATION RUSH FOR CDM PROJECTS

Many projects are trying to get registered before the end of 2012 after which the EU will only accept new projects that are located in Least Developed Countries. The Secretariat reported that because of the large volume of projects, projects can no longer be approved or issue credits within 30 days and suggested hiring additional staff. The secretariat also mentioned that next year the procedure should, as decided earlier, be changed to a risk-based approach. This would allow the Board to only conduct spot checks and not have each project evaluated individually. The Board will discuss this again at the next meeting.

Figure 1 taken from the draft report to the CMP (see above) shows the steep growth in projects.

Figure 1
Clean development mechanism projects and issuance of certified emission reductions



CDM Watch comments:

The Board is discussing ways to speed-up the registration process because the Secretariat is under-staffed and the volume of projects that request registration can fluctuate quite considerably (which makes it difficult to just add staff). However, a risk-based approach is indeed risky in terms of safe-guarding the environmental and social integrity of CDM projects since it would make it even more difficult to identify and eliminate harmful projects. The rules and process for such a ‘risk-based’ approach have not been clarified yet, and we urge the Board not to weaken existing rules. All projects need to be examined carefully to ensure they are additional and do not cause harm.

4. THE CDM EB BRIEFLY DISCUSSED IMPROVEMENTS OF THE STAKEHOLDER CONSULTATION PROCESS BUT MADE NO DECISIONS

The Secretariat gave a [presentation](#) on the inputs received in response to the call on the implementation of local and global stakeholder consultation during the validation process. (CDM Watch has submitted detailed comments, see [here](#)). There were 19 submissions and they were categorized as:

- 6 similar inputs received from international environmental NGO’s, plus a similar input from Wuppertal Institute
- 5 similar inputs from the Gujarat Forum on CDM and individuals from Gujarat
- Unique inputs received from DOE Forum, Project Developer Forum, Transparency International, and three individuals from China

The Secretariat concluded its presentation with the following statements: *The comments make clear that all parties involved (local and global stakeholders, project developers and DOEs) are dissatisfied with the current processes. It is worth noting however that the comments do not merely present alternative positions and propositions on the same topic. Many constructive suggestions for improvements of the system which could be mutually beneficial and agreeable have been provided.*

The Board did not have an in-depth discussion on the suggestions but instead tasked the secretariat to come up with a set of recommendations for improving the stakeholder consultations. The Board noted that it would probably only be the extension of the stakeholder commenting period that would require a CMP decision. The Board decided to mention this issue in their report to the CMP but instead of recommending an extension of the commenting period (there was no agreement on that) they only decided to raise this as an issue in the report to the CMP.

CDM Watch comments:

Although the conclusions of the Secretariat were quite positive and promising, the Board seemed not terribly enthusiastic to make significant changes that would improve stakeholder consultations. A few board members stressed their importance but many insisted that this would just cause additional delays. One member made the interesting suggestion that maybe there should be more stringent rules for project types that are more likely to trigger local opposition (e.g. projects that use large areas of land).

CDM Watch will prepare lobby material for Durban to lobby for the improvement of stakeholder consultation (including beyond the validation phase), including:

- **Prolonged global stakeholder consultation period**
- **Strengthened rules for local stakeholder consultation**
- **Translation of essential documents into language of host country (including PDD and EIA)**
- **Public participation beyond validation in implementation phase of the project**

(The summary report of these submission does not seem to be available online or at least we could not find it. If you found it, please let us know).

5. DUTCH BOARD MEMBER SUGGESTS CHANGES TO ADDITIONALITY TESTING OF VERY LARGE PROJECTS

The Dutch member of the Board (Lex de Jong) made a very interesting [slide presentation](#) on possible changes to the additionality tool to address some of the shortcomings of the tool, which provides rules on how projects must prove that they are not business-as-usual.

Lex de Jong pointed out that in many cases the CDM has no decisive influence on investment decisions. Many projects, especially large ones, are part of strategic long term plans of governments. Decisions about public sector projects are not based purely financial and usually not profit driven. The CDM can therefore at best reduce delays in implementation of such projects. It is therefore not credible to claim that very large investments are dependent on CDM registration only. He also suggested changes to in additionality rules that could be applied to new large so called greenfield projects to increase the likelihood of them being additional. His suggestions included:

- IRR baseline or financial benchmark should be at least [4-5] % (absolute) above project IRR
- The difference in levelized cost (in case of power production) should be at least [10-20] % (relative)
- Large public sector investments (e.g. mass rapid transport) should have a limited crediting period of [7-10] years
- Clear technology step-changes in industry, requiring investments > US\$ [50-100] million should not be considered, since change in technology encompasses many other benefits (e.g. product quality, production rate and capacity).

He included the following projects types that could be affected by such changes: coal plants and large hydro plants, mass transit systems and any project that requires investment over US\$ 50 million.

The Board noted the proposal and decided to discuss it at the next meeting. Even though they did not officially discuss it, quite a few members already voiced their concerns that such changes may not be justified or go too far.

CDM Watch comments:

Additionality is intrinsically difficult to tackle and one of the main reasons why offsetting is such a contentious policy instrument. CDM Watch will release two new studies this month that will highlight and provide additional information on many of the issues raised in this presentation. We strongly support action that would exclude large infrastructure projects that are clearly non-additional and often have severe negative impacts on local populations.

6. BOARD DISCUSSES LIABILITY RULES FOR EXCESS CER ISSUANCE DUE TO NEGLIGENCE AND FRAUD DISCUSSED

The Board again discussed the rules for dealing with cases where too many credits have been issued to a project due to significant errors that occurred either through negligence or fraud. The board discussed important details such as: should there be a limitation to the liability, who should be liable (DOEs only or also project developers) how high should the compensation be, who can raise such potential significant errors and who will pay for the investigation of such matters. The following decisions were made:

- Liability will not be limited but only potential cases after 28 November 2008 will be examined.
- Other stakeholders can bring forth claims. But it was not yet decided who will be included in the definition of “other stakeholders”
- Not just the financial but also the climate damage has to be compensated. This means that a DOE has to replace the over issued CERs with the same number of valid CERs.
- Project developers can currently not be held liable. Only the DOEs can.

The Board will continue discussing this issue at the next meeting.

CDM Watch comments:

Liability for excess issuance of CERs is very important, especially in the upcoming year where a registration rush is expected and huge pressure will be put on DOEs to issue positive validation. CDM Watch will continue to lobby to ensure that civil society is allowed to bring forward claims.

7. SEVERAL NEW STANDARDS IN THE WORKS

The Board discussed the following new standards that will combine existing rules into fewer documents to help increase transparency and efficiency:

- *Project Standard (PS)*
- *Validation and Verification Standard (VVS)*
- *Project Cycle Procedure (PCP)*

If the Board sticks to the implementation plan, these three standards will probably be approved at the next meeting. Furthermore the Board approved the implementation plan for the three Programme of Activities (PoAs) standards that had been approved at the last meeting.

CDM Watch comments:

These standards are only being revisited rarely and bring along unique opportunities for improvements. The rules for local stakeholder consultation are enshrined in the VVS. When deciding upon a new VVC, we will therefore push for stronger local stakeholder consultation rules and clearer guidance on the requirements (e.g. when and where it has to be announced etc).