

CDM-EB96-AA-A01

Draft annual report of the CDM Executive Board to the CMP

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DRAFT



United Nations
Framework Convention on
Climate Change

COVER NOTE

1. Procedural background

1. In accordance with the modalities and procedures for a clean development mechanism (CDM), the CDM Executive Board reports on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). This document is a draft of the Board's report to CMP 13.

2. Purpose

2. The draft report covers the work undertaken by the Board from 18 September 2016 to 22 September 2017. It provides information on progress made in implementing the CDM during its sixteenth year of operation and makes recommendations for the consideration of CMP13. This is a draft report only, pending inclusion of outcomes from the Board's ninety-six meeting and latest updated figures.

3. Key issues and proposed solutions

3. The draft report highlights the decline in CDM activity, the result of weak demand for certified emission reductions, but also the improvements made to the CDM in the past year and the opportunities for continued use of the CDM.
4. The report offers an opportunity for the Board to make recommendations to the CMP.¹

4. Impacts

5. The draft report describes the status of the CDM, challenges, achievements, opportunities, work undertaken, and governance and management matters. The report will constitute an important basis for Parties' negotiations under the CMP agenda item on issues relating to the CDM.

5. Subsequent work and timelines

6. The outcomes of the ninety-sixth meeting of the Board (EB 96) will need to be incorporated into the report. The report will then be formatted and edited as a formal document for CMP 13.

6. Recommendations to the Board

7. The secretariat recommends that the Board, at EB 96:
 - (a) Consider and agree on the report, making any adjustments necessary;
 - (b) Request the secretariat to finalize the report in cooperation with the Chair and Vice-Chair of the Board, and include the outcomes of EB 96.

¹ Pending inclusions are reflected by placeholders and/or highlights.

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1. Introduction

1.1. Mandate

1. In accordance with the modalities and procedures for a clean development mechanism (CDM),² the CDM Executive Board (hereinafter referred to as the Board) reports on its activities to each session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP). In exercising its authority over the CDM, the CMP reviews such reports, provides guidance and takes decisions, as appropriate.

1.2. Scope of the report

2. This annual report provides information on progress made in implementing the CDM during the period from 18 September 2016 to 22 September 2017 (hereinafter referred to as the reporting period)³ and includes recommendations for consideration at CMP 13. It describes the status of the CDM, highlights the achievements, opportunities and challenges relating to the operation of the CDM and provides information on the governance, management and financial status of the mechanism. Further information is available on the CDM web pages,⁴ which are the central repository for all reports and other documentation relating to the Board.
3. The outcomes of the Board's 97th meeting (EB 97), held after the publication of this report, will be highlighted by the Chair of the Board, Mr. Frank Wolke, in his oral remarks to CMP 13.

1.3. Action to be taken by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

4. CMP 13, in taking note of this report, may wish:
 - (a) To note the work of the Board in response to requests of CMP 12 (see section 3 below and appendix I);
 - (b) To designate operational entities that have been accredited and provisionally designated by the Board (see appendix 2);
 - (c) To provide guidance on matters arising from this report;
 - (d) [Placeholder].

² Decision 3/CMP.1, annex, paragraph 5(c).

³ The information in this report covers the period from 18 September 2016 to 22 September 2017, in accordance with decision 1/CMP.2, paragraph 11, and decision 2/CMP.3, paragraph 7, unless otherwise indicated.

⁴ <<http://cdm.unfccc.int/>>.

5. The CMP is to elect Board members for a term of two years, upon nominations being received from Parties, as follows:
- (a) Two members and two alternate members from Parties not included in Annex I to the Convention (non-Annex I Parties);
 - (b) One member and one alternate member from the Alliance of Small Island States;
 - (c) One member and one alternate member from the Eastern European States;
 - (d) One member and one alternate member from Parties included in Annex I to the Convention (Annex I Parties).

2. Status of the clean development mechanism

2.1. The clean development mechanism in numbers

6. In 2017, the CDM has continued to face low demand for certified emission reductions (CERs) compared with that in the first commitment period of the Kyoto Protocol, which ended in 2012. Project registration and issuance of CERs also remain low compared with that in the first commitment period. However, there has been a slight increase in project registration and issuance of CERs in 2017 compared with in 2016. Table 1 shows numbers of projects registered, projects issued with CERs and CERs issued (including programmes of activities (PoAs)).

Table 1. [PLACEHOLDER] Numbers of projects registered, projects issued with certified emission reductions and certified emission reductions issued (including programmes of activities)

| Reporting period ^(a) | Projects registered ^(b) | Projects issued with CERs ^(c) | CERs issued |
|---------------------------------|------------------------------------|--|-------------|
| October 2011 to September 2012 | X XXX | X XXX | XXX XXX XXX |
| October 2012 to September 2013 | X XXX | X XXX | XXX XXX XXX |
| October 2013 to September 2014 | X XXX | X XXX | XXX XXX XXX |
| October 2014 to September 2015 | X XXX | X XXX | XXX XXX XXX |
| October 2015 to September 2016 | X XXX | X XXX | XXX XXX XXX |
| October 2016 to September 2017 | X XXX ^(d) | X XXX | XXX XXX XXX |

Abbreviation: CERs = certified emission reductions.

- (a) The reporting periods covered in this table are from 1 October to 30 September of the following year, except for 2017, for which the cut-off date is 22 September.
- (b) The number of projects registered was calculated using the effective date of registration.
- (c) "Projects issued with CERs" refers to projects that completed the issuance of CERs during the reporting period.

(d) Please note that this figure was calculated using the date of registration action instead of the effective date of registration.

2.2. Achievements and opportunities

7. The CDM was created as a tool of the Kyoto Protocol with the twin aims of providing flexibility to Parties included in Annex I to the Convention (Annex I Parties) to comply with their quantified emission limitation and reduction commitments and assisting Parties not included in Annex I to the Convention (non-Annex I Parties) in achieving sustainable development.
8. During the first commitment period of the Kyoto Protocol, the CDM successfully fulfilled its role of providing flexibility to Annex I Parties, who collectively used more than 1 billion CERs towards Kyoto Protocol compliance.
9. In addition, the CDM has assisted non-Annex I Parties in moving towards their sustainable development goals by catalysing the registration of more than 8,000 projects and PoAs in 111 countries and has issued almost 1.9 billion CERs. Thus, the mechanism has demonstrated its potential as a tool for mobilizing investment in climate action and as a driver for sustainable development.
10. From its inception, the CDM has been a pioneer in the measurement, reporting and verification of the mitigation outcomes achieved by specific activities on the ground, and has evolved and continuously improved over time as it 'learns by doing'. The Board continues to hold the view that the CDM is the world's leading example of a baseline-and-crediting mechanism, that it provides a ready-made tool for use in the international response to climate change and that it provides a wealth of experience and lessons learned.
11. The Board hopes that Parties can avoid 'reinventing the wheel' by drawing on the experience gained with and lessons learned from existing mechanisms and approaches as recommended by the Conference of the Parties (COP),⁵ in preparing the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement.
12. In the meantime, the CDM continues to be used both by Parties to meet their commitments under the Kyoto Protocol and by non-Party stakeholders for purposes not related to targets under the Kyoto Protocol (see section 3.1 below). The Board, with the encouragement of the CMP, continues to explore and support these expanded uses to ensure that the CDM is best used by all, that its emission reductions continue to be recognized, and that it continues to assist in the achievement of sustainable development for host Parties.

2.3. Challenges faced by the clean development mechanism

13. Despite its successes, the CDM is at risk. These risks are mostly due to factors external to the mechanism. The level of commitments inscribed in Annex B to the Kyoto Protocol for the second commitment period, as well as the restrictions set by some buyers on the quantity, type and origin of CERs, and the uncertainty regarding whether and how they can be used beyond 2020, have drastically lowered the prices of CERs.

⁵ Decision 1/CP.21, paragraph 37(f).

14. Owing to the low demand for CERs and the resulting generally low CER price, many CDM projects have stopped issuing CERs. Approximately 41 per cent of the projects that had CERs issued up to 31 December 2012 (the end of the first commitment period of the Kyoto Protocol) have not had further CERs issued.
15. On the other hand, new opportunities for demand have emerged, both in terms of potential use of CERs as a means to increase post 2020 ambition in nationally determined contributions (NDCs) and under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), adopted by the International Civil Aviation Organization (ICAO), to be launched in 2021. However, the lack of any decisions from Parties about the continuation of the CDM beyond the end of the second commitment period of the Kyoto Protocol is undermining the mechanism and its potential for generating additional emission reductions.
16. The decline in CDM activity has continued to affect the mechanism's third-party validators and verifiers, namely the designated operational entities (DOEs). In the reporting period, four DOEs voluntarily withdrew their accreditation in its entirety and two DOEs did not apply for reaccreditation and let their accreditation expire. Also, the Board suspended, on a provisional basis pending a decision of the CMP thereon, the accreditation of two DOEs for certain sectoral scopes and subsequently lifted the suspension for one DOE. There are now 30 operational entities designated for the validation and verification of projects and certification of emission reductions, down from 36 as at 1 October 2016 (see para. 22 below).
17. Many Parties have developed their NDCs under the Paris Agreement on the basis of anticipated access to and participation in an international carbon market. Without an increase in the utilization and support for the CDM, there is a risk that necessary capacity, knowledge and expertise will be lost. Once lost, it will either not be available to support an international carbon market in the future, or significant capacity-building will be required to re-establish it.

3. Work undertaken in the reporting period

18. This section describes the work of the Board in the reporting period, including its response to requests made and encouragements given by the CMP. Appendix 1 contains an overview of the deliverables of the Board in response to the requests and encouragements of CMP 12.

3.1. Policy matters

3.1.1. Financing the clean development mechanism through international climate financing institutions

19. In response to decision 6/CMP.11, paragraphs 7 and 8, and decision 3/CMP.12, paragraph 4, the Board initiated work to explore opportunities for financing the CDM through international climate financing institutions, such as the Green Climate Fund, drawing on the outcomes of a workshop held at the forty-fourth sessions of the subsidiary bodies⁶ and considering

⁶ The workshop on financing and use of the CDM by international climate finance institutions was held on 16 May 2016 in Bonn, Germany. See <<http://cdm.unfccc.int/stakeholder/index.html>>.

transparent and prudent management of the resources of the CDM. CMP 12 encouraged the Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 and 8.

20. The Board noted progress of support provided by the secretariat and the regional collaboration centres (RCCs) in assisting in the arrangement of funding for CDM projects in 2017. The four activities, working with banks and financial intermediaries and ongoing since 2016, aim at using the CDM as a tool to verify mitigation outcomes, but primarily assist in arranging co- and refinancing of CDM project activities that face barriers to financing start-up and continuation of operations. Recognizing that this support could also benefit national financial institutions in other countries, the Board agreed in 2017 to support a fifth activity, providing technical and convening support requested by a national development bank in a frontier financial market. This new work was initiated in 2017 and the Board requested the secretariat to provide an update on progress, and will consider supporting further activities in 2018, subject to the availability of resources.

3.1.2. Options for using the clean development mechanism as a tool for other uses

21. In response to decision 6/CMP.11, paragraph 7, and decision 3/CMP.12, paragraph 4, the Board, at EB 95, took note of an update from the secretariat on activities being undertaken to support the use of the CDM as a tool for other uses. The activities undertaken are included under five subcategories:

- (a) **Future role of the CDM or its elements in the context of the Paris Agreement and the use of CERs as a compliance instrument in emissions trading schemes:** Some Board members participated in a side event titled “CDM and NDCs – the way forward” at the forty-sixth sessions of the subsidiary bodies, thereby contributing to increasing awareness about potential future uses of the CDM. In addition, the three regional carbon forums held during the reporting period enhanced awareness about the potential use of CERs post Paris Agreement. Further, the RCCs supported 21 Parties in developing their NDCs, which reflected potential use of the CDM. Also, technical inputs were provided on potential means to operationalize the use of CERs in national emissions trading systems (e.g. emissions trading systems under consideration in South Africa and Côte d’Ivoire);
- (b) **Encouraging aviation and maritime companies to commit to greenhouse gas emission reductions:** The Board requested the secretariat to monitor the development of CORSIA and to support the process, upon request by ICAO. The Board agreed to continue to work in collaboration with ICAO on the development of methodologies relevant to the aviation sector and to encourage early action using CERs for voluntary purposes in the aviation sector. Voluntary use of CERs was promoted at five aviation carbon market workshops, including use of CERs to achieve pre-2020 action under CORSIA. As part of this work, the secretariat contributed to the strategy of the International Maritime Organization, with possible inclusion of market-based measures, for emission reduction from ships;
- (c) **Engaging with the financial and investment communities to promote the use of the CDM as a tool for monitoring, reporting and verifying emission reductions** (see paras. 19–20 above);

- (d) **Supporting additional emission reductions through voluntary cancellation of CERs** (see paras. 38–42 below);
- (e) **Further use of the CDM or its elements to verify the mitigation impact of activities supported by development agencies and multilateral development banks:** The Board, through the secretariat, is supporting initiatives such as the World Bank's Carbon Initiative for Development and Pilot Auction Facility by providing input on methodological, procedural and other implementation issues (these initiatives have created a potential demand for over 25 million CERs and more areas for coverage are being planned). The Board is also supporting various initiatives for the application of technology and innovation that can potentially facilitate further use of the CDM, for example an initiative of the United Nations Development Programme (UNDP) to use crowdfunding and blockchain technology (e.g. Alternative Financing Lab in association with SolarCoin), initiatives of the European Bank for Reconstruction and Development for automation in monitoring CDM renewable energy systems, and an initiative of the Food and Agriculture Organization of the United Nations for harmonizing residential wood fuel data collection through national and international surveys.

3.2. Rulings

3.2.1. Rulings related to accreditation

- 22. In the reporting period, four DOEs voluntarily withdrew their accreditation status in its entirety and two DOEs did not apply for reaccreditation and let their accreditation expire. Also, the Board suspended, on a provisional basis pending the decision of the CMP thereon, the accreditation of two DOEs for certain sectoral scopes and subsequently lifted the suspension for one DOE. There are now 30 operational entities designated for the validation and verification of projects and certification of emission reductions, down from 36 as at 1 October 2016. The Board recommends the entities listed in appendix 2 for designation or suspension at CMP 13 for the sectoral scopes indicated.

3.2.2. Rulings related to the registration of project activities and programmes of activities and the issuance of certified emission reductions

- 23. In the reporting period, a total of XXX,XXX,XXX CERs were issued. Temporary certified emission reductions (tCERs) and long-term certified emission reductions (ICERs) were not issued during that period. This brings the total number of CERs issued as at 22 September 2017 to XXX,XXX,XXX, which includes XXX,XXX,XXX CERs, XXX,XXX,XXX tCERs and XXX,XXX,XXX ICERs.
- 24. Of the total CERs issued as at 22 September 2017, XXX,XXX,XXX were issued for the first commitment period of the Kyoto Protocol and XXX,XXX,XXX for the second commitment period. Of the total tCERs issued, XXX.XXX.XXX were issued for the first commitment period and XXX,XXX,XXX for the second commitment period. All XXX,XXX,XXX ICERs were issued for the first commitment period.

25. Table 2 shows registration- and issuance-related requests in the period from 18 September 2016 to 22 September 2017 and the figure below shows the percentage distribution of registered project activities, PoAs and component project activities (CPAs) by UNFCCC region.

Table 2. Clean development mechanism registration- and issuance-related requests in the period from 18 September 2016 to 22 September 2017

| Request | Number of requests submitted ^(a) | Number of finalized requests ^(b) |
|---------------------------------------|---|---|
| Project: registration | XXX.XXX.XXX | XXX.XXX.XXX. |
| Project: issuance | XXX.XXX.XXX | XXX.XXX.XXX |
| Programme of activities: registration | XXX.XXX.XXX | XXX.XXX.XXX |
| Programme of activities: issuance | XXX.XXX.XXX | XXX.XXX.XXX |
| Renewal of crediting period | XXX.XXX.XXX | XXX.XXX.XXX |
| Post-registration changes | XXX.XXX.XXX | XXX.XXX.XXX |
| Component project activities | XXX.XXX.XXX | XXX.XXX.XXX |

(a) "Requests submitted" comprises submissions and resubmissions after incompleteness.

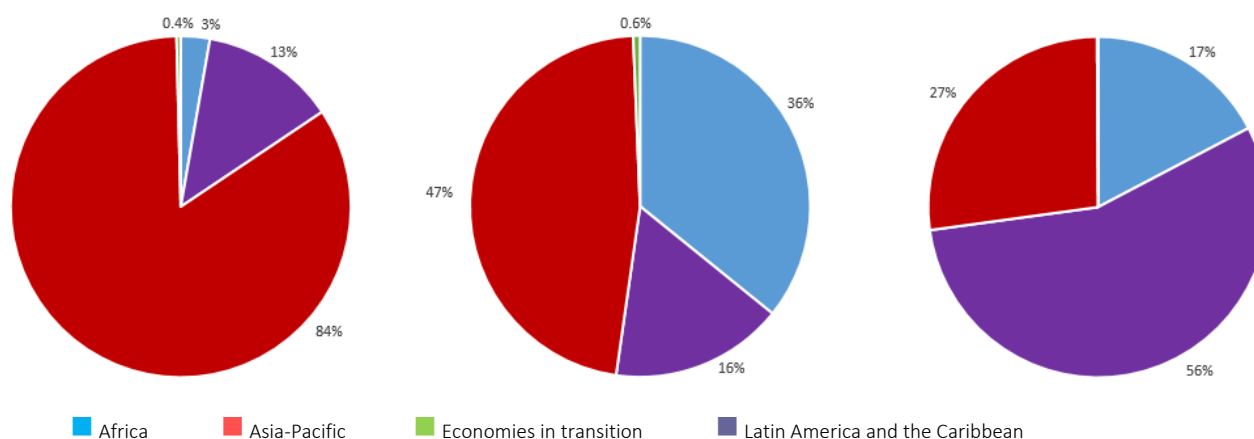
(b) "Finalized requests" comprises registered, withdrawn and rejected requests submitted within the reporting period and requests submitted prior to the reporting period that entered the processing pipeline during the reporting period.

Figure 1. Percentage distribution of registered project activities, programmes of activities

Total registered projects: 7 778

Total registered PoAs: 310

Total included CPAs: 2 084



Abbreviations: CPAs = component project activities, PoAs = programmes of activities.

26. The number of projects and PoAs that had received issuance by the end of the reporting period is 3,084 and 47, respectively. Of the total CERs issued, XXX,XXX,XXX CERs were issued for PoAs by the end of the reporting period.
27. At the Board's request, in early 2016 the secretariat prioritized the processing of requests for registration and issuance submissions. As a result, the waiting time for commencing completeness checks, which was around 28 days during September 2016, was reduced to less than 10 days by October 2016. Since then, the waiting time has been maintained at less than two weeks.
28. Details on transactions with CERs, including forwarding and voluntary and administrative cancellation, are provided in table 3.

Table 3. Overview of completed transactions in the clean development mechanism registry

| Transaction type | Total as at 22 September 2017 | | 18 September 2016 to 22 September 2017 | |
|---|----------------------------------|-------------|---|-------------|
| | Transactions | Units | Transactions | Units |
| Issuance transactions | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |
| Share of proceeds transactions to the Adaptation Fund account | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |
| Internal and external forwarding transactions | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |
| Transactions from the Adaptation Fund account to Annex I Party registries | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |
| Voluntary cancellation transactions | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |
| Administrative cancellation transactions | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX | XXX.XXX.XXX |

29. The Board has received two requests for the voluntary deregistration of CDM project activities since the implementation of the procedure for voluntary deregistration in February 2015. No deregistration requests were received in the reporting period.

30. Detailed figures can be found on the CDM web pages.⁷

3.2.3. Rulings related to share of proceeds

31. Under the CDM rules, share of proceeds (SOP) for administrative expenses is due to the CDM Trust Fund at registration of CDM activities and at issuance of CERs. The operationalization of the rules related to issuance has required project participants to pay SOP prior to being granted access to their CERs, so that forwarding or voluntary cancellation may occur. This practice has been applied consistently since the beginning of the CDM operations.
32. With the decline of the CDM market, project participants have not initiated forwarding or voluntary cancellation of CERs for an increasing number of approved requests for issuance. As at 22 September 2017, there were more than 292 million CERs held in the pending account of the CDM registry, which represents approximately USD 52.3 million in uncollected SOP. When the SOP is not collected, the costs associated with administrative services rendered are left uncovered.
33. Considering the growing trend for uncollected SOP, at EB 95 the Board agreed to amend the SOP practice as follows:
- (a) For upcoming requests for issuance, to collect SOP prior to the secretariat commencing the completeness check of the issuance requests;
 - (b) For approved requests for issuance with uncollected SOP, to allow partial payments of SOP to enable project participants to access the corresponding proportion of CERs for forwarding or voluntary cancellation.
34. The decision of the Board with respect to upcoming requests for issuance will better align SOP practice with decision 7/CMP.1, paragraph 37, which specifies SOP collection as being before issuance. The decision with respect to already approved requests for issuance will provide project participants with greater flexibility in meeting the costs of SOP, with a view to increasing collection for the CDM Trust Fund.

3.3. Regulatory matters

35. During the reporting period, in response to decision 3/CMP.12, paragraph 5, the Board continued to improve the CDM through the adoption of new or revised regulatory documents, including the creation of two sets of the CDM project standard, the CDM validation and verification standard and the CDM project cycle procedure (one set for project activities and the other set for PoAs), the CDM glossary, the sampling standard, the CDM Accreditation Procedure and the procedures relating to managing the support structure of the Board.
36. A list of the regulatory documents (standards, procedures, guidelines, clarifications, information notes, amendments and glossaries) approved or revised by the Board during the reporting period is included in appendix 3.

⁷ <<http://cdm.unfccc.int/Statistics/Public/index.html>>.

3.3.1. Online platform for voluntary cancellation of certified emission reductions and promotion of voluntary cancellation of certified emission reductions

37. In September 2015, the Board launched the online platform for voluntary cancellation of CERs⁸ (hereinafter referred to as the platform). The platform allows project participants to offer CERs for immediate voluntary cancellation to the public and issues cancellation certificates to the purchasers.
38. In the reporting period, a total of **XX,XXX** CERs were cancelled in **XXX** individual transactions on the voluntary cancellation platform at an average price of USD 2.10. A total of **X.X** million CERs are now available from 49 projects on the platform, which offers the cancellation of CERs at prices between USD 0.41 and 5.00.
39. Work on deploying French and Spanish language versions of the platform is ongoing and expected to be completed by the end of 2017. In addition, work on improving the user-experience of the platform on the basis of an independent expert review conducted in 2016 has begun and is expected to be completed in 2018.
40. The platform was promoted by the secretariat in the context of the secretariat's Climate Neutral Now initiative, including for integration with climate exchanges. In April 2017, the first partnership agreement with Carbon Trade eXchange was concluded by the secretariat to allow the offering and cancellation of CERs through technical arrangements between the CDM registry and the partners on a non-exclusive basis. By late July 2017, the first two CDM projects had listed CERs on Carbon Trade eXchange, and the first cancellation transaction, for 10,000 CERs, was executed on 9 August 2017.
41. In the reporting period, a total of **X.X** million CERs were voluntarily cancelled directly in the CDM registry. Of these, **X.XX** million CERs were converted to Korean Offset Credits and **XXX,XXX** CERs were cancelled for transfer to Verified Carbon Standard credits. The remaining portion, some **X.X** million CERs, were cancelled with the aim of achieving climate neutrality, mainly in the private sector. This represents an increase of more than 600 per cent in comparison with the same period in 2016. Information about CERs cancelled in national registries is not available, since the registries do not share such information.

3.3.2. Accreditation system

42. In response to decision 3/CMP.12, paragraph 6, the Board agreed to consult the CDM Accreditation Panel (AP) and the DOE and accredited independent entity (DOE/AIE) Coordination Forum, and launch a survey to analyse the overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs.
43. **Placeholder: EB 96 outcome on accreditation system.**

⁸ <<http://offset.climateutralnow.org/>>.

3.3.3. Project cycle

44. In response to the request in decision 6/CMP.11, paragraph 6, the Board continued to consider ways to simplify and streamline the CDM and agreed on several changes, including:
- (a) Clarifying the conditions for exemption from on-site inspection at the validation and verification stages;
 - (b) Simplifying the inclusion of CPAs in a PoA, including a further simplified process for CPAs that are deemed automatically additional;
 - (c) Allowing the reinclusion of excluded CPAs in a PoA;
 - (d) Extending the validity of applied methodologies for resubmissions of requests for registration;
 - (e) Allowing voluntary updates and changes to an applied methodology after registration;
 - (f) Increasing the flexibility of changes to the start date of the crediting period;
 - (g) Simplifying the post-registration change process, allowing the free choice of the approval track irrespective of the type of changes;
 - (h) Clarifying the types of information required for requesting authorization of a DOE to perform both validation and verification for the same project activity or PoA;
 - (i) Allowing the change of a DOE at the validation and verification stages;
 - (j) Providing unlimited flexibility to verification schedules for PoAs;
 - (k) Allowing debundling and flexible verification schedules for bundled project activities;
 - (l) Reducing the sample size for geographically scattered project activities;
 - (m) Removing the requirement for project participants and coordinating/managing entities to update the status of project or programme implementation after their registration.
45. The Board incorporated these agreed changes into the newly adopted two sets of CDM project standard, CDM validation and verification standard and CDM project cycle procedure and in the revised sampling standard, referred to in paragraph 35 above.

3.3.4. Programmes of activities

46. In response to the request in decision 6/CMP.11, paragraph 18, the Board developed a set of regulatory documents specifically for PoAs by separating and consolidating the requirements only applicable to PoAs from those only applicable to project activities, as referred to in paragraph 35 above.

3.3.5. Regulatory framework management

47. The Board revised the procedures relating to the support structure of the Board to reflect the merging of the Methodologies Panel (MP) and the Small-Scale Working Group (SSC WG). New terms of reference were adopted for the consolidated panel.
48. The Board revised the CDM accreditation procedure to set the minimum number of mandatory performance assessments of each DOE per accreditation term and to make the timing of the payment of accreditation fees more flexible.

3.3.6. Materiality

49. The Board, at EB 93, agreed to further postpone further work on requirements relating to the application of materiality in the validation process⁹ owing to the decreased level of validation activities in the CDM and to give priority to the assessment of registration and issuance submissions (see para. 27 above). The Board also agreed not to resume this work unless the CMP requests it to undertake the work in 2018.

3.3.7. Simplification and streamlining of methodological standards

50. The Board approved two new methodologies for activities that reduce losses from electricity transmission and distribution grids (e.g. using low-resistivity power transmission lines, and reactive power compensation). Energy efficiency in power transmission systems is an area underrepresented in the CDM. The approved methodologies will expand the coverage of eligible measures for energy efficiency under the mechanism.
51. The Board also approved a methodology for the introduction of new efficient district cooling systems to displace existing inefficient cooling systems of residential and commercial consumers. The new methodology also includes simplified approaches for showing additionality and baselines based on conservative benchmarks.
52. The Board revised the methodology for recovery and recycling of materials from solid waste to expand the coverage of eligible materials (e.g. recycling of metals is now covered by including conservative default factors).
53. The Board conducted a gap analysis of available methodologies for mitigation actions in cities and subsequently initiated the development of a guideline to facilitate the development of CDM project activities and PoAs in the urban context with the aim of simplifying the requirements. This included using tiered approaches for monitoring in order to reduce transaction costs, offering a choice between conservative default values drawn from existing proven databases and direct measurement, in response to decision 3/CMP.12, paragraph 8.
54. The Board also conducted a gap analysis of available methodologies for transport sector applications and subsequently initiated work to develop new methodologies for lightweight, two- or three-wheeled personal transportation and for lower-emitting public transportation systems.

⁹ Decision 3/CMP.9, paragraph 21.

55. The Board further conducted a gap analysis and initiated the revision of existing agriculture methodologies to expand the types of measure eligible (e.g. to include more measures as eligible measures for reducing emissions from milk production).
56. The Board continued its work on the revision of the tool to calculate the emission factor for an electricity system. The work is to address the data barriers in small isolated grids in small island developing States and the least developed countries and to enhance the clarity of the requirements relating to the demonstration of transmission constraints.
57. The Board initiated work to revise the methodologies for clean cookstoves. The work included improved guidance on determining the project- or country-specific fraction of non-renewable biomass values.
58. The Board expanded the application of the biodiesel methodology to include biofuels and developed a user-friendly tool to estimate the emission reductions from biofuel projects.
59. The Board also expanded the positive list of technologies under the CDM by including biomass internal gasification combined cycle, and, to expand coverage, revised the procedures to demonstrate additionality for rural electrification projects.
60. In response to decision 3/CMP.12, paragraph 9, encouraging the Board to continue its work to develop and digitize methodology-specific design document forms for project activities and PoAs, the Board completed the IT infrastructure related to this ongoing work. [Placeholder for EB96 outcome]
61. Further, in response to decision 6/CMP.11, paragraph 17, the Board continued its work in assessing methodologies and tools to ensure environmental integrity and additionality. During the reporting period, the Board continued its work on improving the provisions related to the common practice analysis and first-of-its-kind project activities and the existing combined tool to identify the baseline scenario and demonstrate additionality to make it applicable to all types of project activity.

3.3.8. Cost-effective and context-appropriate approaches for monitoring, reporting and verification with a focus on project activities involving households and communities

62. In response to decision 6/CMP.11, paragraph 15, and with a view to reducing transaction costs, the Board:
 - (a) Simplified the requirements for sample-based surveys by allowing surveys that cover a group of project activities or PoAs. Further requirements for using sample-based surveys in validation and verification were simplified;
 - (b) Approved the approach to addressing data gaps in monitoring for project activities involving households and communities, for inclusion in related methodological tools.

3.3.9. Standardized baselines

63. The Board initiated work to elaborate sector-specific tools and guidelines for refrigeration, air conditioning and building energy efficiency. At EB 94, the Board considered the draft new methodological tool "Determination of standardized baselines for energy-efficient

refrigerators and air conditioners”, and provided guidance to the MP and the secretariat on its further improvement.

64. The Board approved four standardized baselines, bringing the total approved standardized baselines to date to 39. A further 21 standardized baselines are in process, including 5 that the Board approved for development under the top-down process, initiated at the request of DNAs from underrepresented countries: 3 in the power sector and 2 in the transport sector.

3.3.10. Direct communication with stakeholders

65. During the reporting period, 317 queries from stakeholders seeking clarification on CDM rules and regulations, including 39 communications addressed to the Board, were processed.
66. To further improve the stakeholder communication process, the Board, at EB 90, adopted two key performance indicators. These will be reported on annually along with two previously adopted indicators relating to the process for answering queries from external stakeholders. A report detailing the annual performance against each of these four key performance indicators in 2016, together with reporting on all other KPIs, was published on the UNFCCC CDM website.¹⁰

3.4. Improving regional and subregional distribution of project activities under the clean development mechanism

3.4.1. Support to designated national authorities

67. The Board continued to provide support to DNAs, including through:
- (a) Regional training events in Benin, Colombia, Honduras, Madagascar, Mongolia, Pakistan, Panama, Philippines and Thailand through the CDM RCCs;
 - (b) The Global DNA Forum meeting, held in Marrakech, Morocco, in November 2016 prior to CMP 12. Together with offering an opportunity for sharing information, views and experience, the forum saw the launch of the Nairobi Framework Partnership (NFP) project portfolio, consisting of 21 projects elaborated over the past year by the partners, with some 80 DNAs from Africa, Asia and Latin America and the Caribbean. The forum also elected new regional and global co-chairs. The event raised the profile of the CDM so that it can continue to contribute to climate action in developing countries under the new climate framework emerging under the Paris Agreement. Also, it laid a solid foundation for the DNA Forum to effectively contribute to shaping the future of the CDM;
 - (c) NFP working sessions with African DNAs at the Africa Carbon Forum, held from 27 to 30 June 2017 in Cotonou, Benin;
 - (d) Engagement with the co-chairs of the DNA Forum in stakeholder consultations at EB 94 and EB 96.

¹⁰ <https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20170519145256364/CDM%20KPI%20Report%202016_19May2017.pdf>.

68. In response to expressions of interest submitted by DNAs in developing standardized baselines through the top-down process, the Board approved five requests for the development of standardized baselines in the power and transport sectors.

3.4.2. Clean development mechanism Loan Scheme

69. The CDM Loan Scheme, launched in April 2012 and operated by the United Nations Office for Project Services (UNOPS) as implementing agency under the supervision of the secretariat, has completed seven periods of application for loans. As at 30 June 2016, a total of 191 applications had been received, with 78 loans approved and 63 loan agreements entered into, for a total commitment of USD 6.21 million. No further loans were entered into during the reporting period. Six have already completed repayment, and approximately USD 304 million of loan funds had been repaid as at 30 June 2017. As such, there are 55 loan agreements that are still active. Two are in the process of being repaid in instalments. Another five loans are awaiting repayment, of which two of them have successfully issued CERs.
70. The least developed countries represent 68 per cent of the original [62] loan agreements and Africa represents 74 per cent. Most loans cover PoAs (48 per cent), followed by large-scale projects (32 per cent) and small-scale projects (20 per cent).¹¹
71. During the reporting period, the secretariat and UNOPS implemented the guidance contained in decision 3/CMP.12, paragraphs 14 and 15. This guidance recognised the difficult situation facing the loan recipients of the CDM Loan Scheme and provided approaches for flexibility when addressing issues in loan arrangements. In particular, the implementing agency has been in contact with all loan recipients to identify whether they are able to continue develop the project as a CDM project activity within the loan agreement terms. As a result, the implementing agency has identified certain loans to be cancelled in accordance with the loan agreement terms. In addition, UNOPS began to identify whether there are cases in which funds disbursed should be written off in accordance with the guidance from the CMP referred to above.

3.4.3. Nairobi Framework Partnership

72. In the context of the NFP,¹² the secretariat coordinates the activities of the partners and cooperating organizations.¹³ The partners met in November 2016 on the margins of COP 22

¹¹ The annual report on the CDM Loan Scheme is contained in document CDM-EB96-AA-A06.

¹² The Nairobi Framework was launched in December 2006 by then United Nations Secretary-General Kofi Annan to spread the benefits of the CDM, especially in sub-Saharan Africa. See <http://unfccc.int/secretariat/partnerships/nairobi_framework_partnership/items/9675.php>.

¹³ Partner agencies: African Development Bank, Asian Development Bank, International Emissions Trading Association, United Nations Environment Programme (UNEP), UNEP DTU Partnership (formerly known as the UNEP Risoe Centre, operates under a tripartite agreement between Denmark's Ministry of Foreign Affairs, the Technical University of Denmark (DTU) and UNEP), United Nations Conference on Trade and Development, UNDP, UNFCCC and World Bank Group. Cooperating organizations: Africa Low Emission Development Partnership, Climate Markets and Investment Association, Development Bank of Latin America, Institute for Global Environmental Strategies, Inter-American Development Bank and Latin American Energy Organization.

and confirmed their commitment to continue supporting the NFP to facilitate climate action through the CDM and other market-based approaches towards the climate goals defined in the Paris Agreement.

73. In the reporting period, NFP partners elaborated a medium-term work programme. The work programme is grounded on the three thematic areas defined in a report produced by consultants on the barriers to and opportunities for implementing NDCs, focusing on markets including the CDM and economic instruments to foster climate action. The work programme thematic areas are: (1) carbon market frameworks, led by the World Bank; (2) transparency and monitoring, reporting and verification, led by UNDP/United Nations Environment Programme co-led by UNDP; and (3) financing mitigation action, led by UNDP.
74. Joint efforts of partners and cooperating organizations in the reporting period included organizing the Africa Carbon Forum, during which three thematic sessions on the CDM and carbon markets and one roundtable on the implementation of NFP projects were held together with DNAs, focal points, potential investors and regional experts.
75. Other NFP coordination meetings and regional forums planned for 2017 include: Latin American and Caribbean Carbon Forum (Mexico City, Mexico, 17–20 October 2017), Asia Pacific Carbon Forum (Bangkok, Thailand, 13–15 December 2017) and the NFP 2018 planning meeting in Bonn during COP 23.
76. The Board wishes to express its gratitude to the DNA of Benin for hosting the Africa Carbon Forum and to the Nairobi Framework partners and cooperating organizations for their continued work on carbon markets and mechanisms, including the CDM.

3.4.4. Regional collaboration centres

77. The first RCC was established in Lomé, Togo, in 2013 and was followed by RCCs in Kampala, Uganda; St. George's, Grenada; Bogota, Colombia; and Bangkok, Thailand. The RCC Bogotá, which has been in operation since August 2013, was moved to Panama City, Panama, in March 2017. The RCCs work in partnership with local and regional agencies and multilateral development banks to improve the regional and subregional distribution of CDM projects.¹⁴ The RCCs together support the implementation of the CDM in the regions of Latin America and the Caribbean, Africa and Asia-Pacific.
78. The work of the RCCs is organized into three areas:
 - (a) Provision of direct assistance to existing projects and identification of new projects;
 - (b) Promotion of the use of the CDM;
 - (c) Provision of support for:
 - (i) The identification and development of new bottom-up and top-down standardized baselines;

¹⁴ West African Development Bank, Lomé; East African Development Bank, Kampala; Windward Islands Research and Education Foundation, St. George's; Development Bank of Latin America, Panama; and Institute for Global Environmental Strategies, Bangkok.

(ii) The renewal of standardized baselines.

79. Since their inception, the RCCs have: maintained contact with more than 1,000 CDM projects and PoAs; directly supported more than 675 projects and PoAs, resulting in 198 projects and PoAs moving one or more steps through the CDM project cycle and 104 additional projects entering the CDM pipeline; supported the development of 94 standardized baselines, of which 34 have been approved by the Board (an additional 85 potential standardized baselines have been identified); and in this reporting provided capacity-building and training at the national level through direct technical support to eight countries and through regional and subregional events in Nairobi, Kenya; Freetown, Sierra Leone; Abidjan, Côte d'Ivoire; Bangkok, Thailand; Singapore, Republic of Singapore; Melbourne, Australia; Miami, the United States of America; Panama City, Panama; and St. George's, Grenada.
80. The RCCs have scaled up assistance to developing countries in relation to: (1) CDM methodologies; (2) using projects for voluntary climate neutrality under the Climate Neutral Now initiative; (3) using the CDM as part of development and climate finance; (4) areas within the framework of the UNFCCC and specifically the Paris Agreement that have a bearing on the CDM; (5) promotion of the CDM in the aviation sector; and (6) technical support for the use of the CDM sustainable development (SD) tool.
81. The RCC website has been revamped and each RCC publishes a newsletter regularly to inform stakeholders about recent activities and opportunities for CDM project participants to promote their CERs. The newsletters are available on the respective RCC websites.¹⁵

3.5. Sustainable development co-benefits of project activities and programmes of activities under the clean development mechanism

3.5.1. Communicating the sustainable development co-benefits of clean development mechanism project activities and programmes of activities to the public

82. In response to the encouragement in decision 6/CMP.11, paragraph 21, the Board, through the secretariat, implemented a schedule of activities via the UNFCCC Newsroom web pages and social media channels to further communicate the sustainable development co-benefits of CDM project activities and PoAs. A promotional flyer was also developed and made available on the SD tool microsite and the CDM web pages and via physical means at COP 22. During the reporting period, the secretariat conducted an email campaign directed at CDM project participants, PoA coordinating/managing entities and DNAs to remind them about the availability of the SD tool and the benefits of publishing a CDM sustainable development co-benefits description report.

3.5.2. Improved user-friendliness of the sustainable development co-benefits tool

83. In 2014, the secretariat launched the SD tool as an online web interface where project participants can, on a voluntary basis, systematically report the sustainable development co-benefits of their CDM projects and PoAs.

¹⁵ <http://unfccc.int/secretariat/regional_collaboration_centres/items/9474.php>.

84. As at 22 September 2017, a total of XX sustainable development description reports had been published, of which XX reports were published in the reporting period.
85. In the reporting period, the secretariat received XX requests from project participants or coordinating/managing entities for access to the SD tool, of which:
- (a) A total of XX were granted, all for registered projects;
 - (b) A total of XX were not granted, in accordance with the provisions of the SD tool, owing to invalid or insufficient information being provided by the requester;
 - (c) A total of X were duplicate requests and accordingly not processed.
86. In response to a request from the Board, the secretariat implemented measures enhancing the SD tool's workflow efficiency and online interface usability, including by making it possible to search reported co-benefits. The new version of the SD tool is planned for release in October 2017.

4. Governance and management matters

87. In November 2016, the Board adopted the CDM management plan (MAP) 2017 and agreed to continue its practice from the previous year of conducting a midyear review of the status of implementation of the approved MAP.
88. The Board reviewed the management plan at EB 95, taking into consideration a document on the status of implementation of the CDM MAP 2017,¹⁶ which contains an update on achievements as at 31 May 2017 against the two business plan goals, the associated three objectives under each goal, and specific products and priorities agreed at EB 92.
89. The Board and its panels and working groups met regularly during the reporting period. In addition, the secretariat organized meetings of the DNA Forum, the DOE/AIE Coordination Forum and workshops with stakeholders (see appendix 4).
90. During the reporting period, the AP, the MP and the SSC WG met three times. The Afforestation and Reforestation Working Group and the Carbon Dioxide Capture and Storage Working Group did not meet during the reporting period.
91. In the spirit of prudent management of resources, the Board merged the MP with the SSC WG to form a new MP and expanded the scope of work of the MP to include work relating to small-scale methodologies, effective September 2017. The merged MP will operate with a reduced number of experts (see paragraph 47).
92. At EB 94, the Board appointed experts to the AP, new MP and the Registration and Issuance Team. The experts were selected from the applications received in response to a call launched in November 2016.

¹⁶ Available at <<http://cdm.unfccc.int/Meetings/MeetingInfo/DB/WI3AR50OPCF8STQ/view>>.

4.1. Membership issues

93. At CMP 12, new members and alternate members of the Board were elected to fill vacancies arising from the expiration of terms of tenure. During the reporting period, the Board comprised the members and alternate members listed in table 4.

Table 4. Members and alternate members of the Executive Board of the clean development mechanism

| Members | Alternate members | Nominated by |
|---|--|-------------------------------------|
| Mr. Amjad Abdulla^(a) | Mr. Gerald Lindo ^(a) | Small island developing States |
| Mr. Maosheng Duan^(a) | Mr. José Miguez ^(a) | Parties not included in Annex I |
| Mr. Balisi Gopolang^(b) | Mr. El Hadji Mbaye Diagne ^(b) | African States |
| Mr. Kazunari Kainou^(b) | Mr. Lambert Schneider ^(b) | Parties included in Annex I |
| Mr. Olivier Kassi^(b) | Mr. Martin Enderlin ^(b) | Western European and other States |
| Ms. Natalie Kushko^(a) | Ms. Diana Harutyunyan ^(a) | Eastern European States |
| Mr. Arthur Rolle^(b) | Mr. Eduardo Calvo ^(b) | Latin American and Caribbean States |
| Mr. Muhammad Tariq^(b) | Mr. Daegyun Oh ^(b) | Asia-Pacific States |
| Mr. Frank Wolke^(a) | Mr. Piotr Dombrowicki ^(a) | Parties included in Annex I |
| Mr. Washington Zhakata^(a) | Mr. Moises Alvarez ^(a) | Parties not included in Annex I |

^(a) Term: two years (i.e. ending prior to the first meeting in 2018).

^(b) Term: two years (i.e. ending prior to the first meeting in 2019).

4.1.1. Election of the Chair and Vice-Chair of the Board

94. The Board, at EB 93, elected Mr. Frank Wolke, from a Party included in Annex I, and Mr. Arthur Rolle, from a Party not included in Annex I, as its Chair and Vice-Chair, respectively. Their tenures as Chair and Vice-Chair will end just before the first meeting of the Board in 2018.¹⁷
95. The Board expressed its appreciation to the Chair and Vice-Chair for their excellent leadership of the Board in 2017.

4.2. Meetings of the Executive Board

96. In the reporting period, the Board held five meetings (see table 5).
97. The annotated agendas for the Board meetings, documentation supporting agenda items and reports containing all agreements adopted by the Board are available on the CDM web pages.¹⁸

¹⁷ In accordance with rule 12 of the rules of procedure of the Board (decision 4/CMP.1, annex I).

¹⁸ <<http://cdm.unfccc.int/EB/index.html>>.

Table 5. Meetings of the Executive Board of the clean development mechanism from 18 September 2016 to 22 September 2017^(a)

| Meeting | Date | Location |
|---------------|-------------------------------|--|
| Ninety-second | 31 October to 4 November 2016 | Marrakech, Morocco |
| Ninety-third | 20–23 February 2017 | Bonn, Germany |
| Ninety-fourth | 2–4 May 2017 | Bonn (in conjunction with the sessions of the subsidiary bodies) |
| Ninety-fifth | 11–13 July 2017 | Bonn |
| Ninety-sixth | 18–22 September 2017 | Bonn |

^(a) The Executive Board of the clean development mechanism will hold its 97th meeting from 30 October to 3 November 2017 in Bonn, Germany, in conjunction with the thirteenth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

4.3. Interaction with forums and stakeholders

98. The Board and its support structure continued their work with CDM stakeholders during the reporting period, including with DNAs through the DNA Forum and interaction with the DNA Forum's co-chairs at two meetings of the Board, and with DOEs through the DOE/AIE Coordination Forum's interaction with the Board at each meeting.
99. Stakeholders were given the opportunity to express their views on the development and implementation of the CDM rules and to seek clarification on those rules through communication with the secretariat and the Board. A report including a summary and analysis of communications with the secretariat and the Board was published on the UNFCCC CDM website.¹⁹
100. Stakeholders continue to have an opportunity to comment on the draft annotated agenda for each Board meeting and to respond to calls for input on policy issues that have an impact on stakeholders before decision-making by the Board. The Board made itself available to registered observers at its meetings.
101. The secretariat implemented five regular online teleconferences with members of the DOE/AIE Coordination Forum after each Board meeting, to discuss the outcomes of the meetings and to provide clarification on decisions taken by the Board. Members of the CDM AP participated in those teleconferences as observers.
102. During the reporting period, the Board held three side events: one at CMP 12, titled "Maximizing the value of the CDM pre-2020"; and two at the forty-sixth sessions of the subsidiary bodies, titled "CDM and NDCs – the way forward" and "Catalyzing Implementation of Paris Agreement: The Regional Collaboration Centres experience". The event agendas and presentations made are available on the UNFCCC website.²⁰

¹⁹ <<https://cdm.unfccc.int/UserManagement/FileStorage/H9CSZQ7BM3VYPIRWO81KDL6U2054FG>>.

²⁰ <<https://seors.unfccc.int/seors/reports/archive.html>>.

4.4. Communication and outreach

103. Communication and outreach efforts in 2017 focused on promoting: (1) the usefulness and benefits of the CDM, in the broader context of the use of markets and mechanisms in the ongoing international response to climate change; and (2) the use of CERs for voluntary offsetting, in the context of the secretariat's Climate Neutral Now initiative.
104. The core message is that the CDM is a functioning tool, at the disposal of Parties and non-Party stakeholders, that can incentivize projects that reduce or avoid greenhouse gas emissions and contribute to sustainable development.
105. Activities of note include: the publication of CDM-specific content on the UNFCCC Newsroom web pages, with stories in English, French and Spanish; the publication of stories on the CDM web pages; the use of social media to focus attention on secretariat-generated content and relevant content from outside sources; outreach at targeted carbon market events; promotional outreach work to encourage demand for the CDM and its CERs; engagement with intergovernmental and private sector organizations; and the promotion of the online voluntary cancellation platform.
106. The RCCs have raised awareness about the CDM in regions with a limited number of CDM projects. The RCCs now have their own dedicated web pages, logos combining the UNFCCC and partner logos,²¹ and e-newsletters.
107. During the reporting period, more than XX news releases and announcements were disseminated.
108. The period saw continued growth of the Facebook and Twitter accounts dedicated to the Kyoto Protocol mechanisms. The @UN_CarbonMechs Twitter account now has X,XXX followers and the Facebook account has had X,XXX likes.

4.5. Status of financial resources for work on the clean development mechanism

109. This section presents information on income and expenditure as at the end of August 2017 <<numbers here are to the end of July; will be updated in final iteration>>. In accordance with decision 4/CMP.10, the Board is ensuring its ability to maintain and develop the CDM up to the end of the true-up period of the second commitment period of the Kyoto Protocol by prudently managing income received and the accumulated reserve.
110. The total fees received during the first eight months in 2017 amounted to USD 5.2 million (see table 6).²² A projected income of USD 9 million for 2017 was included in the CDM MAP 2017.²³ The total fees received during the same period (from January to July) in 2016 amounted to USD 6 million.

²¹ <http://unfccc.int/secretariat/regional_collaboration_centres/items/9474.php>.

²² The data presented in this report are subject to change as the financial period remained open at the time of the report being finalized.

²³ CDM MAP 2017, document CDM-EB92-A01-INFO, table 10, available at
< <http://cdm.unfccc.int/UserManagement/FileStorage/YMFB0K8WUSPVO24XZCL36JH5QAID91>>.

111. The total interest accrued on the Trust Fund for the Clean Development Mechanism from prior years to 31 August 2017 amounted to USD 11.1 million and is included in the carry-over and balance reported in table 6. The accrued interest is currently earmarked to fund the CDM Loan Scheme to support the development of CDM project activities in countries with fewer than 10 such activities registered, in accordance with decision 3/CMP.6, paragraph 65.
112. In accordance with decision 3/CMP.12, the CDM Loan Scheme is now in a phase of ensuring that existing loans are completed and loan funds repaid in accordance with the terms of the loan agreements. The secretariat continues to oversee the performance of the implementing agency, UNOPS. According to the second quarterly report in 2017 presented by UNOPS, 13 loans, out of a total of 53 active loans, are in the process of being cancelled and 3 are in the process of being written off.

Table 6. Clean development mechanism status of income 2016–2017, as at 31 August 2017
(United States dollars)

| | 2016 | 2017 ^(a) |
|--|--------------------|---------------------|
| Carry-over from previous year (A) | 109 382 561 | 102 390 607 |
| Fee income during the year | | |
| Methodology fees ^(b) | 2 000 | — |
| Registration fees ^(c) | 1 725 592 | 233 478 |
| Share of proceeds ^(d) | 4 141 744 | 4 747 600 |
| Accreditation fees | 82 500 | 37 500 |
| Accreditation process-related fees | 15 012 | 141 699 |
| Subtotal – income for 1 January to 31 August 2017 (B) | 5 966 848 | 5 160 278 |
| Total of previous year's carry-over and current year's income (A + B) | 115 349 409 | 107 550 885 |

(a) 1 January to 31 August 2017. USD 45 million held in reserve is not included.

(b) A non-refundable submission fee of USD 1,000 is payable when a new methodology is proposed. If the proposal leads to an approved methodology, the project participants receive a credit of USD 1,000 against payment of the registration fee or a prepayment of the share of proceeds.

(c) This fee is based on the average annual issuance of certified emission reductions (CERs) over the first crediting period and is calculated as a share of proceeds to cover administrative expenses, as defined in decision 7/CMP.1, paragraph 37. Projects with annual average emission reductions of less than 15,000 tonnes of carbon dioxide equivalent are exempt from the registration fee and the maximum fee applicable is USD 350,000. This fee is considered to be a prepayment of the share of proceeds to cover administrative expenses.

(d) The share of proceeds, payable at the time of issuance of CERs, is USD 0.10 per CER issued for the first 15,000 CERs for which issuance is requested in a given calendar year and USD 0.20 per CER issued for amounts in excess of 15,000 CERs.

113. Table 7 shows the status of budget and expenditure of the CDM for 2016 and 2017.
114. At EB 92, the Board approved the CDM MAP 2017 and the related budget, amounting to USD 19.6 million for 2017. This represents a decrease of USD 16,162.00, or 0.08 per cent, compared with the 2016 budget (see table 7).

115. Expenditure was USD 12.3 million in the eight-month period to 31 August 2017. The rate of expenditure for the 2017 budget is below the expected linear rate (66.7 per cent) for the period and is projected to more closely align with the linear rate as the year progresses.

Table 7. Status of budget and expenditure of the clean development mechanism for 2016 and 2017
(United States dollars)

| | 2016 | 2017 |
|--|------------|------------|
| Budget (12 months) | 19 618 431 | 19 602 259 |
| Expenditure (first 8 months) | 11 865 808 | 12 319 733 |
| Expenditure as percentage of budget | 60.5% | 62.8% |

4.6. Recommendations for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

116. [To give clarity to project participants – existing project participants and those pursuing validation and registration under the CDM – and those countries and constituencies interested in using the CDM in their response to climate change, the Board recommends that the CMP provide guidance to the Board on the functioning of the CDM beyond the end of the second commitment period.] **[For Board's consideration]**

Appendix 1. Summary of the deliverables of the Executive Board of the clean development mechanism in response to the requests and encouragements of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session

| Decision 3/ CMP.12 paragraph reference | Guidance relating to the clean development mechanism and action to be taken by the Executive Board of the clean development mechanism | Status of implementation |
|---|--|---|
| 4 | Encourages the Executive Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 ["Also encourages the Executive Board to continue exploring options for using the clean development mechanism as a tool for other uses and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session"] and 8 ["Further encourages the Executive Board to explore the opportunities for the financing of the clean development mechanism through international climate financing institutions, such as the Green Climate Fund, and report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twelfth session"] | Completed: EB 94 (May) considered a concept note on financing and use of the CDM by international finance institutions, and initiated work in collaboration with the RCCs in 2017 EB 95 (July) took note of an update on activities being undertaken to support the use of the CDM as a tool for other purposes |

| Decision 3/ CMP.12 paragraph reference | Guidance relating to the clean development mechanism and action to be taken by the Executive Board of the clean development mechanism | Status of implementation |
|---|---|--|
| 5 | Also encourages the Executive Board to continue the simplification of the clean development mechanism, with the aim of further simplifying and streamlining, in particular, the registration and issuance processes, and methodologies, while maintaining environmental integrity | <p>Completed:</p> <p>EB 93 (February) adopted regulatory documents to simplify and streamline the CDM regulations: CDM project standard for project activities; CDM validation and verification standard for project activities; CDM project cycle procedure for project activities; CDM project standard for programmes of activities; CDM validation and verification standard for programmes of activities; and CDM project cycle procedure for programmes of activities (EB 93 report, annexes 4–9).</p> <p>EB 93 further considered an analysis of streamlining the registration and issuance processes, by reviewing the past and current procedures, and agreed to maintain the current procedural timeline as contained in the project cycle procedure</p> |
| 6 | Requests the Executive Board to analyse the overall cost for designated operational entities and to report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its thirteenth session | <p>Completed:</p> <p>EB 93 (February) agreed on the approach for an analysis of the overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs</p> <p>Ongoing:</p> <p>EB 96 (September) will consider an analysis of the overall costs incurred by DOEs for maintaining their services and possibilities for the reduction of costs</p> |

| Decision 3/ CMP.12 paragraph reference | Guidance relating to the clean development mechanism and action to be taken by the Executive Board of the clean development mechanism | Status of implementation |
|---|---|--|
| 8 | Encourages the Executive Board to explore possibilities for reducing the transaction costs of monitoring by expanding the use of tiered approaches offering a choice between conservative default values and direct measurements | <p>Completed: EB 94 (May) considered a concept note on cost-effective and context-appropriate approaches to monitoring, reporting and verification, and adopted the revised standard for sampling and surveys for CDM project activities and PoAs, including an option to undertake a common survey for a group of PoAs (EB 94 report, annex 2)</p> <p>Ongoing: EB 96 (September) will consider the revision of methodological tools as part of the work on cost-effective and context-appropriate approaches for monitoring, reporting and verification</p> |
| 9 | Also encourages the Executive Board to continue its activities in response to decision 6/CMP.11, paragraph 14 ["Encourages the Executive Board to continue the development of digitized project and programme design document forms for clean development mechanism project activities and programmes of activities"] | <p>Completed: EB 94 (May) and EB 95 (July) took note of the status of the work on the digitization of methodology-specific design document forms and the development of the web-based methodological digitization tool</p> <p>Ongoing: EB 96 (September) will receive a demo of the final web-based methodological tool with the digitization of one methodology</p> |
| 10 | Invites the Executive Board to further work on the development of simplified clean development mechanism methodologies and standardized baselines, while maintaining environmental integrity, in collaboration with regional collaboration centres | <p>Ongoing: The Board continues to work on the development of simplified CDM methodologies and standardized baselines, while maintaining environmental integrity, in collaboration with the RCCs</p> |

| Decision 3/ CMP.12 paragraph reference | Guidance relating to the clean development mechanism and action to be taken by the Executive Board of the clean development mechanism | Status of implementation |
|---|--|--|
| 18 | Requests the Executive Board to continue to ensure the prudent management of the resources of the clean development mechanism, and its ability to perform its duties in maintaining and developing the mechanism up to the end of the true-up period of the second commitment period of the Kyoto Protocol | <p>Completed:</p> <p>EB 93 (February) agreed to increase the duration of the management plan from a one-year plan to a two-year plan, to better project and manage the resources needed</p> <p>EB 95 (July) took note of the status of implementation of the 2017 management plan and the management of resources</p> <p>Ongoing:</p> <p>EB 96 (September) to consider, and EB 97 (November) to adopt, the CDM business plan and management plan 2018–2019</p> |

Abbreviations: EB = Executive Board of the Clean Development Mechanism, CDM = Clean Development Mechanism, RCCs = Regional Collaboration Centres, DOEs = designated operational entities, POAs = Programmes of Activities

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Appendix 2. [Placeholder: Entities accredited and provisionally designated by the CDM Executive Board]

Appendix 3. [Placeholder: List of regulatory documents approved by the CDM Executive Board]

Appendix 4. [Placeholder: Meetings of the CDM Executive Board, its support bodies, its forums]

Document information

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