



Glossary of CDM terms

The following CDM glossary intends to assist in clarifying terms used in the Project Design Document (CDM-PDD), the Proposed New Methodology: Baseline (CDM-NMB) and the Proposed New Methodology: Monitoring (CDM-NMM) and the in the CDM modalities and procedures in order to facilitate the completion of the CDM-PDD, CDM-NMB and CDM-NMM by project participants.

Clean development mechanism (CDM):

Article 12 of the Kyoto Protocol defines the clean development mechanism. “The purpose of the clean development mechanism shall be to assist Parties¹ not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under article 3”.

At its seventh session, the Conference of the Parties (COP) adopted modalities and procedures for a clean development mechanism (CDM modalities and procedures, see annex to decision 17/CP.7, document FCCC/CP/2001/13/Add.2) and agreed on a prompt start of the CDM by establishing an Executive Board and agreeing that until the entry into force of the Kyoto Protocol (a) this Board should act as the Executive Board of the CDM and (b) the Conference of the Parties (COP) should act as the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) as required by the Protocol and the CDM modalities and procedures.

Terms in alphabetical order:

“Attributable”:

See “measurable and attributable”.

Authorization of a private and/or public entity to participate in a CDM project activity:

The authorization of a private and/or public entity, to participate in a CDM project activity referred to in paragraph 33 of the modalities and procedures, is provided in writing by the DNA of the Party pursuant to the laws of which the private and/or public entity is constituted as a legal entity.

In the case of a bilateral or multilateral fund wishing to be a project participant, Party(ies) which is/are directly or indirectly party(ies) to the fund shall provide the required authorization.

In the case of a private equity fund wishing to be a project participant, the DNA of the Party in which the entity is a legal entity shall provide the required authorization.

¹ In this glossary, the term “Party” is used as defined in the Kyoto Protocol: “Party” means, unless the context otherwise indicates, a Party to the Protocol. “Party included in Annex I” means a Party included in Annex I to the Convention, as may be amended, or a Party which has made a notification under Article 4, paragraph 2(g), of the Convention.

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The authorization referred to in the above three paragraphs:

- may be included in the written approval referred to in paragraph 40 (a) of the CDM modalities and procedures.
- can pertain to a specific project activity or be of a general character.

The DOE shall receive documentation of the authorization.

Baseline:

See baseline scenario.

Baseline approach:

A baseline approach is the basis for a baseline methodology. The Executive Board agreed that the three approaches identified in sub-paragraphs 48 (a) to (c) of the CDM modalities and procedures be the only ones applicable to CDM project activities. They are:

- Existing actual or historical emissions, as applicable; or
- Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or
- The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category.

Baseline methodology:

A methodology is an application of an approach as defined in paragraph 48 of the CDM modalities and procedures, to an individual project activity, reflecting aspects such as sector and region. No methodology is excluded a priori so that project participants have the opportunity to propose a methodology. In considering paragraph 48, the Executive Board agreed that, in the two cases below, the following applies:

- (a) Case of a new methodology: In developing a baseline methodology, the first step is to identify the most appropriate approach for the project activity and then an applicable methodology;
- (b) Case of an approved methodology: In opting for an approved methodology, project participants have implicitly chosen an approach.

Baseline - new methodology:

Project participants may propose a new baseline methodology established in a transparent and conservative manner. In developing a new baseline methodology, the first step is to identify the most appropriate approach for the project activity and then an applicable methodology. Project participants shall submit a proposal for a new methodology to a designated operational entity by forwarding a completed “Proposed New Methodology: Baseline (CDM-NMB)” along with a completed “Proposed New Methodology: Monitoring (CDM-NMM)” and the Project Design Document (CDM-PDD) with sections A to E completed in order to demonstrate the application of the proposed new methodology to a proposed project activity.

The proposed new methodology will be treated as follows: If the designated operational entity determines that it is a new methodology, it will forward, without further analysis, the documentation to the Executive Board. The Executive Board shall expeditiously, if possible at its next meeting but not later than four months review the proposed methodology. Once approved by the Executive Board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity (applying the approved methodology) and submit the project design document for registration. In the event that the COP/MOP

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requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

Baseline - approved methodology:

A baseline methodology approved by the Executive Board is publicly available along with relevant guidance on the UNFCCC CDM website (<http://unfccc.int/cdm>) or through a written request sent to cdm-info@unfccc.int or Fax: (49-228) 815-1999.

Baseline scenario:

The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of 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 anthropogenic 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 modalities and procedures.

Different scenarios may be elaborated as potential evolutions of the situation existing before the proposed CDM project activity. The continuation of a current activity could be one of them; implementing the proposed project activity may be another; and many others could be envisaged. Baseline methodologies shall require a narrative description of all reasonable baseline scenarios.

To elaborate the different scenarios, different elements shall be taken into consideration, including related guidance issued by the Executive Board. For instance, the project participants shall take into account national / sectoral policies and circumstances, ongoing technological improvements, investment barriers, etc. (see Appendix C paragraph b (vii) and paragraphs 45 (e), 46, 48 (b) of decision 17/CP.7).

Crediting period:

The crediting period for a CDM project activity is the period for which reductions from the baseline are verified and certified by a designated operational entity for the purpose of issuance of certified emission reductions (CERs). Project participants shall choose the starting date of a crediting period to be after the date the first emission reductions are generated by the CDM project activity. A crediting period shall not extend beyond the operational lifetime of the project activity.

The crediting period may only start after the date of registration of the proposed activity as a CDM project activity. In exceptional cases, for project activities starting between 1 January 2000 and the date of the registration of a first clean development mechanism project, the starting date of the crediting period may be prior to the date of registration of the project activity if the project activity is submitted for registration before 31 December 2005 (please refer to paras 12 and 13 of decision 17/CP.7, paragraph 1 (c) of decision 18/CP.9 and clarifications by the Executive Board, available on the UNFCCC CDM web site).

The project participants may choose between two options for the length of a crediting period: (i) fixed crediting period or (ii) renewable crediting period, as defined in paragraph 49 (a) and (b) of the CDM M & P.

**CDM – Executive Board****Crediting period – fixed (also fixed crediting period):**

“Fixed Crediting Period” is one of two options for determining the length of a crediting period. In the case of this option, the length and starting date of the period is determined once for a project activity with no possibility of renewal or extension once the project activity has been registered. The length of the period can be a maximum of ten years for a proposed CDM project activity. (paragraph 49 (b) of CDM modalities and procedures).

Crediting period – renewable (also renewable crediting period):

“Renewable crediting period” is one of two options for determining the length of a crediting period. In the case of this option, a single crediting period may be of a maximum of seven years. The crediting period may be renewed at most two times (maximum 21 years), provided that, for each renewal, a designated operational entity determines that the original project baseline is still valid or has been updated taking account of new data, where applicable, and informs the Executive Board accordingly (paragraph 49 (a) of the CDM modalities and procedures). The starting date and length of the first crediting period has to be determined before registration.

Certification:

Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases (GHG) as verified.

Certified emission reductions (CERs):

A certified emission reduction or CER is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in the CDM modalities and procedures, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5 of the Kyoto Protocol.

Conservative:

See “Transparent and conservative”.

Designated operational entity (DOE):

An entity designated by the COP/MOP, based on the recommendation by the Executive Board, as qualified to validate proposed CDM project activities as well as verify and certify reductions in anthropogenic emissions by sources of greenhouse gases (GHG). A designated operational entity shall perform validation or verification and certification on the same CDM project activity. Upon request, the Executive Board may however allow a single DOE to perform all these functions within a single CDM project activity. COP at its eight session decided that the Executive Board may designate on a provisional basis operational entities (please refer to decision 21/CP.8).

Fixed Crediting Period:

See crediting period – fixed.

Host Party:

A Party not included in Annex I to the Convention on whose territory the CDM project activity is physically located. A project activity located in several countries has several host Parties. At the time of registration, a Host Party shall meet the requirements for participation as defined in paragraphs 28 to 30 of the CDM modalities and procedures.

**CDM – Executive Board****Issuance of certified emission reductions (CERs):**

Issuance of CERs refers to the instruction by the Executive Board to the CDM registry administrator to issue a specified quantity of CERs for a project activity into the pending account of the Executive Board in the CDM registry, in accordance with paragraph 66 and Appendix D of the CDM modalities and procedures.

Upon issuance of CERs, the CDM registry administrator shall, in accordance with paragraph 66 of CDM modalities and procedures, promptly forward the CERs to the registry accounts of project participants involved, in accordance with their request, having deducted the quantity of CERs corresponding to the share of proceeds to cover administrative expenses for the Executive Board and to assist in meeting costs of adaptation for developing countries vulnerable to adverse impacts of climate change, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds.

Leakage:

Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases (GHG) which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.

Measurable and attributable

In an operational context, the terms measurable and attributable in paragraph 51 (project boundary) of the CDM modalities and procedures should be read as “which can be measured” and “directly attributable”, respectively

Monitoring of a CDM project activity:

Monitoring refers to the collection and archiving of all relevant data necessary for determining the baseline, measuring anthropogenic emissions by sources of greenhouse gases (GHG) within the project boundary of a CDM project activity and leakage, as applicable.

Monitoring methodology:

A monitoring methodology refers to the method used by project participants for the collection and archiving of all relevant data necessary for the implementation of the monitoring plan.

Monitoring methodology - approved:

A monitoring methodology approved by the Executive Board and made publicly available along with relevant guidance.

Monitoring methodology - new:

Project participants may propose a new monitoring methodology. In developing a monitoring methodology, the first step is to identify the most appropriate methodology bearing in mind good monitoring practice in relevant sectors. Project participants shall submit a proposal for a new methodology to a designated operational entity by forwarding a completed “Proposed New Methodology: Baseline (CDM-NMB)” along with a completed “Proposed New Methodology: Monitoring (CDM-NMM)” and the project design document (CDM-PDD) with sections A to E completed in order to demonstrate the application of the proposed new methodology to a proposed project activity.

A new proposed methodology will be treated as follows: If the designated operational entity determines that it is a new methodology, it will forward, without further analysis, the documentation to the Executive Board. The Executive Board shall expeditiously, if possible at its next meeting but not later

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than four months review the proposed methodology. Once approved by the Executive Board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity (applying the approved methodology) and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

Operational lifetime of a project activity:

It is defined as the period during which the project activity is in operation. No crediting period shall end after the end of the operational lifetime (calculated as from starting date).

Project activity:

A project activity is a measure, operation or an action that aims at reducing greenhouse gases (GHG) emissions. The Kyoto Protocol and the CDM modalities and procedures use the term “project activity” as opposed to “project”. A project activity could, therefore, be identical with or a component or aspect of a project undertaken or planned.

Project boundary:

The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases (GHG) under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

The Panel on methodologies (Meth Panel) shall develop specific proposals for consideration by the Executive Board on how to operationalize the terms “under the control of”, “significant” and “reasonably attributable”, as contained in paragraph 52 and appendix C, paragraphs (a) (iii) and (b) (vi) of the CDM modalities and procedures. Pending decisions by the Executive Board on these terms, project participants are invited to explain their interpretation of such terms when completing and submitting the CDM-NMB and CDM-NMM.

Project participants:

In accordance with the use of the term project participant in the CDM modalities and procedures, a project participant is (a) a Party involved, and/or (b) a private and/or public entity authorized by a Party to participate in a CDM project activity.

In accordance with Appendix D of the CDM modalities and procedures, the decision on the distribution of CERs from a CDM project activity shall exclusively be taken by project participants.

Project participants shall communicate with the Executive Board, through the secretariat, in writing in accordance with the “modalities of communication” submitted together with the registration form.

If a project participant does not wish to be involved in taking decisions on the distribution of CERs, this shall be communicated to the Executive Board through the secretariat at the latest when the request regarding the distribution is made.

See also: “Authorization of a private and/or public entity to participate in a CDM project activity” and “Request for distribution of CERs”

Renewable crediting period:

See Crediting period - renewable



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Request for distribution of CERs:

The request regarding the distribution of CERs can only be changed if all signatories of the previous instruction have agreed to the change and signed the appropriate document.

A change of project participants shall immediately be communicated to the Executive Board through the secretariat. The indication of change shall be signed by all project participants of the previous communication and by all new and remaining project participants. Each new project participant needs authorization, as required.

Stakeholders:

Stakeholders mean the public, including individuals, groups or communities affected, or likely to be affected, by the proposed CDM project activity or actions leading to the implementation of such an activity.

Starting date of a CDM project activity:

The starting date of a CDM project activity is the date at which the implementation or construction or real action of a project activity begins. Project activities starting between 1 January 2000 and the date of the registration of a first clean development mechanism project have to provide documentation, at the time of registration, showing that the starting date fell within this period, if the project activity is submitted for registration before 31 December 2005.

Transparent and conservative:

Establishing a baseline in a transparent and conservative manner (paragraph 45 (b) of the CDM modalities and procedures) means that assumptions are made explicitly and choices are substantiated. In case of uncertainty regarding values of variables and parameters, the establishment of a baseline is considered conservative if the resulting projection of the baseline does not lead to an overestimation of emission reductions attributable to a CDM project activity (that is, in the case of doubt, values that generate a lower baseline projection shall be used).

Registration:

Registration is the formal acceptance by the Executive Board of a validated project activity as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

Validation:

Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision 17/CP.7 its annex and relevant decisions of the COP/MOP, on the basis of the project design document (CDM-PDD).

Verification:

Verification is the periodic independent review and ex post determination by a designated operational entity of monitored reductions in anthropogenic emissions by sources of greenhouse gases (GHG) that have occurred as a result of a registered CDM project activity during the verification period. There is no prescribed length of the verification period. It shall, however, not be longer than the crediting period.