



Annex 15

REGIONAL DISTRIBUTION OF CLEAN DEVELOPMENT MECHANISM PROJECT ACTIVITIES

Mandate

1. Taking into account the provisions of the Marrakech Accords reflected in decisions 3/CMP.1, 4/CMP.1 and 7/CMP.1.
2. By its decision 7/CMP.1 (paragraph 33), CMP 1 also requested the Board to report to it at its second session information on systematic or systemic barriers to the equitable regional and subregional distribution of clean development mechanism project activities, and options to address these issues.
3. By its decision 1/CMP.2 (paragraph 31 to 42), CMP 2 took note of the recommendation of the Executive Board in response to the request contained in paragraph 33 of decision 7/CMP.1 and provided further guidance in this area.
4. By its decision 2/CMP.3 (paragraph 26 to 42), CMP 3 acknowledged the recommendation of the Executive Board to the CMP relating to information on regional and subregional distribution of clean development mechanism project activities, systematic or systemic barriers to their equitable distribution and options to address these and encouraged the Executive Board and the secretariat to continue to facilitate the regional and subregional distribution of project activities.

Progress to date

5. In its report to the CMP at its second session, the Executive Board highlighted decisions it had taken on the following measures in order to alleviate some of the concerns on this issue:
 - (a) Simplified modalities and procedures for small- scale projects;
 - (b) Removal of the registration fee for projects that achieve fewer than 15,000 t CO₂ eq of emission reductions per year;
 - (c) Lower share of proceeds for the first 15,000 CERs issued per year;
 - (d) Differentiation in the method of payment for the application fee for applicant entities from non-Annex I Parties;
 - (e) Establishment of the Designated National Authorities Forum (DNA Forum);
 - (f) Participation in subregional and global capacity-building events or awareness-raising activities;
 - (g) Establishment of the CDM Bazaar.
6. In its report to the third session of the CMP, the Executive Board noted that several activities had progressed in this area, in particular:
 - (a) The CDM Bazaar had been launched to provide a web-based information exchange platform which facilitates access to, and sharing of, information among all stakeholders involved in the CDM process, in particular those from developing countries;



- (b) Two meetings of the DNA Forum had been held, including one in Addis Ababa, Ethiopia, which had a particular focus on the Africa region;
- (c) The Nairobi Framework had been launched by the former Secretary-General during the second session of the CMP to bring together the United Nations Development Programme, the United Nations Environment Programme, the World Bank Group, the African Development Bank and the UNFCCC secretariat, with the specific target of helping developing countries, especially those in sub-Saharan Africa, to improve their level of participation in the CDM;
- (d) Several Parties had undertaken activities to broaden the participation of different stakeholders in the CDM process and to address barriers. This cooperation had taken different forms, but most notably included capacity-building programmes. These efforts are being complemented by South–South cooperation;
- (e) The Executive Board had provided guidance on CDM programmes of activities, as well as procedures for their registration and the issuance of CERs, as first steps towards this innovative approach, which facilitates access to the CDM and reduces transaction costs.

7. At its third session, by its decision 2/CMP.3, the CMP following a recommendation by the Executive Board abolished the payment of the registration fee and share of proceeds at issuance for CDM projects hosted in LDCs.

8. The Executive Board, taking into account its role, continued to undertake work in the area of regional distribution, by facilitating information sharing, by working in the area of methodologies and by providing additional guidance.

9. The Board has also been involved and regularly updated on the on-going work on the possible linkages between the CDM and microfinance undertaken by the Government of Denmark and the developments under the Nairobi Framework, including the recent organization of the first ever Africa Carbon Forum held in Dakar, Senegal on 3-5 September 2008.

Recommendations

10. The Board, taking into account the mandate received, and in order to further facilitate a more equitable distribution of CDM project activities and CDM programmes of activities, agreed on the following recommendations to be submitted to CMP 4 for its further consideration and guidance. The Board recommends CMP 4 to consider, without jeopardizing environmental integrity, options for countries with less than five registered projects, especially in LDCs, SIDS, and Africa:

- (a) to explore specific registration and issuance procedures for CDM project activities;
- (b) to request the development of more SSC methodologies with the potential for application in these countries;
- (c) to explore the possibility to provide default figures for parameters used in establishing baselines for some of the methodologies when applying the methodology in these countries where data gathering for baseline setting could be considered an extra barrier to implementation;
- (d) to facilitate CDM hands-on training workshops (e.g. train the trainers) in these countries on request at no additional cost to them;



- (e) Explore the possibility for Parties, in a position to do so, and in partnership with the private sector to:
 - (i) create a CDM project identification and development fund, potentially revolving that shall be used to identify and develop PDDs in each of these countries and to pay the cost of validation for these projects;
 - (ii) Purchase at least [X]% of CERs from projects hosted in these countries.
 - (f) To encourage Parties, in a position to do so, to:
 - (i) Provide financial support to these countries , to cover the start-up costs and if required the technical expertise relating to the development of CDM project activities;
 - (ii) Provide financial support to the activities of the organizations partner of the Nairobi Framework in particular to empower potential Host Parties to assess the potential for CDM and share this information at carbon fair/forum events;
 - (iii) Pay particular attention to a more equitable distribution of CDM project activities.
 - (g) Encourage Parties and UN organizations, in particular those partners of the Nairobi Framework, to focus, in close consultation with the recipient countries, and in a coordinated fashion between bilateral and multilateral activities, on capacity building in areas that are specific to the development of CDM project activities, in particular:
 - (i) development of PDDs, assessing proposals, awareness raising, financial engineering, information sharing and the development of methodologies that are more suitable for these countries;
 - (ii) support to these Parties in the creation of an organized infrastructure such as DNAs or CDM promotion offices;
 - (iii) provide financial and technical support to DNAs of these countries , to identify and develop the potential CDM project activities and methodologies;
 - (iv) develop and make publicly available studies on the CDM potential in these countries.
11. The Board also recommends to CMP.4 to:
- (a) Encourage all Parties to:
 - (i) cooperate bilaterally to develop and implement CDM project activities, and in particular to facilitate South-South cooperation and capacity transfer;
 - (ii) consider how they may stimulate investments in CDM projects in the context of their broader development and finance policies.
 - (b) Encourage non-Annex I Parties to:
 - (i) provide, as appropriate, incentives to:



- PPs of small scale CDM projects;
 - Energy efficient or renewable energy (solar, wind, biogas etc.) technology providers supplying such projects;
 - AEs and DOEs that start their operations in these countries;
 - regulation/insurance policies for DOEs/PPs to reduce perceived risks;
- (ii) develop clear guidelines and procedures for CDM investments in their countries;
- (iii) create an enabling environment for CDM projects.
- (c) Encourage a closer cooperation between the DNAs of Annex I and non-Annex I Parties in particular through the DNA forum;
- (d) Encourage the private sector to further engage in the CDM process and encourage all Parties to facilitate the participation by the private sector by creating the appropriate enabling environment;
- (e) Encourage financial institutions, in particular regional development banks, to provide seed funding to develop CDM project activities and to be actively involved in the development and promotion of CDM project activities and co-operation and knowledge transfer regarding CDM between regional development banks;
- (f) Encourage Designated Operational Entities (DOEs), to establish offices and partnerships in developing countries in order to reduce the transaction costs for those countries and contribute to a more equitable distribution of CDM project activities;
- (g) Request the Board to further enhance the functionality of the CDM Bazaar in order to scale-up the range of services offered and to promote its use in developing countries;
- (h) Request the Board, to continue to cooperate with interested institutions, on the provision of regular statistical services.
