



FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat

CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat

Date: 17 April 2002

Ref: CDM-EB-03

## EXECUTIVE BOARD OF THE CLEAN DEVELOPMENT MECHANISM

### THIRD MEETING

#### Report

**Date of meeting:** 9 – 10 April 2002

**Location:** Bonn, Germany

**Attendance:**

*The names of members and alternate members present at the meeting are in bolded character. In cases where only the name of the alternate member is bolded, the alternate participated as a member.*

<b>Member</b>	<b>Alternate</b>
<b>Mr. John W. Ashe</b> <sup>1</sup>	<i>Mr. Tuiloma Neroni Slade</i> <sup>1</sup>
<b>Mr. Jean-Jacques Becker</b> <sup>2</sup>	<i>Mr. Martin Enderlin</i> <sup>2</sup>
Mr. John Shaibu Kilani <sup>2</sup>	<i>Mr. Ndiaye Cheikh Sylla</i> <sup>2</sup>
<b>Mr. Luiz Gylvan Meira Filho</b> <sup>2</sup>	<i>Mr. Eduardo Sanhueza</i> <sup>2</sup>
<b>Mr. Sozaburo Okamatsu</b> <sup>2</sup>	<i>Ms Sushma Gera</i> <sup>2</sup>
<b>Mr. Oleg Pluzhnikov</b> <sup>1</sup>	<i>Ms Marina Shvangiradze</i> <sup>1</sup>
Mr. Mohammad Reza Salamat <sup>2</sup>	<i>Mr. Chow Kok Kee</i> <sup>2</sup>
<b>Mr. Hans-Juergen Stehr</b> <sup>1</sup>	<i>Mr. Georg Børsting</i> <sup>1</sup>
Mr. Franz Tattenbach Capra <sup>1</sup>	<i>Mr. Abdulmuhsen Al-Sunaid</i> <sup>1</sup>
<b>Mr. Abdelhay Zerouali</b> <sup>1</sup>	<i>Mr. Xuedu Lu</i> <sup>1</sup>

<sup>1</sup> Term: 2 years e.g. 2001-03

<sup>2</sup> Term: 3 years e.g. 2001-04

**Quorum** (in parenthesis required numbers): **10** (7) members present of which **4** (3) from Annex I Parties and **6** (4) from non-Annex I Parties.

**WWW broadcasting:** <http://213.183.4.145/09042002/> (else: <http://unfccc.int/cdm> )

#### Agenda item: 1. Adoption of the agenda

1. The board adopted the agenda as proposed.

**Agenda item: 2. Work plan until the eighth session of the Conference of the Parties****Sub-agenda item: (a) Accreditation process for operational entities**

2. The board considered the detailed procedures to operationalize accreditation of operational entities and the terms of reference for the CDM accreditation panel (contained in attachments 1 and 2, respectively, of Annex 1 of the annotated agenda).
3. The board agreed to finalize the detailed procedures for accreditation at its fourth meeting. It requested the secretariat to incorporate views expressed by board members during the third meeting as well as further views forwarded via the executive board list serve by 19 April 2002. Board members and alternates are invited to provide, in particular, comments regarding principles to develop the scope of accreditation. The final draft, for consideration by the board at its fourth meeting, shall be made available via the list serve during the second week of May 2002.
4. The board agreed on the terms of reference for the CDM accreditation panel (CDM-AP) (Part one of the Annex of this report) and the revised paragraphs 29 and 30 of the detailed procedures pertaining to the competence requirements for the CDM ad hoc accreditation teams (CDM-AT) and its members (as contained in Part two of the Annex 1 of this report).
5. The board designated Mr. Kilani to serve as chair of the CDM-AP and will designate a vice-chair at its fourth meeting.
6. The board requested the secretariat to post, on the UNFCCC CDM website, an invitation to experts from 15 April to 3 May 2002 (17:00 GMT) to submit their applications for the CDM-AP. It also requested the secretariat to compile a list of applications and a short-list for further consideration by the board, including from the UNFCCC roster of experts, at its fourth meeting with a view to designating members of the panel at that meeting.
7. The board further requested the secretariat to make a call for experts who consider themselves qualified to be a member of CDM-ATs in order to establish a roster of experts so that CDM-ATs could be quickly set up once the accreditation process is launched at the fourth meeting.
8. The executive board further requested the secretariat to prepare forms necessary for the accreditation process (e.g. application forms, on-site review intervention forms for CDM-AT) for consideration by the board at its fourth meeting.

**Sub-agenda item: (b) Simplified modalities and procedures for small-scale CDM project activities**

9. The board agreed to establish the panel which is to recommend simplified modalities and procedures for small-scale CDM project activities to the board (SSC Panel). It selected Ms. Martina Bosi, Mr. Moussa Kola Cisse, Mr. Pedro Maldonado, Mr. Binu Parthan, Mr. Govinda Raj Timilsina, Mr. Lasse Ringius, Mr. Taishi Sugiyama and Mr. Steven Thorne as panel members and invited, in order to enhance the regional balance of the SSC Panel, members to submit one nomination for an expert from the Caribbean and one for an expert from the Eastern European region by 19 April 2002 (17:00 GMT). These nominations shall be considered by the board members and a decision be taken on their selection as panel members in accordance with rule 29 of the draft rules of procedure.
10. The board considered the document entitled “Work on definitions to develop recommendations to COP 8 on simplified modalities and procedures for small-scale project activities under the clean development mechanism” (Annex 2 of the annotated agenda).

**CDM – Executive board**

11. The board provided further clarification on definitions of eligible small-scale project activities as contained in Annex 2 of this report.

12. The board requested the SSC panel to prepare, in addition to the tasks described in its terms of reference, technical recommendations for consideration by the board on paragraphs 9, 14, 15, 24 and 25 of the “Work on definitions to develop recommendations to COP 8 on simplified modalities and procedures for small-scale project activities under the clean development mechanism” (Annex 2 of the annotated agenda) as well as on the footnote to paragraph 1 of Annex 2 of this report.

**Sub-agenda item: (c) Guidelines for methodologies for baselines and monitoring plans**

13. The board agreed to establish the panel which is to develop recommendations to the board on guidelines for methodologies for baselines and monitoring plans (Meth Panel) and selected Mr. Oscar Coto, Mr. Liu Deshun, Ms. Jane Ellis, Ms. Sujata Gupta, Mr. Michael Lazarus, Mr. Roberto Schaeffer, Mr. Harald Winkler and Mr. Peter Zhou as panel members. The board agreed that, in order to enhance the regional balance of the Meth Panel, board members should submit nominations for an expert from the Eastern European region by 24 April 2002 (17:00 GMT). The board shall select one member from these nominations as well as one additional candidate from the existing short list of candidates from Annex I Parties.

**Sub-agenda item: (d) Panels: Determination of terms of reference and selection of members**

14. No issue was raised under this sub-item.

**Sub-agenda item: (e) Modalities for collaboration with SBSTA**

15. Mr. Stehr provided an oral report to the executive board on the proceedings and discussions that took place at the UNFCCC workshop on terms of reference and agenda for work relevant to definitions and modalities for including afforestation and reforestation projects under Article 12 in the first commitment period (Orvieto, Italy, from 7 to 9 April 2002). He informed the board that he and Mr. Tattenbach would continue to be in close contact with the chairman of SBSTA and follow the deliberations on this issue during the next session of the SBSTA.

**Agenda item: 3. Other matters****Sub-agenda item: (a) Definition of stakeholders**

16. The executive board requested the secretariat to bear in mind, when arranging future meetings, the issue of access modalities for stakeholders, in particular when meetings are held in conjunction with sessions of the COP, the COP/MOP or their subsidiary bodies.

**Sub-agenda item: (b) Modalities for attendance by observers to meetings of the executive board**

17. The board agreed to continue to meet in the same type of arrangement as during its third meeting, with space being made available for 50 observers and to reconsider the issue when necessary. Observers to the fourth meeting of the executive board shall have registered with the secretariat at the latest by 17 May 2002 at 17:00 GMT.

**Sub-agenda item: (c) Draft rules of procedure**

18. No issue was raised under this sub-item.

**CDM – Executive board****Sub-agenda item: (d) Communications to the executive board**

19. The board agreed that the secretariat shall forward messages addressed to board members only in cases where such messages concern matters relevant to the executive board. Other messages may be discarded. Board members are invited to indicate to the secretariat, in writing, whether requests received for their contact details should be honoured without seeking their prior approval.

**Sub-agenda item: (e) Other**

20. The secretariat presented the project proposal on “Resource requirements for the prompt start of the CDM” which is to be used by the secretariat as a basis for raising funds.

21. The board agreed that members of the CDM-AP and CDM-ATs should not receive fees. Two members of the board suggested, and the board agreed, to reconsider this issue at its fourth meeting.

22. The board further agreed that operational entities shall pay an application fee and invited the secretariat to give further attention to measures to facilitate the involvement of operational entities from developing country Parties and from Parties with economies in transition.

23. The board took note of a draft note prepared by the secretariat in response to questions posed by the Prototype Carbon Fund (PCF) and agreed that members and alternates will submit their comments on the draft via list serve by 1 May 2002, with a view to agreeing on a final note at its fourth meeting.

24. The board agreed on the attached provisional agenda for its fourth meeting (Annex 3). Members were invited to provide comments to the provisional agenda until 24 April 2002.

**Agenda item: 5. Conclusion of the meeting**

25. The chair summarized the main conclusions.

**Sub-agenda item: (a) Summary of decisions**

26. Any decisions taken by the board shall be made publicly available in accordance with paragraph 17 of the modalities and procedures annexed to decision 17/CP.7.

**Sub-agenda item: (b) Closure**

27. The chair closed the meeting.



## Annex 1

### Part one

## TERMS OF REFERENCE FOR THE ESTABLISHMENT OF THE CDM ACCREDITATION PANEL

### I. INTRODUCTION

1. At its second session, the board agreed to launch the accreditation process for operational entities under the CDM at the latest at its fourth meeting.
2. At its third session, the board agreed on the organizational set-up of accreditation as described in the draft detailed procedures to operationalize accreditation of operational entities contained in Annex 1 to the annotated agenda of the third meeting. The board designated Mr. John Kilani as the chair of the CDM accreditation panel (CDM-AP). The vice chair shall be appointed at the fourth meeting of the executive board.
3. These terms of reference, including competence requirements, provide details on (a) areas of work of the panel (see II.A.), (b) modalities of work (see II.B.), (c) membership in the panel (see II.C.), and (d) a tentative time-table for work until COP 9 (see II.D.).

### II. TERMS OF REFERENCE

#### A. Areas of work

4. In accordance with the draft detailed procedures to operationalize the accreditation of operational entities (hereafter “detailed accreditation procedures”<sup>1</sup>), the CDM accreditation panel (CDM-AP) shall make recommendations to the executive board regarding:
  - (a) The accreditation of an applicant operational entity (AOE);
  - (b) The suspension of accreditation of a designated operational entity (DOE);
  - (c) The withdrawal of accreditation of a designated operational entity;
  - (d) The re-accreditation of a designated operational entity.
5. The tasks identified in the paragraph above imply that, *inter alia*, the following activities are to be carried out by the CDM-AP:
  - (a) Selecting the members of a CDM accreditation assessment team (CDM-AT) as and when required;
  - (b) Identifying and defining key areas or issues to be addressed by a CDM-AT;
  - (c) Receiving and considering recommendations by a CDM-AT with regard to an application of an applicant entity;
  - (d) Determining whether to recommend to the executive board the suspension of accreditation of a designated operational entity;
  - (e) Determining the need of witnessing procedures in cases where no suspension was agreed to by the executive board;

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<sup>1</sup> Attachment 1 of Annex 1 to the annotated agenda of the third meeting of the executive board available at <http://unfccc.int/cdm/ebmeetings/eb003/eb03annan1.pdf>

**CDM – Executive board**

- (f) Determining whether, in the case of re-accreditation, the need for an on-site visit and witnessing of the designated operational entity is required;
- (g) Deciding, based on a recommendation by a CDM-AT, on the inclusion of an applicant operational entity in the publicly available list of applicant operational entities that meet organizational and operational requirements but which have not yet been assessed against those requirements related to performing validation and/or verification and certification activities;
- (h) Making recommendations to the executive board on above issues, as applicable.

**B. Modalities of work**

- 6. The panel shall operate under the guidance of the executive board, in accordance with general guidelines for panels. Mr. John Kilani, member of the executive board, will act as chair of the panel. A vice chair will be appointed at the fourth session of the executive board.
- 7. The panel shall be established as a standing panel of the accreditation process. The mandate of the panel may be revised or terminated by the executive board if necessary.
- 8. Panel meetings can be held with panel members being physically present or through electronically linking them up. The dates and mode of panel meetings shall be determined by the chair and vice chair of the panel, bearing in mind resources available. Based on the assumption that 40 applications are to be dealt with in 2002-2003, the CDM-AP is anticipated to meet physically up to five times in 2002 and four times in 2003 (see timetable in section II.D.).

**C. Membership in the panel**

- 9. A panel member shall be designated to and serve on the panel for one and a half (1.5) years. A member may be re-designated, but only serve for a total maximum of two consecutive terms (three (3) years).

**Competence requirements:**

- 10. In addition to requirements contained in the general guidelines for panels<sup>\*\*</sup>, a panel member shall:
  - (a) Have demonstrated relevant working experience of at least five (5) years at managerial/decision making level in a national, regional or international accreditation body;
  - (b) Be able to communicate fluently, both in writing and orally, in English. Working knowledge of other UN languages desirable;
  - (c) Have excellent drafting skills, strong operational and analytical skills, and the ability to work as a member of a team;
  - (d) Have advance university degree in economics, environmental studies, natural sciences, engineering, development studies, or any related discipline.
- 11. The executive board shall require members of the CDM-AP to commit in writing to comply with the rules defined by the executive board and the modalities and procedures for a CDM, in particular with regard confidentiality and to independence from commercial and other interests, including any existing or prior association with an entity to be assessed.

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<sup>\*\*</sup> The general guidelines for panels have been approved on 22 March 2002 by the executive board in accordance with rule 29 of the draft rules of procedure.

**CDM – Executive board****Size and composition:**

12. In addition to the designated executive board members who act as chair and vice chair, the panel shall be composed of five members.

13. The secretariat shall post, on the UNFCCC CDM website, the invitation to experts to submit their applications and shall compile a list of applications and a short-list for further consideration by the board, including from the UNFCCC roster of experts. The executive board shall select five members of the panel from this short list, taking fully into account the consideration of regional balance. In addition, the panel may draw on the advice, as required, of one expert identified by the International Accreditation Forum (IAF)<sup>2</sup>.

**Compensation<sup>3</sup>:**

14. Travel costs and daily subsistence allowance shall be paid to panel members attending a meeting of the panel in accordance with UN rules and regulations.

**D. Timetable until COP 8 and COP 9 (tentative)**

<i>From</i>	<i>To</i>	<i>Meeting<sup>(*)</sup></i>	<i>Location</i>
09 Jun	10 Jun	EB 04	Bonn
<b>27 - 28 June</b>		<b>Panel 01</b>	<b>TBC</b>
<b>29 – 30 July</b>		<b>Panel 02</b>	<b>TBC</b>
31 Jul	01 Aug	EB 05	Bonn
<b>Late August</b>		<b>Panel 03</b>	<b>TBC (in conjunction with EB 06)</b>
31 Aug	01 Sep	EB 06	Johannesburg, South Africa
<b>Late September</b>		<b>Panel 04</b>	<b>TBC</b>
20 Oct	20 Oct	EB 07-1	Electronic, if required
23 Oct	01 Nov	COP 8	New Delhi, India
02 Nov	03 Nov	EB 07-2	New Delhi, India
<b>Mid December</b>		<b>Panel 05</b>	<b>TBC</b>
<b>1<sup>st</sup> Quarter 2003</b>		<b>Panel 06</b>	<b>TBC</b>
<b>2<sup>nd</sup> quarter 2003</b>		<b>Panel 07</b>	<b>TBC</b>
02 Jun	13 Jun	SB 18	Bonn, dates and location to be confirmed
<b>3<sup>rd</sup> quarter 2003</b>		<b>Panel 08</b>	<b>TBC</b>
<b>3<sup>rd</sup> or 4<sup>th</sup> quarter 2003</b>		<b>Panel 09</b>	<b>TBC</b>
01 Dec	12 Dec	COP 9	TBC

Note: The timetable is indicative and will be determined at a later stage. In addition to the physical meetings shown here, electronic meetings may be scheduled by the chair and vice chair of the panel, as appropriate.

<sup>2</sup> <http://www.accreditationforum.org/>

<sup>3</sup> The executive board agreed, at its third meeting, that no fees shall be paid to panel members. Two members of the board suggested, and the board agreed, to reconsider this issue at its fourth meeting.

**Part two:****REVISED PARAGRAPHS 29 AND 30 OF THE DETAILED PROCEDURES PERTAINING TO THE COMPETENCE REQUIREMENTS FOR THE CDM AD HOC ACCREDITATION TEAMS (CDM-AT) AND ITS MEMBERS**

29. A CDM-AT, as a team, shall:

- (a) Be familiar with relevant legal regulations, procedures and requirements related to accreditation, spot-check/surveillance, re-accreditation, suspension or withdrawal, as applicable, of operational entities under the CDM and have a thorough knowledge of the relevant methods and documents;
- (b) Have appropriate technical knowledge of the specific scope for which accreditation is sought, in particular related to baselines and monitoring, and, where appropriate, with associated procedures and potential for failure;
- (c) Have a degree of understanding sufficient to make a reliable assessment of the competence of an applicant entity to operate within its requested scope;
- (d) Be able to communicate fluently, both in writing and orally, in English and the operating language of the entity to be assessed;
- (e) Be free from any interest that may cause the team to act in other than an impartial and non-discriminatory manner.

30. A CDM-AT member shall contribute to at least one of the CDM-AT competence requirements identified in the previous paragraph and have, in particular, the following competencies:

- (a) Two (2) years of working experience in the accreditation of certification bodies;
- (b) Knowledge of the Kyoto Protocol and the mechanisms, in particular the CDM;
- (c) Scientific/technical background relevant to the scope of the assignment: two (2) years of relevant experience, as applicable; as an alternative or in addition to the scientific/technical background, a CDM-AT member shall have training and five (5) years of experience in management systems auditing.



## Annex 2

### FURTHER CLARIFICATION ON DEFINITIONS OF ELIGIBLE SMALL-SCALE PROJECT ACTIVITIES

**A. Type (i) project activities: Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent)**  
(Decision 17/CP.7, subparagraph 6 (c) (i))

#### Definition of “renewable energy”

1. The executive board agreed to draw up an indicative list of energy sources/eligible project activities<sup>4</sup>, as proposed in the attachment to Annex 2 of the annotated agenda of its third meeting. In drawing up such a list, the board shall consider recognized classifications of renewable energy technologies/sources and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the CDM “bottom-up” project cycle approach, this list shall evolve and be further elaborated over time as new project activities are proposed and registered.

#### Definition of “maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent)”

2. Definition of “**maximum output**”: The board agreed to define “output” as installed/rated capacity as indicated by the manufacturer of the equipment or plant, disregarding the actual load factor of the plant.

3. Definition of “**appropriate equivalent of 15 MW**”: The board agreed that, while paragraph 6 (e) (i) of decision 17/CP.7 refers to MW, project proposals may refer to MW(p), MW(e) or MW (th). As MW(e) is the most common denomination, and MW(th) only refers to the production of heat which can also be derived from MW(e), the board agreed to define MW as MW(e) and otherwise to apply an appropriate conversion factors.

**B. Type (ii) project activities: Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 GWh per year** (Decision 17/CP.7, subparagraph 6 (c) (ii)):

#### Definition of “Energy efficiency improvement project activities”

4. The executive board agreed to draw up an indicative list of eligible project activities/sectors, as proposed in the attachment to Annex 2 of the annotated agenda of its third meeting. In drawing up such a list, the board shall consider recognized classifications of energy efficiency and take into account experience based on completed or ongoing small-scale projects in relevant fields. Following the CDM “bottom-up” approach, this list shall evolve and be further elaborated over time as new project activities are proposed and registered.

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<sup>4</sup> Project activities referring to the burning of peat and non-biogenic waste should not be included in the indicative list. The SSC panel shall prepare technical recommendations on this matter.

**CDM – Executive board**

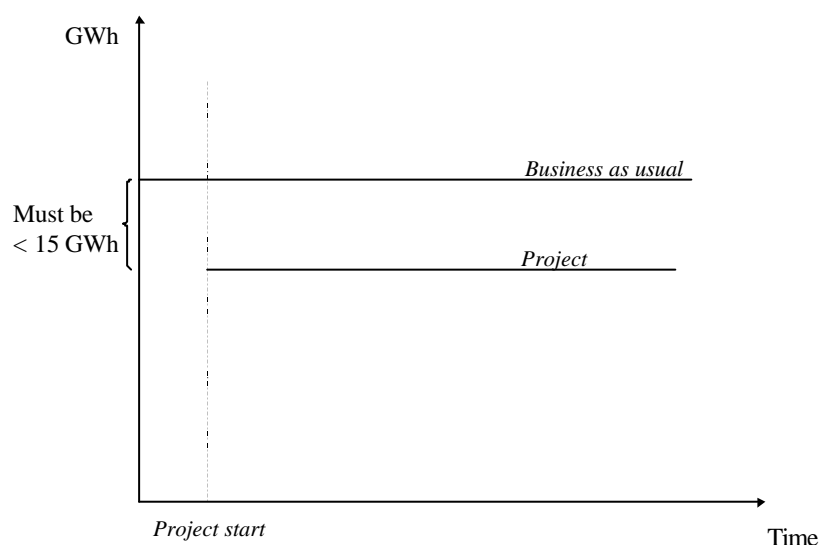
5. The board further agreed on the following clarifications:

(a) Energy efficiency is the “improvement in the service provided per unit power, i.e. project activities which increase unit output of traction, work, electricity, heat, light (or fuel) per MW input are energy efficiency project activities”, and

(b) Energy consumption is the “reduced and measured in watt-hours with reference to an approved baseline” (lower consumption as a result of lower activity shall not be taken into consideration).

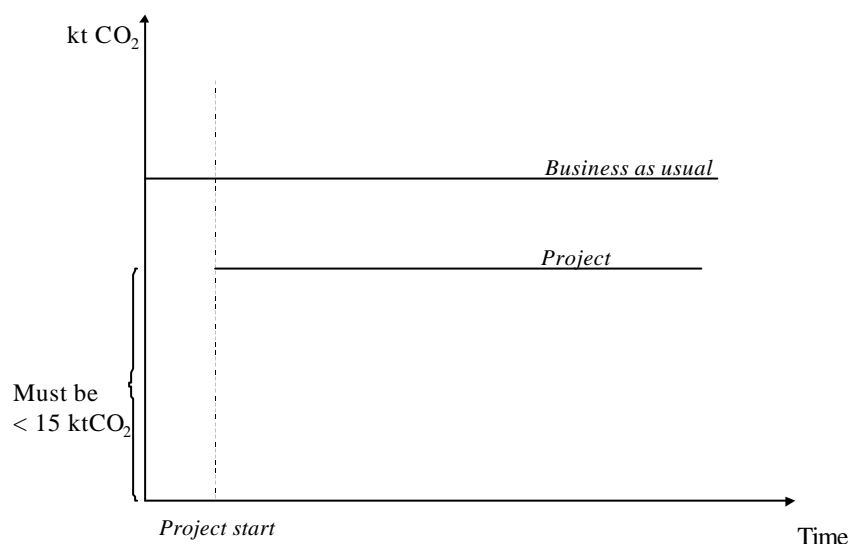
6. Demand side as well as supply side projects are taken into consideration, provided that a project activity results in a reduction of max. 15 GWh, as figure 1 illustrates. A total saving of 15 GWh is equivalent to 1000 hours operation of a 15 MW plant or  $15 \times 3.6 \text{ TJ} = 54 \text{ TJ}$ , where TJ stands for terajoules.

**Figure 1: Eligibility for type (ii) project activities**



**CDM – Executive board****C. Type (iii) project activities: Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually**  
(Decision 17/CP.7, subparagraph 6 (c) (iii)):

7. As figure 2 illustrates, type (iii) projects shall not exceed total direct emissions of 15kt of CO<sub>2</sub> equivalent annually, and must reduce greenhouse gas emissions.

**Figure 2: Eligibility for type (iii) project activities**

8. As presented in the attachment of Annex 2 to the annotated agenda of the third meeting of the executive board, type (iii) CDM project activities could include agricultural projects, fuel switching, industrial processes and waste management. Possible examples in the agricultural sector include manure management, reduction of enteric fermentation, improved fertilizer usage or water management in rice cultivation.

9. Other projects that could qualify include CO<sub>2</sub> recycling, carbon electrodes, adipic acid production and the use of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) making reference to the emission reductions generated by such projects expressed in CO<sub>2</sub> equivalent. In order for these to be calculated in a consistent and transparent manner, appropriate baseline methodologies need to be developed.

**D. Interpretation of types of project activity to be mutually exclusive**  
(Decision 17/CP.7, subparagraph 6 (c), (i), (ii) and (iii))

10. The board agreed that the three types of project activities in subparagraph 6 (c) are mutually exclusive. A project activity with more than one component to benefit from simplified modalities and procedures, each component shall meet the threshold criterion of each applicable type, e.g. for a project with both a renewable energy and an energy efficiency component, the renewable energy component shall meet the criterion for “renewable energy” and the energy efficiency component that of “energy efficiency”.



### Annex 3

## **PROVISIONAL AGENDA FOR THE FOURTH MEETING OF THE EXECUTIVE BOARD Bonn, 9 – 10 June 2002**

1. Adoption of the agenda
2. Work plan until the eighth session of the Conference of the Parties
  - (a) Accreditation process for operational entities
  - (b) Simplified modalities and procedures for small scale CDM project activities
  - (c) Guidelines for methodologies for baselines and monitoring plans
  - (d) Modalities for collaboration with SBSTA
3. Other matters
  - (a) Draft rules of procedure
  - (b) Other business
4. Conclusion
  - (a) Summary of decisions
  - (b) Closure.

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