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### METHODOLOGICAL ISSUES

#### **LAND USE, LAND-USE CHANGE AND FORESTRY: DEFINITIONS AND MODALITIES FOR INCLUDING AFFORESTATION AND REFORESTATION ACTIVITIES UNDER ARTICLE 12 OF THE KYOTO PROTOCOL FOR THE FIRST COMMITMENT PERIOD**

#### **Options paper on modalities for addressing socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems**

#### **Note by the secretariat**

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## I. INTRODUCTION

### A. Mandate

1. The Conference of the Parties (COP), by its decisions 11/CP.7 (para. 2(e))<sup>1</sup> and 17/CP.7 (para. 10(b)),<sup>2</sup> requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period, taking into account the issues of non-permanence, additionality, leakage, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in the preamble to draft decision –/CMP.1 (*Land use, land-use change and forestry*),<sup>3</sup> with the aim of recommending a draft decision for adoption by the COP at its ninth session on these definitions and modalities, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) at its first session.

2. The COP, by its decision 17/CP.7 (para. 11), further decided that the decision by the COP at its ninth session, on definitions and modalities for inclusion of afforestation and reforestation project activities under the CDM in the first commitment period, referred to in paragraph 1 above, shall be in the form of an annex on modalities and procedures for afforestation and reforestation project activities for the CDM reflecting, mutatis mutandis, the annex to decision 17/CP.7 on modalities and procedures for the CDM (hereinafter referred as “modalities and procedures for the CDM”).

3. The SBSTA, at its sixteenth session, agreed on the terms of reference and an agenda for the work referred to in paragraph 1 above. It invited Parties to submit their views on issues related to modalities.<sup>4</sup> It requested the secretariat to prepare, under the guidance of the SBSTA Chair, an options paper on modalities for addressing socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, based on written submissions from Parties and other inputs from Parties at the seventeenth session of the SBSTA.<sup>5</sup>

### B. Scope of the note

4. This options paper, prepared in response to the above mandate, builds on the modalities and procedures for the CDM. It presents possible approaches to addressing issues relating to modalities for socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, for afforestation and reforestation project activities in the first commitment period. In accordance with the mandate contained in the terms of reference of the SBSTA, this paper does not propose legal text. The document includes questions in italics for further consideration by Parties. The annex contains, for easy reference, selected references to existing modalities addressing socio-economic and environmental aspects in relationship to the CDM project cycle.

5. This paper should be read in conjunction with the options paper on modalities for addressing non-permanence<sup>6</sup> and the options paper on modalities for baselines, additionality and leakage.<sup>7</sup> The three papers aim at facilitating the exchange of views on issues relating to modalities in a workshop to be held

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<sup>1</sup> Contained in document FCCC/CP/2001/13/Add.1.

<sup>2</sup> Contained in document FCCC/CP/2001/13/Add.2.

<sup>3</sup> Contained in document FCCC/CP/2001/13/Add.1, decision 11/CP.7.

<sup>4</sup> See document FCCC/SBSTA/2002/MISC.22 and Add.1–3.

<sup>5</sup> See annex I of document FCCC/SBSTA/2002/6.

<sup>6</sup> See document FCCC/SBSTA/2003/5.

<sup>7</sup> See document FCCC/SBSTA/2003/6.

in February 2003. Parties are encouraged to refer to the report of the workshop for further elaborations on the approaches reflected in this document (to be available before SBSTA 18).

### C. Possible action by the SBSTA

6. The SBSTA may wish to take note of information contained in this paper when considering modalities relating to socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, for including afforestation and reforestation project activities under the CDM in the first commitment period.

## II. BACKGROUND

7. The purpose of the CDM is to assist non-Annex I Parties in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Annex I Parties in achieving emission limitation and reduction commitments. In decision 17/CP.7, the Conference of the Parties affirmed “that it is the host Party’s prerogative to confirm whether a clean development mechanism project activity assists in achieving sustainable development.” According to draft decision -/CMP.1 (*Land use, land-use change and forestry*), one of the principles governing the treatment of activities (para. 1 (e)) is that: “the implementation of land use, land-use change and forestry activities contributes to the conservation of biodiversity and sustainable use of natural resources.”

8. For the purposes of Article 12 of Kyoto Protocol, some key definitions have been determined. According to paragraph 1 (e) of the annex (Modalities and procedures for a clean development mechanism) of draft decision -/CMP.1 (Article 12): “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.” Parties have expressed divergent views on whether definitions for the terms afforestation, reforestation and forest included in draft decision -/CMP.1 (*Land use, land-use change and forestry*), are applicable also for afforestation and reforestation project activities under Article 12.

9. The modalities and procedures for the CDM recommended for adoption by the COP/MOP in decision 17/CP.7 refer directly and indirectly to socio-economic and environmental aspects. These provisions address specific requirements for each phase of the CDM project cycle as described in the annex to the present paper. In the project **planning phase** project participants should prepare a project design document, describing a project activity, and including provisions on socio-economic and environmental aspects. During the **validation** process, a designated operational entity should carry out an independent evaluation of a project activity based on the project design document. Environmental aspects are also to be considered in **monitoring and implementation**. Project participants should collect and archive information on the analysis on environmental impacts of the project activity. At the end of the CDM project cycle, a designated operational entity should carry out periodic independent reviews and *ex post* determination of monitored emissions reductions that have occurred as a result of a registered CDM project activity. A designated operational entity provides a written assurance, a **certification**, that, during a specific time period, a project activity achieved emission reductions as verified. In this process, reports should be publicly available.

10. The Convention on Biological Diversity (CBD) and its Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) has established an ad hoc technical expert group with a view to conducting a pilot assessment and to preparing scientific advice to integrate biological diversity considerations into the implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. The on-going work includes an analysis of possible adverse effects on biological diversity of measures that might be taken or are being considered under the UNFCCC and its Kyoto Protocol. It is expected that the draft report will be submitted to governments for review,

followed by subsequent discussions at the eighth meeting of SBSTTA in March 2003 with a view to finalizing the document in June 2003.

### **III. VIEWS FROM PARTIES ON THE NATURE OF SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACTS**

11. Afforestation and reforestation project activities to sequester carbon and other greenhouse gases can provide important socio-economic and environmental benefits to host countries and local communities. However, they also pose a risk of negative socio-economic and environmental impacts.

12. In the submissions by Parties, a number of possible socio-economic and environmental impacts, both positive and negative, have been identified.

(a) Socio-economic impacts of afforestation and reforestation projects may include:

- (i) Social impacts on local, national and global communities, employment and income generation; technical assistance; improvement of quality of life, poverty and human health; equity; provision of food, fibre, shelter and fuels; upgrade of research and development skills on natural resources management; capacity-building;
- (ii) Economic benefits to families; establishment of plantations of species with commercial value; increased value of small and medium size land properties; revenues; removal of unsustainable practices and barriers on investment; infrastructure;
- (iii) Impacts on local communities and indigenous peoples, including changes to traditional rights, practices and values;
- (iv) Impacts on land use and land tenure, including potential to displace people and indigenous groups from their land; potential conflicts on land tenure and carbon sequestration rights;
- (v) Impacts on information, and public and stakeholder participation.

(b) Environmental impacts of afforestation and reforestation projects may include:

- (i) Recovery of eroded or degraded soils; changes in water resources; changes in micro-climate; role of native forest species or species adapted to local conditions; impacts on agroforestry practices; use of pesticides;
- (ii) Changes in biological diversity, including increased biomass; species displacement such as conversion of indigenous grasslands to a tree plantation; alterations to habitats and biological diversity; introduction of alien species.

13. The Intergovernmental Panel on Climate Change (IPCC) special report on land use, land-use change and forestry (LULUCF) identifies six factors that are critical to strengthening the sustainable development contributions of LULUCF greenhouse gas mitigation projects:

(a) The consistency of project activities with international principles and criteria for sustainable development;

(b) The consistency of project activities with nationally defined sustainable development and/or national development goals, objectives and policies;

- (c) The availability of sufficient institutional and technical capacity to develop and implement project guidelines and safeguards;
- (d) The extent and effectiveness of local community participation in project development and implementation;
- (e) The transfer and local adaptation of technology (including hardware and software);
- (f) The application of sound environmental and social assessment methodologies to assess sustainable development implications.

#### **IV. APPROACHES FOR DEALING WITH SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACTS, INCLUDING IMPACTS ON BIODIVERSITY AND NATURAL ECOSYSTEMS**

##### **A. Approaches for further consideration**

14. Four basic approaches, based on the submissions by Parties and further guidance provided by Parties during the seventeenth session of the SBSTA, have been identified to facilitate further consideration of socio-economic and environmental aspects of afforestation and reforestation projects under the CDM:

- (a) Minor revisions to existing modalities and procedures;
- (b) More extensive revisions to existing modalities and procedures, possibly including elaboration of “checklists” or annexes to the modalities and procedures;
- (c) Countries (host and/or investing country) elaborating country-specific guidelines to address socio-economic and/or environmental impacts;
- (d) The Executive Board of the CDM developing operational guidelines to address socio-economic and/or environmental impacts.

15. All four approaches have both common elements and major differences. Each approach assumes that a host country has the ultimate right to determine whether an afforestation or reforestation project fulfils its requirements for sustainable development. However, there are different views on the extent to which the international community may specify how these issues should be considered by national governments.

16. The approaches presented are not comprehensive. Other approaches may exist and could be identified by experts and Parties at the workshop, or subsequently by the SBSTA. Each of the approaches would need to be further operationalized to include specific requirements for different issues. Regardless of the approach, special consideration is required to address modalities systematically throughout the CDM project cycle, and to determine the roles and responsibilities for different afforestation and reforestation project stakeholders and other Parties.

17. According to current modalities, afforestation and reforestation project activities are not included in a list of projects for simplified modalities and procedures. No proposals have been made to limit the minimum area for an afforestation or a reforestation project. Some Parties have suggested developing simplified modalities and procedures for “small scale” afforestation and reforestation projects, because these might provide positive socio-economic impacts to local communities and have less negative environmental impacts than larger projects. Some other Parties have suggested that it would be difficult and premature to elaborate simplified modalities for “small scale” projects, when basic modalities for

afforestation and reforestation project activities have not yet been agreed upon. In this paper, no options are presented for simplified modalities and procedures.

18. Some of the approaches, or elements within each approach, could also be combined. For example, approaches III and IV, as outlined below, could be combined with each other, and with either approach I or approach II. Furthermore, socio-economic and environmental aspects may also be addressed in the rules and modalities in a different manner.

#### **B. Approaches for addressing socio-economic impacts**

19. **Approach I: Minor revisions to existing modalities and procedures.** The need for minor revisions is still to be determined. However, guidelines for stakeholder consultations and documentation would be the same as those for CDM project activities that reduce emissions from sources and as referred to in the annex of this document.

20. **Approach II: More extensive revisions to existing modalities and procedures, possibly including elaboration of “checklists” or annexes to the modalities.** The approach would take existing modalities and procedures, and follow the CDM project cycle, as a starting point for elaborating a number of complementary modalities to address socio-economic impacts of afforestation and reforestation project activities. Requirements could be elaborated to reflect possible additional modalities and procedures for each project phase as presented in chapter V of this document. In some cases socio-economic requirements for afforestation and reforestation project activities could differ from other project activities. For example, a Social Impact Assessment could be required for all afforestation and reforestation projects.

21. **Approach III: Countries (host and/or investing country) elaborating country-specific guidelines to address socio-economic impacts.** Existing modalities and procedures for the CDM would be the basis to address socio-economic impacts for countries participating in an afforestation or a reforestation project. Each country hosting an afforestation or a reforestation project, would be required to develop guidelines to address socio-economic impacts. Furthermore, each afforestation and reforestation project would be required to follow these country or region specific guidelines during different phases of a CDM project.

22. **Approach IV: the Executive Board of the CDM developing operational guidelines to address socio-economic impacts.** Based on existing modalities and procedures for the CDM, the Executive Board could be requested to develop operational guidelines to address socio-economic impacts for afforestation and reforestation project activities.

#### **C. Approaches for addressing environmental impacts, including impacts on biodiversity and natural resources**

23. **Approach I: Minor revisions to existing modalities and procedures.** The need for minor revisions is still to be determined. However, guidelines for stakeholder consultations, documentation, analysis and monitoring of environmental impacts would be the same as those for CDM project activities that reduce emissions from sources and as referred in the annex of this document.

24. **Approach II: More extensive revisions of existing modalities and procedures, possibly including elaboration of “checklists” or annexes to the modalities.** The approach would take existing modalities and procedures, and follow the CDM project cycle, as a starting point for elaborating a number of complementary modalities to address environmental impacts of afforestation and reforestation project activities. Requirements could be elaborated to reflect possible additional modalities and procedures for each project phase as described in chapter V of this document. In some cases

environmental requirements for afforestation and reforestation project activities could differ from other project activities. For example, an Environmental Impact Assessment or a Strategic Impact Assessment could be required for all afforestation and reforestation projects.

25. **Approach III: Countries (host and/or investing country) elaborating country-specific guidelines to address environmental impacts.** Existing modalities and procedures for the CDM would be the basis to address environmental impacts for countries participating in an afforestation or a reforestation project. For each country hosting an afforestation or a reforestation project, would be required to develop guidelines to address environmental impacts, including impacts on biodiversity and natural ecosystems. Furthermore, each afforestation and reforestation project would be required to follow these country or region specific guidelines during different phases of CDM project.

26. **Approach IV: The Executive Board of the CDM developing operational guidelines to address environmental impacts.** Based on existing modalities and procedures for the CDM, the Executive Board could be requested to develop operational guidelines to address environmental impacts, including impacts on biodiversity and natural ecosystems for afforestation and reforestation project activities.

## **V. POSSIBLE NEW MODALITIES AND PROCEDURES TO ADDRESS SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACTS**

### **A. Views from Parties on new modalities and procedures to address socio-economic impacts**

27. Based on the proposals by Parties, new modalities and procedures to address socio-economic impacts during different phases of a CDM project cycle may include the following:

- (a) Project design:
  - (i) Each country should select its own sustainable development criteria, based on national priorities for sustainable development. These would cover social and economic priorities, participation of stakeholders and transparency of information;
  - (ii) The host country should ensure that afforestation and reforestation activities comply with national commitments under international agreements, are consistent with national sustainable development strategies and with the national forest programme, and comply with the range of decisions and recommendations on sustainable forest practices;
  - (iii) An afforestation or reforestation project should be designed to provide multiple benefits, such as provision of forest products;
  - (iv) A project developer should be required to conduct a social assessment in the project design phase. A "Social Impact Statement", included in the annex of a Project Design Document, would reflect findings of the social assessment and propose measures to monitor and minimize adverse impacts and ensure compatibility with the national forest policy. A designated authority of the host Party would consider a Social Impact Statement before approving a project. Indicators of unacceptable social impacts or a "checklist" of issues to be considered could be included in an appendix to the annex to the decision on definitions and modalities for afforestation and reforestation activities;



- (v) A Project Design Document should include the following:
  - A “Local Community Agreement” giving evidence of a legal agreement of local communities, including indigenous peoples, to the proposed project;
  - A statement on legal use of land and on carbon sequestration rights;
  - A statement on economic viability beyond the sequestration period to ensure longevity of a project;
  - A demonstration that management capacity is sufficient to ensure continuous sequestration.
- (b) Validation and/or registration:
  - (i) An assessment of socio-economic impacts would become a criterion for approving an afforestation or reforestation project. If negative and/or adverse socio-economic impacts outweigh the positive impacts, a project should not be approved as a CDM project;
  - (ii) If the new modalities and procedures require a social impact assessment, a designated operational entity should validate a “Social Impact Statement”;
  - (iii) A designated operational entity and the Executive Board should have the right to reject a project if the social impacts are not properly addressed.
- (c) Monitoring and project implementation:
  - (i) If the new modalities and procedures require a social impact assessment, a project developer should monitor implementation of a “Social Impact Statement”.
- (d) Verification and/or certification:
  - (i) If the new modalities and procedures require a social impact assessment, a designated operational entity should verify the implementation of the provisions of a “Social Impact Statement”;
  - (ii) The Executive Board should have a right to invalidate a project and cancel any credit gained from a project if, at any time, a project has infringed on the rights and welfare of communities, including indigenous peoples.

#### **B. Questions relating to socio-economic impacts for consideration by Parties**

28. Views expressed by Parties on possible modalities and procedures to address socio-economic impacts raise a number of issues that need clarification and further consideration, particularly in relation to approaches II, III and IV. In many cases it is not clear to which phase of the CDM project cycle a proposal refers, how to follow a proposal throughout a complete CDM project cycle, who is expected to fulfil a requirement, or how these proposals relate to existing modalities and procedures.

29. Questions relevant to the analysis of approaches and to possible modalities and procedures to address socio-economic impacts are given below to facilitate the further consideration. The list is not exhaustive.

(a) *Is there a need to provide guidance to Parties for developing criteria to address sustainable development requirements for afforestation and reforestation projects? What kind of guidance might be provided and what kind of modalities might be required?*

(b) *If country-specific guidelines for addressing socio-economic impacts would be required, is it appropriate for an investing country to be engaged in the elaboration of the guidelines?*

(c) *Is there a need to provide guidance to Parties to ensure compliance and consistency with national commitments under other international agreements? What kind of guidance might be provided and what kind of modalities might be required?*

(d) *If there would be a requirement to ensure that afforestation and reforestation projects provide multiple benefits, should a "checklist" be provided or should a "statement" be required in a Project Design Document? What issues might be addressed in a "checklist" or in a "statement"?*

(e) *If a project developer is required to conduct a social assessment, what kind of guidance, and related modalities and procedures may be needed? What requirements might be included in the "checklist"? What might be criteria for acceptable performance?*

(f) *Is there a need to include complementary definitions into modalities, such as for "socio-economic impacts", "local community", "indigenous peoples", "economic viability and "management system capacity"?*

(g) *If socio-economic impacts become a criterion for approving an afforestation and reforestation project, would this be considered a validation criterion for Designated Operational Entities or would a host Party be responsible for determining if the criterion had been met?*

(h) *If the Executive Board would have the right, at any time, to invalidate an afforestation or reforestation project and cancel credits gained, Parties may wish to consider what other implications this may have for the modalities under Article 7, paragraph 4, national registries, the CDM registry, the automated checks of the transaction log and guidelines under Articles 7 and 8.*

### **C. Views from Parties on new modalities and procedures to address environmental impacts**

30. Based on the proposals by Parties, new modalities and procedures to address environmental impacts during different phases of the project cycle may include the following:

(a) Project design:

(i) Each country should select its own sustainable development criteria, based on national priorities for sustainable development. These would cover environmental priorities and an assurance of participation of stakeholders. In addition, environmental impacts might be supported by certification procedures that would be based on standards related to sustainable forest and natural resources management. Certification would imply development of rules and procedures for best practices and guidelines on how to apply these in different phases of CDM project cycle;

- (ii) An afforestation or reforestation project should be designed to provide multiple benefits, such as protection of biological diversity and conservation of land and water resources;
  - (iii) The Project Design Document should include a provision regarding environmental impacts. The establishment of a baseline would require an analysis of past and current biological diversity and a development of a scenario without an afforestation or a reforestation project;
  - (iv) A project developer should be required to conduct an environmental impact assessment during the project design phase. An “Environmental Impact Statement” or an “Environmental Impact Assessment” should be included in an annex to the Project Design Document. These would reflect findings of the environmental assessment, especially on biological diversity, and propose measures to monitor and remedy the adverse impacts of a project. Furthermore, a “Strategic Impact Assessment”, guided by Decision 7 of COP 6 of the Convention on Biological Diversity,<sup>8</sup> would be required to analyse impacts at the country level and to enable host countries to identify their priorities on project type, activities, geographical areas and technologies applied. Indicators of significant environmental impacts or a “checklist” of issues to be considered could be included in an appendix to the annex to the decision on definitions and modalities for afforestation and reforestation activities. A designated authority of the host Party would consider the Environmental Impact Statement before approving a project.
- (b) Validation and/or registration:
- (i) Environmental impacts would become a criterion for approving afforestation or a reforestation project. If negative and/or adverse environmental impacts outweigh the positive impacts, a project should not be approved as a CDM project;
  - (ii) The designated operational entity should also validate environmental impacts of a project to ensure that a project would not reduce biodiversity within the project area compared to a baseline scenario. There would be a need to develop thresholds and eligibility criteria for comparison of “with project” and “without project” situations;
  - (iii) If an environmental impact assessment would be required, a designated operational entity should validate the “Environmental Impact Statement”;
  - (iv) A designated operational entity and the Executive Board should have the right to reject a project if the environmental impacts are not properly addressed.
- (c) Monitoring and project implementation:
- (i) If the new modalities and procedures require an environmental impact assessment, a project developer should monitor implementation of the “Environmental Impact Statement”.

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<sup>8</sup> Convention on Biological Diversity, decision VI/7; <http://www.biodiv.org/decisions/>

- (d) Verification and/or certification:
- (i) If the new modalities and procedures require an environmental impact assessment, a designated operational entity should verify the implementation of the “Environmental Impact Statement”. The verification process could make use of checklists to be included in the annex of the decision on definitions and modalities;
  - (ii) The Executive Board should have a right to invalidate a project and cancel any credit gained from a project if, at any time, a project has incurred significant negative environmental impacts.

**D. Questions relating to environmental impacts for consideration by Parties**

31. Clarification and further consideration, in particular relating to approaches II, III and IV, is needed on modalities and procedures to address environmental impacts, including impacts on biodiversity and natural resources. Proposals by Parties could be clarified if questions on what, when and by whom are answered. Questions relevant to the analysis of approaches, and possible modalities and procedures to address environmental impacts are given below to facilitate the consideration. The list is not exhaustive.

(a) *What specific issues relating to biological diversity and natural ecosystems may need to be addressed through modalities and procedures for afforestation and reforestation projects?*

(b) *What kind of modalities and procedures might be required if a reference to forest certification procedures is included into the new modalities and procedures?*

(c) *If afforestation and reforestation projects are required to provide assessments of multiple environmental impacts, what provisions might be needed for a Project Design Document?*

(d) *If an analysis of past and current biological diversity is required, would this be a validation requirement and how would it be reflected in modalities and procedures for determining a project baseline?*

(e) *Is there a need to include definitions for “environmental impact assessment” and “strategic impact assessment” into the modalities?*

(f) *What kind of guidance, and respective modalities and procedures, might be needed to conduct environmental impact assessments? How should a “checklist” or an appendix on issues to be included in an environmental impact assessment be elaborated? What issues might be included in a “checklist” or an appendix?*

(g) *Is there a need to develop thresholds or criteria for Designated Operational Entities for proposed validation of environmental impacts with respect to a baseline scenario? On what basis should thresholds or criteria be developed?*

Annex**SELECTED REFERENCES TO EXISTING MODALITIES<sup>9</sup> ADDRESSING SOCIO-ECONOMIC AND ENVIRONMENTAL ASPECTS IN RELATIONSHIP TO THE CDM PROJECT CYCLE**Project design

Draft decision -/CMP.1 (Article 12), annex, appendix B, paragraph 2:

- (a) *A description of the project comprising the project purpose, a technical description of the project, including how technology will be transferred, if any, and a description and justification of the project boundary;*
- (b) *A proposed baseline methodology in accordance with the annex on modalities and procedures for a CDM including, in the case of the:*
  - (iii) *Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account and an explanation of how the baseline was established in a transparent and conservative manner;*
- (e) *Environmental impacts:*
  - (i) *Documentation on the analysis of the environmental impacts, including transboundary impacts;*
  - (ii) *If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of an environmental impact assessment that has been undertaken in accordance with the procedures as required by the host Party;*
- (g) *Stakeholder comments, including a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received.*

Validation and registration

Draft decision -/CMP.1 (Article 12), annex, paragraph 37:

*The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met;*

- (b) *Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity on how due account was taken of any comments has been received;*
- (c) *Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have*

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<sup>9</sup> See document FCCC/CP/2001/13/Add.2.

*undertaken an environmental impact assessment in accordance with procedures as required by the host Party.*

In carrying out this task, according to draft decision -/CMP.1 (Article 12), annex, paragraph 40:

*The designated operational entity shall:*

*(a) Prior to the submission of the validation report to the executive board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;*

*(b) In accordance with provisions on confidentiality contained in paragraph 27 (h) above, make publicly available the project design document;*

*(c) Receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;*

*(d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;*

*(e) Inform project participants of its determination on the validation of the project activity. Notification to the project participants will include:*

*(iii) Confirmation of validation and date of submission of the validation report to the executive board; or*

*(iv) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation;*

*(f) Submit to the executive board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party as referred to in subparagraph (a) above, and an explanation of how it has taken due account of comments received;*

*(g) Make this validation report publicly available upon transmission to the executive board.*

#### Monitoring

Draft decision -/CMP.1 (Article 12), annex, paragraph 53:

*Project participants shall include, as part of the project design document, a monitoring plan that provides for:*

*(d) The collection and archiving of information relevant to the provisions in paragraph 37 (c) above;*

Verification and certification

Draft decision -/CMP.1 (Article 12), annex:

62. *In accordance with the provisions on confidentiality in paragraph 27(h) above, the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall:*

(a) *Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;*

(b) *Conduct on-site inspections, as appropriate, that may comprise, inter alia, a review of performance records, interviews with project participants and local stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;*

(c) *If appropriate, use additional data from other sources;*

(d) *Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic emissions by sources have been applied correctly and their documentation is complete and transparent;*

(e) *Recommend to the project participants appropriate changes to the monitoring methodology for any future crediting period, if necessary;*

(f) *Determine the reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity, based on the data and information derived under subparagraph (a) above and obtained under subparagraph (b) and/or (c) above, as appropriate, using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;*

(g) *Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concerns and supply relevant additional information;*

(h) *Provide a verification report to the project participants, the Parties involved and the executive board. The report shall be made publicly available.*

63. *The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity. It shall inform the project participants, Parties involved and the executive board of its certification decision in writing immediately upon completion of the certification process and make the certification report publicly available.*

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