

**DRAFT****Annex 3****The CDM 2-year Business Plan****I. Vision and objectives**

1. The Clean Development Mechanism (CDM) business plan lays out how the regulatory work of the Executive Board (hereinafter referred to as the Board) and its support structure can build on the existing strengths of the CDM, improving its operations and outreach to achieve agreed objectives for the 24 month period ending in December 2012, which marks the end of the first commitment period of the Kyoto Protocol. The Board considers that the growth and maturity achieved by the CDM in this commitment period is remarkable, and has well surpassed the expectations of its initial creators and early pioneers.

2. The overall vision guiding this business plan is to ensure that the functioning of the CDM continues to improve to meet the evolving needs of Parties and other stakeholders, and continues beyond 2012 to be the primary mechanism for generating emission reductions and removals in developing countries, as well as making a meaningful contribution to their sustainable development.

3. In pursuing this vision for the CDM, the Board has identified five specific objectives to be achieved over the next two years:

- (a) **Greater efficiency in the operation of the CDM.** The Board shall assess its processes and requirements to remove unnecessary complexities and ensure that all submissions relating to project activities, accreditation and standards are processed within agreed deadlines and in accordance with agreed standards and procedures;
- (b) **Geographic expansion of the CDM.** The Board shall take all actions within its authority to enhance the regional distribution of CDM project activities and programmes in those countries and regions currently under-represented in the CDM;
- (c) **Improved objectivity, clarity and integrity in the CDM.** The Board shall strengthen the objectivity and clarity of requirements established for the CDM in a manner which ensures the environmental integrity of the CDM;
- (d) **Enhanced transparency of the CDM.** The Board shall supervise the mechanism in a transparent and participatory manner, ensuring greater transparency regarding its work and its processing of submissions and enhance the governance structure of the mechanism;
- (e) **Enhanced promotion of the mechanism.** The Board shall champion the CDM, ensuring an enhanced understanding among stakeholders and policy makers of its benefits and its contributions to both the mitigation of climate change and the sustainable development of communities and countries.

4. This business plan elaborates further on each of these objectives by determining specific deliverables to be made and key activities to achieve them. It also incorporates requests made by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its sixth session. The plan sets out an ambitious agenda on which the Board is committed to provide leadership

**DRAFT**

but which also requires the strong engagement of the Board's support structure and all stakeholders active in the CDM.

5. Further details on specific activities, required resources and the management and oversight of the support structure for the work during the first year of this business plan are to be found in the accompanying CDM Management Plan for 2011.

II. Objectives and deliverables

6. This section elaborates each of the previously identified objectives in paragraph 3 providing details of supporting activities and associated deliverables. There is also a table under each set of deliverables providing information on when they would be available for consideration by the Board and, if appropriate, one of its panels or working groups.

A. Greater efficiency in the operation of the CDM

7. The Board shall assess its processes and requirements to remove unnecessary complexities and ensure that all submissions relating to project activities, accreditation and standards are processed within agreed deadlines and in accordance with agreed standards and procedures.

8. In 2010, the Board adopted and subsequently applied revised procedures for registration of project activities and issuance of certified emission reductions (CERs), together with revised procedures for review of requests for registration and CER issuance. The limited experience that has accumulated since the implementation of these procedures to date has shown that they have helped to streamline the assessment process and improve predictability and transparency of the processing of submissions. Further, it can be shown that some issues can be identified earlier in the processes and addressed before they reach the Board, allowing the Board to devote more of its time to supervisory and executive matters.

9. The Board meeting case related workload for registration of projects for the period covered by this plan is expected to plateau and stabilise at an average of 20 cases needing review per meeting. The continued and sustained Board focus on improving the quality of submissions is expected to result in an increase in the number of projects that would be registered automatically.

10. The Board meeting case related workload for issuance of CERs for the period covered by this plan is expected to continue to increase throughout the period with an average of 10 cases needing review per meeting. The total number of issuance cases for the 24 month period is forecast at 1,700. The continued and sustained Board focus on improving the quality of submissions is also expected to result in an increase in the number of issuances granted automatically.

11. The Board meeting accreditation related workload for designated operational entities (DOEs) for the period covered by this plan is expected to increase by 50 per cent at 20 cases per meeting. New assessment work will be replaced by a slight increase in regular surveillance activity and a large initial increase in performance assessments which will also stabilise as lessons are learned within the various DOEs and their systems are changed to reflect this learning.

12. It is very likely that the volume of requests, particularly for CER issuance requests, will grow significantly in the next two years, especially as the end of the first commitment period approaches. This represents a significant challenge for the Board which would need to ensure that the processing of submissions is conducted in a timely and efficient manner.

13. The Board related workload for policy, standards and procedural matters will be consistently high throughout the year driven by several requests and associated deadlines from CMP at its sixth session (CMP 6) and important efficiency improvement related initiatives. Together, the Board's

**DRAFT**

previous responses have made a valuable contribution but do not provide a sustainable solution. It is therefore very important that the Board identifies strategic measures that can be applied by itself and its support structure to ensure the efficient processing of increased submissions without compromising CDM reputation, environmental integrity, quality of the projects registered and CERs subsequently issued.

14. Key activities to meet this objective and related deliverables include:

- (a) **Review CDM operations and develop innovative measures for improving efficiencies in its process cycle;**

Deliverables:

- (i) Assessment report of CDM project cycle operations;
- (ii) Report on the process efficiency of the CDM methodology approval and maintenance process;
- (iii) A monitoring and reporting system for measuring compliance to timelines;
- (iv) Quality assessment of compliance to CDM requirements relating to project and entity submission;
- (v) Standardized templates for validation and verification reports, and digitized project information;
- (vi) Report on methodological issues arising from interaction with stakeholders and DOE monitoring performance system;
- (vii) Ten tables of calculation developed for ten methodologies;
- (viii) Elimination of backlog in consideration of new methodologies.

Deliverables	Panel/WG meetings	Board meetings
Assessment report of CDM project cycle operations	N/A	EB 61
Report on the process efficiency of the CDM methodology approval and maintenance process	N/A	EB 64
A monitoring and reporting system for measuring compliance to timelines	N/A	EB 61, EB 64
Quality assessment of compliance to CDM requirements relating to project and entity submission	N/A	Each EB
Standardized templates for validation and verification reports, and digitized project information	N/A	EB 64, EB 69
Report on methodological issues arising from	N/A	EB 61 - EB 65

**DRAFT**

interaction with stakeholders and DOE monitoring performance system		
Ten tables of calculation developed for ten methodologies	N/A	EB 62 (6) - EB 69
Elimination of backlog in consideration of new methodologies	N/A	EB 62

- (b) **Development of skills and expertise among Board members, identified Stakeholders, and SDM staff for the further improvement of their technical capacity;**

Deliverables:

- (i) Skills Development Strategy;
- (ii) Implementation plan for specific skill development interventions and learning programmes;
- (iii) Report on Skills Development activities.

Deliverables	Panel/WG meetings	Board meetings
Skills Development Strategy	N/A	EB 60
Implementation plan for specific skill development interventions and learning programmes	N/A	EB 61
Report on Skills Development activities	N/A	EB 62

B. Geographic expansion of the CDM

15. The Board shall take all actions within its authority to enhance the regional distribution of CDM project activities and programmes in those countries and regions currently under-represented in the CDM.

16. The issue of regional distribution of CDM projects has been an issue for Parties to the CMP since CMP 1. Successive CMP decisions have provided valuable guidance and tools to allow the Board to address this issue. The Board in turn has initiated several activities to promote the equitable regional and sub-regional distribution of CDM project activities. These include, inter alia, the establishment of a loan scheme, the development and improvement of methodologies and tools that are particularly suitable in under-represented areas and support of Designated National Authorities (DNAs) through the DNA forum.

17. As part of ongoing work to enhance the geographical reach of the CDM, the Board will now focus on those practical activities under its control that can produce tangible results with focus on specific groups of recipients.

**DRAFT**

18. Key activities to meet this objective include:

(a) **Establishment of an advisory forum on Regional Distribution;**

Deliverable

- (i) Concept note, including a draft terms of reference (TOR) for an Advisory Forum.

Deliverable	Panel/WG meetings	Board meetings
Concept note, including a draft TOR for an Advisory Forum	N/A	EB 60 - 61

(b) **Assessment and where possible removal of barriers to the implementation of CDM projects and programmes in the CDM pipeline in currently under-represented regions;**

Deliverables:

- (i) Mechanisms for broader participation in barrier and solution identification;
(ii) Report on the implementation barriers for identified projects;
(iii) Report on the potential for CDM project development in under-represented regions.

Deliverables	Panel/WG meetings	Board meetings
Mechanisms for broader participation in barrier and solution identification	N/A	EB 60
Report on the implementation barriers for identified projects	N/A	EB 63
Report on the potential for CDM project development in under-represented regions	N/A	EB 64

(c) **Arrangements to ensure the operationalization of the loan scheme, communicate its availability and appropriately assist potential applicants to access funds;**

Deliverables:

- (i) Implementing agency selected;
(ii) System to monitor the performance of the implementing agency.

Deliverables	Panel/WG meetings	Board meetings
Implementing agency selected	N/A	N/A
System to monitor the performance of the implementing agency	N/A	EB 61

**DRAFT**

- (d) **Top down development of standards and standardized baselines that are particularly applicable in geographical regions which are under-represented in the CDM;**

Deliverable:

- (i) Baseline standard;
- (ii) Five Methodologies developed;
- (iii) Ten standardized baselines.

Deliverables	Panel/WG meetings	Board meetings
Baseline standard	MP 48	EB 60 - 61
Five Methodologies developed	A/R WG 31 - 37 SSC 29 - 39 MP 49 - 58	EB 59 - 68
Ten standardized baselines	SSC 29 - 39 MP 48 - 58	EB 62 - 68

- (e) **Strengthening of DNA capacity and skills, including through its forum, to allow them to prioritize, focus and intensify their provision of support to assist stakeholders to utilise the benefits of the CDM in their own countries;**

Deliverables:

- (i) Work plan for DNA capacity building and related skills development;
- (ii) Report on the implementation of the workplan;
- (iii) Training and capacity building on standards;

Deliverables	Panel/WG meetings	Board meetings
Work plan for DNA capacity building and related skills development	N/A	EB 60
Report on the implementation of the workplan	N/A	EB 64
Training and capacity building on standards	N/A	EB 64

**DRAFT**

- (f) **Effective coordination of the work programme of the Nairobi Framework partner agencies, including capacity building activities to promote and improve regional distribution of CDM projects;**

Deliverable:

- (i) Work programme of partner agencies adopted;

Deliverable	Panel/WG meetings	Board meetings
Work programme of partner agencies adopted	N/A	N/A

C. Improved objectivity, clarity and integrity in the CDM

19. The Board shall strengthen the objectivity and clarity of requirements established for the CDM in a manner which ensures the environmental integrity of the CDM.

20. In 2010, the Board initiated work on improving the objectivity and clarity and simplifying its requirements with the view to improve the efficiency of the CDM regulatory process and to improve stakeholder understanding. This included, for example, the simplification of requirements on additionality for very small CDM projects, the inclusion of simple default options in methodological tools, the revision of methodologies with the view to enhance their objectivity, applicability, usability and consistency, and the revision of relevant procedures and guidance documents (e.g. on barrier and investment analysis).

21. The Board is committed to ensuring that the CERs issued under the CDM meet Parties expectations for environmental integrity by continuously providing guidance and improving its rules. As the mechanism evolves, new challenges emerge. The CDM has to learn to cope with these challenges, and the Board therefore is expected to predict and pro-actively respond to emergent challenges and to continually seek improvements in the mechanism while ensuring that the environmental integrity of the CDM is maintained.

22. Further improvement in the clarity and objectivity of CDM requirements therefore will remain a high priority for the Board in the next two years and the Board will prioritize action to ensure that its rules are clear, objective, and understandable by all stakeholders, noting that enhanced interaction with various stakeholder groups will be critical in achieving success in this area.

23. Key activities to meet this objective include:

- (a) **Improvement of the standards, procedures, guidelines and tools to enhance objectivity and environmental integrity, using, where possible, new and innovative approaches.**

Deliverables:

- (i) Ten simplified methodologies, serving agreed sectors (six in 2011);
- (ii) Simplified and expanded additionality tool for micro-scale projects;
- (iii) Standard on first of its kind (FoIK) and Common Practice;
- (iv) Procedures for the use of nationally established grid emission factors (CMP request);

**DRAFT**

- (v) Summary and assessment of stakeholder issues regarding programme of activities (POA);
- (vi) Revised standards and rules related to POA.

Deliverables	Panel/WG meetings	Board meetings
Ten simplified methodologies serving agreed sectors (six in 2011)	MP 48 58 A/R WG 31 - 34 (4) SSC 29 - 33 (4)	EB 59 - EB70
Simplified and expanded additionality tool for micro-scale projects	SSC 32	EB 60 - EB61
Standard on first of its kind (FoiK) and Common Practice	N/A	EB 59 - EB61
Procedures for the use of nationally established grid emission factors	N/A	EB 63
Summary and assessment of stakeholder issues regarding Programme of Activities (POA)	N/A	EB 62
Revised standards and rules related to POA	N/A	EB 63, EB 65

- (b) **Clarification, consolidation and enhancement of the consistency of all the existing regulatory decision of the Board that relate to validation and verification of project activities.**

Deliverables:

- (i) Revise the CDM VVM into a VVS and a consolidated validation and verification procedure;
- (ii) Standard for project participants (i.e. obligations on project participants during validation, operation, and verification of project activities).

Deliverables	Panel/WG meetings	Board meetings
Revise the CDM Validation and Verification Manual (VVM) into a Validation and Verification Standard (VVS) and a consolidated Validation and Verification Procedure	N/A	EB 62 - EB64
Standard for project participants (i.e. obligations on project participants during validation, operation, and verification of project activities)	N/A	EB 64

**DRAFT****D. Enhanced transparency of the CDM**

24. The Board shall supervise the mechanism in a transparent and participatory manner, ensuring greater transparency regarding its work and its processing of submissions and enhance the governance structure of the mechanism.

25. Transparency of information and appropriate and continual involvement of stakeholders are key features of the CDM and are among the main factors that have contributed to its success. A number of the procedures adopted by the Board in the past year have sought to broaden the involvement of stakeholders and improve the transparency of the CDM process. The Board will continue to enhance stakeholder understanding and contribute to accurate perceptions of the mechanism emphasising its unique role. The continued interaction of the Board with DOEs together with any future direct interaction with project participants will allow the Board to continually gauge the needs of these two important groups of stakeholders and also assess and adjust Board workload and priorities accordingly. This obviously assumes that project participants and DOEs are keen to understand and will then strive to comply with the requirements of the CDM as these evolve.

26. Key activities to meet this objective include:

- (a) **Establishment of modalities and procedures for direct communication between the Board and stakeholders.**

Deliverables:

- (i) Modalities and procedures for direct communication between the Board and project participants;
- (ii) Direct and ongoing communication with DOEs.

Deliverables	Panel/WG meetings	Board meetings
Modalities and procedures for direct communication between the Board and project participants	N/A	EB 61 - EB62
Direct and ongoing communication with DOEs	N/A	Each EB

- (b) **Development of publicly available work flows providing information relating to the status of all submissions in process**

Deliverables:

- (i) Provision of the status of all submissions online;
- (ii) Improved online communication tools.

Deliverables	Panel/WG meetings	Board meetings
Provision of the status of all submissions online	N/A	EB 63
Improved online communication tools	N/A	EB 66

**DRAFT****(c) Improvement of the documentation and reports of the meetings of the Executive Board and supporting panels.**Deliverables:

- (i) Improved format for meeting reports, and documentation, of the Board and supporting panels;
- (ii) Panel and working group documentation incorporated in the Catalogue of Decisions.

Deliverables	Panel/WG meetings	Board meetings
Improved format for meeting reports, and documentation, of the Board and supporting panels	N/A	EB 61
Panel and working group documentation incorporated in the Catalogue of Decisions (CoD)	N/A	EB 66

(d) Improvement of the transparency of the regulatory governance structure and administrative supportDeliverables

- (i) Revised TOR for Chairs and Vice-Chairs of Working Groups;
- (ii) Report on the implementation of the Board's business plan;
- (iii) Revised rules of procedure of Board, changing decision-making process, as appropriate;
- (iv) Report on resource utilization.

Deliverables	Panel/WG meetings	Board meetings
Revised TOR for Chairs and Vice-Chairs of Working Groups	AP 54, SSC 31, AR 32, MP 49,	EB60 - EB 61
Report on the implementation of the Board's business plan	N/A	EB 62, EB 64, EB 66, EB 68
Revised rules of procedure of Board, changing decision-making process, as appropriate	N/A	EB 63
Report on resource utilization	N/A	Each EB

E. Enhanced promotion of the mechanism

27. The Board shall champion the CDM, ensuring an enhanced understanding among stakeholders and policy makers of its benefits and its contributions to both the mitigation of climate change and the sustainable development of communities and countries.

28. Key activities to meet this objective include:

**DRAFT**

- (a) **Development, and dissemination of training and information materials regarding Regulators requirements, improvements in the regulatory system and issues raised in the assessment of project submissions**

Deliverable:

- (i) A set of CDM learning materials and training packages for the promotion of CDM by stakeholders.

Deliverable	Panel/WG meetings	Board meetings
A set of CDM learning materials and training packages for the promotion of CDM by stakeholders	N/A	N/A

- (b) **Further promotion of the achievements and contributions of the mechanism in mitigating climate change and sustainable development, including technology transfer**

Deliverables:

- (i) Report on developments in carbon market activities and related policies and negotiations;
- (ii) Report on overall use and effectiveness of the CDM;
- (iii) Report on implementation of CDM communication strategy.

Deliverables	Panel/WG meetings	Board meetings
Report on developments in carbon market activities and related policies and negotiations		EB 61, EB 64, EB 66, EB68
Report on overall use and effectiveness of the CDM		EB 65
Implementation of CDM communication strategy		EB 62, EB 64

III. Critical Success Factors

29. The **first critical success factor** is that the Board manages its large policy and case workload in an executive manner and that it will dedicate increased time at future meetings to policy and procedural matters that drive systemic improvement in the mechanism while having sufficient time at the six, five-day meetings (of eight hours per day), scheduled in 2011 (assuming a maximum of 1 day for registration and issuance cases at each meeting). The same number and duration of meetings in 2012 is also assumed.

30. The **second critical success factor** is that the Board will schedule periodic reviews of its own ongoing performance as a Board to identify areas for improvement. Linked to this is the need for the Board to periodically review the status of implementation of its Business Plan to allow it to make mid course corrections of priorities if, and as, required.

**DRAFT**

31. The *third critical success factor* is that the Board support structure will have the required capacity and capability to deliver all required inputs of the necessary quality, and on schedule, so as to allow the Board to confidently make appropriate decisions in a time efficient manner.
32. The *fourth critical success factor* is the availability and use of sufficient numbers of appropriately competent, external experts for use in addressing the expected periodic peaks in demand for registration and especially issuance related case work to ensure that agreed timelines are continuously met.
33. The *fifth critical success factor* is that DOE performance will improve as data is made available to them accompanied by the necessary sanctions or incentives that are required to improve compliance to CDM requirements and reduce the time wasted by the Board and its support structure on poor quality submissions.

IV. Resource plan

34. A detailed list of related actions to support each objective, activity and milestone contained in this Board business plan and the associated financial and secretariat human resource needs are contained in a separate document entitled CDM Management Plan (CDM-MAP) 2011.

Summary of CDM Business Plan Deliverables 2011-2012					EB59		EB60		EB61	EB62		EB63	EB Retr	EB64			EB65		EB66		EB67	EB68		EB69	EB Retr	EB70	
Activity	Deliverables	When (EB)	Jan-11	#####	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	
1 (a) (i)	Assessment report of CDM project cycle operations	61																									
(ii)	Report on the process efficiencies of the CDM methodology approval and maintenance process	64																									
(iii)	A monitoring and reporting system for measuring compliance to timelines	61, 64																									
(iv)	Quality assessment of compliance to CDM requirements relating to project and entity submissions	All																									
(v)	Standardized templates for validation and verification reports, and digitalized project information	64, 69																									
(vi)	Report on methodological issues arising from interaction with stakeholders and data obtained from the DOE performance monitoring system	61-65																									
(vii)	Ten tables of calculation developed for methodologies	62-69																									
(viii)	Elimination of backlog in consideration of new methodologies	62																									
1 (b) (i)	Skills Development Strategy	60																									
(ii)	Implementation plan for specific skill development intervention and learning programmes	61																									
(iii)	Report on Skills Development infrastructure and learning process in support of capacity development activities	62																									
2 (a) (i)	Concept note including a draft TOR for the Advisory Forum	60-61																									
2 (b) (i)	Mechanisms for broader participation in barrier and solution identification	60																									
(ii)	Report on implementation barriers for identified projects	63																									
(iii)	Report on the potential for CDM project development in under represented regions	64																									
2 (c) (i)	Implementing agency selected*																										
(ii)	System to monitor the performance of the implementing agency	61																									
2 (d) (i)	Baseline standard	60-61																									
(ii)	5 Methodologies developed	59-68																									
(iii)	10 standardized baselines	62-68																									
2 (e) (i)	Work-plan for DNA capacity building and related skills development	60																									
(ii)	Report on the implementation of the work plan	64																									
(iii)	Training and capacity building on standards	64																									
2 (f) (i)	Work programme of partner agencies adopted *																										
3 (a) (i)	10 revised and simplified methodologies serving agreed sectors,	59-70																									
(ii)	Simplified and expanded additionality tool for micro scale projects	60-61																									
(iii)	Standard on first-of-its-kind and Common Practice	59-61																									
(iv)	Procedures for the use of nationally established grid emission factors	63																									
(v)	Summary and assessment of stakeholder issues regarding POA	62	</																								

* Deliverables not for action at an EB meeting