

**Annex 26****RECOMMENDATIONS ON THE SHARE OF PROCEEDS TO COVER ADMINISTRATIVE EXPENSES OF THE CLEAN DEVELOPMENT MECHANISM**

1. The recommendations by the CDM Executive Board to the COP/MOP at its first session on the share of proceeds to cover administrative expenses (SOP-Admin) of the clean development mechanism (CDM) are based on the following principles:
 - The approach should be straight-forward and simple for the paying and the receiving side.
 - There should be predictability of costs for project developers.
 - No additional transaction costs should be incurred.
 - The approach should result in fairness across project sizes, bearing in mind preferences stipulated by COP decisions (reduced rate for small-scale CDM project activities and A&R small-scale project activities).
 - The result should be predictability of revenue to cover operational expenses so that CDM services can be delivered as and when required.
2. The share of proceeds to cover administrative expenses of the CDM shall be USD 0.20 per CER issued.
3. The recommended SOP-Admin does not change the requirements of the CDM Registry.
4. Issuance of CERs, in accordance with the distribution agreement, shall only be effected once the SOP-Admin has been received.
5. The revised registration fee shall be the share of proceeds multiplied by the expected average annual emission reduction for the project activity over its crediting period. No registration fee has to be paid for CDM project activities with average annual emission over the crediting period below 15,000 t CO₂ equivalent.
6. The registration fee shall be deducted from the share of proceeds for administrative expenses. In effect, the registration fee is an advance payment of the SOP-Admin for the emission reductions achieved during the first year. If an activity is not registered, any registration fee above USD 30,000 is reimbursed.
7. The review of the registration fee and the SOP-Admin, including the periodicity of future reviews, is to be considered by COP/MOP 3.
8. The Board will recommend at a later date the share of proceeds for afforestation and reforestation and small-scale afforestation and reforestation project activities.
9. Until the COP/MOP has taken a decision on the recommendations above (i) the Board continues to apply its current practice of registration fees; and (ii) the CDM registry administrator executes issuance instructions so that CERs are issued into the pending account, thus ensuring that CERs are created and attributed to a specific CDM project activity. Once the COP/MOP has taken a decision, the CDM Executive Board and the CDM Registry Administrator shall implement the required steps.
