



IETA's Guidance note through the CDM Project Approval Process[©]

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Foreword

The International Emissions Trading Association (IETA) is a non-profit organization created in June 1999 to establish a functional international framework for trading greenhouse gas emissions reductions. Our 100+ international members include leading multinational companies from across the carbon trading cycle: emitters, solution providers, brokers, insurers, verifiers and legal compliance.

IETA works for the development of an active, global greenhouse gas market, consistent across national boundaries. In doing so IETA focuses on the creation of systems and instruments that will ensure effective business participation.

With the installation of the CDM Executive Board IETA identified the need for the development of a GHG Guidance note that would help project developers to understand the process of project approval without the need to study all articles and protocols of the Kyoto Protocol, Marrakech accord and the CDM Executive Board. The objective is to have an up to date GHG Guidance note that reflects all recent developments in relation to CDM Project Approvals.

The IETA secretariat has developed its first version (1.0) of this Guidance note. The Guidance note is regularly updated to reflect the latest decisions by the COP/MOP and the CDM Executive Board the most recent version of the Guidance note can be found on the IETA website www.ieta.org. Nonetheless IETA encourage users to send their comments and/or suggestions to IETA at info@ieta.org.

Andrei Marcu
President & CEO, IETA



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Version 17, March 2006

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1 Introduction

The Kyoto Protocol contains a market-based approach to combat climate change in the form of the flexible mechanisms: emissions trading and generation of tradable emission reduction credits through projects.

While many developed countries in the Kyoto Protocol accepted a cap of their total greenhouse gas (GHG) emissions, developing countries negotiated that their emissions will still be allowed to grow, as more economic growth is needed. In order to facilitate technology transfer to help developing countries in their sustainable development and at the same time assist the investing (developed) countries with a cap to fulfill their commitment projects resulting in emission reductions might be undertaken in developing countries. Such emission reductions are verified by a third party and can be used in a country with a cap on emissions to comply with their emission target. In order to generate emission reductions a project has to prove that its implementation leads to emissions lower than what would have happened in the absence of the project. Example of projects in which this additionality is more or less straightforward are introducing methane capture in a landfill, or installation of a wind-farm instead of a coal fired power-plant¹.

The generation of those emission reductions is under very strict supervision of the UN as every emission reduction generated in a developing country that qualifies under the market approach can be used to offset emissions in a developed country. Hence the use of emission reductions generated in third countries by a country with a cap increases the total amount of emissions possible in that country. As a consequence only projects that have a sound environmental basis, generating clearly additional emission reductions qualify for this market mechanism.

This document is thought to be a summary for project developers/investors to provide an understanding of the steps necessary to generate Certified Emission Reductions under the Clean Development Mechanism (CDM) of the Kyoto Protocol. Chapter 2 will provide a background on the CDM and a step by step guide through the CDM project cycle. Chapter 3 explains some issues around the CDM registry and the transfer of CERs. Chapter 4 provides an Appendix of abbreviations.

2 The Clean Development Mechanism

2.1 Background

The Kyoto Protocol introduced two project-based mechanisms: the Clean Development Mechanism (CDM) and Joint Implementation (JI). These instruments were designed to lower the overall cost of

¹ These examples are of course only generated additional emission reductions if they are not legal requirements in any case.



participating countries in meeting their domestic emission reduction targets and to help developing countries and countries in transition in their sustainable development by encouraging technology transfer. This document will focus on the CDM as laid out in Article 12 of the Kyoto Protocol. The CDM grants Annex I parties² the right to generate or purchase emissions reduction credits from projects undertaken within non-Annex I countries. In exchange, developing country parties will have access to resources and technology to assist in the development of their economies in a sustainable manner.

The rules governing the CDM were finalized in 2003 and are contained in the "Modalities and procedures for a clean development mechanism (CDM M&P)"³ in the Marrakech Accords⁴, the decisions of the CDM Executive Board (see 2.2) and subsequent decisions of the Conference of the Parties (COP). The rules were subsequently adopted during the first Meeting of the Parties (COP/MOP⁵) in Montreal 2005⁶. The rules governing the CDM state that projects must meet certain requirements in order to qualify as CDM. These requirements include

- compliance with the normal project approval process and sustainability development criteria,
- the project validation and registration process (incl. additionality requirements),
- the monitoring requirements,
- the verification and certification requirements, and
- the rules governing the issuance of CERs.

2.2 The CDM Executive Board and Panels

The CDM is supervised by the CDM Executive Board (EB)⁷ and the emission reduction credits earned through CDM projects are known as 'Certified Emissions Reductions' (CERs). CDM projects are externally verified and certified by 'Designated Operational Entities (DOE)'. A DOE is an entity designated by the

² Annex I: Industrialized countries that, as parties to the United Nations Framework Convention on Climate Change (UNFCCC), have pledged to reduce their greenhouse gas emissions to 1990 levels as per Article 4.2 of the Convention on Climate Change. They are listed in Annex I to the convention. Annex I Parties consist of countries belonging to the Organization for Economic Co-operation and Development (OECD) and European countries designated as Economies-in-Transition as well as Turkey. (Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Czechoslovakia, Denmark, European Economic Community, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America) For difference to Annex B Countries please see the "about emissions trading section" on <http://www.ieta.org>.

³ Decision 17/CP.7 available at <http://cdm.unfccc.int/Reference/Documents/cdmmp/English/mpeng.pdf>

⁴ The Marrakech Accords were adopted by the first Meeting of the Parties and are available for download at <http://www.unfccc.int> Document FCCC/CP/2001/13/ and addenda. A summary is provided in the IETA Marrakech Memo, available for download on <http://www.ieta.org>

⁵ After entry into force of the Kyoto Protocol the (annual) in addition to "the Conference of the Parties (COP)", the Parties participating at the Kyoto Protocol will also hold a meeting to be named "the Meeting of the Parties (MOP)".

⁶ Decision 3/CMP1, Decision 4/CMP1, Decision 5/CMP1, Decision 6/CMP1 and Decision 7/CMP1 available at <http://unfccc.int/resource/docs/2005/cmp1/eng/08a01.pdf>.

⁷ Established at the seventh session of the Conference of the Parties (COP) in 2001.



COP/MOP, based on the recommendations of the Executive Board, as qualified to validate proposed CDM project activities as well as verify and certify emission reductions

The Executive Board is entitled to establish committees, panels or working groups to assist the performance of its functions. It shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. Just as in the composition of the EB itself, regional balance shall be considered in the composition of all panels.

Table 1: Membership in the CDM Executive Board as of March 2006

Members	Alternates
Mr. Jean-Jacques Becker ²	Ms. Gertraud Wollansky ²
Mr. Herrán Carlino ¹	Mr. Philip M. Gwage ¹
Ms. Sushma Gera ²	Mr. Masaharu Fujitomi ²
Mr. John Shaibu Kilani ²	Mr. Ndiaye Cheikh Syla ²
Mr. Xuedu Lu ¹	Mr. Richard Muyungi ¹
Mr. José Domingos Miguez ² , Chair	Mr. Clifford Anthony Mahlun ²
Mr. Rawleston Moore ¹	Ms. Desna N. Solofa ¹
Ms. Anastasia Moskalenko ¹	Ms. Natalia Berghi ¹
Mr. Rajesh Kumar Sethi ²	Ms. Liana Bratasida ²
Mr. Hans Jürgen Stehr ¹ , Vice-Chair	Mr. Lex de Jonge ¹

¹ Term: 2 Years e.g. ending first meeting in 2008
² Term: 2 years e.g. ending first meeting in 2007

Methodologies Panel (Meth Panel)

To the eyes of many CDM stakeholders this is the most important panel. This Panel focuses on the assessment of proposed new methodologies for baseline and monitoring. The approval / disapproval of a methodology translates on projects being / not being able to register. On March 2006 the EB appointed Mr. Rajesh Kumar Sethi as the new Chair and Mr. Jean-Jacques Becker as the new Vice-Chair. In addition they also appointed Mr. Xuedu Lu and Mr. Lex de Jonge to assist the panel. Under the new ToRs the Panel is appointed to:

- Prepare recommendations on submitted proposals for new baseline and monitoring methodologies;
- Prepare draft-reformatted versions of proposed new baseline and monitoring methodologies approved by the Board;
- Prepare recommendations on options for expanding the applicability of methodologies;
- Maintain a roster of experts and select experts who are to undertake desk reviews to appraise the validity of the proposed new methodology;



- Provide revisions to the project design document, in particular on sections relevant to baseline and monitoring;
- Draft decision trees, and other methodological tools, where appropriate, to guide project developers on methodology selection;
- Provide guidance on identified modalities and procedures contained in the annex to decision 17/CP.7 with a view to facilitating the development of project-based methodologies by project participants;
- Amendments to simplified methodologies for CDM small-scale project activities.

Afforestation & Reforestation Working Group (AR WG)

This working group is responsible for the development of the procedures and modalities for the approval of Afforestation & Reforestation methodologies and projects. This group works alongside the Meth Panel. As of March 2006 the Board revisited the scope of this group, appointed Mr Philip M. Gwage as Chair and Mr. Masaharu Fujitomi as Vice-Chairs and launched a call for experts to complete the AR WG.

The Working Group should provide recommendations to the CDM EB on

- Submitted proposals for new baseline and monitoring methodologies for CDM Afforestation & Reforestation (CDM A&R) project activities;
- Options of expanding the applicability of methodologies for CDM A&R project activities, and develop tools to facilitate the selection of an approved methodology from among those of a similar nature;
- Development and revisions of the Project Design Document (PDD) for CDM A&R project activities, with particular focus on sections relevant to baseline and monitoring;
- Draft decision trees, and other methodological tools, where appropriate, to guide project developers on methodology selection;
- Guidance to facilitate the development of project-based methodologies by project participants.

Small-Scale Working Group

This is the group responsible for the development of the procedures and modalities for small-scale⁸ methodologies and projects. The current Chair of this group is Ms Getraud Wdlansky and by the time of this publication the EB was calling for experts to complete this group. This group alike the others, works alongside the Meth Panel.

The Working Group should:

- Prepare precise and workable recommendations for consideration and adoption by the Executive Board on submitted proposals for new small-scale project activity categories and new simplified baseline and monitoring plans.

⁸ See section 2.8.1 for a definition of Small-Scale CDM projects.



- Prepare, as appropriate, draft revisions for the consideration of the Board of the indicative list of simplified baseline and monitoring methodologies contained in the appendix B of the modalities and procedures for small-scale CDM project activities.

Accreditation Panel

The Accreditation Panel works with the EB and groups of experts referred to as CDM Assessment Teams, in the accreditation of Operational Entities. On March 2006 the EB appointed Mr. Hernan Carlino as the new Chair, Ms. Anastasia Moskalenko as the new Vice Chair and Mr. Massamba Thioye as the methodology expert of the CDM accreditation panel. This panel should provide recommendations to the CDM EB on:

- The accreditation of an applicant operational entity (AOE);
- The suspension of accreditation of a designated operational entity (DOE);
- The withdrawal of accreditation of a designated operational entity;
- The re-accreditation of a designated operational entity.

2.3 CDM Participation requirements

Participation is regulated in §§ 28- 34 of the CDM M&P⁹. The main issues are:

- Participation in a CDM project activity is voluntary.
- Parties participating in the CDM shall designate a national authority for the CDM.
- A Party not included in Annex I to the UNFCCC may participate in a CDM project activity if it is a Party to the Kyoto Protocol.
- A Party is eligible to transfer and/or acquire CERs issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:
 - It is a Party to the Kyoto Protocol.¹⁰
 - It has established its assigned amount (Annex B Parties only).
 - It has in place a national system for the estimation of anthropogenic emissions by sources.
 - It has in place a national registry.
 - It has submitted annually the most recent required inventory (Annex B Parties only).
 - It submits the supplementary information on the assigned amount.
- Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

⁹ If not stated otherwise, all paragraphs quoted in this section refer to the Decision 17/CP.7 "Modalities and procedures for a clean development mechanism"⁹ in the Marrakech Accords.

¹⁰ Before entry into force of the Kyoto Protocol, all Parties to the UNFCCC may participate in CDM project activities. In accordance with provisions of paragraphs 37 (a) and 40 (a) of the CDM M&P, the registration of a proposed CDM project activity can, however, only take place once approval letters are obtained from Parties to the Convention that have ratified the Kyoto Protocol;



2.4 Scopes

The following 15 scopes for CDM project activities were defined by the EB, based on the list of sectors and sources contained in Annex A of the Kyoto Protocol. The scopes are relevant in the validation and verification process as, a DOE must have a valid accreditation for each sector it wants to operate in. Also the baseline and monitoring methodologies are organized according to these scopes:

1. Energy industries (renewable - / non-renewable sources)
2. Energy distribution
3. Energy demand
4. Manufacturing Industry
5. Chemical Industry
6. Construction
7. Transport
8. Mining and Mineral Production
9. Metal Production
10. Fugitive emissions from fuels (solid, oil, gas)
11. Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride
12. Solvent used
13. Waste handling and disposal
14. Afforestation and Reforestation
15. Agriculture

2.5 Designated Operational Entities

Since the start of the CDM Executive Board a total of 33 Operational Entities (OE's) have applied for accreditation, 21 have obtained indicative letters and 13 have obtained their DOE designation and 3 have withdrawn their application. The Board has agreed that although OE's may have applied for the full scope of sectors (all 15), the only sectors covered will be those that were part of the accreditation witness process¹¹.

Current rules prevent DOE from performing validation or verification and certification on the same CDM project activity. However, upon request the Executive Board may allow, as an exception, a single DOE to perform all these functions within a single CDM project activity. The COP at its eight session¹² decided that the Executive Board may designate on a provisional basis Operational Entities. Below you find the current list of DOE's for an update list visit the website of the CDM Executive Board (www.cdm.unfccc.int).

¹¹ As part of the accreditation the work of the applicant DOE is witnessed. Projects that are used for witnessing activities will be able to register as CDM projects if the accreditation of the AE is successful and all other necessary steps are taken.

¹² See decision 21/CP.8 at <http://www.unfccc.int>



Ref. Number	Entity Name (shortname)	Sectoral scopes for validation	Sectoral scopes for verification and certification
E-0001	Japan Quality Assurance Organization (JQA)	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13	
E-0002	JACO CDM.,LTD (JACO)	1, 2, 3	
E-0003	Det Norske Veritas Certification Ltd. (DNVcert)	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15
E-0005	TUV Industrie Service GmbH TUV SUD GRUPPE (TUV Industrie Service GmbH TUV)	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15
E-0007	Japan Consulting Institute (JCI)	1, 2, 13	
E-0009	Bureau Veritas Quality International Holding S.A. (BVQI Holding S.A.)	1, 2, 3	
E-0010	SGS United Kingdom Ltd. (SGS)	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15	1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 15
E-0011	The Korea Energy Management Corporation (KEMCO)	1	
E-0013	TÜV Industrie Service GmbH, TÜV Rheinland Group (TÜV Rheinland)	1, 2, 3, 13	
E-0014	KPMG Sustainability B.V. (KPMG)	1, 2, 3	
E-0021	Spanish Association for Standardisation and Certification (AENOR)	1, 2, 3	
E-0022	TÜV NORD CERT GmbH (RWTUV)	1, 2, 3	
E-0025	Korean Foundation for Quality (KFQ)	1, 2, 3	

2.6 The CDM Project cycle

Pre project implementation (one time)

1. Project Design Project participant (PP)	2. Validation Designated Operational Entity (DOE), Designated National Authority (DNA)	3. Registration DOE/CDM Executive Board (EB)
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Post project implementation (periodic)

4. Monitoring PP or third party	5. Verification/Certification DOE (In general not the same as in step 2)	6. Issuance EB
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Figure 1 Steps of the CDM project cycle and responsibilities

Details on the steps of the project cycle are provided below.



2.6.1 Project Design¹³

The Project Design Document (CDM-PDD)¹⁴. It includes the following elements:

- General description of project activity
- Application of a baseline methodology
- Starting date and duration of the project activity/Crediting period
- Application of a Monitoring methodology and plan
- Estimation of GHG emissions by source¹⁵
- Environmental impacts
- Stakeholder Comments

In case the Project Participant is not using an approved methodology it can submit a new methodology see for more details 2.7 The Methodology Approval Cycle.

Project Participants are required to use approved methodologies in order to qualify as a CDM project. If no approved methodology is available for its particular project activity, the project participant can submit a new methodology (see 2.7).

2.6.2 Validation¹⁶

What is it?

- Validation is the process of independent evaluation of a project activity by a DOE against the requirements¹⁷ of the CDM, on the basis of the project design document.

Who does it?

- The Project Entity has to engage a DOE to validate the project activity

What are the requirements?

- Participation requirements as set out above (2.6.1) are met;
- Summary of comments by local stakeholders¹⁸ and how due account was taken of them;
- Documentation on the analysis of the environmental impacts of the project activity;
- Additionality of the project¹⁹

¹³ Annex B to Decision 17/Cp.7 and guidance by the Executive Board

¹⁴ The latest version of the project design document is available for download at <http://cdm.unfccc.int/Reference/Documents>.

¹⁵ This short term is used throughout the document to replace the longer term used in the Kyoto Protocol: Anthropogenic emissions by sources of greenhouse gases.

¹⁶ §§ 35-40

¹⁷ as set out in the CDM M&P, the present annex and relevant decisions of the COP/MOP

¹⁸ The EB explained at its 8th meeting in March 2003, that “the invitation for comments has to be open and transparent in a way that allows to receive comments from regional stakeholders and allow reasonable time for comments. The project description has to be provided in an understandable way.”

¹⁹ Additionality: A project activity is expected to result in a reduction in emissions of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity



- The baseline²⁰ and monitoring²¹ methodologies comply with requirements pertaining to:
 - Methodologies previously approved by the executive board²² (see The Methodology Approval Cycle); or
 - Modalities and procedures for establishing a new methodology²³; and
 - Simplified modalities and procedures in the case of small-scale CDM project activities which meet the criteria specified in section 2.6.8.
- Provisions for monitoring, verification and reporting are in accordance with relevant decisions of the COP²⁴;
- A written approval constitutes the authorization by a designated national authority (DNA) of specific entity(ies)' participation as project proponents in the specific CDM project activity. The approval covers the requirements of paragraphs 33 and 40 (a) and (f) of the CDM modalities and procedures.
 - The DNA of a Party involved in a proposed CDM project activity shall issue a statement including the following:
 - The Party has ratified the Kyoto Protocol.
 - The approval of voluntary participation in the proposed CDM project activity
 - In the case of Host Party(ies): statement that the proposed CDM project activity contributes to sustainable development.
 - The written approval shall be unconditional with respect to the above.
 - Multilateral funds do not necessarily require written approval from each participant's DNA. However those not providing a written approval may be giving up some of their rights and privileges in terms of being a Party involved in the project.
 - A written approval from a Party may cover more than one project provided that all projects are clearly listed in the letter²⁵
- Making publicly available the project design document²⁶ (PDD).

What are the additional tasks of the DOE?

- Receive and make publicly available comments on the validation requirements from
 - Parties;
 - Stakeholders registered as UNFCCC accredited non-governmental organizations;
- Determine if the project activity should be validated on the basis of the information provided and taking into account the comments received;

²⁰ The baseline for a CDM project activity is the scenario that reasonably represents the emissions greenhouse gases (GHG) that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A (of the Kyoto Protocol) within the project boundary. A baseline shall be deemed to reasonably represent the emissions by sources that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 of the CDM M&P.

²¹

²² The up to date list of approved methodologies is available at <http://cdm.unfccc.int/methodologies/approved>

²³ Details for new methodologies are set out in §38.

²⁴ §§ 53-60. Once the Kyoto Protocol entered into force the Meeting of the Parties (MOP) can develop further rules on this issue.

²⁵ In accordance with Annex 4 of the 17th CDM Executive Board meeting

²⁶ In accordance with provisions on confidentiality contained in § 27(h)



- Inform project participants of its validation result. This Notification shall include:
 - Confirmation of validation and date of submission of the validation report to the EB; or
 - An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation;
- If the DOE determines the proposed project activity to be valid it submits to the EB:
 - A request for registration in the form of a validation report,
 - The project design document,
 - The written approval of the host Party²⁷,
 - an explanation of how it has taken due account of comments received during the stakeholder period;
 - a statement of the likelihood of the project activity to achieve the anticipated emission reductions stated in the CDM-PDD. This statement will constitute the basis for the calculation of the registration fee; and
 - Make this validation report publicly available upon transmission to the EB.²⁸

2.6.3 Registration²⁹

- Registration is
 - The formal acceptance by the EB of a validated project as a CDM project activity;
 - The prerequisite for the verification, certification and issuance of CERs related to that project activity.
- The registration by the EB (see also "The CDM Registry") is an automatic step unless a review of the proposed CDM project activity is requested within eight weeks by one party involved or three members of the CDM EB.³⁰
- Such a review by the EB shall be made in accordance with the following provisions:
 - It shall be related to issues associated with the validation requirements
 - It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.³¹
 - in case of rejection of a project, the costs of a review (estimated at 4500 USD) shall be borne by the DOE if it is to be found in the situation of malfeasance or incompetence. The EB will bear the costs if the project is not rejected.
- A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

²⁷ Conform Annex 4 of the 17th CDM Executive Board meeting

²⁸ for detailed guidance on public availability see the relevant decision of the CDM EB at its 11th meeting and its subsequently meetings, available at <http://cdm.unfccc.int/Reference/Documents>

²⁹ §§ 41-42

³⁰ See report of the 9th EB meeting, June 2003.

³¹ § 41 Annex to CDM M&P



- The date of receipt of a request for registration is the date when the deposit of the registration fee (see "Registration fees & Share of Proceeds Admin (SOP)") indicated in the registration form has been received by the secretariat.

2.6.4 Monitoring³²

Monitoring plan

Monitoring of the project is done according to the monitoring plan. The Monitoring plan is

- A part of the Project Design Document.
- Shall be based on a previously approved monitoring methodology or a new methodology which has to be submitted with a draft version of the Project Design Document and approved by the EB,

The provisions for the monitoring plan are

- The collection and archiving of all relevant data during the crediting period necessary for
 - estimating or measuring GHG emissions occurring within the project boundary;
 - The collection and archiving of all relevant data necessary for determining the baseline of GHG emissions within the project boundary;
- The identification of all potential sources of GHG emissions, and the collection as well as archiving of data on, increased GHG emissions outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period; Documentation of all steps involved in the calculations.
- Data necessary for the assessment of environmental impacts of the project activity
- Quality assurance and control procedures for the monitoring process;
- Procedures for the periodic calculation of the reductions of GHG emissions by the proposed CDM project activity, and for leakage effects; Documentation of all steps involved in the calculations.

Implementation

- The Project participants shall implement the monitoring plan contained in the registered project design document.
- Simplified modalities and procedures apply in the case of small-scale CDM project activities, which meet the criteria specified in section 2.6.8 below.

Report

- The project participants shall provide to the DOE, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan for the purpose of verification and certification.

2.6.5 Verification/Certification³³

What is it?

- *Verification* is the periodic independent review and ex post determination by the DOE of the monitored reductions in GHG emissions that have occurred as a result of a registered CDM project activity during the verified period.

³² §§53-60

³³ §§ 61-63



- *Certification* is the written assurance by the DOE that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases as verified.

Who does it?

- Verification and certification is performed by the DOE contracted by the project participants³⁴
- Validation and Verification of one project have to be performed by different DOEs. An exemption of this rule can be made for Small Scale CDM project activity.

What are the requirements?

To perform the verification the DOE shall make the monitoring report publicly available, and shall:

- Check the project documentation;
- Conduct on-site inspections;
- If appropriate, use additional data from other sources;
- Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in GHG emissions
 - have been applied correctly and
 - their documentation is complete and transparent;
- Recommend changes to the monitoring methodology for any future crediting period, if necessary;
- Determine the additional reductions in GHG emissions using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;
- Identify if the actual project activity and its operation are conform to the registered project design document. Inform the project participants of any potential concerns.
- Project participants shall address these concerns and supply relevant additional information;

Certification report

- The DOE shall provide a verification report to the project participants, the Parties involved and the executive board. The report shall be made publicly available.
- The certification report shall constitute a request for issuance to the Executive Board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

2.6.6 Issuance of Certified Emission Reduction³⁵

- The issuance of CERs is considered final 15 days after the date of receipt of the request for issuance unless one party involved or three board members request a review of the proposed issuance.
- The EB will then instruct the CDM registry (see also “The CDM Registry”) to issue the specified quantity of CERs in the pending account (see “Accounts in the CDM registry”) of the CDM registry and
 - deduct two per cent of the total CERs as CDM “Levy”³⁶. Exemption: CDM project activities in least developed country Parties.

³⁴ In accordance with the provisions on confidentiality in paragraph §27(h)

³⁵ §§ 64-66



- forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request and confirmation of final payment of the Share of Proceeds SOP Admin charges (see “Registration fees & Share of Proceeds Admin (SOP”).
- CERs will only be issued for a crediting period starting after the date of registration of a CDM project activity; However, Project activity starting as of the year 2000 and prior to the date of the first registration of a CDM project (i.e. 18 November 2004), shall be eligible to claim retroactive credits if submitted for registration with the EB before 31 December 2005. If registered, the crediting period for such project activities may start prior to the date of its registration but not earlier than Jan. 1, 2000.
- The first request for issuance was made on the 5th of October for both the RIOBLANCO Small Hydroelectric Project and the La Esperanza Hydroelectric Project.

2.6.7 Duration of the project activity / Crediting period

According to §49 project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

- A maximum of seven years which may be renewed at most two times (maximum 21 years), provided that, for each renewal, a DOE determines and informs the EB that the original project baseline is still valid or that it has been updated taking account of new data where applicable; or
- A maximum of ten years with no option of renewal.

The starting date and length of the first crediting period has to be determined before registration.

2.6.8 Registration fees & Share of Proceeds Admin (SOP)

Under the Marrakech Accord the EB is required to define the level of the Share of Proceeds that would go to the Administrative costs of the EB. During the EB21³⁷ the Board prepared a proposal to the COP/MOP in which they proposed to charge a fixed fee per CER that was issued. This charge was to combine the original registration fee that the EB had introduced and the SOP. Under the proposal each project at registration would be required to pay the equivalent of the average number of CERs being generated by the project times the fixed fee and a refund of moneys paid in excess of USD 30,000 in the event that the project failed to get registered.

COP/MOP 1 consequently agreed to initially set the SOPs³⁸ at:

- (a) USD 0.10 per certified emission reduction issued for the first 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year;
- (b) USD 0.20 per certified emission reduction issued for any amount in excess of 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year;

³⁶ Credits will be transferred to the Adaptation Fund and be sold on the market to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change.

³⁷ See report of the 21st EB meeting, September 2005

³⁸ §§ 37 – 38 Decision 7 CMP1 <http://unfccc.int/resource/docs/2005/cmp1/eng08a01.pdf>



The Board during the EB23³⁹ in response set the following registration fee:

- For projects over 15,000 ton CO₂ equivalent a registration fee of US\$ 0.20 per CER issued is being charged with a cap of 350,000 USD. In the event that the project fails to get registered after a request for registration the moneys paid in excess of US\$ 30,000 would be reimbursed to the project developer.
- No registration fee has to be paid for CDM project activities with expected average annual emission reduction over the crediting period below 15,000 t CO₂ equivalent.

Since the Board agreed that the registration fee would be an advance payment on the SOP it also agreed that the registration fee shall be deducted from the share of proceeds for administrative expenses for the emission reductions achieved during the first year.

2.6.9 Unilateral Projects

During EB 19 the Board confirmed that it would consider Unilateral Projects to be eligible for the CDM allowing non-annex I countries to register CDM projects without the participation of an Annex I country. The Board however, also agreed that when a non-Annex I party wants to forward CERs to an Annex I party it would require to submit to the Board a letter of authorisation from the Annex I Party receiving the CERs before the CDM EB would approve the forwarding of the CERs.

2.6.10 Time frame

Figure 2 below provides you with estimates on the time each step of the project cycle consumes. This figure is based on work of the World Bank Prototype Carbon Fund. It therefore includes extra steps like the negotiations with the project entity and a slightly different wording.

³⁹ See report of the 23rd EB meeting, February 2006

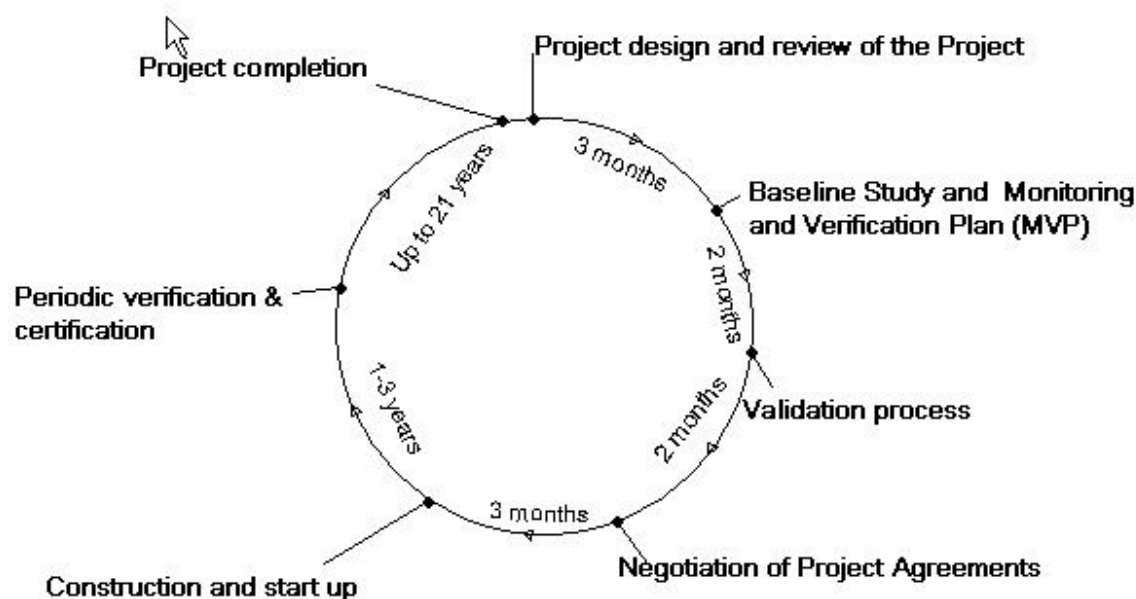


Figure 2 Project cycle and timeframe estimates⁴⁰

2.7 The Methodology Approval Cycle

1. Development of New Baseline Methodology Project Participant (PP)	2. Submission of the New Baseline Methodology Designated Operational Entity (DOE), or Applicant Operational Entity (OE)	3. Screening of Methodology Appointed Methodology Panel member	3. Public input UNFCCC Secretariat
4. Assessment of New Baseline Methodology and recommendation Methodology Panel	5. Approval of New Baseline Methodology CDM Executive Board	6. Publication of New Baseline Methodology UNFCCC Secretariat	

Figure 3 Steps of the Methodology Approval cycle and responsibilities

Details on the steps of the project cycle are provided below.

2.7.1 Development of New Baseline Methodology

When a Project Participant (PP) has determined that his/her project is not able to use one of the approved methodologies it can submit its own new methodology. The PP will be required to describe his/her new methodology by using the New Methodology Baseline (CDM-NMB)⁴¹ and New Methodology Monitoring

⁴⁰ This slide is taken from a presentation of the World Bank Prototype Carbon Fund available on their webpage <http://www.prototypecarbonfund.org>

⁴¹ The latest version of the project design document is available for download at <http://cdm.unfccc.int/Reference/Documents>



(CDM-NMM)⁴¹ forms as well as a completed PDD (Section A to E) in which the applicability of the methodology is demonstrated.

The New Methodology Baseline includes the following elements:

- Identification of methodology
- Overall summary description
- Choice of and justification of baseline approach
- Explanation and justification of the proposed new baseline methodology
- Data source and assumptions
- Assessment of uncertainties
- Explanation of how the baseline methodology was developed in a transparent and conservative manner

The New Methodology Monitoring includes the following elements:

- Identification of methodology
- Proposed new monitoring methodology

2.7.2 Submission of the New Baseline Methodology

Once the PP has completed the documents for the submission of the new methodology the documents are forwarded to the respective DOE that forwards the request for approval of the new methodology to the UNFCCC Secretariat. Prior to submission the DOE will verify that all documents have been completed in line with the Guidance Notes of the Procedures and Modalities in relation to the submission of new methodology but will not make a technical review of the proposed methodology.

At time of the submission the DOE will send to the UNFCCC Secretariat

- Application form for New Methodology (F-CDM-PNM)
- Project Design Document (CDM-PDD)¹⁴
- New Methodology Baseline (CDM-NMB)⁴¹
- New Methodology Monitoring (CDM-NMM)⁴¹

As part of the overall streamlining process the Board agreed during its 21st meeting that any new methodology will have to make an upfront payment of US\$ 1,000 at the time of submission of the new methodology. Once the methodology has been accepted by the Board and the project that submitted the new methodology request registration the US\$ 1,000 will be deducted from the registration fee. Those methodologies that are rated C will not be eligible for a refund by the Board.

2.7.3 Screening of New Proposed Methodology

Prior to formally accepting the New Methodology by the UNFCCC the project developer has the option to either have a DOE/AE do a pre-assessment on the methodology or submit the methodology for a desk review to the UNFCCC. In the later case the UNFCCC will request that 1 expert from the roster of experts



screen the new methodology and once considered to be a good quality the methodology is formally submitted to the Meth Panel.

2.7.4 Public input

Upon confirmation by the Methodology Panel member that the Proposed Methodology has an initial A or B approval the UNFCCC secretariat makes publicly available the CDM-PDD, CDM-NMB and CDM-NMM of the respective new proposed methodology through its designated website (<http://cdm.unfccc.int/methodologies>). Stakeholders have a period of 15 days in which they are given the opportunity to provide comments on the proposed new methodology. After the public comment period of stakeholder consultation comments are forwarded to the appointed Methodology Panel members for the consideration during the assessment of the Proposed Methodology.

2.7.5 Assessment of New Baseline Methodology

Within 7 days after the proposed new methodology has been received by the UNFCCC secretariat the Methodology Panel selects two experts who within 10 days will provide the Panel with a detailed assessment and recommendation on the proposed new methodology. Throughout this period the methodology panel may request, via the DOE, additional information from the Project Participant in order to clarify issues related to the proposed methodology. Once the two experts have completed their work and made their recommendation the methodology is discussed during the Methodology Panel Meeting and a preliminary recommendation is formulated.

The Methodology Panel has the option to make the following recommendations:

- A = Approval of Proposed New Methodology
- B = Approval of Proposed New Methodology possible following clarification of identified outstanding issues
- C = Rejection of Proposed New Methodology

This recommendation is forwarded to the Project Participant who then has 10 days to respond to this recommendation and provide additional information if needed. Where the Project Participant does not respond in time or elects not to respond at all the recommendation is submitted to the CDM Executive Board for their consideration during the next Executive Board meeting.

In the event that the Project Participant makes use of the opportunity to respond to the recommendation and provides additional information to the Methodology Panel these comments will be assessed during the next Methodology Panel and if applicable a new recommendation is issued.

During the EB14 the CDM Executive Board agreed that in the case of more than 10 proposed new methodologies being submitted by the deadline for submissions of proposed new methodologies, the Chair of the Methodology Panel shall ascertain how many proposals shall be analyzed at the next meeting.



of the Methodology Panel and decide to postpone the analysis of some submissions to the subsequent meeting of the Methodology Panel. Submissions received and confirmed to be completed by the secretariat shall be treated on a “first come first served” basis. In EB21 the Board agreed that any B case will only be seen by the Board once and if following the consequent submission of the project participants the Methodology cannot be resubmitted to the Board as an A case the Methodology will be down graded to a C grade.

2.7.6 Approval of New Baseline Methodology

At each CDM EB meeting the Board considers the recommendation of the Methodology Panel on any new proposed methodology. During this consideration the Board discusses any considerations that have been made by the Methodology Panel and confirms whether it will endorse or alter the recommendation of the Methodology Panel. Following the consideration of the Board the methodology will receive the following rating:

- A = Methodology is approved and will be published on the UNFCCC website (<http://cdm.unfccc.int/methodologies/approved>)
- B = Methodology is not acceptable based on the current information and requires changes by the Project Participant before final recommendation is made on A or C rating
- C = Methodology is rejected as a new methodology

2.7.7 Publication of New Baseline Methodology

Methodologies that have been approved by the CDM Executive Board are published on the UNFCCC website (<http://cdm.unfccc.int/methodologies/approved>) in a manner that the Baseline Methodology and Monitoring Methodology no longer make reference to one specific project. Once published the methodology can be used by Project Participants in their PDD's and following a successful validation by a DOE the Project Participant will be able to register its project with the CDM Executive Board. To date the CDM Executive Board has approved 16 methodologies and 2 consolidated methodologies which have been published on UNFCCC website.

2.7.8 Time Framework

Figure 4 below provides you with estimates on the time each step of the project cycle consumes. The figures are based on the Procedure and modalities of the CDM Executive Board current practice has shown that some submissions have taken considerably longer to extended use of the feedback loop and resource problems with the Methodology Panel.

2.7.9 Changes to approved methodologies

The CDM EB has acknowledged that approved methodologies may require changes after they have been approved. Since the Marrakesh Accord is not specific about the process of revising approved methodologies the CDM EB has adopted a new procedure during EB19, which outlines the process of



changing approved methodologies. Under the procedure changes can be proposed by project proponents, Meth Panel or the CDM EB, and changes to the methodology are rated as having either a minor or significant impact.

Minor changes

The CDM EB approves changes considered minor in character once the suggested changes are considered and the methodology is revised accordingly. In such event, projects are required to use the revised methodologies immediately after the EB meeting in which the CDM EB approved the changes. Projects that have requested their registration prior to the change will however not be effected by the changing of the methodology.

Significant changes

In the event that the EB considers the changes to the methodology to be significant the CDM EB will put the Methodology on hold and will then initiate a full revision to be completed by no later than the third EB meeting following the meeting in which the methodology was put on hold. Projects that have put forward a project for registration using the old methodology will not be affected by the changes and neither will those projects that requesting registration within four (4) weeks after the decision to put a methodology on hold.

2.8 Small Scale CDM

2.8.1 Categories⁴²

The CDM Executive Board recommended to the Conference of the Parties, at its eighth session (COP 8), simplified modalities and procedures for the following small-scale clean development mechanism project activities:

- Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent)⁴³;
- Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatt hours per year;
- Other project activities that both reduce anthropogenic emissions by sources and that directly emit less than 15 kilotonnes of carbon dioxide equivalent annually;

Additional guidance on how to interpret the above categories is was provided by the CDM EB.⁴⁴

⁴² Further clarification on definitions of eligible activities is given in Decision FCCC/CP/2002/7/Add.3, available for download at <http://cdm.unfccc.int/EB/Panels/ssc/ProjectActivities/clarssc7add3.pdf>

⁴³ If the unit added has both renewable and non-renewable components (e.g. a wind/diesel unit), the eligibility limit of 15MW for a small-scale CDM project activity applies only to the renewable component. If the unit added co-fires [non-] renewable biomass and fossil fuel, the capacity of the entire unit shall not exceed the limit of 15MW. (EB meeting report EB 19)

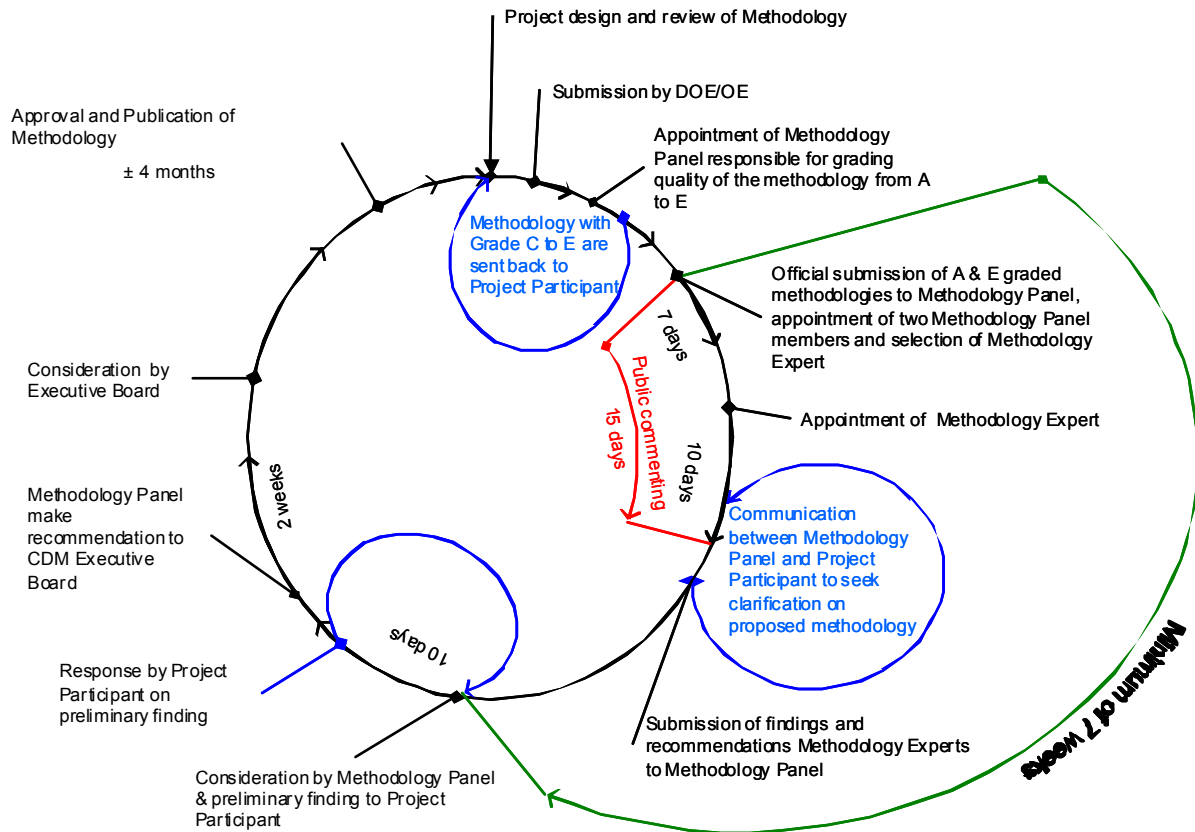


Figure 4 Approval of New Methodology Cycle and timeframe estimates

2.8.2 Rationale for adopting simplified modalities and procedures for Small Scale CDM (SSC-CDM):

- Assist Developing Countries in achieving a sustainable pattern of development. This objective may be best served by projects conceived at the local level, using appropriate technology and skills transfer. Such projects would tend to be small in terms of capital expenditure, and may well serve as pilots for larger initiatives;
- Possibility for a loss in environmental integrity is regarded as minor problem in SSC-CDM. Social benefit and technology transfer is more important in this case. Environmental integrity is assumed to be assured in most cases of renewable energy.
- Small-scale projects can be delivered more quickly than large scale projects. They tend to be less affected by exogenous factors such as political regimes, international fuel prices and the ability of firms to attract finance in the capital markets. SSC-CDM therefore generates more immediate local benefits and provides initial stimulus to the CDM as a whole.

⁴⁴ Decision of the Conference of the Parties FCCC/CP/2002/7/Add.3 ANNEX II "Simplified modalities and procedures for small-scale clean development mechanism project activities" available for download at <http://cdm.unfccc.int/EB/Panels/ssc/ProjectActivities/darssc7add3.pdf>



- Simplification of modalities and procedures for SSC-CDM is possible and will save costs. The transaction costs involved in the currently conceived CDM project cycle may be sufficiently large as to outweigh the potential financial benefits arising from CERs for small-scale CDM projects. Thus, a lack of appropriate incentives for project developers to seek out and register small-scale CDM projects will severely hinder the development of project-based credits and may cast doubts over the credibility of the mechanism itself.
- Current technological developments lead to efficient small installations. Fuel cell, solar and cogeneration will lead to an increase in small and micro power generation projects.

2.8.3 Simplified modalities and procedures

The CDM EB developed simplified modalities and procedures⁴⁵ for small-scale CDM project activities (SSC-CDM). This includes a simplified PPD⁴⁶ and a list of project categories and corresponding simplified baseline and monitoring procedures that was published in the appendix B of the simplified M&P for small-scale CDM project activities.^{47,48}

2.9 Cost estimates

The following two tables, Table 3 and Table 4, represent the cost estimates that were taken from the report of the Expert Panel on small scale CDM to the CDM Executive Board that was made available in July 2002.⁴⁹

Table 2: Overview of Transaction Costs Estimates for CDM in general

Studies	Estimated CDM Transaction Costs	Assumptions
PWC (2000)	- US\$ 0.4m to \$1.1m, i.e. representing between 2-23% of capital expenditures (e.g. In the case of 0.1 MW PV project, involving only 1 operational entity, CDM-related transaction costs amount to \$387,000)	- Total costs <u>over project cycle</u> (in 2000\$) - Range depends on project size & type and number & nature of operational entities involved.
Walsh (2000)	- \$40,000 (highly simplified project) to more than \$80,000. Complex projects: \$100,000 to \$500,000. - Subsequent annual reporting and	- Includes <u>initial</u> costs of defining a CDM project, establishing the baseline, documenting project additionality, preparing registration forms, obtaining certification,

⁴⁵ Annex II to Decision 21/CP.8 (Simplified modalities and procedures for small-scale CDM project activities), available at <http://cdm.unfccc.int/Reference/Documents/AnnexII/English/annexII.pdf>

⁴⁶ The simplified PDD for SSC projects is available at http://cdm.unfccc.int/Reference/Documents/SSC_PDD/English/SCCPDD_en.doc

⁴⁷ Appendix B to Annex II of the simplified modalities and procedures for small-scale CDM project activities) Indicative Simplified Baseline and Monitoring Methodologies for selected Small-Scale CDM Project Activity Categories, available for download at <http://cdm.unfccc.int/pac/howto/SmallScalePA/ssclistmeth.pdf>

⁴⁸ If the project activity does not fit any of the project categories in appendix B of the simplified M&P for small-scale CDM project activities, project proponents may propose additional project categories for consideration by the Executive Board, in accordance to paragraphs 15 and 16 of the simplified M&P for small-scale CDM project activities. The project design document should, however, only be submitted to the Executive Board for consideration after it has amended appendix B as necessary.

⁴⁹ as in Documents agreed by the SSC Panel for the consideration of the executive board at its fifth meeting, "Responses by the SSC panel related to its terms of reference", Attachment 1, available for download at <http://unfccc.int/cdm>.



	occasional auditing costs: 10-20% of initial costs.	government approval and submitting required documents - Assumes a blend of industrialised country and developing country professional fees
EcoSecurities Ltd. (2000)	- Total up-front costs: \$57,000-\$90,000. - Monitoring and verification: \$3,000 – \$15,000 per year	- Estimated costs of transacting a JI project, assuming JI requirements are similar to CDM project cycle.
PCF	- total costs: \$200,000 - \$400,000	- half of the amount for baseline work; half for verification/certification work throughout the project
Martens et al. (2001)	- Transaction costs for small-scale solar home systems projects range around 20% of the total CER revenues, using a standardised baseline & streamlined procedures.	- Without the standardised baselines and streamlined procedures, project design costs could be almost 3 times higher and total transaction costs 50% higher.
Industry Quotes	Baseline & carbon assessment	\$18,000
	Validation	\$28,000
	Carbon transaction	\$17,820
	Verification	\$20,000
	Certification	\$500
	Certification	\$500



Table 3. Baseline study costs as a fraction of 7-year CER revenues for four hypothetical CDM projects

	100 kW Village hydro mini-grid	10 MW Windfarm	200MW Hydro	200 MW Natural gas combined cycle plant
Assumed capacity factor	50%	30%	50%	80%
Total generation (GWh)	3	184	6,136	9,818
Baseline emission rate (tCO ₂ /MWh)	0.6	0.6	0.6	0.6
Project emission rate (tCO ₂ /MWh)	0	0	0	0.5
Credit rate (tCO ₂ /MWh) ^A	0.6	0.6	0.6	0.1
CERs (million tCO ₂)	0.002	0.110	3.68	0.98
CER price	\$3.00	\$3.00	\$3.00	\$3.00
Value of CERs (7 years) ^B	\$5,523	\$331,335	\$11,045,160	\$2,945,376
Baseline study cost	\$30,000	\$30,000	\$30,000	\$30,000
Baseline study cost as percent of CER value	543%	9%	0.3%	1.0%
Notes:				
A. Though illustrative only, 0.6 tCO ₂ /MWh is a plausible value for many countries. It is very close to the build margin (weighted average of all recent plants) baseline for India in OECD/IEA 2000.				
B. The total revenue is undiscounted. The baseline cost as a percentage of CER revenue would be the same on a discounted basis if the CER price were to rise at the rate of discount.				

Source: OECD/IEA, "Practical recommendations for GHG mitigation projects in the electric power sector"

3 The CDM Registry

3.1.1 CDM registry requirements

The CDM registry is to be established and maintained by EB on behalf of Non-Annex I parties. It is a standardized electronic database to ensure accurate accounting of CERs. According to the Marrakech Accords the CDM registry is a platform on which:

- CERs are issued and forwarded to project participants
- CERs are held by Non Annex I parties
- The share of proceeds managed
- CERs, AAUs, RMUs, and ERUs may be cancelled (to make up for over issuance of CERs based on erroneous DOE verification)
- Only CERs may be held in CER registry accounts
- Information is made publicly available



In addition the Registry has to perform business, administrative and infrastructure functions, e.g. functioning in a network with national registries and the International Transaction Log (ITL)⁵⁰.

3.1.2 CER issuance prior to existence of ITL

At COP/MOP1 the Parties agreed that the ITL should be fully operational by April 2007 and comments testing by the 31st of October 2006⁵¹. In the absence of the ITL being not operational any CER that is being issued into the CDM Registry will not be able to be transferred to the Amex I registries. As such the CDM Registry will hold temporary accounts ("Accounts in the CDM registry") for those Annex I parties that require an account in order to receive their CERs. At the time that the ITL is operational those CERs issued to the temporary account will be formally checked by the ITL and then transferred to the respective account in the national registry of the Annex I country.

3.1.3 Accounts in the CDM registry

The CDM Registry has been set up by the EB to handle the issuance and administration of the CERs issued to Non-Annex I countries and the share of proceeds. The CDM registry is principally set up in the same manner as the National Registries. In addition it has the following accounts:

- Pending Account: The general account in which the CERs get issued into following the issuing decision by the EB. There is only one pending account that holds all the CERs that have not yet been forwarded to the respective receiving accounts. From the Pending account CERs are then formally forwarded to the accounts defined by the forwarding instruction of the projects vocal point.
During EB21 the Board agreed that project proponents could request a partial forwarding of the CERs issued to the project proponent. It also allows for the remaining CERs to be collected for an unlimited time period in the Pending Account of the CDM Registry, providing more flexibility to the project proponents. They are now able to delay the forwarding of CERs that are not under contract till a later moment in time when they have found a suitable buyer at the suitable price.
- Temporary Accounts for Annex I: In the absence of the ITL and or National Registry not being in place an Annex I Parties and their entities will have accounts in the CDM registry. These accounts have a temporary nature and will be closed once the ITL is operational and the respective National Registry of the Party is connected to the ITL. At this stage all CERs in the temporary account will be moved to the respective Account in the National Registry. Entities that have an authorization of more than one Party will have an equal number of temporary accounts in

⁵⁰ Verification by the international transaction log includes:

- units previously retired or cancelled;
- units existing in more than one registry;
- units for which a previously identified discrepancy has not been resolved;
- units improperly carried over;
- units improperly issued;
- the authorization of legal entities involved to participate in the transaction;
- the eligibility of Parties involved in the transaction to participate in the mechanisms; and
- infringement upon the commitment period reserve of the transferring Party;

⁵¹ Decision 12 CMP1 available at <http://unfccc.int/resource/docs/2005/cmp1/eng/08a02.pdf>.



the CDM Registry. For example Entity Y may have an authorization from the UK and the Netherlands for different projects. Consequently it will have two temporary accounts one under the UK and one under the Netherlands.

- Share of Proceeds: This is the account to which the 2% of the Share of Proceeds are transferred into. This account is managed by the UNFCCC Administrator.

The CDM Registry unlike the National Registries will not allow transfers between two accounts within the CDM Registry as this is considered trading which under Article 17 of the Kyoto Protocol is only possible between Annex I countries that have ratified the Kyoto Protocol. The EB has on a number of occasions discussed the possibility of having Non-Annex I countries move CERs around within the CDM Registry. However this is considered a political issue the EB is awaiting further guidance from the Board. It is however agreed that those CERs that have been issued to a non-Annex I account can be forwarded to an Annex I account once a letter of authorization has been submitted for the respective receiving entity or Party.



4 Appendix

Abbreviations used in this document:

AAU's	Assigned Amount Units
AE	Applicant entity
CDM	Clean development mechanism
CDM M&P	Modalities and procedures for the clean development mechanism contained in the report of the seventh session of the Conference of the Parties (Decision 17/CP.7 in FCCC/CP/2002/13/Add.1 available on the UNFCCC web site: http://unfccc.int/).
CDM-AP	CDM accreditation panel
CDM-AT	CDM assessment team
COP	Conference of the Parties
COP/MOP	Conference of the Parties serving as the meeting of the Parties (Kyoto Protocol)
DOE	Designated Operational Entity
EB	Executive Board of the clean development mechanism
ERU's	Emission Reduction Units
ITL	International Transaction Log
KP	Kyoto Protocol
OE	Operational Entity
PDD	Project Design Document
RMU's	Removal Units
SSC	Small Scale

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