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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**

#### **Draft text for modalities**

#### **Submissions from Parties**

1. The Conference of the Parties (COP), by its decisions 11/CP.7, paragraph 2 (e) and 17/CP.7, paragraph 10 (b), (contained in documents FCCC/CP/2001/13/Add.1 and Add.2, respectively), 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*) attached to decision 11/CP.7, with the aim of adopting a decision on these definitions and modalities at the ninth session of the COP, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session. The COP, by its decision 17/CP.7, paragraph 11, further decided that this decision 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.
2. The SBSTA, at its sixteenth session, agreed on terms of reference (FCCC/SBSTA/2002/6, annex I) and an agenda for the work referred to in paragraph 1 above. It invited Parties to submit, by 15 March 2003, draft text for modalities for the annex referred to in paragraph 1 above.
3. The secretariat has received 19 submissions. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the language in which they were received and without formal editing.

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\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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PAPER NO. 1: BOLIVIA

**MODALITIES AND PROCEDURES FOR THE INCLUSION OF AFFORESTATION AND REFORESTATION ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM**

PREAMBLE

The Republic of Bolivia presents the present submission based on the mandate contained in Paragraph 10 (b) of Decision 17/CP.7, namely, to develop definitions and modalities for including afforestation and reforestation project activities under the Clean Development Mechanism 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 decision -/CMP.1 (*Land use, land-use change and forestry*), taking into account, in particular, the operative implications of items (e) to (g) of Paragraph 1 of the preamble of this decision. The following submission also follows the directive from Paragraph 11 of Decision 17/CP.7, to present the definitions and modalities for the inclusion of afforestation and reforestation project activities under the Clean Development Mechanism shall be in the form of **an annex on modalities and procedures for afforestation and reforestation project activities for a clean development mechanism** reflecting, *mutatis mutandis*, the annex to decision 17/CP.7 on modalities and procedures for a clean development mechanism.

According to this approach, Bolivia makes the following comments of methodological nature to clarify the options preferred in its submission, with regards to issues for the better implementation of the provisions in the Annex thereto:

- a) **Balance of provisions for energy projects and A&R projects:** Bolivia sustains that the provisions for A&R project activities under the CDM should be commensurate with those defined for emission reductions activities under the CDM, i.e., project activities in the energy sector, and that the modalities for A&R project activities under the CDM should not overburden the project participants with unnecessary provisions and requirements, nor hinder or block the development of such project activities; only instruments with a recognized international standard or regular practice should be required, like regular environmental impact assessments of standardized forest management plans, discarding other practices not universally recognized, like the *ex ante* application of checklists or the performance of other impact assessments without conventional practice criteria;
- b) **Definitions:** It is necessary to adjust the definition of the concept of reforestation, changing the base date to be the 31st December 1999 to implement these activities under the CDM, for two main reasons: (i) Reference to the date of 31st December 1989 for LULUCF activities under Article 3.3. makes sense only in this context, as this is the reference date for a majority of national inventories and the calculation of assigned amounts for Annex I countries, in relation to the compliance of the quantified commitments of reduction and/or limitations of emissions of GHG under the CDM, but it makes no legal sense for a project-based flexibility mechanism such as the CDM, which is implemented in Non-Annex I countries with no commitments as to the reduction of GHG emissions at the national level; the only legal reference date for the CDM is the year 2000, and as such it should be applied for the definition of the activities related to its implementation; (ii) No reliable information in LULUCF activities exists for the aggregate of developing countries (not even for some developed countries), as for the year 1989, and even satellite images (which, in the tropical rain season are highly inaccurate) would have needed ground work for its validation, which is a work that was not performed at that time. Therefore, it is much more likely to count with reliable information on LULUCF activities as for the year 2000 (reference date: 31st December 1999) than for previous years. For the second and subsequent commitment periods, this definition could go with the proposal of the Republic of Colombia, which already expressed that their reference date for

reforestation activities (the period in which an area of land was without forest cover after deforestation) should be 10 (ten) years before the reforestation activity begins.

- c) **Methodological approach for the calculation of the increase in GHG removals by sinks:** The changes to be measured are the net increases in GHG removals by sinks in the eligible project activities, and in the carbon pools chosen to measure these changes. Variation should be measured as verifiable changes in carbon stocks in the chosen pools, and this should be specified in the proper entries in the modalities and procedures (See attached Annex);
- d) **Non – permanence:** Project activity developers should be allowed to choose between permanent and temporary CER approaches, according to the intrinsic and characteristic nature of the project activities to be developed; this flexibility has strong implications on the feasibility of the project activities, with regards to its permanence, additionality, and the management of leakage, uncertainties and its socio-economic and environmental impacts:
- e) **Leakage measurement and management:** The Annex should reflect the proper methodologies to detect and calculate leakage, but it also must reflect the necessity to implement measures and procedures to limit or prevent such leakage, and the adequate systems to monitor these measures and procedures;
- f) **Socio-economic and environmental impacts:** Socio-economic impacts should be detailed in a report to be validated in the public consultation with stakeholders, taking into account impacts on income, employment, service availability and general quality of life of the local people involved and/or affected by the projects (i.e., the stakeholders); health impacts should be considered among the environmental impacts; when significant environmental impacts are identified, a full environmental impact assessment should be performed or, where applicable, a forest management plan with an incorporated environmental impact assessment should be presented.

In the present submission, only the paragraphs that should be amended are presented with the numbering corresponding to the existing Annex to decision 17/CP.7, to allow an easy identification. Paragraphs not listed are supposed to remain as they are, with no changes. Additions to existing paragraphs are represented in bold text and text to be totally deleted is stroked through, while simple *mutatis mutandis* references to removals by sinks instead of emissions by sources are not highlighted. Minor editorial changes, such as the reference to a correspondent Decision to be taken at COP 9, are not presented here, and they will be adjusted in due time, when the definitions are taken.

ANNEX  
**Modalities and procedures for a clean development mechanism**

**A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1<sup>1</sup> and the provisions of Article 14 shall apply. Furthermore:

(b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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; **CER issued for afforestation and reforestation project activities shall be, alternatively: (i) CER with its permanence guaranteed by the insurance provisions in Section G(bis) hereunder; (ii) CER with a temporary validity as per the corresponding provisions in Section G(bis) hereunder;**

(g) **For the purpose of the implementation of the project activities under this Annex, definitions of the concepts of “forest” and “afforestation” are those contained in the Annex to Decision 11/CP.7; “reforestation” is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1999; for subsequent commitment periods, if these activities continue to be eligible, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest for a period of at least 10 years prior to the moment of registry of the project activity;**

**B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

[This Section is either not needed, as it has been fully defined in Decision 17/CP.7, or should be inserted with exactly the same text as in Decision 17/CP.7]

**C. Executive Board**

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(e) **Elaborate and** review provisions with regard to simplified modalities and procedures for project activities **implemented in an area below [XX] hectares**, and make recommendations **in this respect** to the COP/MOP;

[The remaining provisions in Section is either not needed, as the EB is already under implementation and the provisions are already contained in Decision 17/CP.7, or should be inserted with exactly the same text as in Decision 17/CP.7]

**D. Accreditation and designation of operational entities**

[No changes]

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<sup>1</sup> In the context of this annex, “Article” refers to an Article of the Kyoto Protocol, unless otherwise specified.

**E. Designated operational entities**

27. A designated operational entity shall:

(b) Verify and certify increases in anthropogenic removals of greenhouse gases by sinks;

**F. Participation requirements**

[No changes]

**G. Validation and registration**

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:

(c) Project participants have submitted to the designated operational entity documentation on the analysis **of the socio-economic and** 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 undertaken an environmental impact assessment in accordance with procedures as required by the host Party;

(d) The project activity is expected to result in an increase in anthropogenic removals of greenhouse gases by sinks that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

(e) The baseline and monitoring methodologies comply with requirements pertaining to:

- (i) Methodologies previously approved by the executive board; or
- (ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;

**The baseline and monitoring methodologies, either those approved by the executive board or newly proposed, should take into account, to the extent possible, the relevant guidance by the Intergovernmental Panel on Climate Change;**

43. A CDM project activity is additional if anthropogenic removals of greenhouse gases by sinks are increased above those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic removals of greenhouse gases by sinks that would occur in the absence of the proposed project activity. A baseline shall cover emissions **and removals** from all gases **in designated pools** within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic removals by sinks 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 above.

**44bis. The baseline shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. The project participants may choose not to account for a given pool in a commitment period, if transparent and verifiable information is provided that such pool is not a source.**

45. A baseline shall be established:

(d) In the case of **afforestation and reforestation** project activities **implemented in an area below [XX] hectares**, in accordance with simplified procedures developed for such activities;

(e) Taking into account relevant national and/or sectoral policies and circumstances, ~~such as sectoral reform initiatives, local fuel availability, power sector expansion plans,~~ and the economic situation in the project sector.

46. The baseline may include a scenario where future anthropogenic removals by sinks by sources are projected to fall below current levels, due to the specific circumstances of the host Party, **or to the biophysical conditions in the area of the project activity.**

47. The baseline shall be defined in a way that CERs cannot be earned for increases in removals outside the project activity.

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) Existing actual or historical emissions by sources or removals by sinks, as applicable; or

(b) Emissions by sources or removals by sinks from a LULUCF activity that represents an economically attractive course of action, taking into account barriers to investment. ~~or~~

~~(c) 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.~~

49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

(a) A maximum of twenty years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or

(b) A maximum of fifty years with no option of renewal.

50. Increases in anthropogenic removals by sinks shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.

51. Leakage is defined as the net change of anthropogenic emissions by sources **and/or removals by sinks** of greenhouse gases, which occur outside the project boundary, and which is measurable and attributable to the CDM project activity.

52. The project boundary shall encompass all anthropogenic emissions by sources **and removals by sinks** of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity. The project boundary is limited by the boundary of the land that will be afforested or reforested by the CDM project activity

#### **Gbis. Procedures to address non-permanence in afforestation and reforestation project activities under the CDM**

[In this new section, modalities and procedures for addressing non-permanence in activities aimed to a net increase of removals of greenhouse by sinks would be necessary. Project participants should be allowed



to select between the following two options, for each of which the proper modalities and procedures should be specified:

- a) CER with its permanence guaranteed by insurance provisions such as coverage, period, transfer and banking, inclusion in national registries, provisions for replacements in case of loss, definition and expiration of liabilities and all other necessary provisions to implement this approach;
- b) CER with a temporary validity and an expiry date, which should include provisions regarding their validity period, transfers, replacement or re-issuance, and all other necessary provisions to implement this approach.]

#### **H. Monitoring**

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources **and removals by sinks** of greenhouse gases occurring within the project boundary during the crediting period;
- (b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources **and removals by sinks** of greenhouse gases within the project boundary during the crediting period;
- (c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources **and/or removals by sinks** of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
- ...
- (f) Procedures for the periodic calculation of the net increase of anthropogenic removals by sinks by the proposed CDM project activity, and for leakage effects, **and for the periodic review of the implementation of activities and measures for the limitation and/or prevention of leakage;**

59. Subsequent to the monitoring and reporting of net increase in anthropogenic removals, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic removals by sinks from baseline removals and adjusting for leakage. **In the calculation of the net quantity removed, the following pools shall be considered: above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon,. Some of these pools may be excluded from the calculatrion if transparent and verifiable information is provided to demonstrate that such pool is not a source.**

#### **I. Verification and certification**

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored net increase in anthropogenic removals of greenhouse gases by sinks, that have occurred as a result of a registered CDM project activity during the verification period. **The net increase in removals should be measured ad verifiable changes in carbon stocks in the designated pools.** Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the net increase in anthropogenic removals of greenhouse gases by sinks as verified.

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:

(d) Review monitoring results and verify that the monitoring methodologies for the estimation of net increases in anthropogenic removals by sinks have been applied correctly and their documentation is complete and transparent;

...

(f) Determine the net increase in anthropogenic removals of greenhouse gases by sinks 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;

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 increase in anthropogenic removals of greenhouse gases by sinks 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.

#### **J. Issuance of certified emission reductions**

64. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of net increase of anthropogenic removals of greenhouse gases by sinks.

[In this Section, provisions for issuance of the different varieties of CER must be provided, including provisions on the expiration, re-issuance or replacement of CER with a temporary validity, in accordance with the definitions and procedures of Section Gbis above]

## APPENDIX A

### Standards for the accreditation of operational entities

1. An operational entity shall:

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

...

...

The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions **and removals of** greenhouse gases;

...

Methodologies for accounting of anthropogenic emissions by sources and removals by sinks;

## APPENDIX B

### Project design document

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for **afforestation and reforestation project activities under the CDM**, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

(b) A proposed baseline methodology in accordance with the annex on modalities and procedures for **afforestation and reforestation project activities under the CDM** including, in the case of the:

(i) Application of an approved methodology:

...

(ii) Application of a new methodology:

- ...
- ...
- [Third Bullet:] Projections of baseline emissions by sources and removals by sinks;

(d) Description of how the anthropogenic removals of GHG by sinks are increased above those that would have occurred in the absence of the registered CDM project activity;

(e) Socio-economic and environmental impacts:

- (i) Documentation on the analysis of the **socio-economic and** environmental impacts, including transboundary impacts;
- (ii) If **environmental** impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of an environmental impact assessment **or, where applicable, the development of a forest management**

**plan**, that has been undertaken in accordance with the procedures as required by the host Party;

...

(i) Calculations:

- (i) Description of formulae used to calculate and estimate the net anthropogenic removals by sinks of greenhouse gases of the CDM project activity within the project boundary, **measured as verifiable changes in carbon stocks in the designated pools, and taking into account both emissions and removals;**
- (ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic emissions by sources **and removals by sinks** of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;
- (iii) The sum of (i) and (ii) above representing the CDM project activity net removals;
- (iv) Description of formulae used to calculate and to project the anthropogenic emissions by sources **and removals by sinks** of greenhouse gases of the baseline;
- (v) Description of formulae used to calculate and to project leakage;
- (vi) The sum of (iv) and (v) above representing the baseline emissions **by sources and/or removals by sinks;**
- (vii) Difference between (vi) and (iii) above representing the net removals by sinks of the CDM project activity;

## APPENDIX C

### Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

(a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:

- (i) ...
- (ii) ...
- (iii) Provide rigour to ensure that net increases in anthropogenic removals are real and measurable, and an accurate reflection of what has occurred within the project boundary;

(b) Specific guidance in the following areas:

- (i) Definition of project categories (e.g. based on sector, subsector, project type, ~~technology~~, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
- (ii) ...
- (iii) Monitoring methodologies that provide an accurate measure of actual increases in anthropogenic removals as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
- (iv) ...
- (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever

possible and appropriate. Standardization should be conservative in order to prevent any overestimation of increase in anthropogenic removals;

- (vi) ...
- (vii) Accounting for applicable national policies and specific national or regional circumstances, such as forest sector management plans, and the economic situation in the forest sector relevant to the project activity;
- ~~(viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;~~

## APPENDIX D

### Clean development mechanism registry requirements

7. Each CER shall have a unique serial number comprising the following elements:

(c) Type: this shall identify the unit as a CER **coming from an afforestation and/or or reforestation project activity, and its characteristic of having an expiration date or being permanent by alternative procedures;**

11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

(c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity **and their validity period;**

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

(a) The total quantity of CERs in each account at the beginning of the year **and its type;**

PAPER NO.2: BOLIVIA, COLOMBIA, ECUADOR, GUATEMALA,  
NICARAGUA AND URUGUAY

**MODALITIES AND PROCEDURES FOR THE INCLUSION OF AFFORESTATION AND  
REFORESTATION ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM**

**I. PREAMBLE**

The present submission is based on the mandate contained in Paragraph 10 (b) of Decision 17/CP.7, namely, to develop definitions and modalities for including afforestation and reforestation project activities under the Clean Development Mechanism 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 decision -/CMP.1 (Land use, land-use change and forestry)**, taking into account, in particular, the operative implications of items (e) to (g) of Paragraph 1 of the preamble of this decision.

The following submission also follows the directive from Paragraph 11 of Decision 17/CP.7, to present the definitions and modalities for the inclusion of afforestation and reforestation (A&R) project activities under the Clean Development Mechanism shall be in the form of an **annex on modalities and procedures for afforestation and reforestation project activities for a clean development mechanism** reflecting, *mutatis mutandis*, the annex to decision 17/CP.7 on modalities and procedures for a clean development mechanism.

According to this approach, the following comments of methodological nature are made in order to clarify the options preferred in this submission, with regards to issues for the better implementation of the provisions in the Annex thereto:

- a) **Balance of provisions for energy projects and A&R projects:** The provisions for A&R project activities under the CDM should be commensurate with those defined for emission reductions activities under the CDM, i.e., project activities in the energy sector, and that the modalities for A&R project activities under the CDM should not overburden the project participants with unnecessary provisions and requirements, nor hinder or block the development of such project activities; only instruments with a recognized international standard or regular practice should be required, like regular environmental impact assessments of standardized forest management plans, discarding other practices not universally recognized, like the *ex ante* application of restrictive checklists or the performance of other impact assessments without conventional practice criteria;
- b) **Methodological approach for the calculation of the increase in GHG removals by sinks:** The changes to be measured are the net increases in GHG removals by sinks in the eligible project activities and in the carbon pools and GHG chosen to measure these changes. Variation should be measured as verifiable changes in carbon stocks in the chosen pools, and this should be specified in the proper entries in the modalities and procedures;
- c) **Non – permanence:** The temporary nature of GHG removals by sinks shall be comprehensively reflected in the modalities and procedures for the inclusion of A&R project activities under the CDM, inter alia provisions for project design & validation, for Third-Party verification & certification, and for the CERs' registry. While developing this provisions, attention shall be given to the strong interlinkages between the accounting provisions and the feasibility of the project

activities, with regards to additionality, management of leakage, uncertainties, as well as socio-economic and environmental impacts;

- d) **Leakage measurement and management:** The Annex should reflect the proper methodologies to detect and calculate leakage, but it also must reflect the necessity to implement measures and procedures to limit or prevent such leakage, and the adequate systems to monitor these measures and procedures;
- e) **Socio-economic and environmental impacts:** It is the host country right to determine whether an A&R project fulfills its requirements for sustainable development. The sustainable development requirements include both the environmental and the socio-economic issues. Decision 17/CP.7 contains adequate provisions for addressing environmental issues. For socio-economic issues it is sufficient to add its consideration in paragraph 37 of the Annex and paragraph 2 of the Appendix B to the Annex. Socio-economic impacts should be detailed in a report to be validated in the public consultation with stakeholders, taking into account impacts on income, employment, service availability and general quality of life of the local people involved and/or affected by the projects (i.e., the stakeholders); health impacts should be considered among the environmental impacts. When significant environmental impacts are identified, a full environmental impact assessment should be performed or, where applicable, a forest management plan with an incorporated environmental impact assessment should be presented.

## ***II. LEGAL TEXT PROPOSED***

### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

No need for changes. Paragraphs 2 to 4 of the annex to draft decision -/CMP1 (*Article12*) shall apply

### **C. Executive board**

Paragraphs 5 to 19 of the annex to draft decision -/CMP1 (*Article12*) shall apply. A changes is introduced in:

5 (e) Elaborate and review provisions with regard to simplified modalities and procedures for project activities implemented in an area below [XX] hectares, and make recommendations in this respect to the COP/MOP;

### **D. Accreditation and designation of operational entities**

No need for any changes. Paragraphs 20 to 25 of the annex to draft decision -/CMP1 (*Article12*) shall apply.

**E. Designated operational entities**

Paragraphs 26 and 27 of the annex to draft decision -/CMP1 (*Article12*) shall apply, except for:

27.b Verify and certify increases in removals by sinks above the baseline resulting from the project activity

**F. Participation requirements**

(a) No need for any changes. Paragraphs 28 to 34 of the annex to draft decision -/CMP1 (*Article12*) shall apply.

**G. Validation and registration**

35. 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 X/CP.9, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.

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

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:

- (a) The participation requirements as set out in paragraphs 28 to 30 above are satisfied;
- (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 socio-economic and environmental impacts of the project activity, including transboundary impacts. If environmental impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;
- (d) The CDM project activity is expected to result in an increase of removals by sinks of greenhouse gases measured as changes in carbon stocks, that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;



- (e) The baseline and monitoring methodologies comply with requirements pertaining to:
  - (i) Methodologies previously approved by the executive board; or
  - (ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below, , in decision X/CP.9 and relevant decisions by the COP/MOP, and provide justification when using alternative coefficients, values or practices;

The baseline and monitoring methodologies, either those approved by the executive board or newly proposed, should take into account, to the extent possible, the relevant guidance by the Intergovernmental Panel on Climate Change;

(f) Provisions for monitoring, verification and reporting are in accordance with decision X/CP.9, the present annex and relevant decisions of the COP/MOP;

(g) The project activity conforms to all other requirements for CDM project activities in decision X/CP.9, the present annex and relevant decisions by the COP/MOP and the executive board.

38. If the designated operational entity determines that the project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 37(e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review. The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. 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 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.

39. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

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 26 (b) 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 organisations 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:

- (i) Confirmation of validation and date of submission of the validation report to the executive board; or
- (ii) 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.

41. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

(h) It shall be related to issues associated with the validation requirements;

(i) It shall be finalised no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

42. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

43. A project activity is additional if removals of greenhouse gases by sinks, measured as changes in carbon stocks, are increased above those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for a project activity is the scenario that reasonably represents the net removals by sinks of greenhouse gases, measured as changes in carbon stocks, that would occur within the project boundary in the absence of the proposed project activity. A baseline shall include removals by sinks and emissions from all designated pool for that project activity, unless project participants provide transparent and verifiable information that emissions of gases excluded are not going to increase as a result of the project activity. A baseline shall be deemed to reasonably represent the net removals by sinks, measured as changes in carbon stocks, 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 above.

44 bis. The baseline shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. The project participant may choose not to account for given pools in a commitment period, if it can be demonstrated that they are not a source.

45. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision X/CP.9, the present annex and relevant decisions of the COP/MOP;

(b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;

- (c) On a project-specific basis;
- (d) In the case of project activities implemented in an area below [x] hectares, in accordance with simplified procedures developed for such activities;
- (e) Taking into account relevant national and/or sectoral policies and circumstances, and the economic situation in the project sector, as well as sectoral regulatory requirements.

46. (Does not apply, should be deleted).

47. (Does not apply, should be deleted).

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

- (a) Existing actual or historical emissions by sources and removals by sinks, measured as changes in carbon stocks, as applicable; or
- (b) Removals corresponding to a land use or land use change that represents an economically attractive course of action, taking into account barriers to investment and other barriers for afforestation or reforestation projects.

49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

- (a) A maximum of twenty years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
- (b) A maximum of fifty years with no option of renewal.

50. Increases in removals by sinks of greenhouse gases, measured as changes in carbon stocks shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below, respectively.

51. Leakage is defined as the net change of emissions by sources and/or removals by sinks of greenhouse gases measured as changes in carbon stocks, which occur outside the project boundary, including carbon stock loss or gain in other land uses and/or forests, which is measurable and attributable to the CDM project activity.

52. The project boundary shall encompass all areas where removals by sinks of greenhouse gases measured as changes in carbon stocks under the control of the project participants are significant and reasonably attributable to the CDM project activity.

## **H. Monitoring**

53. Project participants shall include, as part of the project design document, a monitoring plan that provides for all carbon pools and greenhouse gases considered in the established baseline:

(a) The collection and archiving of all relevant data necessary for estimating or measuring removals by sinks measured as changes in carbon stocks and/or emissions of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of removals of greenhouse gases by sinks, measured as changes in carbon stocks, and/or emissions by within the project boundary during the crediting period;

(c) The identification of all potential causes of, and the collection and archiving of data on, increased emissions of greenhouse gases resulting from changes in carbon stocks outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;

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

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the increase of net removals by sinks by the proposed CDM project activity, and for leakage effects, and for the periodic review of the implementation of activities and measures for the limitation and/or prevention of leakage;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53(c) and (e) above.

54. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 38 above, that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) Reflects good monitoring practice appropriate to the type of project activity;

(h) Includes quality assurance and control procedures.

55. For afforestation or reforestation CDM project activities implemented in an area below [xx] hectares, project participants may use simplified modalities and procedures for small-scale projects.

56. Project participants shall implement the monitoring plan contained in the registered project design document.

57. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

58. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

59. Subsequent to the monitoring and reporting of increases in net removals, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology,

by subtracting the amount that would have been removed during the same period under the baseline scenario from the actual net removals by sinks and adjusting for leakage. In the calculation of the quantity removed the following pools shall be considered: above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon,. Some of these pools may be excluded if it can be demonstrated that they are not a source.

60. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

### **I. Verification and certification**

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored net removals of greenhouse gases by sinks that have occurred as a result of a registered CDM project activity during the verification period. The net increase in removals should be measured as verifiable changes in carbon stocks in the designated pools. Certification is the written assurance by the designated operational entity that a project activity achieved the verified increase in net removals by sinks of greenhouse gases measured as changes in carbon stocks, above the baseline and adjusted for leakage.

61 bis. Initial verification of an afforestation and reforestation CDM project activity will be carried out at any time as defined by project participants but not before 5 years after the project start, and shall be carried out every 5 years until the end of the project crediting period

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 X/CP.9, 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 the increase in net removals by sinks 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 increase in net removals by sinks of greenhouse gases measured as changes in carbon stocks 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, the project activity achieved the verified amount of net removals by sinks 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.

#### **J. Issuance of certified emission reductions**

64. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of increase of net removals by sinks of greenhouse gases.

65. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

- (a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;

- (b) The executive board shall complete its review within 30 days following its decision to perform the review;

- (c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

66. Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

- (a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
- (b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.

## APPENDIX A

### **Standards for the accreditation of operational entities**

1. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organisation) and provide documentation of this status;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organisation and for handling complaints. These procedures shall be made publicly available;

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;

(ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate;

(iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and removals;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of emissions by sources and removals by sinks of greenhouse gases measured as changes in carbon stocks

(vi) Regional and sectoral aspects;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;

(ii) An organisational chart showing lines of authority, responsibility and allocation of functions stemming from senior management;

(iii) Its quality assurance policy and procedures;

- (iv) Administrative procedures, including document control;
- (v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;
- (vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

- (i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;
- (ii) If it is part of a larger organisation, and where parts of that organisation are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:
  - Make a declaration of all the organisation's actual and planned involvement in CDM project activities, if any, indicating which part of the organisation is involved and in which particular CDM project activities;
  - Clearly define the links with other parts of the organisation, demonstrating that no conflicts of interest exist;
  - Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimise any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;
  - Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.



## APPENDIX B

### Project design document

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for afforestation and reforestation project activities in the CDM.

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for inclusion of afforestation and reforestation project activities in the CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

(a) A description of the project comprising the project purpose, a technical description of the project, including the plan of management and harvest of the forest, 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 afforestation and reforestation project activities in the CDM including, in the case of the:

(i) Application of an approved methodology:

- Statement of which approved methodology has been selected;
- Description of how the approved methodology will be applied in the context of the project;

(ii) Application of a new methodology:

- Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
- Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
- Projections of baseline net removals;
- Description of how the baseline methodology addresses potential leakage;

(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;

(d) Statement of the estimated operational lifetime of the project and which crediting period was selected;

(e) Description of how the net removals of GHG by sinks, measured as changes in carbon stocks, are increased above those that would have occurred in the absence of the registered CDM project activity;

(f) Socio-economic and environmental impacts:

- (i) Documentation on the analysis of the socio-economic and environmental impacts, including transboundary impacts;
  - (ii) If environmental impacts, including those on the sustainable use of natural resources and biological diversity, are considered significant by the project participants or the host Party: it shall be included conclusions and all references to support documentation of an environmental impact assessment and/or, when applicable, the development of a forest management plan, that have been undertaken in accordance with the procedures as required by the host Party;
- (g) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;
- (h) 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;
- (i) Monitoring plan:
    - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
    - (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
    - (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;
  - (j) Calculations:
    - (i) Description of formulae used to calculate and estimate net removals by sinks of greenhouse gases of the CDM project activity within the project boundary, measured as verifiable changes in carbon stocks in the designated pools, and taking into account both emissions and removals;
    - (ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic removals by sinks of greenhouse gases measured as changes in carbon stocks measured as changes in carbon stocks, which occurs outside the CDM project activity boundary, including carbon stock loss or gain in other land uses and/or forests that is measurable and reasonably attributable to the CDM project activity;
    - (iii) The sum of (i) and (ii) above representing the CDM project activity net removals.
    - (iv) Description of formulae used to calculate and to project the emissions and removals by sinks of greenhouse gases measured as changes in carbon stocks of the baseline;
    - (v) Description of formulae used to calculate and to project leakage;

- (vi) The sum of (iv) and (v) above representing the baseline net removals;
- (vii) Difference between (vi) and (iii) above representing the net removals increase of the CDM project activity;
- (k) References to support the above, if any.

## APPENDIX C

### **Terms of reference for establishing guidelines on baselines and monitoring methodologies**

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

- (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision X/CP.9, the annex above and relevant decisions of the COP/MOP;
  - (ii) Promote consistency, transparency and predictability;
  - (iii) Provide rigour to ensure that net increase of removals in specified pools are real and measurable, and an accurate reflection of what has occurred within the project boundary;
  - (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
  - (v) Address the additionality requirement of Article 12, paragraph 5(c), and paragraph 43 of the above annex;
- (b) Specific guidance in the following areas:
  - (i) Definition of project categories (e.g. based on sector, subsector, project type, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
  - (iii) Monitoring methodologies that provide an accurate measure of the increase of removals above the baseline and adjusted for leakage, as a result of the project activity, taking into account the need for consistency and cost-effectiveness;

- (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of the increase of removals by sinks of greenhouse gases measured as changes in carbon stocks ;
  - (vi) Determination of project boundaries including accounting for all carbon pools and greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
  - (vii) Regulatory requirements of accounting for applicable national policies and specific national or regional circumstances, such as forest sector expansion plans, and the economic situation in the forest sector relevant to the project activity;
  - (viii) (shall be deleted);
- (c) In developing the guidance in (a) and (b) above, the executive board shall take into account:
- (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) Least cost technology for the activity or project category.

## APPENDIX D

### **Clean development mechanism registry requirements**

PARAGRAPHS 1 TO 6 of the annex to draft decision -/CMP1 (*Article 12*) shall apply.

6. Upon being instructed by the executive board to issue CERs for an afforestation and reforestation CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):

- (a) Issue the specified quantity of CERs into a pending account of the executive board;
- (b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the Afforestation and Reforestation CDM registry for holding and transferring such CERs;
- (c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, in accordance with their request.

7. Each CER shall have a unique serial number comprising the following elements:

- (a) Commitment period: the commitment period for which the CER is issued;
- (b) Party of origin: the Party which hosted the Afforestation and Reforestation CDM project activity, using the two-letter country code defined by ISO 3166;
- (c) Type: this shall identify the unit as a CER coming from an afforestation and/or reforestation project activity, and its characteristics.
- (d) Unit: a number unique to the CER for the identified commitment period and Party of origin;
- (e) Project identifier: a number unique to the Afforestation and Reforestation CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. The Afforestation and Reforestation CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

10. The information referred to in paragraph 0 above shall include up-to-date information, for each account number in the registry, on the following:

- (a) Account name: the holder of the account;
- (b) Representative identifier: the representative of the account holder, using the Party/organisation identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organisation;
- (c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

11. The information referred to in paragraph 9 above shall include the following Afforestation and Reforestation CDM project activity information, for each project identifier against which the CERs have been issued:

- (a) Project name: a unique name for the CDM project activity;
- (b) Project location: the Party and town or region in which the CDM project activity is located;
- (c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity;
- (d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;
- (e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the Afforestation and reforestation CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of CERs in each account at the beginning of the year;
- (b) The total quantity of CERs issued;
- (c) The total quantity of CERs transferred and the identity of the acquiring accounts and registries;
- (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above;
- (e) Current holdings of CERs in each account.

PAPER NO. 3: BRAZIL

**In response to the invitation made by the SBSTA, at its sixteenth session, for Parties to submit draft text for modalities for including afforestation and reforestation project activities under the Clean Development Mechanism in the first commitment period, Brazil therein submits its considerations on the issue. The submission follows the recommendation in decision 17/CP.7, paragraph 11, that the decision on definitions and modalities should be in the form of an annex on modalities and procedures reflecting, mutatis mutandis, the annex to decision 17/CP.7 on modalities and procedures for the CDM.**

**The submission by Brazil also follows decisions 11/CP.7 and 17/CP.7 by the Conference of the Parties, in paragraphs 2(e) and 10(b), respectively, indicating that in the development of definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism in the first commitment period, issues of non-permanence, additionality, leakage, uncertainties and socio-economic and environmental impacts should be addressed, being guided by the principles in the preamble to draft decision -/CMP.1 (*land use, land-use change and forestry*) attached to decision 11/CP.7.**

**Brazil welcomes all the efforts being made by the SBSTA chair to respond to the request by the COP in its decisions 11/CP.7 and 17/CP.7, to develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism in the first commitment period, including the recent UNFCCC workshop in Brazil (Foz do Iguacu, 12-14 February 2003) and the many opportunities for Parties to discuss, in an open and transparent way, this complex issue.**

**Brazil also acknowledges the effort undertaken by the UNFCCC Secretariat to prepare the options papers presented at the above mentioned workshop.**

**Brazil hopes that a decision on these definitions and modalities can be adopted at the ninth session of the COP, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session.**

For the present Annex, the numbering system corresponds to that of the Annex to Decision -/CMP.1 (Article 12). The paragraphs written below should be kept or deleted as instructed, *mutatis mutandis*. All the remaining paragraphs (and their items, when applicable) in the original appendix and not referred to here should be kept in the present Annex with no changes. New paragraph items are indicated by the notation (item)bis, where item refers to the item in the paragraph where the new paragraph item shall follow.

## ANNEX

### **Modalities and procedures for afforestation and reforestation CDM project activities in the first commitment period**

#### **A. Definitions**

#### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

3. The COP/MOP shall provide guidance to the executive board by taking decisions on:

(b) the recommendations made by the executive board, in accordance with provisions of decision -/CP.9, the present Annex and relevant decisions of the COP/MOP;

#### **C. Executive board**

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(e) Deleted

(m) Develop and maintain a publicly available database of afforestation and reforestation CDM project activities containing information on registered Project Design Documents, comments received, verification reports, its decisions as well as information on all CERs from afforestation and reforestation activities under Article 12 and RMUs converted from CERs from afforestation and reforestation activities under Article 12 issued;

p) Carry out any other functions ascribed to it in decision -/CP.9, the present Annex and relevant decisions of the COP/MOP.

#### **D. Accreditation and designation of operational entities**

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a Designated Operational Entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different Designated Operational Entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess RMUs converted from CERs from afforestation and reforestation activities under Article 12 were issued, the Designated Operational Entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess RMUs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

#### **E. Designated operational entities**

26. Designated Operational Entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision -/CP.9, the present Annex and relevant decisions of the COP/MOP and the executive board.

27. A Designated Operational Entity shall:



(b) Verify and certify net anthropogenic removals by sinks of carbon dioxide from afforestation and reforestation CDM project activities;

(f) Maintain a publicly available list of afforestation and reforestation CDM project activities for which it has carried out validation or verification and certification;

#### **F. Participation requirements**

31. Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use RMUs converted from CERs from afforestation and reforestation activities under Article 12, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

33. An Annex I Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfillment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present Annex. Private and/or public entities may only transfer and acquire RMUs converted from CERs from afforestation and reforestation activities under Article 12 if the authorizing Party is eligible to do so at that time.

#### **G. Validation and registration**

35. 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 -/CP.9, the present Annex and relevant decisions of the COP/MOP, on the basis of the Project Design Document, as outlined in Appendix B below.

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:

(c) Project participants have submitted to the Designated Operational Entity documentation on the analysis of the socio-economic and environmental impacts of the afforestation and reforestation CDM project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken a socio-economic and environmental impact assessment in accordance with procedures as required by the host Party;

(d) The afforestation and reforestation CDM project activity is expected to result in net anthropogenic removals by sinks of carbon dioxide that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

(f) Provisions for monitoring, verification and reporting are in accordance with decision -/CP.9, the present Annex and relevant decisions of the COP/MOP;

(g) The project activity conforms to all other requirements for afforestation and reforestation CDM project activities in decision -/CP.9, the present Annex and relevant decisions by the COP/MOP and the executive board.

43. An afforestation and reforestation CDM project activity is additional if the net anthropogenic removals by carbon dioxide are greater than those that would have occurred in the absence of the registered afforestation and reforestation CDM project activity.

44. The baseline for an afforestation and reforestation CDM project activity is the scenario that reasonably represents the anthropogenic removals by sinks of carbon dioxide that would occur in the absence of the proposed project activity. A baseline shall be deemed to reasonably represent the anthropogenic removals by sinks of carbon dioxide 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 above.

45. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision -/CP.9, the present Annex and relevant decisions of the COP/MOP;

(d) deleted

(e) Taking into account relevant national and/or sectoral policies and circumstances.

(e)bis Accounting for above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon pools unless the project proponent is able to provide transparent and verifiable information that the excluded pool is not a source.

46. Deleted

47. Deleted

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) The natural removals by sinks that would otherwise occur by natural regeneration for degraded or abandoned lands, or

(b) The most likely land use at the time the project starts, and the natural removals by sinks that would otherwise occur, if any, in land that have been used or is likely to be used for the development of anthropogenic activities, including agriculture (pasture or crops) and forestry.

(c) Deleted

49. The crediting period for proposed afforestation and reforestation CDM project activities is limited to a maximum of 20 years or four commitment periods, whichever occurs first, with no option of renewal.

49bis For the first commitment period, the crediting period for afforestation and reforestation CDM project activities starts at the beginning of the first year of the commitment period and may take into account the carbon stock accumulated since the registration of the project, but not earlier than 1 January 2000.

50. The net anthropogenic removals by sinks of carbon dioxide shall be adjusted for leakage and natural and indirect effects in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively

51. Leakage is defined as the increased anthropogenic emissions by sources of greenhouse gases which occurs outside the afforestation and reforestation CDM project activity boundary, and which can be measured and be directly attributable to the CDM project activity.

51bis. When accounting for leakage, emissions associated with activities originally developed within the afforestation and reforestation project boundaries but which have been shifted elsewhere shall not be accounted for.

51ter The decrease in anthropogenic emissions of greenhouse gases by sources or increase in anthropogenic removals by sinks of carbon dioxide which occur outside the project boundary and which is measured and directly attributable to the CDM project activity shall not be accounted for.

51quarter The accounting of anthropogenic removals by carbon dioxide excludes removals resulting from natural and indirect effects, including (i) elevated carbon dioxide concentrations above

their pre-industrial level; and (ii) indirect nitrogen deposition, in accordance with item (h) of paragraph 1 of decision -/CMP.1 (*Land use, land-use change and forestry*).

51 quinque When quantifying the net anthropogenic removals by sinks of carbon dioxide from afforestation and reforestation CDM project activities, the removals from natural and indirect effects as defined in paragraph 51 quarter above shall be factored-out.

52. The project boundary is defined as the physical area encompassed by the afforestation and reforestation CDM project activity as identified in the Project Design Document, and where the anthropogenic net removals by sinks of carbon dioxide will be accounted for.

52bis Project participants shall include, as part of the Project Design Document, the exact physical location of the CDM afforestation or reforestation project activity, where the net anthropogenic removals by sinks of carbon dioxide will be accounted for.

#### **H. Monitoring**

53. Project participants shall include, as part of the Project Design Document, a monitoring plan that provides for:

(a) The collection and archiving of all relevant data necessary for estimating the net anthropogenic emissions by sources and removals by sinks, taking into account all carbon pools in accordance with item (e) of paragraph 45 above, occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic removals by sinks of carbon dioxide within the project boundary during the crediting period;

(c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary that are significant and can be directly attributable to the afforestation and reforestation CDM project activity during the crediting period;

(f) Procedures for the periodic calculation of the increases of net anthropogenic removals by sinks of carbon dioxide by the proposed afforestation and reforestation CDM project activity, and for leakage effects, and natural and indirect effects;

55. Deleted

59. Subsequent to the monitoring and reporting of net anthropogenic removals, CERs resulting from afforestation and reforestation CDM project activities shall be calculated, applying the registered methodology, by subtracting the baseline removals from the net anthropogenic removals, and adjusting for leakage and for natural and indirect effects.

#### **I. Verification and certification**

61. Verification is the periodic independent review and *ex post* determination by the Designated Operational Entity of the monitored net anthropogenic removals by sinks of carbon dioxide that have occurred as a result of a registered afforestation and reforestation CDM project activity at the end of the commitment period. Certification is the written assurance by the Designated Operational Entity that, during a specified number of commitment periods, a project activity achieved the increase in net anthropogenic removals by sinks of carbon dioxide as verified.

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 -/CP.9, the present Annex and relevant decisions of the COP/MOP;

(d) Review monitoring results and verify if the monitoring methodologies indicated in the Project Design Document to calculate the net anthropogenic removals by sinks of carbon dioxide from the afforestation and reforestation CDM project activity were applied correctly and their documentation is complete and transparent;

(f) Determine the increases in anthropogenic removals by sinks of carbon dioxide that would not have occurred in the absence of the afforestation and reforestation 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;

63. The Designated Operational Entity shall, based on its verification report, certify in writing that, during the specified number of commitment periods, the project activity achieved the verified amount of increase in net anthropogenic removal by sinks of carbon dioxide that would not have occurred in the absence of the afforestation and reforestation 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.

#### **J. Issuance of certified emission reductions**

64. The certification report shall constitute a request for issuance to the executive board of CERs from afforestation and reforestation CDM project activities equal to the verified amount of increases of net anthropogenic removal by sinks of carbon dioxide.

66. Upon being instructed by the executive board to issue CERs for an afforestation and reforestation CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs from afforestation and reforestation activities into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of CERs from afforestation and reforestation CDM project activities corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(a)bis Convert the remaining CERs from afforestation and reforestation CDM project activities under Article 12 into RMUs;

(b) Forward the RMUs converted from CERs from afforestation and reforestation CDM project activities under Article 12 to the registry accounts of project participants and Parties involved, in accordance with their request.

## **APPENDIX A**

### **Standards for the accreditation of operational entities**

1. An Operational Entity shall:

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(ii) Issues, in particular socio-economic and environmental, relevant to validation, verification and certification of afforestation and reforestation CDM project activities, as appropriate;

(v) Methodologies for accounting of anthropogenic emissions by sources and anthropogenic removals by sinks of carbon dioxide.

## **APPENDIX B**

### **Project design document**

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the Annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

(a) A description of the project comprising the project purpose, the exact physical location of the CDM afforestation and reforestation project activity where the net anthropogenic removals of by sinks of carbon dioxide will be accounted for, 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:

(i) Application of an approved methodology:

– Statement of which approved methodology has been selected;

– Description of how the approved methodology will be applied in the context of the project;

(ii) Application of a new methodology:

– Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;

– Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;

– Projections of baseline removals;

– Deleted

(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;

- (c) Delete
- (d) Description of how the net anthropogenic removals by sinks of carbon dioxide are increased above those that would have occurred in the absence of the registered afforestation and reforestation CDM project activity;
- (e) Socio-economic and environmental impacts:
  - (i) Documentation on the analysis of the socio-economic and environmental impacts, including transboundary impacts;
  - (ii) If environmental 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;
- (f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;
- (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;
- (h) Monitoring plan:
  - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
  - (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
  - (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;
- (i) Calculations:
  - (i) Description of formulae used to calculate and estimate net anthropogenic removal by sinks of carbon dioxide from the afforestation and reforestation CDM project activity within the project boundary;
  - (ii) Description of formulae used to calculate and to project leakage, defined as: increased anthropogenic emissions by sources of greenhouse gases which occurs outside the afforestation and reforestation CDM project activity boundary, and which can be measured and be directly attributable to the CDM project activity, but not including emissions associated with a previous activity shifted elsewhere;
  - (iii) Difference between (i) and (ii) above representing the CDM project activity removal;
  - (iv) Description of formulae used to calculate and to project the anthropogenic removal by sinks of carbon dioxide of the baseline;
  - (v) Deleted
  - (vi) Deleted
  - (vii) Difference between (iii) and (iv) above representing the increase in net anthropogenic removals of the afforestation and reforestation CDM project activity;

- (j) References to support the above, if any.

## APPENDIX C

### **Terms of reference for establishing guidelines on baselines and monitoring methodologies**

The Executive Board, drawing on experts in accordance with the modalities and procedures for afforestation and reforestation CDM project activities, shall develop and recommend to the COP/MOP, *inter alia*:

- (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
- (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision -/CP.9, the Annex above and relevant decisions of the COP/MOP;
  - (ii) Promote consistency, transparency and predictability;
  - (iii) Provide rigour to ensure that net anthropogenic removals by sinks are real and measurable, and an accurate reflection of what has occurred within the project boundary;
  - (iv) Ensure applicability in different geographical regions;
  - (v) Address the additionality requirement of Article 12, paragraph 5(c), and paragraph 43 of the above Annex;
- (b) Specific guidance in the following areas:
- (i) Definition of project categories that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
  - (iii) Monitoring methodologies that provide an accurate measure of actual increases in net anthropogenic removals by sinks of carbon dioxide as a result of the afforestation and reforestation CDM project activity, taking into account the need for consistency and cost-effectiveness;
  - (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;
  - (vi) Determination of the project boundary including accounting for removals by sinks of carbon dioxide that should be included as a part of the baseline, and monitoring. Relevance of leakage and accounting for factoring-out natural and indirect effects and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage and factoring-out natural and indirect effects;

- (vii) Accounting for applicable national policies and specific national or regional circumstances;
  - (viii) Deleted.
- (c) In developing the guidance in (a) and (b) above, the Executive Board shall take into account:
- (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) Least cost technology for the activity or project category.



For this Appendix the numbering system correspond to that of the Annex to Decision -/CMP.1 (Article 12). Only the paragraphs written below should be kept, *mutatis mutandis*. All the remaining paragraphs in the original appendix should be deleted in the present appendix.

## APPENDIX D

### Clean Development Mechanism Registry Requirements

1. The Executive Board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of RMUs converted from CERs from afforestation and reforestation activities under Article 12 by Parties not included in Annex I. The Executive Board shall identify a registry administrator to maintain the registry under its authority.

3. The CDM registry shall have the additional following account for each commitment period:

(a) One pending retirement account for each Party included in Annex I, for the purpose of holding and transferring RMUs converted from CERs from afforestation and reforestation activities under Article 12 that were temporarily retired for use towards meeting its commitments under Article 3, paragraph 1, in accordance with paragraph 13 above;

4. Each RMUs converted from CERs from afforestation and reforestation CDM project activities under Article 12 shall be held in only one account in one registry at a given time.

6. Upon being instructed by the Executive Board to issue CERs for an afforestation and reforestation CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and this Annex:

(a) Issue the specified quantity of CERs into a pending account of the Executive Board;

(b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

(b)bis Convert the remaining CERs from afforestation and reforestation CDM project activities under Article 12 into RMUs;

(c) Forward the RMUs converted from CERs from afforestation and reforestation CDM activities under Article 12 to the registry accounts of project participants and Parties involved, in accordance with their request.

6bis. A CER shall be converted into a RMU by adding a type of activity identifier (afforestation or reforestation under Article 12) to the serial number and changing the type indicator in the serial number to indicate a RMU. Other elements of the serial number of the CER shall remain unchanged.

8. Where the accreditation of a Designated Operational Entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs relating to activities under Article 3, paragraph 3, and or elected activities under Article 3, paragraph 4 equal to the excess RMUs converted from CERs from afforestation and reforestation activities under Article 12 issued, as determined by the Executive Board, shall be transferred

to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs relating to activities under Article 3, paragraph 3, and or elected activities under Article 3, paragraph 4 shall not be further transferred or used for the purpose of demonstrating compliance of a Party with its commitment under Article 3, paragraph 1.

11. The information referred to in paragraph 9 of Appendix D of the Annex of Decision -/CMP.1 (Article 12) shall include the following CDM project activity information, for each project identifier against which the RMUs converted from CERs from afforestation and reforestation activities under Article 12 have been issued:

- (a) Project name: a unique name for the CDM project activity;
- (b) Project location: the Party and town or region in which the CDM project activity is located;
- (c) Years of RMUs issuance: the years in which RMUs have been issued as a result of the afforestation or reforestation CDM project activity;
- (d) Operational entities: the operational entities involved in the validation, verification and certification of the afforestation and reforestation CDM project activity;
- (e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present Annex.

12. The information referred to in paragraph 9 of Appendix D of the Annex of Decision -/CMP.1 (Article 12) shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in each account at the beginning of the year and at the end of each commitment period;
- (b) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 issued;
- (c) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 transferred and the identity of the acquiring accounts and registries;
- (d) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 cancelled in accordance with paragraph 8 above;
- (e) Current holdings of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in each account.

For this part of the Annex the numbering system corresponds to that of the Annex to Decision -/CMP.1 (*Modalities for the accounting of assigned amount*) for facilitating reference. Only the paragraphs written below should be kept. All the remaining paragraphs in the original Annex should be deleted in the present, *mutatis mutandis*.

## **Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol**

### **I. MODALITIES**

#### **D. Additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, for the accounting of the compliance assessment**

11. At the end of the additional period for fulfilling commitments, the acquisition by the Annex I Party of RMUs converted from CERs from afforestation and reforestation activities under Article 12 shall be added to the assigned amount pursuant to Article 3, paragraphs 7 and 8, in accordance with Article 3, paragraph 12, for the accounting of the compliance assessment for the commitment period.

#### **E. Basis for the compliance assessment**

13. Each Party included in Annex I shall retire, temporarily, RMUs converted from CERs from afforestation and reforestation activities under Article 12 for the purpose of demonstrating its compliance with its commitment under Article 3, paragraph 1.

13bis RMUs converted from CERs from afforestation and reforestation activities under Article 12 are valid only temporarily. They may be used for compliance only in the commitment period they were issued. The RMUs converted from CERs from afforestation and reforestation activities under Article 12 used for compliance expire and shall be replaced by any other valid unit, including RMUs converted from CERs from afforestation and reforestation activities under Article 12, at the end of the additional period for fulfilling commitments of the subsequent commitment period.

#### **F. Carry-over**

16. RMUs converted from CERs from afforestation and reforestation activities under Article 12 shall not be carried over to the subsequent commitment period.

### **II. REGISTRY REQUIREMENTS**

#### **C. Transfer, acquisition, cancellation, retirement and carry-over**

30. RMUs converted from CERs from afforestation and reforestation activities under Article 12 may be transferred between registries in accordance with decisions -/CMP.1 (*Article 12*), -/CMP.1 (*Article 17*) and -/CMP.1 (*Land use, land-use change and forestry*), and may be transferred within registries.

31. Each Party included in Annex I shall ensure that its net acquisitions of RMUs converted from CERs from afforestation and reforestation activities under Article 12 for the first commitment period do not exceed the limits established for that Party as set out in decision -/CMP.1 (*Land use, land-use change and forestry*).

33. Each Party included in Annex I may cancel RMUs converted from CERs from afforestation and reforestation activities under Article 12 so they cannot be used in fulfillment of commitments under

Article 3, paragraph 1, in accordance with paragraph 12 (f) in the Annex of Decision -/CMP.1 (Modalities for the accounting of assigned amount), by transferring them to a cancellation account in its national registry. Legal entities, where authorized by the Party, may also transfer RMUs converted from CERs from afforestation and reforestation activities under Article 12 into a cancellation account.

34. Prior to the end of the additional period for fulfilling commitments, each Party included in Annex I shall temporarily retire RMUs converted from CERs from afforestation and reforestation activities under Article 12 valid for that commitment period for use towards meeting its commitments under Article 3, paragraph 1, in accordance with paragraph 13 above, by transferring them to the pending retirement account for that commitment period in the CDM registry.

35. RMUs converted from CERs from afforestation and reforestation activities under Article 12 transferred to cancellation accounts in the CDM registry or in the national registry of the Party included in Annex I or transferred to its pending retirement account in the CDM registry for a commitment period may not be further transferred or carried over to the subsequent commitment period. RMUs converted from CERs from afforestation and reforestation activities under Article 12 transferred to cancellation accounts in any registry may not be used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

36. Expired RMUs converted from CERs from afforestation and reforestation activities under Article 12 of any previous commitment period held in the pending retirement account in the CDM registry of a Party included in Annex I which have been used for temporary retirement in any commitment period shall be cancelled in accordance with paragraph 12(f) in the Annex of Decision -/CMP.1 (Modalities for the accounting of assigned amount) by the end of the commitment period by transferring them to the cancellation account in the national registry of the Party included in Annex I and by transferring an equivalent amount of ERUs, CERs, AAUs and/or RMUs relating to activities under Article 3, paragraph 3, and or elected activities under Article 3, paragraph 4 to the pending retirement account for the Party included in Annex I for the commitment period in question in the CDM registry or, alternatively, by transferring an equivalent amount of RMUs converted from CERs from afforestation and reforestation activities under Article 12 issued for the commitment period to the pending retirement account for the Party included in Annex I for the previous commitment period in question in the CDM registry.

36bis RMUs converted from CERs from afforestation and reforestation activities under Article 12 may only be transferred to the pending retirement account of a Party included in Annex I in the CDM registry for:

- a) use towards meeting its commitments under Article 3, paragraph 1 of the commitment period on which they were issued, in accordance with paragraphs 13 and 13bis above, or
- b) use towards replacing expired RMUs converted from CERs from afforestation and reforestation activities under Article 12.

b bis) the replacement of the retired RMUs referred to in subparagraph (b) above is allowed only until the [eight] immediately preceding commitment periods to the one where the RMUs were issued.

37. Where the compliance committee determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, for any commitment period because of holding of expired RMUs converted from CERs from afforestation and reforestation activities under Article 12 from the previous commitment period, the Party shall transfer the quantity of ERUs, CERs, AAUs and/or RMUs relating to activities under Article 3, paragraph 3, and or elected activities under Article 3, paragraph 4 calculated in accordance with decision 24/CP.7 into the relevant cancellation account of the national registry of the Party included in Annex I, in accordance with paragraph 12(e) in the Annex of Decision -/CMP.1 (Modalities for the accounting of assigned amount).

#### **D. Transaction procedures**

38. The secretariat shall establish and maintain an independent transaction log to verify the validity of transactions, including issuance, transfer and acquisition between registries, cancellation and retirement of RMUs converted from CERs from afforestation and reforestation activities under Article 12.

39. The Executive Board of the CDM shall initiate issuance of RMUs from afforestation and reforestation activities under Article 12 by directing the CDM registry to convert CERs issued into its pending account in accordance with the requirements in Article 12 and requirements thereunder, as well as the relevant provisions in the Annex to decision -/CMP.1 (*Article 12*). Subject to notification by the transaction log that there are no discrepancies pertaining to the issuance, the issuance shall be completed when specific RMUs converted from CERs from afforestation and reforestation activities under Article 12 are recorded in the specified account.

40. A Party included in Annex I shall initiate any transfer of RMUs converted from CERs from afforestation and reforestation activities under Article 12, including those to cancellation in its national registry and pending retirement accounts in the CDM registry, by directing its national registry to transfer specified RMUs converted from CERs from afforestation and reforestation activities under Article 12 to a specific account within that registry or another registry. The Executive Board of the CDM shall initiate any transfer of RMUs converted from CERs from afforestation and reforestation activities under Article 12 held in the CDM registry by directing it to transfer specified RMUs converted from CERs from afforestation and reforestation activities under Article 12 to a specific account within that registry or another registry. Subject to notification by the transaction log, where applicable, that there are no discrepancies pertaining to the transfer, the transfer shall be completed when the specified RMUs converted from CERs from afforestation and reforestation activities under Article 12 are removed from the transferring account and are recorded in the acquiring account.

42. Upon receipt of the record, the transaction log shall conduct an automated check to verify that there is no discrepancy, with regard to:

(c) In the case of acquisitions of RMUs converted from CERs from afforestation and reforestation activities under Article 12: infringement of the limits contained in decision -/CMP.1 (*Land use, land-use change and forestry*);

(d) In the case of a retirement of RMUs converted from CERs from afforestation and reforestation activities under Article 12:

- (i) the eligibility of the Party included in Annex I involved to use RMUs converted from CERs from afforestation and reforestation activities under Article 12 to contribute to its compliance under Article 3, paragraph 1; and
- (ii) the units previously expired held in its pending retirement account in any of the [eight] preceding commitment periods in the CDM registry, in accordance with paragraph 36bis above;

43. Upon completion of the automated check, the transaction log shall notify the initiating and, in the case of transfers to another registry, the acquiring registry of the results of the automated check. Depending on the outcome of the check, the following procedures shall apply:

(b) In the event of a failure by the initiating registry to terminate the transaction, the RMUs converted from CERs from afforestation and reforestation activities under Article 12 involved in the transaction shall not be valid for use towards compliance with commitments under Article 3, paragraph 1, until the problem has been corrected and any questions of implementation pertaining to the transaction have been resolved. Upon resolution of a question of implementation pertaining to a Party's transactions, that Party shall perform any necessary corrective action within 30 days;

#### **E. Publicly accessible information**

47. The information referred to in paragraph 44 in the Annex of Decision -/CMP.1 (Modalities for the accounting of assigned amount) shall include the following holding and transaction information relevant to the national registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in each account at the beginning of the year;
- (d) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 acquired from other registries and the identity of the transferring accounts and registries;
- (f) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 transferred to other registries and the identity of the acquiring accounts and registries;
- (g) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 cancelled;
- (h) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 cancelled following determination by the compliance committee that the Party is not in compliance with its commitment under Article 3, paragraph 1;
- (j) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 pending retirement for each commitment period;
- (l) Current holdings of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in each account.

48. The information referred to in paragraph 44 above shall include a list of legal entities authorized by the Party to hold RMUs converted from CERs from afforestation and reforestation activities under Article 12 under its responsibility.

### III. COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES AND ASSIGNED AMOUNTS

#### A. Report upon expiration of the additional period for fulfilling commitments

49. Upon expiration of an additional period for fulfilling commitments, each Party included in Annex I shall report to the secretariat and make available to the public, in a standard electronic format, the following information on RMUs converted from CERs from afforestation and reforestation activities under Article 12 valid for the commitment period in question:

(a) The total quantities of the categories of RMUs converted from CERs from afforestation and reforestation activities under Article 12 listed in paragraph 47(a) to (j) above, for the current calendar year until the end of the additional period for fulfilling commitments (defined according to Greenwich Mean Time);

(b) The total quantity and serial numbers of RMUs converted from CERs from afforestation and reforestation activities under Article 12 held in its pending retirement account in the CDM registry;

#### B. Compilation and accounting database

51. A separate record shall be maintained in the database for each Party included in Annex I for each commitment period. Information on RMUs converted from CERs from afforestation and reforestation activities under Article 12 shall only include units valid for the commitment period in question

52. The secretariat shall record in the database for each Party included in Annex I the following information:

(b) For the first commitment period, limits on net acquisitions of RMUs converted from CERs from afforestation and reforestation activities under Article 12 pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*).

(b)bis Units used for temporary retirement in the [eight] previous commitment periods in the CDM registry and these units shall be recorded separately for each type of unit.

53. The secretariat shall record in the database, for each Party included in Annex I, whether it is eligible to transfer and/or acquire RMUs converted from CERs from afforestation and reforestation activities under Article 12 pursuant to decisions -/CMP.1 (*Article 17*) and to use RMUs converted from CERs from afforestation and reforestation activities under Article 12 to contribute to its compliance under Article 3, paragraph 1, pursuant to decision -/CMP.1 (*Article 12*).

58. The secretariat shall annually record in the database for each Party included in Annex I the following information related to transactions, for the previous calendar year and to date for the commitment period, following completion of the annual review under Article 8, including the application of any corrections, and resolution of any relevant questions of implementation:

(a) Total transfers of RMUs converted from CERs from afforestation and reforestation activities under Article 12;

(b) Total acquisitions of RMUs converted from CERs from afforestation and reforestation activities under Article 12;

(c) Net acquisitions of RMUs converted from CERs resulting from afforestation and reforestation activities under Article 12;

(g) Total cancellations of RMUs converted from CERs from afforestation and reforestation activities under Article 12;

(h) Total cancellations of RMUs converted from CERs from afforestation and reforestation activities under Article 12 following determination by the compliance committee that the Party is not in compliance with its commitment under Article 3, paragraph 1;

(i) Total of any other cancellations of RMUs converted from CERs from afforestation and reforestation activities under Article 12;

(j) Total of RMUs converted from CERs from afforestation and reforestation activities under Article 12 transferred to the pending retirement account for each Party included in Annex I in the CDM registry for the commitment period and for the [eight] previous commitment periods.

59. Upon expiration of the additional period for the fulfillment of commitments, and following review under Article 8 of the report submitted by the Party included in Annex I under paragraph 49 above, including the application of any corrections, and the resolution of any relevant questions of implementation, the secretariat shall record in the database the following information for each Party included in Annex I:

(a) For RMUs converted from CERs from afforestation and reforestation activities under Article 12 the total additions to the assigned amount pursuant to Article 3, paragraphs 7 and 8, for the accounting of the compliance assessment, in accordance with paragraph 11 above;

(b) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in its pending retirement account for any commitment period in the CDM registry.

### **C. Compilation and accounting reports**

62. After the commitment period and the additional period for fulfilling commitments, the secretariat shall publish a final compilation and accounting report for each Party included in Annex I and forward it to the COP/MOP, the compliance committee and the Party concerned, indicating:

(b) The total quantity of RMUs converted from CERs from afforestation and reforestation activities under Article 12 in pending retirement account of the Party included in Annex I for any commitment period in the CDM registry, as recorded under paragraph 59 (b) above;

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For this part of the Annex the numbering system correspond to that of the Annex to Decision -/CMP.1 (*Modalities rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol*) for facilitating reference. Only the paragraphs written below should be kept. All the remaining paragraphs in the original Annex should be deleted in the present Annex, mutatis mutandis

**Modalities for the calculation of the commitment period reserve**

7. Holdings of RMUs converted from CERs from afforestation and reforestation activities under Article 12 shall not be used for the commitment period reserve for the relevant commitment period.

For this part of the Annex the numbering system correspond to that of the Annex to Decision -/CMP.1 (*Article 7*) for facilitating reference. Only the paragraphs written below should be kept. All the remaining paragraphs in the original Annex should be deleted in the present Annex, mutatis mutandis

**Reporting of supplementary information under Article 7, paragraph 1 and 2, of the Kyoto Protocol  
(to be included)**

For this part of the Annex the numbering system correspond to that of the Annex to Decision -/CMP.1 (*Article 8*) for facilitating reference. Only the paragraphs written below should be kept. All the remaining paragraphs in the original Annex should be deleted in the present Annex, mutatis mutandis

**Review of information on assigned amounts pursuant to Article 3, paragraphs 7 and 8, emission reductions units, certified emission reductions, assigned amount and removals units**

**(to be included)**

PAPER NO. 4: CANADA

**ISSUES RELATED TO DEFINITIONS AND MODALITIES FOR INCLUDING  
AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM IN  
THE FIRST COMMITMENT PERIOD**

This submission, as an element of the work plan agreed at SBSTA 16 to fulfill the mandate described in Decision 17/CP.7, Paragraphs 8-10, elaborates Canada's proposals for draft legal text on definitions and modalities for afforestation and reforestation project activities under the Clean Development Mechanism for the first commitment period.

Canada maintains the view, as expressed in its 1 February 2002, 20 August 2002 and 20 November 2002 submissions to the UNFCCC, that afforestation and reforestation project activities face similar issues as other project activities in the CDM, with the exception of non-permanence. Consistent with this view, Canada's proposals for definitions and modalities contained in the annex below are based on the existing Annex to draft Decision ~/CMP.1 (Article 12) and incorporate necessary modifications relevant for afforestation and reforestation project activities. Where reference is made below to specific paragraph numbers, these refer to the corresponding paragraphs in the Annex to draft Decision ~/CMP.1 (Article 12). Canada also notes that it will be important for the final Annex on afforestation and reforestation projects under the CDM to incorporate references to the relevant decision at COP 9 in those places where the Annex of draft Decision -/CMP.1 (Article 12) reflects the need for consistency with Decision 17/CP.7, the relevant decisions of the COP/MOP and the Executive Board.

With regards to non-permanence, Canada has proposed using insurance of certified emission reductions (CERs). In support of this proposal, the proposed legal text in the following Annex suggests modifications to existing draft Decision ~/CMP.1 (Article 12) and additional provisions necessary to make operational an insurance approach to addressing non-permanence of afforestation and reforestation project activities.

Finally, it is Canada's view that it is important to provide project participants with as much certainty as possible. To ensure such certainty, Canada suggests a grandfathering clause be included in the CoP9 Decision text that protects first-commitment period projects from rule changes for subsequent commitment periods.

## ANNEX

### **Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period**

#### **A. Definitions**

For afforestation and reforestation projects under Article 12, the following definitions shall apply:

- (f) “Forest” is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with potential to reach a minimum height of 2-5 metres at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest. Each non-Annex I Party shall, for the purposes of applying the definition of “forest” as contained in paragraphs (g) and (h) below for afforestation and reforestation project activities under the CDM, select a single minimum tree crown cover value between 10 and 30 per cent, a single minimum land area value between 0.05 and 1 hectare and a single minimum tree height value between 2 and 5 meters. The selection of the above parameters by a non-Annex I Party shall apply to all its afforestation and reforestation project activities under the CDM, and shall be fixed for the duration of the first commitment period. The selection shall be included in the domestic guidelines of the non-Annex I Party with respect to participation in the CDM;
- (g) “Afforestation” is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;
- (h) “Reforestation” is the direct human-induced conversion of non-forested land to forested land through planting, seeding and /or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1999.
- (i) “Carbon reversal” is a negative change in total carbon stocks between two subsequent monitoring reports.
- (j) “Flagged CER”, for purposes of afforestation and reforestation activities under the CDM, is a CER for which the Executive Board has received and accepted a report from the Operational Entity identifying a carbon reversal that results in non-permanence.

#### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

Canada proposes that the corresponding section from draft Decision ~/CP.1 (Article 12) be applied as is to afforestation and reforestation projects under the CDM.

#### **C. Executive Board**

Paragraphs 5a-c, e-p, and 6-19 remain the same.

- 5. (d) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with Appendix xx (to be developed with respect to the Terms of Reference of Executive Board’s further work);

(e)bis Elaborate procedures for small-scale afforestation and reforestation projects;

(q) Periodically conduct random audits over the period of no less than 10 years after the end of the crediting period of afforestation and reforestation projects for which CERs have been issued.

#### **D. Accreditation of Operational Entities**

Canada proposes that the corresponding section from draft Decision ~/CP.1 (Article 12) be applied as is to afforestation and reforestation projects under the CDM.

#### **E. Designated Operational Entities**

Paragraphs 26, 27a, c-h remain the same.

27. (b) Verify and certify net anthropogenic removals resulting from afforestation and reforestation project activities;
- (.) Report carbon reversal to the executive board;
  - (.) Verify and certify that there is insurance coverage for CERs to be issued for afforestation and reforestation projects and that it remains in effect over the entire crediting period and for a period no less than 10 years afterwards;

#### **F. Participation requirements**

Canada proposes that the corresponding section from draft Decision ~/CP.1 (Article 12) be applied as is to afforestation and reforestation projects under the CDM.

#### **G. Validation and Registration**

Paragraphs 35, 36, 37 a-c, e-g, 38-42, 45 a, b, 47 remain the same

37. (d) The afforestation or reforestation project activity is expected to result in a net anthropogenic removal, calculated as removals by sinks minus emissions by sources, that is additional to any that would occur in the absence of the afforestation or reforestation project activity, in accordance with paragraphs 43 to 52 below;
- 37 (d) bis. Project participants shall identify the approach proposed to address the risk of non-permanence from among the following approaches:
- (i) insurance of issued CERs;
  - (ii) .....
43. A CDM project activity is additional if net anthropogenic removals, calculated as removals by sinks minus emissions by sources, are beyond those that would have occurred in the absence of the registered CDM afforestation or reforestation project activity.
44. The baseline for a CDM afforestation or reforestation project activity is the scenario that reasonably represents the net anthropogenic removals that would occur in the absence of the proposed afforestation or reforestation project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A and removals by sinks within the project boundary. A baseline shall be deemed to reasonably represent the net anthropogenic removals that would occur in the absence of the proposed afforestation or reforestation project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 above.
45. (c) On a project-specific basis and/or on a standardized basis;
- (d) In the case of small-scale CDM project activities which meet the criteria specified in the COP 9 decision and relevant decisions by the COP/MOP, in accordance with simplified procedures

developed for such activities;

(e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, and the economic situation in the project sector.

46. Delete this paragraph.
48. In choosing a baseline methodology for a afforestation or reforestation project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the Executive Board, and justify the appropriateness of their choice:
  - (a) Existing actual or historical anthropogenic greenhouse gas removals by sinks and emissions by sources, as applicable; or
  - (b) Removals and emissions from an activity that represents an economically attractive course of action, taking into account barriers to investment; or
  - (c) The baseline net removals of similar afforestation and reforestation project activities undertaken in the previous five years under similar land use, social, economic, and environmental circumstances.
49. Project participants shall select a crediting period for a proposed afforestation or reforestation activity from one of the following alternative approaches:
  - (a) A maximum of 20 years which may be renewed at most two times, provided that for each renewal, a designated Operational Entity determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
  - (b) A maximum of 30 years with no option of renewal
50. Enhancement of net anthropogenic removals, calculated as removals by sinks minus emissions by sources, attributed to afforestation and reforestation project activities shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.
51. Leakage is defined as the net anthropogenic removal, calculated as removals by sinks minus emissions by sources, which occurs outside the project boundary, and which is measurable and attributable to the CDM afforestation or reforestation project activity.
52. The project boundary shall encompass all anthropogenic greenhouse gas removals by sinks and emissions by sources under the control of the project participants that are significant and reasonably attributable to the CDM afforestation or reforestation project activity.

## **H. Monitoring**

Paragraphs 53d, e, g, 54-58, 60 remain the same

53. Project participants shall include, as part of the afforestation or reforestation project design document, a monitoring plan that provides for:
  - (a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic greenhouse gas removals by sinks and emissions by sources occurring within

the project boundary during the crediting period and, if an insurance approach is used to address the risk of non-permanence, for an additional period of no less than 10 years after the end of the crediting period;

(b) Delete this paragraph.

(c) The identification of all potential sources of, and the collection and archiving of data on, changes in anthropogenic emissions and removals outside the project boundary that are significant and reasonably attributable to the afforestation or reforestation project activity during the crediting period;

...

(f) Procedures for the periodic calculation of the net anthropogenic removals, calculated as removals by sinks minus emission by sources, attributed to the proposed afforestation or reforestation project activity under the CDM, and for leakage effects;

53bis. The monitoring plan shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. Project participants may choose not to account for a given pool if transparent and verifiable information is provided in each monitoring report that the pool is not a source.

59. Subsequent to the monitoring and reporting of the net anthropogenic removals, CERs resulting from a CDM afforestation or reforestation project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the baseline net anthropogenic removals from actual net anthropogenic removals, and adjusting for leakage.

60 bis. Project participants shall provide to the executive board a monitoring report at least every 5 years during the crediting period and, if an insurance approach is used to address the risk of non-permanence, continue to provide reports every 5 years for an additional period of no less than 10 years after the end of the crediting period.

60 ter. The monitoring reports must provide transparent and verifiable information to demonstrate that each carbon pool that the project participants have chosen, consistent with paragraph 53 bis, to not account for is not a source. Reports must also include previously reported carbon stocks, as well as the date and amount of issued and insured CERs over the lifetime of the project.

## **I. Verification and certification**

Paragraphs 62 a-c, e, g, h, remain the same

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored net anthropogenic, or carbon reversals, that have occurred as a result of a registered CDM afforestation or reforestation project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, an afforestation or reforestation project activity achieved the net anthropogenic removals as verified.

61bis. In the case of a carbon reversal, certification is a written report by the OE that the afforestation or reforestation activity resulted in a net decrease in anthropogenic removals between two subsequent monitoring period reports as verified.

62 (d) Review monitoring results and verify that the monitoring methodologies for the estimation of net anthropogenic removals, calculated as removals by sinks minus emissions by sources, attributed to the afforestation or reforestation project activity under the CDM have been



applied correctly and their documentation is complete and transparent

...

- (f) Determine the net anthropogenic removals, calculated as removals by sinks minus emissions by sources, 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) bis. If an insurance approach is used to address the risk of non-permanence as per paragraph 37(d)(i) above, verify documentation provided by the project participants to prove that insurance has been acquired for any CERs that would be issued corresponding to the net anthropogenic removals determined in subparagraph (f) above, that the insurance will become effective upon issuance of the CERs, and that the insurance term covers the crediting period and an additional period of no less than 10 years after the end of the crediting period.
63. The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the afforestation or reforestation project activity achieved the verified amount of net anthropogenic removals, calculated as removals by sinks and emissions by sources, that would not have occurred in the absence of the afforestation or reforestation project activity under the CDM.
- 63 bis. If an insurance approach is used to address the risk of non-permanence as per paragraph 37(d)(i) above, the designated operational entity shall also certify in writing that project participants have obtained insurance for the verified amount of reductions, and that the insurance will become effective when the CERs are issued. 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.

#### **J. Issuance, flagging and replacement of certified emission reductions**

Paragraphs 65, 66 remain the same

- 64. The certification report referred to in paragraph 63 above shall constitute a request for issuance to the executive board of CERs equal to the verified amount of net anthropogenic removals, calculated as removals by sinks minus emissions by sources, attributed to the afforestation or reforestation CDM project activity
- 67. In the event a carbon reversal resulting in non-permanence is reported by the Operational Entity or the project participants, the Executive Board shall flag CERs previously issued for the project, equal to the verified amount of carbon reversals. The Executive Board shall also notify Parties that the flagged CERs, identified by serial number, are ineligible for transfer to another Party, banking, or transfer to a retirement account.
- 68. The flagging of CERs shall be considered final 30 days after receipt of the certification report showing carbon reversals, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed flagging of CERs:
  - (a) Upon receipt of a request for such a review, the Executive Board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed flagging of insured CERs should be approved;
  - (b) The Executive Board shall complete its review within 30 days following its decision to perform the review;

- (c) The Executive Board shall inform the project participants of the outcome of the review, and make public its decision regarding the proposed flagging of insured CERs and the reasons for it.
69. Replacement of the flagged CERs shall occur no later than 120 days after the flagging of the CERs has become final. Destruction of the flagged CERs must occur no later than 15 days after replacement occurred.
70. The Executive Board shall ensure replacement CERs are properly logged and confirm that flagged CERs are destroyed.

#### **K. General**

71. Any revision of definitions, modalities or procedures for the second commitment period shall not affect existing project activities registered before the end of the first commitment period.

#### **Appendix A – Standards for the accreditation of operational entities**

Paragraphs 1a-e, g, h, 2 remain the same

1. An operational entity shall:
- (f) Have, or have access to, the necessary expertise to carry out the functions specified in the modalities and procedures of the CDM, the COP 9 decision on afforestation and reforestation, and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
  - (iii) The technical aspects of CDM afforestation and reforestation project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of carbon stocks;
  - (v) Methodologies for accounting of net anthropogenic removals, calculated as removals by sinks and emissions by sources, due to afforestation and reforestation project activities;

#### **Appendix B – Project design document**

Paragraphs 1, 2c, e-h remain the same

2. ...
- (a) A description of the project comprising the project purpose, a technical description of the project, and a description and justification of the project boundary;
  - (b) A proposed baseline methodology in accordance with the Annex on modalities and procedures for afforestation and reforestation projects under a CDM including, in the case of the:
    - ...
    - (ii) Application of a new methodology:
      - Projections of baseline removals by sinks and emissions by sources;
  - (d) Description of how the anthropogenic removals by sinks are enhanced and how emissions by sources are reduced beyond those that would have occurred in the absence of the registered CDM afforestation or reforestation project activity;
  - (i) Calculations:
    - (i) Description of formulae used to calculate and estimate anthropogenic greenhouse gas removals by sinks and emissions by sources of the CDM afforestation or

reforestation project activity within the project boundary;

- (ii) Description of formulae used to calculate and to project leakage, defined as: the change of net anthropogenic removals, calculated as removals by sinks minus emissions by sources, which occurs outside the CDM afforestation or reforestation project activity boundary and that is measurable and attributable to the CDM project activity.

...

- (iv) Description of formulae used to calculate and to project the anthropogenic greenhouse gas emissions by sources and removals by sinks of the baseline.

2 (i) bis. Description of how the risk of non-permanence will be addressed.

### **Appendix C: Terms of Reference for establishing guidelines on baselines and monitoring methodologies**

- (a) (i) Elaborate the provisions relating to baselines and monitoring methodologies contained in decision 17/CP.7, xx/CP.9, the Annex above and relevant decisions of the COP/MOP;  
  
(iii) Provide rigour to ensure that net anthropogenic removals, calculated as removals by sinks minus emission by sources, attributed to afforestation and reforestation CDM project activities are real and measurable, and an accurate reflection of what has occurred within the project boundary
- (b) (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of removals by sinks  
  
(vi) Determination of project boundaries including accounting for all greenhouse gases and sinks that should be included as part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries for the *ex post* evaluation of the level of leakage  
  
(vii) Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, and the economic situation in the sector relevant to the project activity

PAPER NO. 5: CHILE

**MODALITIES AND PROCEDURES FOR AFFORESTATION AND REFORESTATION  
ACTIVITIES, UNDER THE CLEAN DEVELOPMENT MECHANISM IN THE FIRST  
COMMITMENT PERIOD.**

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**PREAMBLE**

The present submission is based on the following main concepts

- 1) The certified emission reductions pursued by afforestation and reforestation CDM project activities are represented by the net changes in carbon stocks in the patch of land where the activities is carried out. This net carbon stocks change is the result of the actual carbon dioxide removed by the forest biomass increment less the carbon dioxide and non-carbon dioxide greenhouse gas emissions attributable to the afforestation and reforestation project activities, such as slash and burn of the existing bush like vegetation, ploughing, fertilization, weeds control and management activities such as thinning and pruning. In turn, the baseline scenario is the present carbon stock in the patch of land to be afforested or reforested and its most likely development in the absence of the proposed CDM project activities. Consequently, the certifiable carbon dioxide equivalent tonnes are those corresponding to the net carbon stock existing in a patch of land afforested or reforested at the verification time less the carbon stock represented by the baseline at the same time.
- 2) Although the annex on modalities and procedures for afforestation and reforestation CDM project activities it is supposed to be established only for the first commitment period, the long term intrinsic characteristic of afforestation and reforestation activities should be taken into due account in order to promote and avoid discourage in formulating of new projects. In these circumstances, this annex on modalities and procedures should include the treatment of monitoring, verification and certification activities in subsequent commitment periods, independently of any future decision adopted by the COP of the applicability of this modalities and procedures in future commitment period.
- 3) Modalities and procedures for afforestation and reforestation CDM project activities are expected to watch over the Kyoto Protocol environmental integrity, and have nothing to do with common forest or insurance business. Consequently, it is not recommendable to introduce provisions that could be more related with commercial arrangements than the actual carbon dioxide removals reflected in the carbon stocks changes produced by the direct human-induced afforestation and reforestation CDM project activities.
- 4) As is stated in the heading assertion of decision 17/CP.7, “it is the host Party’s prerogative to confirm whether a CDM project activity assists it in achieving sustainable development”. Under these circumstances, it seems not reasonable to impose worldwide statutory provisions to assess the socio-economic and environmental impacts that could be derived from the implementation of afforestation and reforestation CDM project activities.

**Decision XX/CP.9**

**Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism, as defined in Article 12 of the Kyoto Protocol, for the first commitment period**

**INTER ALIAS, THIS DECISION SHOULD CONSIDER THE FOLLOWING ELEMENTS:**

*The Conference of the Parties,*

1. *Decides* that the executive board shall include in its work plan until the tenth session of the Conference of the Parties, *inter alia*, the following tasks:

(a) To develop and recommend to the Conference of the Parties, at its tenth session, simplified modalities and procedures for afforestation and reforestation small-scale clean development mechanism project activities that remove less than 15 kilotonnes of carbon dioxide equivalent annually;

(b) To prepare recommendations on any relevant matter, including on Appendix C to the annex below, for consideration by the Conference of the Parties at its tenth session.

2. *Decides*:

- a) That the verification of the increases of greenhouse gases removals by sinks produced by direct human-induced afforestation or reforestation project activities with respect to the baseline situation, and the certification of the corresponding amount of carbon dioxide removed, shall be carried out with a periodicity of no more than once per commitment period along the accreditation period for the project, as set out in the annex below on modalities and procedures;
- b) That the certification of an amount of carbon dioxide removed, corresponding to the verified increase of greenhouse gas removal by sinks produced by a direct human-induced afforestation or reforestation CDM project activities with respect to the baseline situation, shall be expressed in units of Transitory Certified Removal (TCR), as defined in the annex below;
- c) That the Transitory Certified Removal units issued in a given commitment period, just could be used by Annex I Parties to contribute to compliance with part of its quantified emission limitation and reduction commitment under the Kyoto Protocol for the same commitment period, according to the modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol adopted in the decision 19/CP.7 amended to take into consideration letters (a), (b) and (d) of this decision, as set out in decision YY/CP.9;
- d) That those Annex I countries that have used Transitory Certified Removal units to contribute to compliance with part of its quantified emission limitation and reduction commitment under the Kyoto Protocol in a given commitment period, shall transfer, within the subsequent commitment period, ERUs, CERs, AAUs and RMUs equal to the Transitory Certified Removal units used, to a cancellation account maintained in the CDM registry by the Executive Board for these purposes.

3. *Decides* that transitory certified removals shall only be issued for a crediting period starting after the date of registration of a clean development mechanism project activity;

4. *Further decides* that an afforestation and reforestation project activity starting as of the year 2000, and prior to the adoption of this decision, shall be eligible for validation and registration as a afforestation and reforestation clean development mechanism project activity if submitted for registration before 31 December 2005. If registered, the crediting period for such project activities may start prior to the date of its registration but not earlier than 1 January 2000;

5. *Decides:*

(a) That afforestation and reforestation clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

6. *Requests* the secretariat to perform any functions assigned to it in the present decision and in the annex below;

7. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

**Draft decision -/CMP.1 (Article 12)**

**Modalities and procedures for a clean development mechanism  
as defined in Article 12 of the Kyoto Protocol**

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Recalling* the provisions of Articles 3 and 12 of the Kyoto Protocol,

*Bearing in mind* that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention 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 of the Kyoto Protocol,

*Aware* of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 6), -/CMP.1 (Article 17), -/CMP.1 (Land use, land-use change and forestry), -/CMP.1 (Modalities for the accounting of assigned amounts), -/CMP.1 (Article 5.1), -/CMP.1 (Article 5.2), -/CMP.1 (Article 7) and -/CMP.1 (Article 8), and decisions 2/CP.7 and 24/CP.7,

*Cognizant* of decision XX/CP.9 on modalities and procedures for afforestation and reforestation activities under the clean development mechanism as defined in Article 12 of the Kyoto Protocol,

1. *Decides* to confirm, and give full effect to any actions taken pursuant to, decision XX/CP.9 and to any other relevant decisions by the Conference of the Parties, as appropriate;
2. *Adopts* the modalities and procedures for afforestation and reforestation project activities under the clean development mechanism contained in the annex below;
3. *Invites* the executive board to review the simplified modalities, procedures and the definitions of small-scale project activities referred to in decision XX/CP.9 and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
4. *Decides* further that any future revision of the modalities and procedures for afforestation and reforestation under the clean development mechanism shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the executive board and by the Subsidiary Body for Implementation drawing on technical advice from the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.

ANNEX

NOTE: The present proposal contains only paragraphs that should be amended according to the present submission. Paragraphs to be amended are presented first with the text they had in annex to decision 17/CP./, preceded by the sentence (ORIGINAL TEXT) in bolds, and thereupon the proposed text for the same paragraph, preceded by the sentence (PROPOSED TEXT), both in bolds. New paragraphs are signposted as "(bis) in bolds.

**(ORIGINAL TEXT) Modalities and procedures for a clean development mechanism**

**(PROPOSED TEXT) Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period**

**A. Definitions**

1. (b) (bis) **(TO BE ADDED) A "transitory certified removal" or "TCR" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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;**
1. (e) (bis) **(TO BE ADDED) The definitions contained in paragraph one of the annex to decision 11/CP.7 shall be applied.**

**B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

3. (b) **(ORIGINAL TEXT) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;**
3. (b) **(PROPOSED TEXT) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP;**

**C. Executive board**

5. (p) **(ORIGINAL TEXT) Carry out any other functions ascribed to it in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP.**
5. (p) **(PROPOSED TEXT) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP;**

**D. Accreditation and designation of operational entities**

22. **(ORIGINAL TEXT) Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes**



of carbon dioxide equivalent equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

**22. (PROPOSED TEXT) Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess TCRs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess TCRs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.**

#### **E. Designated operational entities**

**26. (ORIGINAL TEXT) Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP and the executive board.**

**26. (PROPOSED TEXT) Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP and the executive board.**

**27. (b) (ORIGINAL TEXT) Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases;**

**27. (b) (PROPOSED TEXT) Verify and certify resulting enhancement of anthropogenic removals by sinks of greenhouse gases,**

#### **F. Participation requirements**

**G. 31. (ORIGINAL TEXT) Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:**

**31. (PROPOSED TEXT) Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use TCRs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:**

**33. (ORIGINAL TEXT) A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.**

**33. (PROPOSED TEXT) A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire TCRs if the authorizing Party is eligible to do so at that time.**

### **G. Validation and registration**

35. (ORIGINAL TEXT) 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, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.
35. (PROPOSED TEXT) 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, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.
36. (ORIGINAL TEXT) Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.
36. (PROPOSED TEXT) Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of TCRs related to that project activity.
37. (d) (ORIGINAL TEXT) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;
37. (d) (PROPOSED TEXT) The project activity is expected to result in an enhancement of anthropogenic removals by sinks that is additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;
37. (e) (ii) (ORIGINAL TEXT) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;
37. (e) (ii) (PROPOSED TEXT) Modalities and procedures for establishing a new methodology, taking into account the IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry as set out in decision X/CP.9 and relevant decisions by the COP/MOP, and as set out in paragraph 38 below;
37. (f) (ORIGINAL TEXT) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
37. (f) (PROPOSED TEXT) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP;
37. (g) (ORIGINAL TEXT) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the present annex and relevant decisions by the COP/MOP and the executive board.
37. (g) (ORIGINAL TEXT) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions by the COP/MOP and the executive board.
43. (ORIGINAL TEXT) A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

43. **(PROPOSED TEXT) A CDM project activity is additional if the net anthropogenic removals of greenhouse gases by sinks are higher than those that would have occurred in the absence of the registered CDM project activity.**
44. **(ORIGINAL TEXT)** The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases 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 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 above.
44. **(PROPOSED TEXT) The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources and removals by sinks of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources and removals by sinks 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 above.**
44. **(bis) (TO BE ADDED) The baseline shall account for all changes in the following carbon pools: above-ground biomass, below ground biomass, litter, dead wood, and soil organic carbon. The project participant may choose to not account for a given pool if transparent and verifiable information is provided that the excluded pool is not a source.**
45. **(a) (ORIGINAL TEXT)** By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
45. **(a) (PROPOSED TEXT) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP;**
45. **(d) (ORIGINAL TEXT)** In the case of small-scale CDM project activities which meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;
45. **(d) (PROPOSED TEXT) In the case of afforestation and reforestation small-scale CDM project activities which meet the criteria specified in decision 17/CP.7, decision XX/CP.9 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;**
45. **(e) (ORIGINAL TEXT)** Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.
45. **(e) (PROPOSED TEXT) Taking into account relevant national and/or sectoral policies and circumstances.**
46. **(ORIGINAL TEXT)** The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.
46. **(PROPOSED TEXT) The baseline may include a scenario where future anthropogenic removals by sinks are projected to fall below current levels, due to the specific circumstances of the host Party.**

47. **(PARAGRAPH TO BE DELETED)** The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*.
48. (a) **(ORIGINAL TEXT)** Existing actual or historical emissions, as applicable; or
48. (a) **(PROPOSED TEXT)** Existing actual or historical emissions and removals by sinks, as applicable; or
48. (b) **(ORIGINAL TEXT)** Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or
48. (b) **(PROPOSED TEXT)** Removals corresponding to a land use or land use change that represents an economically attractive course of action, taking into account barriers to investment or other barriers.
48. (c) **(THIS LITERAL WOULD BE DELETED)** 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.
49. (a) **(ORIGINAL TEXT)** A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
49. (a) **(PROPOSED TEXT)** A maximum of thirty years which may be renewed at most one time, provided that, for the renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
49. (b) **(ORIGINAL TEXT)** A maximum of ten years with no option of renewal.
49. (b) **(PROPOSED TEXT)** A maximum of forty years with no option of renewal.
50. **(ORIGINAL TEXT)** Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.
50. **(PROPOSED TEXT)** Increases in anthropogenic removals by sinks shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.
51. **(ORIGINAL TEXT)** Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.
51. **(PROPOSED TEXT)** Leakage is defined as the net change of anthropogenic emissions by sources and removals by sinks of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.
52. **(ORIGINAL TEXT)** The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

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

#### H. Monitoring

53. **(ORIGINAL TEXT)** Project participants shall include, as part of the project design document, a monitoring plan that provides for:

53. **(PROPOSED TEXT)** Project participants shall include, as part of the project design document, a monitoring plan that provides for all carbon pools considered in the established baseline:

53. (a) **(ORIGINAL TEXT)** The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period;
53. (a) **(PROPOSED TEXT)** The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources and removals by sinks of greenhouse gases occurring within the project boundary during the crediting period;
53. (b) **(ORIGINAL TEXT)** The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases within the project boundary during the crediting period;
53. (b) **(PROPOSED TEXT)** The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and removals by sinks of greenhouse gases within the project boundary during the crediting period;
53. (c) **(ORIGINAL TEXT)** The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
53. (c) **(PROPOSED TEXT)** The identification of all potential causes of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases resulting from changes in carbon stocks outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
53. (f) **(ORIGINAL TEXT)** Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources by the proposed CDM project activity, and for leakage effects;
53. (f) **(PROPOSED TEXT)** Procedures for the periodic calculation of the net increase in anthropogenic removals by sinks by the proposed CDM project activity, taking into account the Good Practice Guidance on Land Use, Land Use Change and Forestry as set out in decision X/CP.9, relevant decisions by the COP/MOP, and for leakage effects;
55. **(ORIGINAL TEXT)** For small-scale CDM project activities meeting the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.

**55. (PROPOSED TEXT) For afforestation and reforestation small-scale CDM project activities meeting the criteria specified in decision XX/CP.9 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.**

**58. (ORIGINAL TEXT) The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.**

**58. (PROPOSED TEXT) The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of TCRs.**

**59. (ORIGINAL TEXT) Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.**

**59. (PROPOSED TEXT) Subsequent to the monitoring and reporting of increases in anthropogenic removals, TCRs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the amount that would have been removed during the same period under the baseline scenario from the actual anthropogenic removals by sinks and adjusting for leakage.**

#### **I. Verification and certification**

**61. (ORIGINAL TEXT) Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. 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 as verified.**

**61. (PROPOSED TEXT) Verification is the periodic independent review and *ex post* determination by the designated operational entity, no more than once in a commitment period, of the monitored increases in anthropogenic removals by sinks that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a net amount of carbon dioxide equivalent tonnes has been removed by the project activity as verified.**

**62. (a) (ORIGINAL TEXT) 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;**

**62. (a) (PROPOSED TEXT) 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, decision XX/CP.9, the present annex and relevant decisions of the COP/MOP;**

**62. (d) (ORIGINAL TEXT) 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;**

62. (d) **(PROPOSED TEXT) Review monitoring results and verify that the monitoring methodologies for the estimation of net increase in anthropogenic removals by sinks have been applied correctly and their documentation is complete and transparent;**
62. (f) **(ORIGINAL TEXT) 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;**
62. (f) **(PROPOSED TEXT) Determine the increase in anthropogenic removals by sinks 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;**
63. **(ORIGINAL TEXT) 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.**
63. **(PROPOSED TEXT) 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 increases in anthropogenic removals by sinks 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.**

**(ORIGINAL TEXT) J. Issuance of certified emission reductions**

**(PROPOSED TEXT) J. Issuance of transitory certified removals**

64. **(ORIGINAL TEXT) The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.**
64. **(PROPOSED TEXT) The certification report shall constitute a request for issuance to the executive board of TCRs equal to the verified amount of increases in anthropogenic removals by sinks of greenhouse gases.**
65. **(ORIGINAL TEXT) The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:**
65. **(PROPOSED TEXT) The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of TCRs. Such a review shall be**

**limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:**

65. (a) **(ORIGINAL TEXT)** Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;
65. (a) **(PROPOSED TEXT)** Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of TCRs should be approved;
65. (c) **(ORIGINAL TEXT)** The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.
65. (c) **(PROPOSED TEXT)** The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of TCRs and the reasons for it.
66. **(ORIGINAL TEXT)** Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:
66. **(PROPOSED TEXT)** Upon being instructed by the executive board to issue TCRs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of TCRs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:
66. (a) **(ORIGINAL TEXT)** Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
66. (a) **(PROPOSED TEXT)** Forward the quantity of TCRs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
66. (b) **(ORIGINAL TEXT)** Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.
66. (b) **(PROPOSED TEXT)** Forward the remaining TCRs to the registry accounts of Parties and project participants involved, in accordance with their request.



APPENDIX A

Standards for the accreditation of operational entities

1. (f) (v) (ORIGINAL TEXT) Methodologies for accounting of anthropogenic emissions by sources;
1. (f) (v) (PROPOSED TEXT) **Methodologies for accounting of anthropogenic removals by sinks;**

APPENDIX B

The following text replaces the appendix B to the Annex to Decision 17/CP.7, and consist in a modified version of the general project design document set out by the executive board as Version 01 (in effect as of: 29 August 2002). . In this proposal, paragraphs to be amended are presented first with the text they had in the general project design document, preceded by the sentence (ORIGINAL TEXT) in bolds, and thereupon the proposed text for the same paragraph, preceded by the sentence (PROPOSED TEXT), both in bolds.

**Project design document for afforestation and reforestation project activities**

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for afforestation and reforestation project activities under the clean development in the first commitment period.
2. The executive board shall make recommendations to the COP/MOP on any amendments or additions to the project design document for afforestation and reforestation for project activities
3. The project design document for afforestation and reforestation for project activities shall include the following:
  - A. General description of project activity
    - A.1 Title of the project activity:
    - A.2. Description of the project activity:

*(Please include in the description:  
- the purpose of the project activity  
- the view of the project participants of the contribution of the project activity to sustainable development  
(max. one page).*
    - A.3. Project participants:

*(Please list Party(ies) and private and/or public entities involved in the project activity and provide contact information in Annex I.)*

*(Please indicate at least one of the above as the contact for the CDM project activity.)*

A.4. Technical description of the project activity:

A.4.1. Location of the project activity:

A.4.1.1 Host country Party(ies):

A.4.1.2 Region/State/Province etc.:

A.4.1.3 City/Town/Community etc:

A.4.1.4 Detail on physical location, including information allowing the unique identification of this project activity (*max one page*):

A.4.2. Category(ies) of project activity

**(ORIGINAL TEXT)** *(Using the list of categories of project activities and of registered CDM project activities by category available on the UNFCCC CDM web site, please specify the category(ies) of project activities into which this project activity falls. If no suitable category(ies) of project activities can be identified, please suggest a new category(ies) descriptor and its definition, being guided by relevant information on the UNFCCC CDM web site.)*

**(PROPOSED TEXT)** *Indicate the category as afforestation, reforestation or both.*

A.4.3. Technology to be employed by the project activity:

*(This section should include a description on how environmentally safe and sound technology and know-how to be used is transferred to the host Party, if any.)*

A.4.4. **(ORIGINAL TEXT)** Brief explanation of how the anthropogenic emissions of anthropogenic greenhouse gas (GHGs) by sources are to be reduced by the proposed CDM project activity, including why the emission reductions would not occur in the absence of the proposed project activity, taking into account national and/or sectoral policies and circumstances:

**A.4.4 (PROPOSED TEXT)** **Brief explanation of how the anthropogenic removals of anthropogenic greenhouse gas (GHGs) by sinks are to be increased by the proposed CDM project activity, including why the emission removals would not occur in the absence of the proposed project activity, taking into account national and/or sectoral policies and circumstances:**

**(ORIGINAL TEXT)** *(Please explain briefly how anthropogenic greenhouse gas (GHG) emission reductions are to be achieved (detail to be provided in section B.) and provide the total estimate of anticipated reductions in tonnes of CO<sub>2</sub> equivalent as determined in section E. below.)*

**(PROPOSED TEXT)** *(Please explain briefly how anthropogenic greenhouse gas (GHG) removals enhancement are to be achieved (detail to be provided in section B.) and provide the total estimate of anticipated removals in tonnes of CO<sub>2</sub> equivalent as determined in section E. below.)*

A.4.5. Public funding of the project activity:

*(In case public funding from Parties included in Annex I is involved, please provide in Annex 2 information on sources of public funding for the project activity, including an affirmation that such*

*funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties.)*

B. Baseline methodology

B.1 Title and reference of the methodology applied to the project activity:

**(ORIGINAL TEXT)** *(Please refer to the UNFCCC CDM web site for the title and reference list as well as the details of approved methodologies. If a new baseline methodology is proposed, please fill out Annex 3. Please note that the table “Baseline data” contained in Annex 5 is to be prepared parallel to completing the remainder of this section.)*

**(PROPOSED TEXT)** *Methodology to apply shall take into account the provisions for Good Practice Guidance for LULUCF as set out in decision X/CP.9 COP.*

*(Please refer to the UNFCCC CDM web site for the title and reference list as well as the details of approved methodologies. If a new baseline methodology is proposed, please fill out Annex 3. Please note that the table “Baseline data” contained in Annex 5 is to be prepared parallel to completing the remainder of this section.)*

B.2. Justification of the choice of the methodology and why it is applicable to the project activity

B.3. Description of how the methodology is applied in the context of the project activity:

B.4. **(ORIGINAL TEXT)** Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity (*i.e. explanation of how and why this project is additional and therefore not the baseline scenario*)

**B.4. (PROPOSED TEXT)** Description of how the anthropogenic removals of GHG by sinks are enhanced above those that would have occurred in the absence of the registered CDM project activity (*i.e. explanation of how and why this project is additional and therefore not the baseline scenario*)

B.5. Description of how the definition of the project boundary related to the baseline methodology is applied to the project activity:

B.6. Details of baseline development

B.6.1 Date of completing the final draft of this baseline section (*DD/MM/YYYY*):

B.6.2 Name of person/entity determining the baseline:

*(Please provide contact information and indicate if the person/entity is also a project participant listed in Annex 1.)*

C. Duration of the project activity / Crediting period

C.1 Duration of the project activity:

C.1.1. Starting date of the project activity:

**(ORIGINAL TEXT)** *(For a definition by the Executive Board of the term “starting date”, please refer to UNFCCC CDM web site. Any such guidance shall be incorporated in subsequent versions of the CDM-PDD. Pending guidance, please indicate how the “starting date” has been defined and applied in the context of this project activity.)*

**(PROPOSED TEXT)** **The starting date of an afforestation or reforestation project activity is the date at which the implementation of human-induced activities of land clearance and soil preparation for planting, seeding and promotion of natural seed sources begins.**

*(For further definition by the Executive Board of the term “starting date”, please refer to UNFCCC CDM web site. Any such guidance shall be incorporated in subsequent versions of the CDM-A&R-PDD. Pending guidance, please indicate how the “starting date” has been defined and applied in the context of this project activity.)*

C.1.2. Expected operational lifetime of the project activity: *(in years and months, e.g. two years and four months would be shown as: 2y-4m)*

C.2 Choice of the crediting period and related information: *(Please underline the appropriate option (C.2.1 or C.2.2.) and fill accordingly)*

**(ORIGINAL TEXT)** *(Note that the crediting period may only start after the date of registration of the proposed activity as a CDM project activity. In exceptional cases, the starting date of the crediting period can be prior to the date of registration of the project activity as provided for in paras. 12 and 13 of decision 17/CP.7 and through any guidance by the Executive Board, available on the UNFCCC CDM web site)*

**(PROPOSED TEXT)** *(Note that the crediting period may only start after the date of registration of the proposed activity as a CDM project activity. In exceptional cases, the starting date of the crediting period can be prior to the date of registration of the project activity as provided for in paras. Z and Y of decision XX/CP.9 and through any guidance by the Executive Board, available on the UNFCCC CDM web site)*

C.2.1. **(ORIGINAL TEXT)** Renewable crediting period *(at most seven (7) years per period)*

**C.2.1.(PROPOSED TEXT) Renewable crediting period (at most thirty (30) years per period)**

C.2.1.1. Starting date of the first crediting period *(DD/MM/YYYY)*:

C.2.1.2. Length of the first crediting period *(in years and months, e.g. two years and four months would be shown as: 2y-4m)*:

C.2.2. **(ORIGINAL TEXT)** Fixed crediting period *(at most ten (10) years)*:

**C.2.2. (PROPOSED TEXT) Fixed crediting period (at most forty (40) years):**

C.2.2.1. Starting date *(DD/MM/YYYY)*:

C.2.2.2.(ORIGINAL TEXT) Length (max 10 years): *(in years and months, e.g. two years and four months would be shown as: 2y-4m)*

C.2.2.2.(PROPOSED TEXT) Length (max 10 years): *(in years and months, e.g. two years and four months would be shown as: 2y-4m)*

D. Monitoring methodology and plan

(ORIGINAL TEXT) *(The monitoring plan needs to provide detailed information related to the collection and archiving of all relevant data needed to*

- *estimate or measure emissions occurring within the project boundary;*
- *determine the baseline; and;*
- *identify increased emissions outside the project boundary.*

*The monitoring plan should reflect good monitoring practice appropriate to the type of project activity. Project participants shall implement the registered monitoring plan and provide data, in accordance with the plan, through their monitoring report.*

(PROPOSED TEXT) *(The monitoring plan needs to provide detailed information related to the collection and archiving of all relevant data needed to*

- *estimate or measure emissions and removals occurring within the project boundary;*
- *determine the baseline; and;*
- *identify increased emissions outside the project boundary.*

*The monitoring plan should reflect IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry as set out in decision X/CP.9, appropriate to the type of project activity. Project participants shall implement the registered monitoring plan and provide data, in accordance with the plan, through their monitoring report.*

*Operational entities will verify that the monitoring methodology and plan have been implemented correctly and check the information in accordance with the provisions on verification. This section shall provide a detailed description of the monitoring plan, including an identification of the data and its quality with regard to accuracy, comparability, completeness and validity, taking into consideration any guidance contained in the methodology.*

(ORIGINAL TEXT) *Please note that data monitored and required for verification and issuance are to be kept for two years after the end of the crediting period or the last issuance of CERs for this project activity, whatever occurs later.)*

(PROPOSED TEXT) *Please note that data monitored and required for verification and issuance are to be kept for two years after the end of the crediting period or the last issuance of TCRs for this project activity, whatever occurs later.)*

D.1. Name and reference of approved methodology applied to the project activity:

*(Please refer to the UNFCCC CDM web site for the name and reference as well as details of approved methodologies. If a new methodology is proposed, please fill out Annex 4.)*

*(If a national or international monitoring standard has to be applied to monitor certain aspects of the project activity, please identify this standard and provide a reference to the source where a detailed description of the standard can be found.)*

D.2. Justification of the choice of the methodology and why it is applicable to the project activity:

**D.3. (ORIGINAL TEXT) Data to be collected in order to monitor emissions from the project activity, and how this data will be archived:**

**D.3. (PROPOSED TEXT) Data to be collected in order to monitor emissions and removals from the project activity, and how this data will be archived:**

*(Please add rows to the table below, as needed)*

ID number <i>(Please use numbers to ease cross-referencing to table D.6)</i>	Data type	Data variable	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/paper)	For how long is archived data to be kept?	Comment

**D.4. Potential sources of emissions which are significant and reasonably attributable to the project activity, but which are not included in the project boundary, and identification if and how data will be collected and archived on these emission sources.**

*(Please add rows to the table below, as needed.)*

ID number <i>(Please use numbers to ease cross-referencing to table D.6)</i>	Data type	Data variable	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/paper)	For how long is archived data to be kept?	Comment

**D.5. (ORIGINAL TEXT) Relevant data necessary for determining the baseline or anthropogenic emissions by sources of GHG within the project boundary and identification if and how such data will be collected and archived.**

**D.5. PROPOSED TEXT Relevant data necessary for determining the baseline of anthropogenic emissions by sources and removals by sinks of GHG within the project boundary and identification if and how such data will be collected and archived.**

*(Depending on the methodology used to determine the baseline this table may need to be filled. Please add rows to the table below, as needed.)*

ID number <i>(Please use numbers to ease cross-referencing to table D.6)</i>	Data type	Data variable	Data unit	Will data be collected on this item? (If no, explain).	How is data archived? (electronic/paper)	For how long is data archived to be kept?	Comment

**D.6. Quality control (QC) and quality assurance (QA) procedures are being undertaken for data monitored.** *(data items in tables contained in section D.3., D.4. and D.5 above, as applicable)*

Data <i>(Indicate table and ID number e.g. D.4-1; D.4-2.)</i>	Uncertainty level of data (High/Medium/Low)	Are QA/QC procedures planned for these data?	Outline explanation why QA/QC procedures are or are not being planned.

D.7 Name of person/entity determining the monitoring methodology:

*(Please provide contact information and indicate if the person/entity is also a project participant listed in Annex 1 of this document.)*

E. **(ORIGINAL TEXT) Calculation of GHG emissions by sources**

E. **(PROPOSED TEXT) Calculation of GHG emissions by sources and removals by sinks**

E.1 **(ORIGINAL TEXT)** Description of formulae used to estimate anthropogenic emissions by sources of greenhouse gases of the project activity within the project boundary: *(for each gas, source, formulae/algorithm, emissions in units of CO<sub>2</sub> equivalent)*

**E.1 (PROPOSED TEXT) Description of formulae used to estimate changes in carbon stocks resulting from anthropogenic emissions by sources and removals by sinks of greenhouse gases of the project activity within the project boundary: *(for each gas, source, formulae/algorithm, emissions in units of CO<sub>2</sub> equivalent)***

E.2 Description of formulae used to estimate leakage, defined as: the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and that is measurable and attributable to the project activity: *(for each gas, source, formulae/algorithm, emissions in units of CO<sub>2</sub> equivalent)*

E.3 **(ORIGINAL TEXT)** The sum of E.1 and E.2 representing the project activity emissions:

**E.3 (PROPOSED TEXT) The result of E.1 minus E.2 representing the project activity removals:**

E.4 **(ORIGINAL TEXT)** Description of formulae used to estimate the anthropogenic emissions by sources of greenhouse gases of the baseline: *(for each gas, source, formulae/algorithm, emissions in units of CO<sub>2</sub> equivalent)*

**E.4 (PROPOSED TEXT) Description of formulae used to estimate the anthropogenic emissions by sources and removals by sinks of greenhouse gases of the baseline: *(for each gas, source, formulae/algorithm, emissions and removals in units of CO<sub>2</sub> equivalent)***

E.5 **(ORIGINAL TEXT)** Difference between E.4 and E.3 representing the emission reductions of the project activity:

**E.5 (PROPOSED TEXT) Difference between E.3 minus E.4 representing the net removals by sinks enhancement of the project activity:**

E.6 Table providing values obtained when applying formulae above:

F. Environmental impacts

F.1 Documentation on the analysis of the environmental impacts, including transboundary impacts *(Please attach the documentation to the CDM-PDD.)*

F.2 If impacts are considered significant by the project participants or the host Party: *please provide 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. Stakeholders comments

G.1. Brief description of the process on how comments by local stakeholders have been invited and compiled:

G.2. Summary of the comments received:

G.3. Report on how due account was taken of any comments received:

Annex 1

**CONTACT INFORMATION ON PARTICIPANTS IN THE PROJECT ACTIVITY**

*(Please copy and paste table as needed)*

Organization:	
Street/P.O.Box:	
Building:	
City:	
State/Region:	
Postfix/ZIP:	
Country:	
Telephone:	
FAX:	
E-Mail:	
URL:	
Represented by:	
Title:	
Salutation:	
Last Name:	
Middle Name:	
First Name:	
Department:	
Mobile:	
Direct FAX:	
Direct tel:	
Personal E-Mail:	

Annex 2

**INFORMATION REGARDING PUBLIC FUNDING**

Annex 3

**NEW BASELINE METHODOLOGY**

**(ORIGINAL TEXT)** *The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases 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. The general characteristics of a baseline are contained in para. 45 of the CDM M&P.*

**(PROPOSED TEXT)** *The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources and removals by sinks of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases listed in Annex A of the Kyoto Protocol within the project boundary. The general characteristics of a baseline are contained in para. Z of the CDM M&P for afforestation and reforestation project activities.*

*For guidance on aspects to be covered in the description of a new methodology, please refer to the UNFCCC CDM web site.*

*Please note that the table “Baseline data” contained in Annex 5 is to be prepared parallel to completing the remainder of this section.)*

1. Title of the proposed methodology:
2. Description of the methodology:
  - 2.1. General approach *(Please check the appropriate option(s))*
    - (ORIGINAL TEXT)** Existing actual or historical emissions, as applicable;
    - (PROPOSED TEXT)** Existing actual or historical emissions and removals, as applicable;
    - (ORIGINAL TEXT)** Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment;
    - (PROPOSED TEXT)** Removals corresponding to a land use or land use change that represents an economically attractive course of action, taking into account barriers to investment or other barriers;

□ **(THIS PARAGRAPH SHOULD BE DELETED)** 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.

2.2. Overall description (other characteristics of the approach):

3. **(ORIGINAL TEXT)** Key parameters/assumptions (including emission factors and activity levels), and data sources considered and used:

3. **(PROPOSED TEXT) Key parameters/assumptions (including emission and removal factors and activity levels), and data sources considered and used:**

4. Definition of the project boundary related to the baseline methodology:

**(ORIGINAL TEXT)** *(Please describe and justify the project boundary bearing in mind that it shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the project activity. Please describe and justify which gases and sources included in Annex A of the Kyoto Protocol are included in the boundary and outside the boundary.)*

**(PROPOSED TEXT)** *(Please describe and justify the project boundary bearing in mind that it shall encompass all anthropogenic emissions by sources and removals by sinks of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the project activity. Please describe and justify which gases and sources included in Annex A of the Kyoto Protocol are included in the boundary and outside the boundary.)*

5. Assessment of uncertainties:

*(Please indicate uncertainty factors and how those uncertainties are to be addressed)*

6. **(ORIGINAL TEXT)** Description of how the baseline methodology addresses the calculation of baseline emissions and the determination of project additionality:

6. **(PROPOSED TEXT) Description of how the baseline methodology addresses the calculation of baseline emissions and removals, and the determination of project additionality:**

*(Formulae and algorithms used in section E)*

7. Description of how the baseline methodology addresses any potential leakage of the project activity:

**(ORIGINAL TEXT)** *(Please note: Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary and which is measurable and attributable to the CDM project activity.)*

**(PROPOSED TEXT)** *(Please note: Leakage is defined as the net change of anthropogenic emissions by sources and removals by sinks of greenhouse gases which occurs outside the project boundary and which is measurable and attributable to the CDM project activity.)*

*(Formulae and algorithms used in section E.5)*

8. Criteria used in developing the proposed baseline methodology, including an explanation of how the baseline methodology was developed in a transparent and conservative manner:
9. Assessment of strengths and weaknesses of the baseline methodology:
10. Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account:

ANNEX 4

**NEW MONITORING METHODOLOGY**

Proposed new monitoring methodology

*(Please provide a detailed description of the monitoring plan, including the identification of data and its quality with regard to accuracy, comparability, completeness and validity)*

1. Brief description of new methodology

*(Please outline the main points and give a reference to a detailed description of the monitoring methodology).*

2. **(ORIGINAL TEXT)** Data to be collected or used in order to monitor emissions from the project activity, and how this data will be archived

**2. (PROPOSED TEXT) Data to be collected or used in order to monitor emissions and removals from the project activity, and how this data will be archived**

*(Please add rows to the table below, as needed)*

ID number <i>(Please use numbers to ease cross-referencing to table 5)</i>	Data type	Data variable	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/paper)	For how long is archived data kept?	Comment

3. **(ORIGINAL TEXT)** Potential sources of emissions which are significant and reasonably attributable to the project activity, but which are not included in the project boundary, and identification if and how data will be collected and archived on these emission sources
4. **(PROPOSED TEXT)** Potential sources of emissions and removals which are significant and reasonably attributable to the project activity, but which are not included in the project boundary, and identification if and how data will be collected and archived on these emission sources

*(Please add rows to the table below, as needed.)*

ID number <i>(Please use numbers to ease cross-referencing to table 5)</i>	Data type	Data variable	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/paper)	For how long is archived data kept?	Comment

4. Assumptions used in elaborating the new methodology:

*(Please list information used in the calculation of emissions which is not measured or calculated, e.g. use of any default emission factors)*

5. Please indicate whether quality control (QC) and quality assurance (QA) procedures are being undertaken for the items monitored. *(see tables in sections 2 and 3 above)*

Data <i>(Indicate table and ID number e.g. 3.-1; 3.-2.)</i>	Uncertainty level of data (High/Medium/Low)	Are QA/QC procedures planned for these data?	Outline explanation why QA/QC procedures are or are not being planned.

6. What are the potential strengths and weaknesses of this methodology? *(please outline how the accuracy and completeness of the new methodology compares to that of approved methodologies).*

7. Has the methodology been applied successfully elsewhere and, if so, in which circumstances?

*After completing above, please continue filling sub-sections D.2. and following*

ANNEX 5

TABLE: BASELINE DATA

*(Please provide a table containing the key elements used to determine the baseline (variables, parameters, data sources etc.). For approved methodologies you may find a draft table on the UNFCCC CDM web site. For new methodologies, no predefined table structure is provided.)*

APPENDIX C

Terms of reference for establishing guidelines  
on baselines and monitoring methodologies

- (a) (i) **(ORIGINAL TEXT)** Elaborate the provisions relating to baseline and monitoring methodologies contained in decision 17/CP.7, the annex above and relevant decisions of the COP/MOP;
- (a) (i) **(PROPOSED TEXT)** Elaborate the provisions relating to baseline and monitoring methodologies contained in decision 17/CP.7, decision XX/CP.9, the annex above and relevant decisions of the COP/MOP;
- (a) (iii) **(ORIGINAL TEXT)** Provide rigour to ensure that net reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;
- (a) (iii) **(PROPOSED TEXT)** Provide rigour to ensure that net increases in anthropogenic removals are real and measurable, and an accurate reflection of what has occurred within the project boundary;
- (a) (iv) **(ORIGINAL TEXT)** Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
- (a) (iv) **(PROPOSED TEXT)** Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7, decision XX/CP.9, and relevant decisions of the COP/MOP;
- (b) (iii) **(ORIGINAL TEXT)** Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
- (b) (iii) **(PROPOSED TEXT)** Monitoring methodologies that provide an accurate measure of actual increases in anthropogenic removals as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
- (b) (v) **(ORIGINAL TEXT)** The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;

- (b) (v) **(PROPOSED TEXT)** The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of increases in anthropogenic removals;
- (b) (vii) **(ORIGINAL TEXT)** Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the sector relevant to the project activity;
- (b) (vii) **(PROPOSED TEXT)** Accounting for applicable national policies and specific national or regional circumstances.
- (b) (viii) **(THIS PARAGRAPH WOULD BE DELETED)** The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;

## APPENDIX D

### Afforestation and reforestation clean development mechanism registry requirements

#### **This proposed text replace the original appendix D of the Annex to Decision 17/CP.7**

1. The executive board shall establish and maintain an afforestation and reforestation CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of TCRs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.
2. The afforestation and reforestation CDM registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer and acquisition of TCRs. The structure and data formats of the afforestation and reforestation CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the afforestation and reforestation CDM registry and the independent transaction log.
3. The afforestation and reforestation CDM registry shall have the following accounts:
  - (a) One pending account for the executive board, into which TCRs are issued before being transferred to other accounts;
  - (b) At least one holding account for each Party not included in Annex I hosting a afforestation and reforestation CDM project activity or requesting an account;
  - (c) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to excess TCRs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;
  - (d) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to TCRs used by Annex I countries to contribute to compliance with part of its quantified emission limitation and reduction commitment under the Kyoto Protocol in the previous commitment period



(e) At least one account for the purpose of holding and transferring TCRs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire TCRs.

4. Each TCR shall be held in only one account in one registry at a given time.

5. Each account within the CDM registry shall have a unique account number comprising the following elements:

(a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the TCRs corresponding to the share of proceeds, the executive board or another appropriate organization;

(b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.

6. Upon being instructed by the executive board to issue TCRs for an afforestation or reforestation CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):

(a) Issue the specified quantity of TCRs into a pending account of the executive board;

(b) Forward the quantity of TCRs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the afforestation and reforestation CDM registry for holding and transferring such TCRs;

(c) Forward the remaining TCRs to the registry accounts of project participants and Parties involved, in accordance with their request.

7. Each TCR shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the TCR is issued;

(b) Party of origin: the Party which hosted the afforestation or reforestation CDM project activity, using the two-letter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a TCR;

(d) Unit: a number unique to the TCR for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the afforestation or reforestation CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess TCRs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. Annex I countries that have used TCRs to contribute to compliance with part of its quantified emission limitation and reduction commitment under the Kyoto Protocol in a given commitment period, shall transfer, within the subsequent commitment period, ERUs, CERs, AAUs and RMUs equal to the

TCRs used, to a cancellation account maintained in the CDM registry by the Executive Board for these purposes.

10. The afforestation and reforestation CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

11. The information referred to in paragraph 10 above shall include up-to-date information, for each account number in the registry, on the following:

- (a) Account name: the holder of the account;
- (b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;
- (c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

12. The information referred to in paragraph 10 above shall include the following afforestation and reforestation CDM project activity information, for each project identifier against which the TCRs have been issued:

- (a) Project name: a unique name for the afforestation or reforestation CDM project activity;
- (b) Project location: the Party and town or region in which the Afforestation or Reforestation CDM project activity is located;
- (c) Years of TCR issuance: the years in which TCRs have been issued as a result of the Afforestation or Reforestation CDM project activity;
- (d) Operational entities: the operational entities involved in the validation, verification and certification of the afforestation or reforestation CDM project activity;
- (e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

13. The information referred to in paragraph 10 above shall include the following holding and transaction information relevant to the afforestation and reforestation CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of TCRs in each account at the beginning of the year;
- (b) The total quantity of TCRs issued;
- (c) The total quantity of TCRs transferred and the identity of the acquiring accounts and registries;
- (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above;
- (e) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 9 above;
- (f) Current holdings of TCRs in each account.

PAPER NO. 6: CHINA

**MODALITIES AND PROCEDURES FOR INCLUSION OF AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM IN THE FIRST COMMITMENT PERIOD**

In accordance with FCCC/SBSTA/2002/6, China submits following views on the modalities and procedures for including afforestation and reforestation project activities under the CDM in the first commitment period. Further views may follow.

China is of the view that the modalities and procedures to be developed shall be guided by the preamble of the draft decision -/CMP.1 (land-use, land-use change and forestry) (FCCC/CP/2001/13/Add.1) and shall not be in conflict with other provisions of the decision.

China's submission was formatted within the framework of the draft text of the draft decision -/CMP.1 (Article 12) (FCCC/CP/2001/13/Add.2) for easier reference.

**A. Definitions**

1. Definitions for afforestation, reforestation, deforestation and forest in the present modalities and procedures shall remain exactly the same as those agreed, i.e.:

- (a) "Forest" is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest;
- (b) "Afforestation" is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;
- (c) "Reforestation" is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989;

2. Non-permanence means the temporary nature and reversibility of greenhouse gas removals, which are vulnerable to natural disturbances and anthropogenic practices, achieved by an afforestation or reforestation CDM project activity;

3. "TCCR", standing for "temporary Certified Carbon Removal", means a unit issued for afforestation or reforestation CDM project activities in the first commitment period pursuant to Article 12 of Kyoto Protocol and requirements thereunder, as well as the relevant provisions in the present modalities and procedures, expiring in five years from issuance and being 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;

## **B. Executive board**

The executive board shall supervise the afforestation and reforestation CDM project activities, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

...

(..) Ensure the TCCRs are fully compensated upon their expiry by, inter alia, tracking the credits in the cancellation accounts.

## **E. Designated operational entities**

27. A designated operational entity shall:

- ( ) Validate proposed afforestation or reforestation CDM project activities;
- ( ) Calculate the net amount of greenhouse gases removed by the afforestation or reforestation CDM project activity using the approved calculation procedure and, if appropriate, use additional data from other sources;
- ( ) Adjust the calculated amount of greenhouse gases removed accordingly when evidence is found, and not certify the amount of carbon sequestered if an adjustment is not possible;
- ( ) Verify and certify net increase in removals by sinks of greenhouse gases;
- ( ) Perform one of the following functions related to a given afforestation or reforestation CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single afforestation or reforestation CDM project activity;
- ( ) Monitor and verify the carbon sequestration before re-issuance of TCCRs.

...

## **G. Validation and registration**

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:

...

(c) bis. Project participants have submitted to the designated operational entity documentation on the analysis of the social impacts of the project activity, including measures to monitor and minimize adverse impacts and ensure compatibility with related national policies;

...

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, and have received the written approval of the social impact assessment and environmental impact assessment of the project activity from the host Party designated national authority;

...

(..) Validate social impact assessment and environmental impact assessment of the project activity;

(..) If socio-economic or environmental impact is significantly adverse, an A&R CDM project activity should not be approved as a CDM project, either by the designated operational entity or the executive board.

43. An afforestation or reforestation CDM project activity is additional if the net removal by sinks resulting from the afforestation or reforestation CDM project activity is higher than those that would have occurred in the absence of the proposed CDM project activity, and if the net removal by sinks resulting from an afforestation or reforestation CDM project activity goes beyond institutional and regulatory requirements or commercial practice. An afforestation or reforestation CDM project activity is not additional if similar activities have been undertaken in recent years in the region of the project.

44. The baseline for a CDM project activity is the scenario that reasonably represents the net changes in carbon stocks and greenhouse gas emissions that would occur in the absence of the proposed activity. A baseline shall cover above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon pools, unless the proponent is able to provide transparent and verifiable information that the excluded pool is not a source, and take into account non-CO<sub>2</sub> greenhouse gas emissions of removals.

45. A baseline shall be established:

...

(..) Taking into account relevant national and/or sectoral policies and circumstances, such as historical land uses, practices and trends, cultural traditions, socio-economic conditions, current estimates of the carbon stocks on the project land, future trends at sectoral and national levels, sources of project financing, and the project intent.

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) The existing emissions and removals that would otherwise occur;

(b) The net greenhouse gas removals by sinks due to use of the land that represents an economically attractive course of action, taking into account barriers to investment or other barriers; or

(c) The most likely prospective land use at the time the project starts.

49. Crediting period for a proposed afforestation or reforestation CDM project activity shall be five years.

50. The amount of leakage shall be deducted from the net increase in the quantity of carbon stocks in the specified pools. If the leakage is expected to be large or not easily measurable or attributable, the project shall be rejected.

51. Leakage is defined as the increased emissions of GHG which occur outside the project boundary due

to the afforestation or reforestation CDM project activities, and which are measurable and directly attributable to the CDM project activity, including emissions associated with a previous activity, such as agriculture shifted elsewhere, reductions in the rate of afforestation and reforestation activities elsewhere, and increasing emissions due to changed deforestation rates elsewhere.

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

(..) An afforestation or reforestation CDM project activity shall be designed with a view to minimizing leakage, through involving local participants in the project design, developing projects that are unlikely to lead to market displacement, and ensuring that the project activity does not change the life cycle of production, etc.

### **H. Monitoring**

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring the net carbon stored in each specified pools and non-CO<sub>2</sub> greenhouse gas fluxes occurring within the project boundary during the crediting period;
- (b) The collection and archiving of all relevant data necessary for determining the baseline of the net increase in carbon stock and non-CO<sub>2</sub> greenhouse gas fluxes within the project boundary during the crediting period;
- ...
- (d) bis. The collection and archiving of all relevant data necessary for the analysis of the socio-economic impacts of the afforestation or reforestation project activity;
- (d) ter. The collection and archiving of all relevant data necessary for the assessment of the environmental impact, including impacts on biodiversity and natural ecosystems, of the afforestation or reforestation project activity;
- (f) Procedures for the periodic calculation of the net increased carbon stock and non-CO<sub>2</sub> GHG emissions by the proposed CDM project activity, and for leakage effects;
- ( ) Implementation of the measures contained in the socio-economic and environmental impact assessment documentation to minimize negative impacts;
- ( ) Implementation of the measures to minimize the risk of non-permanence of the afforestation or reforestation CDM project activities.
- ( ) Techniques and methods for sampling and measuring individual carbon pool that reflects commonly accepted principles and criteria concerning forest inventory, soil sampling and ecological surveys.

...

(53) bis. Permanent sample plots shall be established and maintained for evaluating changes in forest carbon pools and non-CO<sub>2</sub> greenhouse gas fluxes throughout the project lifetime. The sample plots must be selected and managed in a way that does not bias the estimate of the carbon sequestered.

(53) tir. The emissions and removals in control sites for baseline establishment shall be measured at the same time.

...

### **I. Verification and certification**

61 bis. Credits accrued from an afforestation or reforestation CDM project activities shall be calculated on the basis of the increased actual carbon stock of the afforestation or reforestation CDM project activities. Net GHG benefits of an afforestation or reforestation CDM project activity shall be adjusted for leakage, uncertainty and non-anthropogenic effects, including CO<sub>2</sub> concentration above the pre-industrial level and indirect nitrogen deposition.

61 tir. The designated operational entity shall assess whether any sample plot has been managed in a way that would bias the estimate of the net amount of greenhouse gases sequestered. If evidence of manipulation of any sample plot is detected, the designated operational entity shall adjust the calculated amount of greenhouse gases sequestered accordingly, or if an adjustment is not possible, not certify the amount of carbon sequestered.

61 quart. Before certifying the GHG benefits of an afforestation or reforestation project activity, the designated operational entity contracted to do so shall verify the implementation of the provisions contained in the social impact assessment documentation and environmental impact assessment documentation;

### **J. Issuance**

66 Upon being instructed by the executive board to issue TCCRs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of TCCRs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of CERs TCCRs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining CERs TCCRs to the registry accounts of Parties and project participants involved, in accordance with their request.

## APPENDIX B

### Project design document

...

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

...

- (b) bis. Documentation on the analysis of the socio-economic impacts;
- (..) Documentation on the analysis of the environmental impacts, including impacts on biodiversity and natural ecosystems;
- (..) Description of how to factor out the indirect effect of CO<sub>2</sub> fertilization and nitrogen decomposition;
- (..) Description of the measures to minimize all potential uncertainties;
- (..) Description of the treatment of uncertainties in the calculation of net profits;
- (..) Description of the measures to minimize the risks, including non-permanence, negative socio-economic and environmental impacts, and financial viability.

## APPENDIX D

### Clean development mechanism registry requirements

...

3. The CDM registry shall have the following accounts:

...

- (..) At least one account for the purpose of canceling ERUs, CERs, TCCRs, AAUs and/or RMUs equal to TCCRs which have already been used to demonstrate the compliance of a Party with its commitment under Article 3, paragraph 1;
- (..) At least one account for the purpose of canceling expired TCCRs, which have not been used to demonstrate the compliance of a Party with its commitment under Article 3, paragraph 1;...

7. Each TCCR shall have a unique serial number comprising the following elements:

...

- (f) Expiring date: the exact date as of that the TCCR will be invalid.



PAPER NO. 7: COLOMBIA

**MODALITIES AND PROCEDURES FOR AFFORESTATION AND REFORESTATION  
PROJECT ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM  
FOR THE FIRST COMMITMENT PERIOD**

Colombia welcomes the opportunity to share with other Parties its proposals for developing the definitions and modalities for including afforestation and reforestation project activities under Article 12 in the first commitment period. As stated in paragraph 11 of decision 17/CP.7, the decision shall be in the form of an annex reflecting, mutatis mutandis, the annex to decision 17/CP.7 on modalities and procedures for the clean development mechanism. Therefore, our submission includes only those paragraphs of the annex to decision 17/CP.7 that should be modified, added or deleted in order to apply to afforestation and reforestation project activities under Article 12. It should be understood that the sections or paragraphs not included in our submission shall apply exactly as provided for in the annex to Decision 17/CP.7<sup>1</sup>

The following introductory comments are intended to facilitate the reading of the Colombian legal text submission for the 'Annex on modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period'.

*Definitions*

**Definition of reforestation.** As we have stated in previous submissions and prior subsidiary body sessions, Colombia believes the existing definition of reforestation included in Decision 11/CP.7 should be adjusted, given that its current reference year was established according to the base year for Annex I Party emission reductions commitments and assigned amounts. The December 31, 1989 date has no relationship with the afforestation and reforestation (A&R) CDM project activities and should therefore not be automatically adopted. This date is inconvenient for developing countries wishing to participate in the CDM, since they do not necessarily have the supporting information to demonstrate the non-forested situation of the land before 1990<sup>2</sup>.

Nevertheless, in order to prevent perverse incentives to deforest the land, a minimum period of time during which it did not contain forests needs to be established. Colombia has proposed a 10-year period to prevent this perverse incentive from occurring while allowing for an equitable participation of developing countries in the CDM. We are however also open to discuss proposals by Canada, Japan and Bolivia to establish the base year in 1999 for the first commitment period.

*Scope of Afforestation and Reforestation project activities*

Colombia believes that A&R activities should be clearly differentiated from emission reduction projects and in that sense, their baseline, leakage, monitoring, verification and certification should only track changes in carbon stocks and their effect on GHG emissions and removals. This distinction will allow for a coherent project implementation and the enhancement of its environmental benefits.

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<sup>1</sup> Some paragraphs needing minor and non-substantial editorial changes (i.e. references to Decision 17/CP.7 shall be modified to read Decision -/CP.9) will not be presented in our submission.

<sup>2</sup> As we argued in our previous submission, this date limitation will become a systematic barrier to the equitable geographic distribution of forest project activities under the CDM, marginalizing the least developed countries from participating in the mechanism due to possible information availability restrictions. Disregarding the preambular consideration in Decision 17/CP.7 which refers to the promotion of the equitable distribution of CDM project activities at regional and subregional levels, the obstacle of a fixed date set at December 31, 1989 may furthermore not be easily overcome through capacity-building activities because of the difficulty of generating non-existent historical information. The cost of alternative options to reproduce such information would, in any case, disincentive possible project participants from developing LULUCF activities under the CDM in developing countries where such historical proof is not readily available.

Our proposal is to deal with baseline definition, leakage, monitoring, verification and certification in terms of ‘increases in GHG removals by sinks, measured as verifiable changes in carbon stocks’, this approach being similar to the way Article 3.3 and 3.4 activities of Annex I countries are treated.

### ***Socioeconomic and environmental impacts***

We strongly believe that a host country has the right to determine whether an afforestation and reforestation project complies with its requirements for sustainable development. These national requirements will take into account both environmental and socio-economic issues and in this regard, Colombia believes Decision 17/CP.7 contains sufficient and adequate provisions for addressing them in the context of A&R activities, and has only included minor additions to existing arrangements.

In Colombia’s case, our designated national authority for the CDM is currently developing comprehensive guidelines to ensure that project activities under Article 12 contribute to the sustainable development of our country. As a result, these guidelines include a wide range of issues –environmental and socioeconomic– that must be adequately addressed. Developing mandatory checklists of issues to be considered and/or requirements with regards to country-specific criteria would send the wrong signal to these standards.

### ***Non-Permanence provisions***

In SBSTA 15, Colombia proposed the temporary CERs approach for dealing with the non-permanence issue. We are glad to see that this approach has been considered useful in these discussions and has fostered new and innovative proposals for its implementation. In our last submission, we proposed an implementation scheme with several elements that although we still consider valid, could excessively complicate registry, transaction and tracking processes.

In this submission, we present a simplified scheme based on the same principle of the temporary CERs, which incorporates useful suggestions from other Parties as well as other new elements without giving up its original environmental integrity. The proposal consists of:

1. A unit based on the existing CER, with changes in its serial number to deal with its temporary nature.
2. A validity period which reflects the need to replace the A&R CER unit in the subsequent commitment period for which it was retired or cancelled.
3. CER re-issuance defined as the certification of the total amount of GHG removals by sinks of a project at the time of verification.
4. A 20-year crediting period with two renewal options, starting at the year of its first certification; or a 50-year period with no renewal option.
5. Verification and certification at 5 year intervals, with flexibility for the project participant to choose the year of the first certification. This flexibility, together with the flexible crediting period, will allow projects with slow-growth species to have equal opportunities for CERs generation as species with rapid growth rates.
6. An afforestation and reforestation CERs cancellation account. In order to guarantee that the non-permanent nature of sinks and sink-related activities will be observed and adequately accounted for, our legal text submission provides for an afforestation and reforestation CERs cancellation account under each Annex I registry in order to track the replacement of A&R CERs that have been retired in the previous commitment period. Annex I Parties retiring this type of CERs to demonstrate compliance would need to cancel into that account an equivalent amount of ERUs, AAUs, RMUs or CERs in the next commitment period (resulting either from a permanent emissions reduction by sources or another temporary reduction), in order to continue fulfilling their Article 3.1 commitments.

Finally, the verification and subsequent compliance assessment shall follow up on temporary credits that have been retired or cancelled, so as to ensure that they are replaced.

## Annex

### **Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period**

#### **A. Definitions**

1. Definitions specific to land use, land use change and forestry activities identified in the annex to Decision 11/CP.7 shall apply with the following modification:
  - (a) "Reforestation" is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest for a period of at least [10] years immediately prior to the moment of registry of the project activity or on 31 December, 1999.

#### **E. Designated operational entities**

27. A designated operational entity shall:
  - (b) Verify and certify increases in removals by sinks, measured as verified net changes in carbon stocks.

#### **F. Validation and registration**

Paragraphs 35 and 36 do not change

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:

- (c) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental and socio-economic impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;
- (d) The afforestation or reforestation project activity is expected to result in an **increases in removals by sinks, measured as verified net changes in carbon stocks** that is additional to any that would occur in the absence of the proposed project activity in accordance with paragraphs 43 to 52 below.
- (e) The baseline and monitoring methodologies comply with requirements pertaining to:
  - (i) Methodologies previously approved by the Executive Board, taking into account relevant guidance by the Intergovernmental Panel on Climate Change (IPCC).

43. An afforestation or reforestation CDM project activity is additional if **GHG removals by sinks, measured as verified net changes in carbon stocks, are enhanced** above those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for an afforestation or reforestation CDM project activity is the scenario that reasonably represents the **GHG removals by sinks, measured as verified changes in carbon stocks**, that would exist in the absence of the proposed project activity in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon, unless the proponent is able to prove that the excluded pool is not a source. A baseline shall be deemed to reasonably represent the **removals by sinks, measured as verified net changes in carbon stocks**, 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 above.

45. A baseline shall be established:

- (e) Taking into account regulatory requirements of relevant national and /or sectoral policies.

- **Paragraphs 46 and 47 should be deleted and the subsequent paragraph numbering would need to be adjusted accordingly.**

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches, the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

- (a) Existing actual or historical levels of removals by sinks, **measured as verified net changes in carbon stocks**, as applicable; or
- (b) Removals by sinks, **measured as verified net changes in carbon stocks**, from a land use or land use change activity that represents an economically attractive course of action, taking into account barriers to investment.

49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

- (a) A maximum of [20] years, from the moment of the first certification, which may be renewed at most two times provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable.
- (b) A maximum of [50] years, from the moment of the first certification, with no option of renewal.

50. The **increases in removals by sinks, measured as verified net changes in carbon stocks**, shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) respectively

51. Leakage is defined as the **change of GHG removals by sinks, measured as verified net changes in carbon stocks**, which occurs outside the project boundary, which is measurable and attributable to the afforestation and reforestation CDM project activity.

52. The project boundary is the boundary of the land that will be afforested or reforested by the CDM project activity.

## **H. Monitoring**

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring net changes in carbon stocks in specified pools within project boundary during the crediting period;
- (b) The collection and archiving of all relevant data necessary for determining the baseline of net changes of carbon stocks within the project boundary during the crediting period;
- (c) The identification of all potential sources of, and the collection and archiving of data on GHG removals by sinks, **measured as verified net changes in carbon stocks** of outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
- (f) Procedures for the periodic calculation of the increases in removals by sinks, measured as verified net changes in carbon stocks, by the proposed CDM project activity, and for leakage effects;

55. For afforestation or reforestation CDM project activities implemented in an area below [xx] hectares, project participants may use simplified modalities and procedures for small-scale projects.

59. Subsequent to the monitoring and reporting of increases in removals by sinks, **measured as verified net changes in carbon stocks**, CERs resulting from the project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual GHG removals by sinks, **measured as verified net changes in carbon stocks**, from baseline removals, and adjusting for leakage.

#### **I. Verification and certification**

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the increases in removals by sinks, measured as verified net changes in carbon stocks that have occurred as a result of a registered afforestation and reforestation CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the increases in removals by sinks, as verified.

61bis. Initial verification of an afforestation and reforestation CDM project activity will be carried out at any time as determined by project participants, but not before the first 5 years after project registration and start, and shall be carried out every 5 years until the end of the project crediting period.

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:

- (d) Review monitoring results and verify that the monitoring methodologies for the estimation of increases in removals by sinks, **measured as verified net changes in carbon stocks**, have been applied correctly and their documentation is complete and transparent;
- (f) Determine the increases in removals by sinks, **measured as verified net changes in carbon stocks**, 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.

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 increases in removals by sinks,

**measured as verified net changes in carbon stocks**, 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.

#### **J. Issuance of certified emission reduction**

64. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified increases in removals by sinks, **measured as verified net changes in carbon stocks**, which includes re-issuance of CERS previously credited for earlier GHG removals by sinks that are maintained.

66. Upon being instructed by the executive board to issue CERs for an afforestation and reforestation CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

### APPENDIX A

#### Standards for the accreditation of operational entities

NO CHANGES OR ADDITIONAL PARAGRAPHS WOULD BE NEEDED FOR THIS APPENDIX

### ANNEX B

#### Project Design Document

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

- (ii) Application of new methodology:
  - Projections of baseline of GHG removals by sinks, measured as estimated changes in carbon stocks in specified pools
- (d) Description of how carbon stocks in specified pools are increased above those levels that would have occurred in the absence of the registered CDM project activity
- (e) Environmental and socioeconomic impacts:
  - (i) Documentation on the analysis of the environmental and socioeconomic impacts, including transboundary impacts;
- (i) Calculations:
  - (i) Description of formulae used to calculate and estimate increases in removals, measured as verified changes in carbon stocks in specified pools during specific periods, of the CDM project activity within the project boundary

- (ii) Description of formulae used to calculate and estimate project leakage, defined as: the net change of GHG removals by sinks, **measured as verified net changes in carbon stocks**, occurring outside the project boundary, which is measurable and attributable to the afforestation and reforestation CDM project activity.
- (iii) The sum of (i) and (ii) above representing the CDM project activity increases in removals by sinks, **measured as verified net changes in carbon stocks**
- (iv) Description of formulae used to calculate and to project the changes of GHG removals by sinks, **measured as estimated net changes in carbon stocks**, of the baseline;
- (v) Description of formulae used to calculate and to project leakage;
- (vi) The sum of (iv) and (v) above representing the baseline scenario;
- (vii) Difference between (vi) and (iii) above representing the increases in removals by sinks, **measured as verified net changes in carbon stocks**, due to the CDM project activity;

#### APPENDIX C

##### Terms of reference for establishing guidelines on baselines and monitoring methodologies

- (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - (iii) Provide rigour to ensure that net changes in carbon stocks in specified pools are real and measurable, and an accurate reflection of what has occurred within the project boundary;
- (b) Specific guidance in the following areas:
  - (iii) Monitoring methodologies that provide an accurate measure of actual changes in carbon stocks in specified pools as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of changes in carbon stocks in specified pools
  - (vi) Determination of project boundaries including accounting for all carbon pools that should be included as part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
  - (vii) Numeral (vii) and (viii) shall be deleted

#### APPENDIX D

##### Clean development mechanism registry requirements

3. The CDM registry shall have the following accounts:



(c)bis At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to the quantity of CERs from afforestation and reforestation CDM project activities retired and/or cancelled in previous commitment periods.

6. Upon being instructed by the executive board to issue CERs for an afforestation and reforestation CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):
7. Each CERs shall have a unique serial number comprising the following elements:
  - (a) Commitment period: the commitment period for which the CER is issued
  - (b) Party of origin: The Party that hosted the CDM project activity, using the two – letter country code defined by ISO 3166
  - (c) Type: this shall identify the unit as a CER of an afforestation or reforestation project activity.
  - (d) Unit: a number unique to the CER for the identified commitment and Party of origin
  - (e) Project identifier: a number unique to the CDM project activity for the Party of origin

**Draft decision -/CMP.1 (Modalities for the accounting of assigned amounts)**

ANNEX

**Modalities for the accounting of assigned amounts under  
Article 7, paragraph 4, of the Kyoto Protocol<sup>1</sup>**

**I. MODALITIES**

12. At the end of the additional period for fulfilling commitments, the following subtractions from the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party shall be made in accordance with Article 3, paragraphs 3, 4 and 11, for the accounting of the compliance assessment for the commitment period:

(e bis) Cancellation by the Party of ERUs, CERs, AAUs and/or RMUs following the retirement of CERs from afforestation or reforestation activities in the previous commitment period

**E. Basis for compliance assessment**

14bis. The assessment, after the expiration of the additional period for fulfilling commitments, of the compliance of a Party included in Annex I with its commitment to replace CERs for an afforestation and reforestation CDM project activity retired or cancelled in previous commitment periods, shall be based on the comparison of the quantity of CERs from afforestation and reforestation CDM project activities that have been retired in previous commitment periods, with the quantity of ERUs, CERs, AAUs and/or RMUs transferred into the relevant cancellation account.

**II. REGISTRY REQUIREMENTS**

**A. National registries**

21. Each national registry shall have the following accounts:

- (a) At least one holding account for the Party;
- (b) At least one holding account for each legal entity authorized by the Party to hold ERUs, CERs, AAUs and/or RMUs under its responsibility;
- (c) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph ~~X(d)~~ above;
- (d) One cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph ~~X(e)~~ above;
- (e) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph ~~X(f)~~ above;
- (f) One retirement account for each commitment period.
  
- (g) One cancellation account for each commitment period for the purpose of replacing ERUs, CERs, AAUs and RMUs equal to CERs from afforestation and reforestation CDM project

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<sup>1</sup> "Article" in these modalities refers to an article of the Kyoto Protocol, unless otherwise specified.

activities that have been retired or cancelled in previous commitment periods under paragraph 12 (e bis) above.

34bis. Prior to the end of the additional period for fulfilling commitments, each Party included in Annex I shall cancel ERUs, CERs, AAUs and/or RMUs equal to the quantity of CERs from afforestation and reforestation CDM project activities retired and/or cancelled in previous commitment periods.

47. The information referred to in paragraph 44 above shall include the following holding and transaction information relevant to the national registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of ERUs, CERs, AAUs and RMUs in each account at the beginning of the year;
- (b) The total quantity of AAUs issued on the basis of the assigned amount pursuant to Article 3, paragraphs 7 and 8;
- (c) The total quantity of ERUs issued on the basis of Article 6 projects;
- (d) The total quantity of ERUs, CERs, AAUs and RMUs acquired from other registries and the identity of the transferring accounts and registries;
- (e) The total quantity of RMUs issued on the basis of each activity under Article 3, paragraphs 3 and 4;
- (f) The total quantity of ERUs, CERs, AAUs and RMUs transferred to other registries and the identity of the acquiring accounts and registries;
- (g) The total quantity of ERUs, CERs, AAUs and RMUs cancelled on the basis of activities under Article 3, paragraphs 3 and 4;
- (h) The total quantity of ERUs, CERs, AAUs and RMUs cancelled following determination by the compliance committee that the Party is not in compliance with its commitment under Article 3, paragraph 1;
- (i) The total quantity of other ERUs, CERs, AAUs and RMUs cancelled;
- (j) The total quantity of ERUs, CERs, AAUs and RMUs retired;
- (k) The total quantity of ERUs, CERs, AAUs and RMUs cancelled to replace CERs from afforestation and reforestation project activities retired or cancelled in previous commitment periods.
- (l) The total quantity of ERUs, CERs, AAUs carried over from the previous commitment period;
- (m) Current holdings of ERUs, CERs, AAUs and RMUs in each account.

49. Upon expiration of an additional period for fulfilling commitments, each Party included in Annex I shall report to the secretariat and make available to the public, in a standard electronic format, the following information. This information shall only include ERUs, CERs, AAUs and RMUs valid for the commitment period in question:

- (a) The total quantities of the categories of ERUs, CERs, AAUs and RMUs listed in paragraph 47(a) to (j) above, for the current calendar year until the end of the additional period for fulfilling commitments (defined according to Greenwich Mean Time);
- (b) The total quantity and serial numbers of ERUs, CERs, AAUs and RMUs in its retirement accounts and CERs cancellation account;
- (c) The total quantity and serial numbers of ERUs, CERs and AAUs which the Party requests to be carried over to the subsequent commitment period.

58. The secretariat shall annually record in the database for each Party included in Annex I the following information related to transactions, for the previous calendar year and to date for the commitment period, following completion of the annual review under Article 8, including the application of any corrections, and resolution of any relevant questions of implementation:

PAPER NO. 8: COSTA RICA

**PROPOSED AMENDMENTS TO THE ANNEX OF MODALITIES AND PROCEDURES FOR  
AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES IN THE CLEAN  
DEVELOPMENT MECHANISM**

**Preamble:**

With appreciation of Decisions 11 and 17/CP.7 contained in document FCCC/CP/2001/13/Add.1 and Add.2 and the agenda for work in document FCCC/SBSTA/2002/L.8, Parties are requested to develop definitions and modalities for including afforestation and reforestation project activities under the Clean Development Mechanism (CDM) in the first commitment period, in the form of an Annex on modalities and procedures for afforestation and reforestation project activities for a CDM reflecting *mutatis mutandis* the Annex of the Decision 17/CP.7 on modalities and procedures for a CDM.

In virtue of the above, Costa Rica submits to the Secretary of the UNFCCC its views and amendments to the Annex of the Decision 17/CP.7 to contribute further in preparing a draft consolidated text for the Annex on modalities and procedures for afforestation and reforestation project activities for a CDM,

**ANNEX**

**Modalities and procedures for afforestation and reforestation project activities in the clean  
development mechanism**

**A. Definitions**

- 1) For the purposes of the present annex the definitions contained in Article 11 and the provisions of Article 14 shall apply. Furthermore:

**Text to be added**

- c) A temporary certified emission reduction or "TCER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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; A TCERs shall be calculated as the net changes in greenhouse gases emission by sources and removals by sinks resulted from afforestation or forestation project activities, measured as verified change in carbon stocks during the time period elapsed between project start and the first verification or between two subsequent verifications.
- g) Forest is defined as: a minimum area of land of 0.05 0.3-1.0 hectares (ha) with tree crown cover (or equivalent stocking level) of more than 10-30 percent with trees with the potential to reach the minimum height of 2-5 meters (m) at maturity in situ. The selection of a non-Annex I Party shall be fixed for the first commitment period.
- h) Definitions of "afforestation", "reforestation", and "forest" are those indicated in the annex to decision 11/CP.7 on definitions and modalities related to LULUCF in the Kyoto Protocol. However, for the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest since 31 December 1999.

**C. Executive board**

- 5) The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP,

and be fully accountable to the COP/MOP. In this context, the executive board shall:

**Original Text**

- e) Review provisions with regard to simplified modalities, procedures and the definitions of small scale project activities and make recommendations to the COP/MOP;

**Proposed Text**

- e) Make and review provisions with regard to simplified modalities, procedures and the definitions of afforestation and forestation for small scale project activities and make recommendations to the COP/MOP;

**Original Text**

- m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs issued;

**Proposed Text**

- m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs or TCERs issued;

**D. Accreditation and designation of operational entities**

**Original Text**

- 22) Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced removed tonnes of carbon dioxide equivalent equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

**Proposed Text**

- 22) Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs or TCERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced removed tonnes of carbon dioxide equivalent equal to the excess CERs or TCERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

**E. Designated operational entities**

**Original Text**

- 27) A designated operational entity shall:

- b) Verify and certify reductions in anthropogenic emissions by sources of greenhouse gas

**Proposed Text**

27) A designated operational entity shall:

- b) Verify and certify the net change in anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks that are relevant and reasonably under the control of the afforestation or reforestation project activities.

**F. Participation requirements**

**Original Text**

31) Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

**Proposed Text**

31) Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs or TCERs issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

**Original Text**

33) A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfillment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

**Proposed Text**

33) A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfillment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs or TCERs if the authorizing Party is eligible to do so at that time.

**G. Validation and registration**

**Original Text**

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

**Proposed Text**

36) Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs or a TCERs related to that CDM project activity.

**Original Text**

- 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:
- d) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;
  - e) The baseline and monitoring methodologies comply with requirements pertaining to:
    - i) Methodologies previously approved by the executive board; or
    - ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;

**Proposed Text**

- 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:
- d) The afforestation or reforestation CDM project activity is expected to result in a net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable carbon stock increase, that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;
  - e) The baseline and monitoring methodologies comply with requirements pertaining to:
    - i) Methodologies previously approved by the executive board; or
    - ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below; taking in due account, to the extent possible, existing IPCC guidance, and provide justification when using alternative coefficients, values or practice;

**Original Text**

- 43) A CDM project activity is additional if the anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

**Proposed Text**

- 43) An afforestation and reforestation CDM project activity is additional if the anthropogenic net change in emissions of greenhouse gases by sources and removals by sinks, measured as verifiable changes in carbon stocks above those that would have occurred in the absence of the registered CDM project activity.

**Original Text**

- 44) The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and sources categories listed in Annex A 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 above.

**Proposed Text**

- 44) The baseline for a CDM project activity is the scenario that reasonably represents the net changes in anthropogenic emissions by sources and removals by sinks of greenhouse gases, measured as verifiable change in carbon stocks, that would occur in the absence of the project activity. A baseline shall cover emissions from all gases, listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks 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 above.

**Text to be added**

44. **BIS** Only those relevant carbon deposits, that can be measured and monitored, shall be included in the baseline unless the proponent is able to provide information that the excluded pool is not a source.

**Original Text**

- 45) A baseline shall be established:
- d) In the case of small-scale CDM project activities which meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;
  - e) Taking into account relevant national and/or sectoral policies and circumstances such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.

**Proposed Text**

- 45) A baseline shall be established:
- d) In the case of small-scale CDM afforestation or reforestation project activities which meet the criteria specified in relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;
  - e) Taking into account relevant national and/or sectoral policies and circumstances such as sectoral reform initiatives, and the economic situation in the project sector.

**Original Text**

- 46) The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, to the specific circumstances of the host Party.

**Proposed Text**

- 46) The baseline may include a scenario where future net change in anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks are projected, according to the specific circumstances of the host Party.

**Original Text**

- 48) In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:
- a) Existing actual or historical emissions by sources, as applicable; or
  - b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment ; or



- c) 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.

**Proposed Text**

- 48) In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:
  - a) Existing actual or historical net change in anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks, as applicable; or
  - b) Net change in anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks corresponding to afforestation or reforestation project activities that represents an economically attractive course of action, taking into account barriers to investment ; or
  - c) The average emissions of similar afforestation or reforestation project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances.

**Original Text**

- 49) Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:
  - a) A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
  - b) A maximum of ten years with no option of renewal.

**Proposed Text**

- 49) Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:
  - a) A maximum of twenty years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
  - b) A maximum of thirty years with no option of renewal.

**Original Text**

- 50) Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below, respectively.

**Proposed Text**

- 50) The net change in anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below, respectively.

**Original Text**

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

**Proposed Text**

51) Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks which occurs outside the project boundary, and which is measurable and attributable to the afforestation and reforestation CDM project activity.

**Original Text**

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

**Proposed Text**

52) The project boundary shall encompass all net change of anthropogenic emissions by sources of greenhouse gas and removals by sinks measured as verifiable changes in carbon stocks under the control of the project that are significant and reasonably attributable to the CDM project activity.

**H. Monitoring**

**Original Text**

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

- a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period;
- b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases, within the project boundary during the crediting period;
- c) The identification of all potential sources of, and the collection and archiving of data on increased anthropogenic emissions by sources of greenhouse outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
- f) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources by the proposed CDM project activity, and for leakage effects;

**Proposed Text**

53. Project participants shall include, as part of the project design document, a monitoring plan that provides for:
- a) The collection and archiving of all relevant data necessary for estimating or measuring the net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks attributable to the afforestation or reforestation CDM project activities occurring within the project boundary during the crediting period;
  - b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks, within the project boundary during the crediting period;
  - c) The identification of all potential sources of, and the collection and archiving of data on the net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;
  - f) Procedures for the periodic calculation of the net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase attributable to the proposed afforestation or reforestation CDM project activity, and for leakage effects;

**Original Text**

- 55) For small-scale CDM project activities meeting the-criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects,

**Proposed Text**

- 55) For small-scale CDM afforestation and reforestation project activities meeting the-criteria specified in relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects,

**Original Text**

- 58) The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

**Proposed Text**

- 58) The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs or TCERs.

**Original Text**

- 59) Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.

**Proposed Text**

- 59) Subsequent to the monitoring and reporting of the net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable carbon stocks increase resulting

from a afforestation or reforestation CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable changes in carbon stocks from the baseline and adjusting for leakage.

## **I. Verification and certification**

### **Original Text**

- 61) Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. 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, as verified.

### **Proposed Text**

- 61) Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable carbon stocks increase that have occurred as a result of a registered afforestation or reforestation CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as carbon stocks increase, as verified.

### **Original Text**

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

### **Proposed Text**

- 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:
- g) Review monitoring results and verify that the monitoring methodologies for the estimation of the net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase, have been applied correctly and their documentation is complete and transparent;
  - h) Determine the net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase 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;

**Original Text**

- 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.

**Proposed Text**

- 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 net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase that would not have occurred in the absence of the afforestation or reforestation 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.

**J. Issuance of certified emission reductions**

**Original Text**

- 64) The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

**Proposed Text**

- 64) The certification report shall constitute a request for issuance to the executive board of CERs or TCERs equal to the verified net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase.

**Original Text**

- 65) The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:
- a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;
  - c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

**Proposed Text**

- 65) The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request

a review of the proposed issuance of CERs or TCERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

- a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs or TCERs should be approved;
- c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs or TCERs and the reasons for it.

#### **Original Text**

66) Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

- a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
- b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.

#### **Proposed Text**

66) Upon being instructed by the executive board, to issue CERs or TCERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs or TCERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

- a) Forward the quantity of CERs or TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
- b) Forward the remaining CERs or TCERs to the registry accounts of Parties and project participants involved, in accordance with their request.

### **APPENDIX A**

#### **Standards for the accreditation of operational entities**

#### **Original Text**

1) An operational entity shall:

- f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
  - iii) The technical aspects of CDM project activities relevant to environmental issues,

- including expertise in the setting of baselines and monitoring of emissions;
- v) Methodologies for accounting of anthropogenic emissions by sources;

### **Proposed Text**

- 1) An operational entity shall:
  - f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
    - iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable changes in carbon stocks;
    - v) Methodologies for accounting of net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks, measured as verifiable changes in carbon stocks;

## **APPENDIX B**

### **Project design document**

#### **Original Text**

- 1) The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for a CDM.
- 2) The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:
  - b) A proposed baseline methodology in accordance with the annex on modalities and procedures for a CDM including, in the case of the:
    - ii) Application of a new methodology:
      - Projections of baseline emissions;
  - d) Description of how the anthropogenic emissions of GHG, by sources are reduced below those that would have occurred in the absence of the registered CDM project activity;
  - i) Calculations:
    - i) Description of formulae used to calculate and estimate anthropogenic emissions by sources of greenhouse gases of the CDM project activity within the project boundary;
    - ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic emissions by sources of greenhouse gases, which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;
    - iii) The sum of (i) and (ii) above representing the CDM project activity emissions;
    - iv) Description of formulae used to calculate and to project the anthropogenic emissions by sources of greenhouse gases of the baseline;
    - vi) The sum of (iv) and (v) above representing the baseline emissions by;
    - vii) Difference between (vi) and (iii) above representing the emission reductions of the CDM project activity;

#### **Proposed Text**

- 1) The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for afforestation and reforestation CDM project activities.

- 2) The purpose of this appendix is to outline the information required in the project design document. An afforestation and reforestation project activities shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:
- b) A proposed baseline methodology in accordance with the annex on modalities and procedures for a CDM including, in the case of the:
    - ii) Application of a new methodology:
      - Projections of baseline net change in anthropogenic emissions by sources in greenhouse gases and removals by sinks; measured as verifiable changes in carbon stocks;
  - d) Description of how the net change in anthropogenic emissions by sources in greenhouse gases and removals by sinks, measured as verifiable changes in carbon stocks, increased above those that would have occurred in the absence of the registered afforestation or reforestation CDM project activity;
  - i) Calculations:
    - i) Description of formulae used to calculate and estimate net change in anthropogenic emissions by sources in greenhouse gases and removals by sinks of the CDM project activity measured as verifiable changes in carbon stocks within the project boundary;
    - ii) Description of formulae used to calculate and to project leakage, defined as: the net change in anthropogenic emissions by sources and removals by sinks of greenhouse gases, measured as verifiable changes in carbon stocks which occurs outside the CDM project activity boundary, and that is measurable and reasonable attributable to the afforestation or reforestation CDM project activity;
    - iii) The sum of (i) and (ii) above representing the afforestation or reforestation CDM project activity net change of anthropogenic emissions by sources of GHG and removals by sinks measured as verifiable changes in carbon stocks;
    - iv) Description of formulae used to calculate and to project the net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks of the baseline;
    - vi) The sum of (iv) and (v) above representing the baseline net change in anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks;
    - vii) Difference between (vi) and (iii) above representing the net change in anthropogenic emission by sources of greenhouse gases and removals by sinks measured as verifiable changes in carbon stocks increase of the afforestation or reforestation CDM project activity;

## APPENDIX C

### **Terms of reference for establishing guidelines on baselines and monitoring methodologies**

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, inter alia:

#### **Original Text**

- a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - iii) Provide rigor to ensure that net reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;
- b) Specific guidance in the following areas:



- i) Definition of project categories (e.g. based on sector, subsector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
- iii) Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
- v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;
- viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;

### **Proposed Text**

- a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - iii) Provide rigor to ensure that net change of anthropogenic emissions by sources of greenhouse gases and removals by sinks measured as verifiable carbon stocks increase is real and measurable, and an accurate reflection of what has occurred within the project boundary;
- b) Specific guidance in the following areas:
  - i) Definition of project categories (e.g. based on sector, subsector, project type, current practices, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - iii) Monitoring methodologies that provide an accurate measure of actual net change of anthropogenic emissions by sources in greenhouse gases and removals by sinks measured as verifiable carbon stocks increase as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
  - v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of net change of anthropogenic emissions by sources in greenhouse gases and removals by sinks measured as verifiable carbon stocks increase;
  - viii) The breadth of the baseline, e.g. how the baseline makes comparisons between land use change activities and other activities in the sector;

## **APPENDIX D**

### **Clean development mechanism registry requirements**

#### **Original Text**

- 1) The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.

#### **Proposed Text**

- 1) The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding transfer and acquisition of CERs or TCERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.

### **Original Text**

- 2) The CDM registry shall be in the form of a standardized electronic database which contains, inter alia, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.

### **Proposed Text**

- 2) The CDM registry shall be in the form of a standardized electronic database, which contains, inter alia, common data elements relevant to the issuance, holding, transfer and acquisition of CERs or TCERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.

### **Original Text**

- 3) The CDM registry shall have the following accounts:
  - a) One pending account for the executive board, into which CERs are issued before being transferred to other accounts;
  - c) At least one account for the purpose of canceling ERUs, CERs, AAUs, and RMUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;
  - d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire CERs.
- 4) Each CER shall be held in only one account in one registry at a given time.
- 5) Each account within the CDM registry shall have a unique account number comprising the following elements:
  - a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the executive board or another appropriate organization;
- 6) Upon being instructed by the executive board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (Modalities for the accounting of assigned amounts):
  - a) Issue the specified quantity of CERs into a pending account of the executive board;
  - b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;
  - c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, in accordance with their request.
- 7) Each CER shall have a unique serial number comprising the following elements:
  - a) Commitment period: the commitment period for which the CER is issued;
  - c) Type: this shall identify the unit as a CER;
  - d) Unit: a number unique to the CER for the identified commitment period and Party of origin;
- 8) Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs, and/or RMUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs, and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.
- 11) The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

- c) Years of CER or issuance: the years in which CERs or have been issued as a result of the CDM project activity;
- 12) The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):
  - a) The total quantity of CERs in each account at the beginning of the year;
  - b) The total quantity of CERs issued;
  - c) The total quantity of CERs transferred and the identity of the acquiring accounts and registries;
  - e) Current holdings of CERs in each account.

### **Proposed Text**

- 3) The CDM registry shall have the following accounts:
  - a) One pending account for the executive board, into which CERs or the TCERs are issued before being transferred to other accounts;
  - c) At least one account for the purpose of canceling ERUs, CERs, AAUs, TCERs and RMUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;
  - d) At least one account for the purpose of holding and transferring CERs or TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire CERs or TCERs.
- 4) Each CER or TCER shall be held in only one account in one registry at a given time.
- 5) Each account within the CDM registry shall have a unique account number comprising the following elements:
  - a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs or TCERs corresponding to the share of proceeds, the executive board or another appropriate organization;
- 6) Upon being instructed by the executive board to issue CERs or TCERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision - /CMP.1 (Modalities for the accounting of assigned amounts):
  - a) Issue the specified quantity of CERs or TCERs into a pending account of the executive board;
  - b) Forward the quantity of CERs or TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs or TCERs;
  - c) Forward the remaining CERs or TCERs to the registry accounts of project participants and Parties involved, in accordance with their request.
- 7) Each CER or TCER shall have a unique serial number comprising the following elements:
  - a) Commitment period: the commitment period for which the CER or TCER is issued;
  - c) Type: this shall identify the unit as a CER or TCER;
  - d) Unit: a number unique to the CER or TCER for the identified commitment period and Party of origin;
- 8) Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs, TCERs and/or RMUs equal to the excess CERs or TCERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs, TCERs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.
- 11) The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs or TCERs have been issued:
  - c) Years of CER or TCER issuance: the years in which CERs or TCER have been issued as a result of the CDM project activity;
- 12) The information referred to in paragraph 9 above shall include the following holding and transaction

information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- d) The total quantity of CERs or TCERs in each account at the beginning of the year;
- e) The total quantity of CERs or TCERs issued;
- f) The total quantity of CERs or TCERs transferred and the identity of the acquiring accounts and registries;
- f) Current holdings of CERs or TCERs in each account.

PAPER NO. 9: GREECE ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES, AND OF THE CZECH REPUBLIC AND LATVIA

Greece, on behalf of the European Community and its Member States, and the Czech Republic and Latvia welcomes the opportunity to submit the following legal text for the Annex for the inclusion of afforestation and reforestation project activities under the Clean Development Mechanism (CDM), reflecting, *mutatis mutandis*, the annex to the draft decision -/CMP.1 (*Article 12*), in accordance with decision 17/CP.7.

The European Community and its Member States, and the Czech Republic and Latvia note in this context that several relevant issues are to be dealt with in the -/CP.9 and/or the -/CMP.1 decisions which should therefore be considered with the annex. In the view of the European Community and its Member States, and the Czech Republic and Latvia the decisions should contain, *inter alia*:

- (a) Rules that govern the prompt start of afforestation and/or reforestation project activities under the CDM;
- (b) A Rule that the levies for administration purposes and for the adaptation fund established in Decision 17/CP.7 also apply in the context of afforestation and/or reforestation project activities;
- (c) A Rule that states that the rules established in the annex to draft decision -/CMP.1 (*Modalities for accounting of assigned amounts*) and in the annexes to draft decision -/CMP.1 (*Additional sections to be incorporated in the guidelines for the preparation of the information required under Article 7, and in the guidelines for the review of information under Article 8, of the Kyoto Protocol*) are further elaborated by the annex to this decision;
- (d) A workplan for the executive board that contains, *inter alia*:
  - A proposal to COP 10 for rules governing multi-component projects, i.e. CDM projects with an afforestation and/or reforestation component and a non afforestation and/or reforestation component (e.g. bioenergy projects);
  - Guidance as referred to in appendix C for the treatment of afforestation and/or reforestation CDM project activities;
- (e) Principles that govern the treatment of afforestation and/or reforestation project activities under the CDM, e.g.:
  - Principles established by draft decision -/CMP.1 (*Land use, Land-Use Change and Forestry*);
  - It is the host country's prerogative to confirm that the project assists in achieving sustainable development;
  - Public funding for afforestation and/or reforestation CDM project activities from Parties in Annex I is not to result in the diversion of official development assistance and is to be separate from, and not counted towards, the financial obligations of Parties included in Annex I;
  - Parties and project participants should take into account international principles and criteria on sustainable development in the project design and approval processes;
  - Parties and project participants should ensure consistency and mutual supportiveness of afforestation and reforestation CDM project activities with national strategies and policies for sustainable development, other relevant national policies

such as national forest programs and with Parties' commitments under other multilateral environmental agreements;

The European Community and its Member States, and the Czech Republic and Latvia note the relevance of decision VI/7 of the Convention on Biological Diversity (CBD) to:

- address socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, of planned afforestation and/or reforestation CDM project activities through a Strategic Impact Assessment, setting key priorities on project types, activities, geographic areas and technologies to be transferred and adapted;
- elaborate the list of topics with regard to the socio-economic and environmental impacts of afforestation and/or reforestation CDM project activities provided in appendix E to reflect national circumstances.

The European Community and its Member States, and the Czech Republic and Latvia look forward to discussing these issues and the proposals contained in the following annex, at SBSTA 18 with other Parties.

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Modalities and procedures for inclusion of afforestation and reforestation project activities under the clean development mechanism for the first commitment period.

A. Definitions

1. Definitions in paragraph 1 of the annex to draft decision -/CMP1 (*Article 12*) shall apply.

*1bis.* For the purposes of the present annex, CERs resulting from afforestation and reforestation project activities under Article<sup>1</sup> 12 shall be referred to as temporary CERs (tCERs).

*1ter.* For the purposes of the present annex, “net removals” has the following meaning: “The magnitude of removals by sinks minus the magnitude of emissions of greenhouse gases by sources”.

*1quater.* For the purposes of the present annex, the definitions of forest, afforestation and reforestation contained in paragraph 1 of the annex to draft decision -/CMP1 (*Land use, Land-Use Change and Forestry*) shall apply.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

1. Paragraphs 2 to 4 of the annex to draft decision -/CMP1 (*Article 12*) on the role of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (COP/MOP) shall apply.

2. (DELETED)

3. (DELETED)

C. Executive board

4. Paragraphs 5 and 7 to 19 of the annex to draft decision -/CMP.1 (*Article 12*) on the role of the executive board shall apply.

2. Information obtained from afforestation and/or reforestation CDM project activity participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and documents referred to in paragraph 37 (c) and 37 (c *bis*) below, shall not be considered as proprietary or confidential.

3. (DELETED)

4. (DELETED)

5. (DELETED)

6. (DELETED)

7. (DELETED)

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<sup>1</sup> In the context of this annex, “Article” refers to an Article of the Kyoto Protocol, unless otherwise specified.

8. (DELETED)
9. (DELETED)
10. (DELETED)
11. (DELETED)
12. (DELETED)
13. (DELETED)
14. (DELETED)
15. (DELETED)

D. Accreditation and designation of operational entities

16. Paragraphs 20 to 25 of the annex to draft decision -/CMP.1 (*Article 12*) on accreditation and designation of operational entities shall apply.

17. (DELETED)
18. (DELETED)
19. (DELETED)
20. (DELETED)
21. (DELETED)

E. Designated operational entities

22. Paragraphs 26 and 27 of the annex to draft decision -/CMP.1 (*Article 12*) on designated operational entities shall apply, with the following changes:

(a) paragraph 27 (b) is replaced with “verify and certify net removals above the baseline adjusted for leakage since the start of the crediting period”;

(b) paragraph 27 (h) is replaced with “Make information obtained from afforestation and/or reforestation CDM project activity participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 0 below, to describe the baseline methodology and its application, and documents referred to in paragraph 37 (c) and 37 (c *bis*) below, shall not be considered as proprietary or confidential.”

23. (DELETED)

F. Participation requirements



24. Paragraphs 28 to 34 of the annex to draft decision -/CMP.1 (*Article 12*) on participation requirements shall apply.

25. (DELETED)

26. (DELETED)

27. (DELETED)

28. (DELETED)

29. (DELETED)

30. (DELETED)

### G. Validation and registration

31. Validation is the process of independent evaluation of an afforestation and/or reforestation project activity by a designated operational entity against the requirements of afforestation and/or reforestation CDM project activities as set out in decision -/CP.9, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in appendix B below.

32. Registration is the formal acceptance by the executive board of a validated project as an afforestation and/or reforestation CDM project activity. Registration is the prerequisite for the verification, certification and issuance of tCERs related to that project activity.

33. The designated operational entity selected by project participants to validate an afforestation and/or reforestation 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:

(a) The participation requirements as set out in paragraphs 28 to 30 of the annex to draft decision -/CMP.1 (*Article 12*) are satisfied;

(b) Local stakeholders were involved at an early stage in the project design, adequate procedures were available for stakeholders to provide comments, identified concerns were dealt with, 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 socio-economic and environmental impacts, that covers the topics listed in appendix E below and, if applicable, follows any further elaboration of this list adopted by the host Party's designated national authority for the CDM, including transboundary impacts of the project activity, and, if any impact was considered significant by the project participants or the host Party, have undertaken a social and environmental impact assessment, in accordance with procedures as required by the host Party;

(c *bis*) Project participants have submitted a statement, based on the documentation referred to in paragraph (c) above, that covers the topics listed in appendix E below and, if applicable, follows any further elaboration of this list adopted by the host Party's designated national authority for the CDM, that this Statement correctly reflects the impacts that can be reasonably expected from the implementation of project activities and that the Statement includes a description of planned monitoring and remedial measures to address significant impacts.

(d) The afforestation and/or reforestation CDM project activity is expected to result in net removals that are additional to any that would occur in the absence of the proposed afforestation and/or reforestation project activity, in accordance with paragraphs 43 to 47. below;

(d *bis*) Management activities, including harvesting cycles, and verifications are planned so that during the crediting period the verified net removals above the baseline are not likely to be biased by a systematic coincidence of verification and peaks in carbon stocks;

(e) The baseline and monitoring methodologies comply with requirements pertaining to:  
(i) methodologies previously approved by the executive board; or  
(ii) modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;

(f) Provisions for the description of project boundaries, monitoring, verification and reporting, are in accordance with decision -/CP.9, the present annex, other relevant decisions of the COP/MOP and consistent with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* adopted by the COP;

(f *bis*) Leakage has been addressed in accordance with paragraph 51 *bis* and appendix B below;

(g) The afforestation and/or reforestation project activity conforms to all other requirements for CDM project activities in decisions -/CP.9, the present annex and relevant decisions by the COP/MOP and the executive board;

(h) The host Party has confirmed that the afforestation and/or reforestation CDM project activity would comply with its legislation and its commitments with regard to multilateral environmental agreements.

34. If the designated operational entity determines that the afforestation and/or reforestation CDM project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 37 (e) (ii) above, it shall, prior to submission for registration of this afforestation and/or reforestation project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review. The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present

annex. 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 afforestation and/or reforestation project activity and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no afforestation and/or reforestation CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

35. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

36. The designated operational entity shall:

(i) 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, cognisant of the Statement referred to in paragraph 37 (c *bis*) above, that the afforestation and/or reforestation project activity assists it in achieving sustainable development;

(j) In accordance with provisions on confidentiality contained in paragraph 26 (b) above, make publicly available the project design document;

(k) Receive, within 60 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;

(l) 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 afforestation and/or reforestation project activity should be validated;

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

(i) confirmation of validation and date of submission of the validation report to the executive board; or

(ii) an explanation of reasons for non-acceptance if the afforestation and/or reforestation project activity, as documented, is judged not to fulfil the requirements for validation;

(n) Submit to the executive board, if it determines the proposed afforestation and/or reforestation 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;

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

37. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the afforestation and/or reforestation CDM project activity or at least three members of the executive board request a

review of the proposed afforestation and/or reforestation CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

- (p) It shall be related to issues associated with the validation requirements;
- (q) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

38. A proposed afforestation and/or reforestation project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

39. An afforestation and/or reforestation CDM project activity is additional if net removals are increased above those that would have occurred in the absence of the registered afforestation and/or reforestation CDM project activity, going beyond institutional and regulatory requirements and common practice in the region.

40. The baseline for an afforestation and/or reforestation CDM project activity is the scenario that reasonably represents the net removals that would occur in the absence of the proposed afforestation and/or reforestation project activity, taking into account that the establishment of the baseline shall not lead to crediting for land use, land-use change and forest project activities that are not eligible under the clean development mechanism. A baseline shall cover all greenhouse gases and all carbon pools within the project boundary. A baseline shall be deemed to reasonably represent the net removals that would occur in the absence of the proposed afforestation and/or reforestation project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 34. above.

41. A baseline shall be established:

- (r) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision -/CP.9, the present annex and relevant decisions of the COP/MOP;
- (s) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
- (t) On a project-specific basis;
- (u) Taking into account natural site-specific factors, initial carbon stocks within the project boundary and their dynamics, historical land use as well as the most likely prospective land use at the time of the project start such as agriculture, abandonment, or other alternative land uses;
- (v) Taking into account relevant national policies, plans and circumstances, including national forest programmes, other national and/or sectoral policies and circumstances, such as sectoral reform initiatives, and the economic situation in the agriculture and forestry sector.

42. (DELETED)

43. The baseline shall be defined in a way that does not result in crediting avoided emissions from reduction or cessation of previous land-use activities.

44. In choosing a baseline methodology for a project activity, project participants shall select the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice.

45. Afforestation and/or reforestation CDM project activities shall have a crediting period of 20 years which may be renewed twice, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking into account of new data where applicable. The crediting period shall begin at the start of the afforestation and/or reforestation CDM project activity.

46. Net removal above the baseline shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below.

51. Leakage is defined as the increase in emissions by sources and the decrease of removals by sinks which occur outside the project boundary, including the effects of shifted previous activities, such as agriculture, reductions in afforestation and/or reforestation activities and increased deforestation, and which is attributable to the afforestation and/or reforestation CDM project activity. Those emissions excluded from the baseline under the provisions of paragraph 47 are not considered as leakage.

51*bis*. Significant sources of leakage shall be prevented by adapting the project design, or they shall be estimated in order to adjust for them. If significant sources of leakage can neither be prevented nor estimated, leakage shall be assumed to be equal to the net removals above the baseline within the project boundary.

47. The project boundary shall identify geographically all areas of land subject to afforestation and/or reforestation CDM project activities under the control of the project participants. The project boundary may contain more than one discrete land area. The project boundary shall encompass:

(a) emissions by sources and removals by sinks of all greenhouse gases listed in Annex A to the Kyoto Protocol. Projects participants may choose not to include one or more of these gases in the project boundary if transparent and verifiable information is provided that the implementation of the project will not lead to higher net emissions of this gas compared to the baseline scenario;

(b) the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. Projects participants may choose not to include one or more of these pools in the project boundary if transparent and verifiable information is provided that the implementation of the project will not lead to lower carbon stocks in this pool compared to the baseline scenario.

52*bis*. The description of the project boundary and the exclusion of some greenhouse gases and/or carbon pools should be consistent with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* adopted by the COP.

#### H. Monitoring

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

(a) The collection and archiving of all relevant data necessary for estimating or measuring changes in carbon stocks and emissions of greenhouse gases by sources and

removals by sinks, necessary for calculating net removals occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the changes in carbon stocks and emissions of greenhouse gases by sources and removals by sinks within the project boundary during the crediting period necessary for calculating net removals under the baseline scenario;

(c) The identification of all potential causes of, and the collection and archiving of data on leakage during the crediting period and/or the collection and archiving of all relevant data necessary for demonstrating that leakage has been prevented by the project design.

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

(d *bis*) Measures to monitor any impact identified in accordance with paragraph 37 (c *bis*) above as well as for their remediation.

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of net removals above the baseline by the proposed afforestation and/or reforestation CDM project activity, and for leakage effects;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53 (a), (b), (c) and (f) above.

49. A monitoring plan for a proposed afforestation and/or reforestation CDM project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 34. above, that:

(h) Is determined by the designated operational entity as appropriate to the circumstances of the proposed afforestation and/or reforestation project activity and has been successfully applied elsewhere;

(i) Reflects good monitoring practice appropriate to afforestation and/or reforestation project activities, taking into account any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* adopted by the COP;

(j) Takes into account uncertainties by proper choice of monitoring methods used, especially number of samples, in order to achieve sufficiently reliable removal estimates.

50. (DELETED)

51. Project participants shall implement the monitoring plan contained in the registered project design document.

52. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

53. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of tCERs.

54. Subsequent to the monitoring and reporting of net removals, tCERs shall be calculated, applying the registered methodology, by subtracting baseline net removals from net removals of the project activity since the start of the crediting period and adjusting for leakage.

55. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

#### I. Verification and certification

56. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored net removals above the baseline adjusted for leakage since the start of the crediting period that have occurred as a result of a registered afforestation and/or reforestation CDM project activity. Certification is the written assurance by the designated operational entity that, at a specified point in time, an afforestation and/or reforestation project activity has achieved the net removals above the baseline adjusted for leakage since the start of the crediting period as verified.

57. In accordance with the provisions on confidentiality in paragraph 26 (b) above, the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall:

(k) Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision - /CP.9, the present annex and relevant decisions of the COP/MOP;

(l) 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, assessment of leakage management measures, and assessment of the conformity of project implementation with the statement referred to in paragraph 37 (c *bis*) above;

(b *bis*) Review the management activities, including harvesting cycles, to determine that the verified net removals above the baseline are not likely to be biased by a systematic coincidence of verification and peaks in carbon stocks;

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

(n) Review monitoring results and verify that the monitoring methodologies for the estimation of net removals above the baseline adjusted for leakage since the start of the crediting period have been applied correctly and their documentation is complete and transparent;

(o) Recommend to the project participants appropriate changes to the monitoring methodology, if necessary;

(p) Determine the net removals above the baseline adjusted for leakage since the start of the crediting period that would not have occurred in the absence of the afforestation and/or reforestation 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;

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

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

58. The designated operational entity shall, based on its verification report, certify in writing that, since the start of the crediting period the afforestation and/or reforestation project activity achieved the verified amount of net removals above the baseline adjusted for leakage that would not have occurred in the absence of the afforestation and/or reforestation 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.

63bis. A verification leading to certification of an afforestation and/or reforestation CDM project activity shall take place 5 years after a previous certification of the same project activity at the earliest.

#### J. Issuance of temporary Certified Emission Reductions (tCERs)

59. The certification report shall constitute a request for issuance to the executive board of tCERs equal to the verified amount of net removals above the baseline adjusted for leakage since the start of the crediting period.

60. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the afforestation and/or reforestation project activity or at least three members of the executive board request a review of the proposed issuance of the tCERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(s) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of tCERs should be approved;

(t) The executive board shall complete its review within 30 days following its decision to perform the review;

(u) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of tCERs and the reasons for it.

61. Upon being instructed by the executive board to issue tCERs for an afforestation and/or reforestation CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall promptly issue the specified quantity of tCERs into the pending account of the executive board in the CDM registry, in accordance with appendix D of the annex to draft decision - /CMP.1 (*Article 12*). Upon such issuance, the CDM registry administrator shall promptly:

(v) Forward the quantity of tCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;



(w) Forward the remaining tCERs to the registry accounts of Parties and project participants involved, in accordance with their request.

K. Accounting for non-permanence of afforestation and reforestation project activities.

67. All provisions in the annex to draft decision -/CMP.1 (*Modalities for accounting of assigned amounts*) and in the annexes to draft decision -/CMP.1 (*Additional sections to be incorporated in the guidelines for the preparation of the information required under Article 7, and in the guidelines for the review of information under Article 8, of the Kyoto Protocol*) that pertain to CERs shall also apply to tCERs unless stated otherwise in this annex.<sup>2</sup>

68. Each Party included in Annex I shall ensure that its net acquisitions of tCERs do not exceed the limits established for that Party as set out in draft decision -/CMP.1 (*Land use, Land-Use Change and Forestry*).

69. The tCERs shall have an expiry date, specifying the month and the year as an additional element in their serial number. The expiry date shall be the end of the 60<sup>th</sup> month after the month in which the tCER has been issued. After its expiry date, a tCER shall not be transferred between registries nor within registries.

70. A tCER may not be transferred to cancellation accounts of Parties included in Annex I referred to in paragraphs 12 (d) and 12 (e) of the annex of draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

71. A tCER is only valid to demonstrate compliance with commitments for the commitment period during which it was issued. The tCERs may not be carried over to a subsequent commitment period.

72. The national registries of each Party included in Annex I shall include a separate cancellation account for each commitment period for the purpose of replacing tCERs.

73. A tCER that has been transferred to the retirement account or to the cancellation account referred to in paragraph 72 above of a Party included in Annex I must be replaced before its expiry date. To this end, the concerned Party shall transfer an AAU, CER, ERU, RMU or tCER to the cancellation account of the current commitment period referred to in paragraph 72 above.

74. Upon receipt of a record of a proposed transaction involving tCERs, the transaction log shall conduct an automated check to verify that there is no discrepancy with regard to the requirements of paragraphs 67 to 71 above.

75. Each Party included in Annex I shall report, in a standard electronic format, information on tCERs from its national registry for the previous calendar year, distinguishing between units valid for different commitment periods:

(a) The quantity of tCERs retired or cancelled, including information on their expiry dates;

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<sup>2</sup> The tCERs may be transferred between registries as CERs (paragraph 30 of 7.4 text), tCERs may be cancelled so they cannot be used in fulfilment of commitments under Article 3, paragraph 1 (paragraph 33 of 7.4 text), tCERs may be retired (paragraph 13 of 7.4 text). tCERs transferred to cancellation accounts or the retirement account may not be further transferred (paragraph 35 of 7.4 text). The transaction log checks any transfer.

(b) The quantity of tCERs that expired in the retirement account and the dedicated cancellation account referred to in paragraph 72 above of the previous commitment period, including information on their expiry dates;

(c) The quantity of ERUs, CERs, AAUs, RMUs and tCERs cancelled for replacing expiring tCERs, including information on the dates of cancellation and, in case of tCERs, their expiry dates.

76. The information reported under paragraph 75 above, shall be reviewed as part of the review of information pursuant to Annex II of draft decision -/CMP.1 (*Additional sections to be incorporated in the guidelines for the preparation of the information required under Article 7, and in the guidelines for the review of information under Article 8, of the Kyoto Protocol*).

77. In its report to the secretariat upon expiration of the additional period for fulfilling commitments referred to in paragraph 49 of the annex to draft decision -/CMP.1 (*Modalities for accounting of assigned amounts*), each Party in Annex I shall include information on the total quantity and serial numbers of tCERs in its retirement account and in its cancellation account referred to in paragraph 72 above.

78. In its compilation and accounting database referred to in paragraph 50 of the annex to draft decision -/CMP.1 (*Modalities for accounting of assigned amounts*), the secretariat shall annually record for each Party included in Annex I the following information for the previous calendar year and to date for the commitment period, following completion of the annual review under Article 8, including the application of any corrections, and resolution of any relevant questions of implementation:

(a) The quantity of tCERs retired or cancelled, including the information on their expiry dates;

(b) The quantity of tCERs that expired in the retirement account and the dedicated cancellation account referred to in paragraph 72 above of the previous commitment period, including the information on their expiry dates;

(c) The quantity of ERUs, CERs, AAUs, RMUs and tCERs cancelled for replacing expiring tCERs, including the information on the dates of cancellation, and, in the case of tCERs, their expiry dates.

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Standards for the accreditation of operational entities

1. Paragraphs 1 and 2 of appendix A of the annex to draft decision -/CMP.1 (*Article 12*) on standards for the accreditation of operational entities shall apply, with the following changes:

(a) Paragraph 1 (f) (ii) is replaced with “Issues, in particular environmental and socio-economic, including sustainable forest management, relevant to validation, verification and certification of afforestation and reforestation CDM project activities, as appropriate”;

(b) Paragraph 1 (f) (iii) is replaced with “The technical aspects of afforestation and reforestation CDM project activities relevant to environmental and socio-economic issues, including expertise in the setting of baselines and monitoring of emissions and removals”;

(c) Paragraph 1 (f) (v) is replaced with “Methodologies for accounting of emissions by sources and removals by sinks”.

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Project design document

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for inclusion of afforestation and reforestation project activities under the clean development mechanism for the first commitment period.

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail, taking into account the provisions of the present annex on modalities and procedures for inclusion of afforestation and reforestation project activities under the clean development mechanism for the first commitment period and the annex to draft decision - /CMP.1 (*Article 12*), in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

- (a) A description of the project comprising the project purpose, a technical description of the project, including how technology and know-how will be transferred and adapted, if any, a description and the timing of the planned management activities, including harvesting cycles, and a description and justification of the project boundary;
- (b) A proposed baseline methodology in accordance with the present annex including:
  - (i) In the case of the application of an approved methodology:
    - Statement of which approved methodology has been selected;
    - Description of how the approved methodology will be applied in the context of the project;
  - (ii) In the case of the application of a new methodology:
    - Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
    - Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
    - Projections of baseline net removals;
  - (iii) Description of how the baseline methodology addresses potential leakage: to include the methodology and data sources used, the magnitude, geographical extent and timing of leakage;
  - (iv) 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;
- (b *bis*) Identification of approaches and measures to minimise the key drivers of leakage;
- (c) (DELETED)

- (d) Description of how net removals are increased above those that would have occurred in the absence of the registered afforestation and/or reforestation CDM project activity, going beyond institutional and regulatory requirements and common practice in the region;
- (e) Socio-economic and environmental impacts:
  - (i) Documentation on the analysis of the socio-economic and environmental impacts, including transboundary impacts, addressing the topics listed in appendix E below;
  - (ii) If any impact is considered significant by the project participants or the host Party: conclusions and all references to support documentation of social and environmental impact assessments that have been undertaken in accordance with the procedures as required by the host Party;
- (e *bis*) Statement on how the topics listed in appendix E below are addressed, based on the results of the analysis and/or the assessments referred to in paragraph 2 (e) (i) and 2 (e) (ii) above, and including a description of planned monitoring and remedial measures to address significant impacts;
- (f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;
- (g) Stakeholder comments, including a brief description of the process, how local stakeholders were involved at an early stage in the project design, how identified concerns were dealt with, a summary of the comments received, and a report on how due account was taken of any comments received;
- (h) Monitoring plan:
  - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
  - (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
  - (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;
- (i) Calculations:
  - (i) Description of formulae used to calculate and estimate net removals of the afforestation and/or reforestation CDM project activity within the project boundary since the start of the crediting period;
  - (ii) Description of formulae used to calculate and to project the baseline net removals since the start of the crediting period;

- (iii) The difference of (i) and (ii) above representing the net removals from an afforestation and/or reforestation CDM project activity above the baseline since the start of the crediting period;
  - (iv) Description of formulae used to calculate and to estimate leakage since the start of the crediting period;
  - (v) The difference between (iii) and (iv) above representing the net removals of the afforestation and/or reforestation CDM project activity above the baseline adjusted for leakage since the start of the crediting period;
- (j) References to support the above, if any.
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Terms of reference for establishing guidelines  
on baselines, leakage and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

- (a) General guidance on methodologies relating to baselines, leakage and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision -/CP.9, the present annex and relevant decisions of the COP/MOP;
  - (ii) Promote consistency, transparency and predictability;
  - (iii) Provide rigour to ensure that net removals above the baseline adjusted for leakage since the start of the crediting period are real and measurable, and an accurate reflection of the afforestation and/or reforestation CDM project activity;
  - (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision -/CP.9, and relevant decisions of the COP/MOP;
  - (v) Address the additionality requirement of Article 12, paragraph 5 (c), and paragraph 43 of the above annex;
- (b) Specific guidance in the following areas:
  - (i) Definition of project categories (e.g. based on sector, subsector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
  - (iii) Monitoring methodologies that provide an accurate measure of net removals above the baseline adjusted for leakage since the start of the crediting period as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
  - (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of an afforestation and/or reforestation project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any

overestimation of net removals above the baseline adjusted for leakage since the start of the crediting period;

- (vi) Determination of project boundaries including accounting for all greenhouse gases and all carbon pools that should be included as a part of the baseline and monitoring. Relevance of leakage, recommendations of approaches and measures to minimise the key drivers of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
  - (vii) Accounting for applicable national policies plans and circumstances, including national forest programmes, and specific national or regional circumstances, such as sectoral reform initiatives, and the economic situation in the agriculture and forestry sector;
- (c) In developing the guidance in (a) and (b) above, the executive board shall take into account:
- (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) Least cost technology for the activity or project category.
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Clean development mechanism registry requirements

1. All provisions of the appendix D to the annex of draft decision -/CMP.1 (*Article 12*) that apply to CERs shall also apply to tCERs, unless stated otherwise in this appendix.
  2. The tCERs shall have an expiry date, specifying the month and the year as an additional element in their serial number. The expiry date shall be the end of the 60<sup>th</sup> month after the month in which the tCER has been issued.
  3. All information referred to in paragraphs 9 to 12 of the appendix D to the annex of draft decision -/CMP.1 (*Article 12*) that applies to tCERs shall include, as an additional element, the expiry date of the respective tCERs.
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Socio-economic and environmental impacts of afforestation and reforestation CDM project activities

1. For the purposes of requirements of paragraphs 37 (c) and 37 (c *bis*) of the present annex, the following topics shall be addressed:

- (a) Tenure and land-use rights;
  - (b) The special needs of indigenous and forest dwelling people;
  - (c) Stakeholders involvement, access to information and public participation in accordance with Article 6 of the Convention;
  - (d) Benefit-sharing, taking into consideration local communities;
  - (e) Definition of responsibilities including primary stakeholders, project developers and host country authorities;
  - (f) Planning and management tools available for the project including tools for mitigating fire and pests;
  - (g) Control of any negative impacts of the project on soil and water resources, biodiversity, ecosystem integrity, and human health, including the potentially negative impacts of pesticides and fertilizers;
  - (h) Inclusion of social and human impacts and context of the project including capacity building, awareness raising and safety procedures;
  - (i) Synergy between the potential of the project to mitigate climate change and its potential to positively impact on biological diversity, landscape amenity and local living conditions;
  - (l) Impacts on employment, market access, livelihood of local communities and food production.
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PAPER NO. 10: JAPAN

**JAPAN'S VIEW ON ISSUES RELATED TO MODALITIES FOR INCLUDING AFFORESTATION /  
REFORESTATION CDM**

Japan submits a draft annex for afforestation/reforestation CDM (AR-CDM), due on 15 March 2003, in response to the invitation prescribed in FCCC/SBSTA/2002/6, Annex I, Appendix, AGENDA FOR WORK.

**1. Overview comment**

Japan believes that the contents of the annex for AR-CDM should be proportionate, in principle, to those of the existing annex "modalities and procedures for a clean development mechanism" for emission reduction CDM and that modalities for AR-CDM should not be too detailed or restrictive compared to those for emission reduction CDM, and vice versa.

**2. Comments on specific subjects**

1) Non-permanence

Modality should be considered in such a way that project participants can choose an appropriate accounting method between the temporary CER approach and the insured CER approach.

2) Carbon sequestration concerning AR-CDM activities

For the amendment of the text to be appropriate for AR-CDM, it is sufficient to replace the term "emissions by sources" with the term "removals by sinks" in the existing annex.

3) Baseline

For the amendment of the text to be appropriate for AR-CDM, it is sufficient to replace the term "emissions by sources" with the term "removals by sinks" in the existing annex.

4) Leakage

It is sufficient to add the term "removals by sinks and/or" prior to the term "emissions by sources" in the existing annex for the amendment of the text. AR-CDM project activities may stimulate reforestation activities beyond the boundaries of the project, which is a positive leakage of removals by sinks.

5) Crediting period

AR-CDM project participants should be allowed to select longer crediting period than the one defined in the existing annex. In AR-CDM project activities, growth rates of trees vary depending on the selected tree species and local conditions. A project period may last as long as a couple of decades especially when plantation takes place in semi-arid areas and/or using slow growing local species.

6) Socio-economic and environmental impacts

It is not necessary to change the existing Annex except adding the term "socio-economic" to the relevant provisions in paragraph 2(e) in the existing APPENDIX B.

7) Additionality, uncertainty

It is not necessary to change the existing Annex.

**3. Specific necessity of change concerning carbon pools**

Concerning the carbon, contents written in paragraph 21 of the ANNEX, Decision 11/CP.7 should be added to the existing Annex because of the balancing between 11/CP.7 and 17/CP.7.

#### **4. Base year of reforestation**

The base year for reforestation should be changed to 31 December 1999.

The base year in the definition of “reforestation” under Article 3.3 as it stands is not applicable to AR-CDM project activities because of difficulties in availability of appropriate satellite data and in tracking past land-use records due to undeveloped registration systems, the irregular changes, and wide varieties of land use in non-Annex I countries. Changing the base year to 1999 makes data far more available. In 31 December 1999, the satellite is capable enough to see through cloud and therefore more land-use records are available.

#### **5. Relevant changes**

Concerning the nature of “temporary CERs” and “insured CERs”, specific consideration should be given to the relevant provisions such as the Annexes to Decision 19/CP.7 (accounting of assigned amount), Decision 22/CP.7 (reporting of supplementary information) and Decision 23/CP.7 (review of information).

#### **6. Draft Annex for AR-CDM**

Attached. (Changes are highlighted.)

The ANNEX to Decision 17/CP.7 should be amended as follows:

## ANNEX

### **Modalities and procedures for inclusion of afforestation and reforestation project activities for under the clean development mechanism**

#### **A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1 and the provisions of Article 14 shall apply. Furthermore:

(a) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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; **CER prescribed in the present ANNEX shall be either 1) CER whose validity expires in [x] years or 2) CER whose validity is insured by an insurance contract under the provisions of *F(bis)*. *Non-permanence of Afforestation and Reforestation project activities*;**

(c) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(d) A “removal unit” or “RMU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(e) “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

**For afforestation and reforestation activities under Article 12, the following definitions shall apply:**

(f) “Forest” is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity *in situ*. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included

under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest;

(g) “Afforestation” is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;

(h) “Reforestation” is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1999.

### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM)

3. The COP/MOP shall provide guidance to the executive board by taking decisions on:

(a) The recommendations made by the executive board on its rules of procedure;

(b) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5, and accreditation standards contained in Appendix A below.

4. The COP/MOP shall further:

(a) Review annual reports of the executive board;

(b) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties<sup>2</sup>.

(c) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;

(d) Assist in arranging funding of CDM project activities, as necessary.

### **C. Executive board**

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(a) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;

(b) Make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the executive board contained in the present annex, as appropriate;

(c) Report on its activities to each session of the COP/MOP;

(d) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below;

(e) **Develop and r**Review provisions with regard to simplified modalities, **and procedures for** ~~and the definitions of small-scale afforestation/reforestation CDM project activities, which occupy less than [xx] hectares of forests with local people's participation,~~ and make recommendations to the COP/MOP;

(f) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5 . This responsibility includes:

(i) Decisions on re-accreditation, suspension and withdrawal of accreditation;

(ii) Operationalization of accreditation procedures and standards;

(g) Review the accreditation standards in Appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;

(h) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;

(i) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;

(j) Make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration;

(k) Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;

(l) Develop and maintain the CDM registry as defined in Appendix D below;

(m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs issued;

(n) Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP;

(o) Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews referred to in paragraphs 41 and 65 below including, *inter alia*, procedures to facilitate consideration of information

from Parties, stakeholders and UNFCCC accredited observers. Until their adoption by the COP/MOP, the procedures shall be applied provisionally;

(p) Carry out any other functions ascribed to it in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

7. The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows:

one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members, including alternate members, of the executive board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 above and be elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 below shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the executive board;

(d) Be bound by the rules of procedure of the executive board;

(e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties;

(f) Have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity;

(g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the executive board.



9. The COP/MOP shall elect an alternate for each member of the executive board based on the criteria in paragraphs 7 and 8 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

10. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification.

11. If a member, or an alternate member, of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

12. The executive board shall elect its own chairperson and vice-chairperson, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

13. The executive board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 below. All documentation for executive board meetings shall be made available to alternate members.

14. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

15. Decisions by the executive board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the executive board.

17. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations.

18. The executive board may establish committees, panels or working groups to assist it in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

19. The secretariat shall service the executive board.

#### **D. Accreditation and designation of operational entities**

20. The executive board shall:

(a) Accredite operational entities which meet the accreditation standards contained in Appendix A below;

(b) Recommend the designation of operational entities to the COP/MOP;

(c) Maintain a publicly available list of all designated operational entities

(d) Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;

(e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

21. The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

23. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

24. Any costs related to the review referred to in paragraph 22 above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

25. The executive board may seek assistance in performing the functions in paragraph 20 above, in accordance with the provisions of paragraph 18 above.

### **E. Designated operational entities**

26. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP and the executive board.

27. A designated operational entity shall:

- (a) Validate proposed CDM project activities;
- (b) Verify and certify ~~reductions~~ **enhancements** in anthropogenic ~~removals by sinks~~ **emissions** by sources of greenhouse gases;
- (c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph (e) below;
- (d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;
- (e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;
- (f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;
- (g) Submit an annual activity report to the executive board;
- (h) Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

### **F. Participation requirements**

28. Participation in a CDM project activity is voluntary.

29. Parties participating in the CDM shall designate a national authority for the CDM.

30. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol.

31. Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

- (a) It is a Party to the Kyoto Protocol;

- (b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);
- (c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;
- (d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;
- (e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on;
- (f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

32. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

- (a) To meet the eligibility requirements referred to in paragraph 31 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;
- (b) To continue to meet the eligibility requirements referred to in paragraph 31 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

33. A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

34. The secretariat shall maintain publicly accessible lists of:

- (a) Parties not included in Annex I which are Parties to the Kyoto Protocol;
- (b) Parties included in Annex I that do not meet the requirements in paragraph 31 above or have been suspended.

**F(bis). Non-permanence of Afforestation and Reforestation project activities**

- In choosing modalities for dealing with non-permanence, project participants can select from between the following approaches the one deemed appropriate for the project activity;

**(a) CER with expiry date**

(Procedures including transfer and banking, replacement, national registry, independent transaction log etc. should be explained.)

**(b) CER with insurance**

(Procedures including coverage of insurance, timing of insurance, transfer and banking, replacement, national registry, independent transaction log, expiry of insured liability etc. should be explained.)

**G. Validation and registration**

35. 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, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.

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

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:

(a) The participation requirements as set out in paragraphs 28 to 30 above are satisfied;

(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 **socio-economic and** 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 undertaken an **a socio-economic impact assessment and/or** environmental impact assessment in accordance with procedures as required by the host Party;

(d) The project activity is expected to result in a ~~reduction~~ **an enhancement** in anthropogenic emissions by ~~sources~~ **removals by sinks** of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

(e) The baseline and monitoring methodologies comply with requirements pertaining to:

(i) Methodologies previously approved by the executive board; or

(ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;

(f) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(g) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the present annex and relevant decisions by the COP/MOP and the executive board.

38. If the designated operational entity determines that the project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 37(e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review. The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. 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 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.

39. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

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:

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

(ii) 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.

41. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

(a) It shall be related to issues associated with the validation requirements;

(b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

42. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

43. A CDM project activity is additional if anthropogenic ~~emissions~~ **removals** of greenhouse gases by ~~sources~~ **sinks** are ~~reduced~~ **enhanced** ~~below~~ **above** those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic ~~emissions by sources~~ **removals by sinks** of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover **anthropogenic removals by sinks of greenhouse gases resulting from land use, land-use change and forestry activities, as well as emissions, if measurable**, from all gases, sectors and source categories listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic ~~removals by sinks~~ **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 above.

45. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;

(c) On a project-specific basis;

(d) In the case of ~~small-scale~~ CDM project activities which **occupy less than [xx] hectares of forests with local people's participation**, ~~meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP~~, in accordance with simplified procedures developed for such activities;

(e) Taking into account relevant national and/or sectoral policies and circumstances, such as **national/regional forest management plans** ~~sectoral reform initiatives, local fuel availability, power sector expansion plans~~, **the climate category and natural vegetation of the project site**, and the economic situation in the project sector.

46. The baseline may include a scenario where future anthropogenic ~~emissions by sources~~ **removals by sinks** are

projected to ~~rise above~~**fall below** current levels, due to the specific circumstances of the host Party.

47. The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*.

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

- (a) Existing actual or historical ~~removals~~**emissions**, as applicable; or
- (b) ~~Emissions~~**Removals** from a ~~technology~~**an activity** that represents an economically attractive course of action, taking into account barriers to investment; or
- (c) ~~The average~~**Verifiable removals** ~~emissions~~ of similar ~~project activities undertaken~~**natural vegetation in the previous five years, in similar** ~~where~~ **social, economic, and environmental circumstances of the site are comparable to the project site** ~~and technological circumstances, and whose performance is among the top 20 percent of their category.~~

49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

- (a) A maximum of ~~seventy~~**twenty** years which may be renewed at most ~~two~~**four** times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or
- (b) A maximum of ~~ten~~**fifty** years with no option of renewal.

50. ~~Reductions~~**Enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.

51. Leakage is defined as the net change of anthropogenic **removals by sinks and/or** emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.

52. The project boundary shall encompass all anthropogenic ~~emissions by sources~~**removals by sinks** of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

## **H. Monitoring**

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic **removals by sinks** ~~emissions by sources~~ of greenhouse gases occurring within the project boundary during the crediting period;
- (b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic **removals by sinks** ~~emissions by sources~~ of greenhouse gases within the project boundary during the crediting period;



(c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic **removals by sinks and/or** emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;

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

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the **enhancements** ~~reductions~~ of anthropogenic ~~emissions by sources~~ **removals by sinks** by the proposed CDM project activity, and for leakage effects;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53(c) and (f) above.

54. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 38 above, that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) Reflects good monitoring practice appropriate to the type of project activity.

**(c) Is based on the IPCC Good Practice Guidance for LULUCF.**

55. For ~~small-scale~~ CDM project activities **which occupy less than [xx] hectares of forests with local people's participation**, ~~meeting the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP~~, project participants may use simplified modalities and procedures for ~~small-scale~~ **such** projects.

56. Project participants shall implement the monitoring plan contained in the registered project design document.

57. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

58. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

59. Subsequent to the monitoring and reporting of ~~reductions~~ **enhancements** in anthropogenic ~~emissions~~ **removals**, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting ~~the actual anthropogenic emissions by sources from~~ baseline ~~emissions~~ **removals from the anthropogenic removals by sinks** and adjusting for leakage.

**59 bis. Changes in the following carbon pools shall be included in calculating CERs: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon unless the project participant is able to provide transparent and verifiable information that the excluded pool is not a source.**

60. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

## I. Verification and certification

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored ~~reductions~~**enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the ~~reductions~~**enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** of greenhouse gases as verified.

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~~**enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** 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~~**enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** 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~~**enhancements** in anthropogenic ~~emissions by sources~~**removals by sinks** 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.

#### **J. Issuance of certified emission reductions**

**(Provisions for issuance, expiration, re-issuance/replacement of CERs in accordance with the modalities and procedures for dealing with non-permanence might be provided here, or APPENDICES for such purpose might be provided.)**

64. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of ~~reductions~~ ~~enhancements~~ of anthropogenic emissions by sources ~~removals~~ by sinks of greenhouse gases.

65. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;

(b) The executive board shall complete its review within 30 days following its decision to perform the review;

(c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

66. Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.

## APPENDIX A

### Standards for the accreditation of operational entities

#### 1. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;

(ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate;

(iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions **and removals**;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic **removals by sinks and/or** emissions by sources;

(vi) Regional and sectoral aspects;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;

(ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from senior management;

(iii) Its quality assurance policy and procedures;

(iv) Administrative procedures, including document control;

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:

~ Make a declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activities;

~ Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;

~ Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;

~ Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

## APPENDIX B

### Project design document

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for a CDM.
2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for **aafforestation and reforestation project activities under the CDM**, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:
  - (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 **aafforestation and reforestation project activities under the CDM** including, in the case of the:
    - (i) Application of an approved methodology:
      - Statement of which approved methodology has been selected;
      - Description of how the approved methodology will be applied in the context of the project;
    - (ii) Application of a new methodology:
      - Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
      - Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
      - Projections of baseline **removals emissions**;
      - Description of how the baseline methodology addresses potential leakage;
    - (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;
  - (c) Statement of the estimated operational lifetime of the project and which crediting period was selected;
  - (c) **bis. Statement of which approach for dealing with non-permanence was selected, and, when CER with insurance approach was selected, details of the insurance policy and insurance provider, including qualification of the insurance provider;**
  - (d) Description of how the anthropogenic ~~emissions~~**removals** of GHG by ~~sources~~**sinks** are ~~reduced~~**enhanced** ~~below~~**above** those that would have occurred in the absence of the registered CDM project activity;
  - (e) **Socio-economic and E**Environmental impacts:
    - (i) Documentation on the analysis of the **socio-economic and** environmental impacts, including transboundary impacts, **taking into account the commitments of a host country under relevant international agreements**;
    - (ii) If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of a **socio-economic impact assessment and/or** an environmental impact assessment that has been undertaken in accordance with the procedures as required by the host Party;

(f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;

(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;

(h) Monitoring plan:

- (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
- (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
- (iii) In the case of a new monitoring methodology **which does not comply with the methodologies specified in the IPCC Good Practice Guidance for LULUCF**, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;

(i) Calculations:

- (i) Description of formulae used to calculate and estimate anthropogenic ~~emissions by sources~~ **removals by sinks** of greenhouse gases of the CDM project activity within the project boundary;
- (ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic **removals by sinks and/or** emissions by sources of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;
- (iii) The sum of (i) and (ii) above representing the CDM project activity **removals and/or** emissions;
- (iv) Description of formulae used to calculate and to project the anthropogenic **removals by sinks** ~~emissions~~ by sources of greenhouse gases of the baseline;
- (v) Description of formulae used to calculate and to project leakage;
- (vi) The sum of (iv) and (v) above representing the baseline **removals and/or** emissions;
- (vii) Difference between (vi) and (iii) above representing the **removals enhancements** ~~emission reductions~~ of the CDM project activity;

(j) References to support the above, if any.

## APPENDIX C

Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

(a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:

- (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision 17/CP.7, the annex above and relevant decisions of the COP/MOP;
- (ii) Promote consistency, transparency and predictability;
- (iii) Provide rigour to ensure that net **enhancements** ~~reductions~~ in anthropogenic **removals** ~~emissions~~ are real and measurable, and an accurate reflection of what has occurred within the project boundary;
- (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
- (v) Address the additionality requirement of Article 12, paragraph 5(c), and paragraph 43 of the above annex;

(b) Specific guidance in the following areas:

- (i) Definition of project categories (e.g. based on sector, subsector, project type, ~~technology~~, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
- (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
- (iii) Monitoring methodologies that provide an accurate measure of actual ~~reductions~~ **enhancements** in anthropogenic ~~emissions~~ **removals** as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
- (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
- (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of **enhancements in anthropogenic removals** ~~reductions in anthropogenic emissions~~;
- (vi) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
- (vii) Accounting for applicable national policies and specific national or regional circumstances, such as ~~sectoral reform initiatives, local fuel availability, power sector expansion~~ **national/regional forest management plans, the climate category and natural vegetation of the project site**, and the economic situation in the sector relevant to the project activity;
- (viii) The breadth of the baseline, e.g. ~~how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;~~

(c) In developing the guidance in (a) and (b) above, the executive board shall take into account:



- (i) Current practices in the host country or an appropriate region, and observed trends;
- (ii) Least cost technology for the activity or project category.
- (iii) **Relevant information contained in the IPCC Good Practice Guidance for LULUCF.**

## APPENDIX D

### Clean development mechanism registry requirements

1. The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.
2. The CDM registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.
3. The CDM registry shall have the following accounts:
  - (a) One pending account for the executive board, into which CERs are issued before being transferred to other accounts;
  - (b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account;
  - (c) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;
  - (d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire CERs.
4. Each CER shall be held in only one account in one registry at a given time.
5. Each account within the CDM registry shall have a unique account number comprising the following elements:
  - (a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the executive board or another appropriate organization;
  - (b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.
6. Upon being instructed by the executive board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):
  - (a) Issue the specified quantity of CERs into a pending account of the executive board;

(b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

(c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, in accordance with their request.

7. Each CER shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the CER is issued;

(b) Party of origin: the Party which hosted the CDM project activity, using the two-letter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a CER;

(d) Unit: a number unique to the CER for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. The CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

10. The information referred to in paragraph 9 above shall include up-to-date information, for each account number in the registry, on the following:

(a) Account name: the holder of the account;

(b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;

(c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

(a) Project name: a unique name for the CDM project activity;

(b) Project location: the Party and town or region in which the CDM project activity is located;

(c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity;

(d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;

(e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of CERs in each account at the beginning of the year;
- (b) The total quantity of CERs issued;
- (c) The total quantity of CERs transferred and the identity of the acquiring accounts and registries;
- (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above;
- (e) Current holdings of CERs in each account.

PAPER NO. 11: MALAYSIA

**DRAFT LEGAL TEXT SUBMISSION BY MALAYSIA**

**ANNEX**

Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period

**A. Definitions**

Definitions in paragraph 1 of the Annex to Decision 17/CP.7 apply.

- Definition for new unit, tCERs.

**B. Role of the COP/MOP to the Kyoto Protocol**

Paragraphs 2 through 4 of the Annex to Decision 17/CP. 7 on the role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol apply.

**C. Executive Board**

**Delete paragraph 5(e) in Annex to Decision 17/CP.7.**

Paragraph 5(m) Develop and maintain a publicly available database of CDM [*afforestation and reforestation*] project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all [CERs] [tCERs] issued;

**D. Accreditation and designation of operational entities**

Paragraph 22. "... If such a review reveals that excess [CERs] [tCERs] were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tones of carbon dioxide equivalent equal to the excess [CERs] [tCERs] issued, as determined by the executive board, ..."

**E. Designated operational entities**

Paragraph 26. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, [*decision x/CP.9*], the present annex and relevant decisions of the COP/MOP and the executive board.

Paragraph 27 (b). verify and certify [*anthropogenic emissions and removals by sinks of greenhouse gases*] [net carbon uptake by sinks];

**F. Participation requirements**

Paragraph 31. "Subject to the provisions of paragraph 32 below, a Party included in Annex I with commitment inscribed in Annex B is eligible to use [CERs] [tCERs], issues in accordance with ..."

Paragraph 31(e). "... For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to [*the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and*] the submission of the annual inventory on sinks;

Paragraph 33. “... Private and/or public entities may only transfer and acquire [CERs] [tCERs] if the authorizing Party is eligible to do so at that time. ...”

**F(bis). Non-permanence of afforestation and reforestation project activities**

Modalities for dealing with non-permanence through tCERs and credit reserves.

The validity period of a tCER would be the end of the first commitment period and cannot be carried over to the subsequent commitment period. The expiry of retired tCERs and/or reversal of carbon removals must be compensated through canceling ERUs, CERs, AAUs, RMUs and/or tCERs. Parties included in Annex I holding expired tCERs and/or tCERs associated with a loss of carbon shall need to either reduce emissions or acquire other ERUs, CERs, AAUs, RMUs and/or tCERs from credit reserves held by these said Parties.

**G. Validation and registration**

Retain Paragraph 35.

**Paragraph 36.** “... Registration is the prerequisite for the verification, certification and issuance of [CERs] [tCERs] related to that project activity.”

Retain paragraphs 37, paragraphs 37 (a) to (c).

**Paragraph 37 (d).** The project activity is expected to result in [~~a reduction in anthropogenic emissions by sources of greenhouse gases~~] [removals by sinks of greenhouse gases] that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

Retain paragraphs 37 (e) to (g).

Retain paragraph 38.

Retain paragraph 39.

Retain paragraph 40 and paragraphs 40(a) to (g)

Retain paragraphs 41 and 42.

**Paragraph 43.** A CDM project activity is additional if [~~anthropogenic emissions of greenhouse gases by sources are reduced below~~] those that would have occurred in the absence of the registered CDM project activity.

Proposed changes to paragraph 43.

A CDM project activity is additional if [*the net removals by sinks resulting from the afforestation and reforestation CDM project activity is higher*] than those that would have occurred in the absence of the registered CDM project activity [*and if the net enhancement of sinks resulting from an afforestation or reforestation CDM project goes beyond institutional and regulatory requirements or commercial practice*].

**Paragraph 44.** Definition of baseline. Proposed text.

The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources and removals by sinks of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall also cover emissions from non-CO2 gases and natural emissions and removals, occurring in the absence of the proposed project activity, within the project

boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources and removals by sinks of greenhouse gases 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 above.

**Paragraph 44 bis.** The baseline for a CDM project activity shall include the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon pools, unless the proponent is able to provide transparent and verifiable information that the excluded pool is not a source.

Retain Paragraph 45 and paragraphs 45 (a) to (c).

Retain paragraph 45(b) and add paragraph 45(b) bis

A baseline shall be established: **45 (b) bis.** With a provision for a review of assumptions used in the baseline scenario and the baseline scenario shall be updated at least every [X] years, with appropriate adjustments to the scenario to account for changes due to cultural traditions, trends in land-use patterns, changes in socio-economic conditions, the economic situation in the project sector, and future trends at sectoral and national level.

**Delete paragraph 45(d).**

**Paragraph 45(e) becomes paragraph 45(d) with proposed changes:**

45(d) Taking into account relevant national and/or sectoral policies and circumstances, such as historical land uses, practices and trends; cultural traditions; changes in socio-economic conditions, the economic situation in the project sector; and future trends at sectoral and national level.

Paragraph 46. The baseline may include a scenario where future anthropogenic emissions [*from sinks*] are projected to rise above current levels, due to the specific circumstances of the host Party.

Paragraph 47. The baseline shall be defined in a way that [*CERs*] [*tCERs*] cannot be earned for [*decreases*] [*increases*] [*in afforestation and reforestation*] activity levels outside the project activity or due to *force majeure*.

**Delete paragraphs 48 (a) to (c).**

Proposed changes to paragraph 48.

48. In choosing a baseline methodology for a project activity, project participants shall take into account any guidance by the executive board and justify the appropriateness of their choice by selecting an approach which takes into account the following:
- (a) the natural emissions by sources and removals by sinks that would otherwise occur;
  - (b) the net greenhouse gas removals by sinks due to the use of the land that represents an economically attractive course of action, taking into account barriers to investment; and
  - (c) the most likely prospective land use at the time the project starts (a without project or reference case).

Modify paragraph 49 (a) into paragraph 49

Project participants are allowed a crediting period for a proposed afforestation and reforestation activity of a [*maximum of*] [X] years which may be renewed at most [X] times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable. The renewal of the crediting period will depend on provisions for a second commitment period.

#### **Delete paragraph 49 (b)**

Paragraph 50. [*Anthropogenic removals by sinks*] shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) (modified accordingly) below, respectively.

Paragraph 51. Leakage is defined as the net emissions by sources and/or removals by sinks of greenhouse gases outside the project boundary, including carbon stock loss [*or gain*] in other land uses and/or forests which is measurable and attributable to the afforestation or reforestation CDM project activity.

Retain paragraph 52 with minor revision.

The project boundary shall encompass all anthropogenic emissions by sources [and removals by sinks] of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

### **H. Monitoring**

Retain Paragraph 53 with the necessary minor revisions to include “*and/or removals by sinks of greenhouse gases*” after “anthropogenic emissions by sources”. (Paragraph 53 (a), (b), (c)).

Retain Paragraphs 53 (d) and (e)

Paragraph 53 (f) Procedures for the periodic calculation of the [the net changes in carbon stocks and direct and indirect non-CO2 greenhouse gases resulting from the proposed afforestation and reforestation CDM project activity], and for leakage effects;

Paragraph 53 (g) Documentation of all steps involved in the calculations referred to in paragraphs 53 (c) and (f) above.



**Add Paragraph 53 (g) bis.** Documentation of all techniques and methods for sampling and measuring individual carbon pools that reflect commonly accepted principles and criteria concerning forest inventory, soil sampling and ecological surveys and/or following monitoring guidelines endorsed by the COP, such as the IPCC *Good Practice Guidance for Land Use, Land-use Change and Forestry*.

Retain Paragraph 54.

**Delete Paragraph 55.**

Retain Paragraphs 56, 57 and 58.

Proposed revisions to paragraph 59.

Subsequent to the monitoring and reporting of [net increase in the quantity of carbon stocks in specified pools], [CERs] [tCERs] resulting from a [afforestation and reforestation] CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic [emissions by sources and removals by sinks of greenhouse gases] from the baseline scenario and adjusting for leakage. [*The quantity of carbon sequestered shall also be adjusted for non-anthropogenic effects, including CO<sub>2</sub> concentrations above pre-industrial levels and indirect nitrogen deposition.*]

**Add Paragraph 59 bis.** [*A proposed afforestation or reforestation CDM project activity shall be designed in a manner to minimize leakage. Project participants shall include, as part of the project design document, a monitoring plan that provides for a suitable leakage monitoring plan.*]

Retain Paragraph 60.

#### **I. Verification and certification**

Retain Paragraph 61 with minor revisions. Replace “reductions in anthropogenic emissions by sources of greenhouse gases” by [*increases in the net quantity of carbon sequestered by the afforestation or reforestation CDM project activity.*]

Retain Paragraph 62 and Paragraphs 62 (a) to (c).

Minor revisions to (d) Review monitoring results and verify that the monitoring methodologies for the estimation of ~~reductions in anthropogenic emissions by sources~~ [*net changes in carbon stocks and non-CO<sub>2</sub> greenhouse gases attributable to the afforestation or reforestation CDM project activity*] have been applied correctly and their documentation is complete and transparent;

Retain Paragraph 62 (e).

Paragraph 62 (f) with minor revisions.

- (f) Determine the ~~reductions in anthropogenic emissions by sources of greenhouse gases~~ [*net amount of carbon sequestered by the afforestation or reforestation CDM project activity*] 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;

Retain Paragraph 62 (g).

**Add Paragraph 62 (g) bis.** The designated operational entity shall [*assess whether any sample plot has been managed in a way that would bias the estimate of the net amount of carbon sequestered. If evidence of manipulation of any sample plot is detected, the calculated net amount of carbon sequestered shall be adjusted accordingly, or, if an adjustment is not possible, not certify the amount of carbon sequestered.*]

The designated operational entity shall, [*upon receiving notice by the project participants of any reversal of carbon removals, undertake a quantified assessment of the magnitude of the carbon reversal as part of the verification, notify and forward this quantified assessment to the executive board*]

Retain Paragraph 62 (h).

Retain Paragraph 63 with minor revisions. Replace “reductions in anthropogenic emissions by sources of greenhouse gases” by [*increases in the net quantity of carbon sequestered by the afforestation or reforestation CDM project activity.*]

#### **J. Issuance of certified emission reductions**

Retain Paragraphs 64 to 66 with minor revisions.

- Replace all [CER] text with [tCER] in appropriate paragraphs.
- In Paragraph 64 “reductions of anthropogenic emissions by sources of greenhouse gases” should be replaced by [*increases in the net quantity of carbon sequestered by the afforestation or reforestation CDM project activity.*]

#### **APPENDIX A**

##### **Standards for the accreditation of operational entities**

Paragraphs 1 and 2 of Appendix A to the Annex to Decision 17/CP.7 on the standards for the accreditation of operational entities apply with the following minor change:

(f) (v) Methodologies for accounting of [changes in carbon stocks and non-CO2 greenhouse gases];

#### **APPENDIX B**

##### **Project design document**

Paragraphs 1 and 2 of Appendix B to the Annex to Decision 17/CP.7 on the project design document apply with following proposed changes:

- 2 (b) (ii) Application of a new methodology:
  - Projections of baseline emissions [and removals];
- 2 (d) Description of how the anthropogenic emissions of GHG by sources are reduced below [*and/or anthropogenic removals of GHG by sinks are increased above*] those that would have occurred in the absence of the registered CDM project activity;
- 2 (i) Calculations:
  - (i) Description of formulae used to calculate and estimate [anthropogenic emissions by sources of greenhouse gases] [*net changes in carbon stocks and non-CO2 greenhouse gases as a result*] of the CDM project activity within the project boundary;

- (ii) Description of formulae used to calculate and to project leakage, defined as: [*the net emissions by sources and/or removals by sinks of greenhouse gases*] which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;
- (iii) The sum of (i) and (ii) above representing the afforestation or reforestation CDM project activity removals;
- (iv) Description of formulae used to calculate and to project the anthropogenic emissions by sources [*and removals by sinks*] of greenhouse gases of the baseline;
- (v) Description of formulae used to calculate and to project leakage;
- (vi) The sum of (iv) and (v) above representing the baseline emissions [*and/or removals*];
- (vii) Difference between (vi) and (iii) above representing the [*total greenhouse gas benefit*] of the afforestation or reforestation CDM project activity;

**APPENDIX C**  
**Terms of reference for establishing guidelines**  
**on baselines and monitoring methodologies**

Paragraph 1 of Appendix C to the Annex to Decision 17/CP.7 on terms of reference for establishing guidelines on baselines and methodologies apply with the following proposed changes:

- (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - (ii) Provide rigour to ensure that ~~net reductions in anthropogenic emissions~~ [*net removals by sinks*] are real and measurable, and an accurate reflection of what has occurred within the project boundary;
  - (iii) Ensure applicability in different geographical regions and to ~~those project categories which are~~ [*afforestation and reforestation project activities as eligible activities*] in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
- (b) Specific guidance in the following areas:
  - (i) Definition of ~~project categories (e.g. based on sector, subsector, project type, technology, geographic area)~~ [*afforestation and reforestation project activities*] that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - (iii) Monitoring methodologies that provide an accurate measure of actual ~~reductions in anthropogenic emissions~~ [*removals of greenhouse gases*] as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of ~~reductions in anthropogenic emissions~~ [*removals of greenhouse gases by a project activity*];

- (vii) Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, ~~local fuel availability, power sector expansion plans,~~ [*historical land uses, practices and trends, cultural traditions, changes in socio-economic conditions*] and the economic situation in the sector relevant to the [*afforestation or reforestation*] project activity;
- ~~(viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;~~

#### **APPENDIX D**

##### Clean development mechanism registry requirements

Paragraphs 1 through 12 of Appendix D to the Annex to Decision 17/CP.7 on clean development mechanism registry requirements apply.

Proposed change: Replace [CER] with [tCER] in paragraphs where appropriate.

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**DRAFT ANNEX**

**Modalities and procedures for afforestation and reforestation project activities for a Clean Development Mechanism**

**A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1<sup>1</sup> and the provisions of Article 14 shall apply. Furthermore:

(a) “Forest” is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity *in situ*. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest;

(b) “Afforestation” is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;

(c) “Reforestation” is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989;

(d) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(e) 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 **annex to the present decision on modalities and procedures for a clean development mechanism**, 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;

(f) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(g) A “removal unit” or “RMU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

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<sup>1</sup> In the context of this annex, “Article” refers to an Article of the Kyoto Protocol, unless otherwise specified.

**(h) A “temporary certified emission reduction” or “TCER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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;**

(i) “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

### **B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM).
3. The COP/MOP shall provide guidance to the executive board by taking decisions on:
  - (a) The recommendations made by the executive board on its rules of procedure;
  - (b) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
  - (c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5, and accreditation standards contained in Appendix A below.
4. The COP/MOP shall further:
  - (a) Review annual reports of the executive board;
  - (b) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties<sup>2</sup>.
  - (c) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;
  - (d) Assist in arranging funding of CDM project activities, as necessary.

### **C. Executive board**

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:
  - (a) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;
  - (b) Make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the executive board contained in the **annex to the present decision on modalities and procedures for a clean development mechanism**, as appropriate;
  - (c) Report on its activities to each session of the COP/MOP;
  - (d) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below;
  - (e) Review provisions with regard to simplified modalities, procedures and the definitions of small scale project activities and make recommendations to the COP/MOP;
  - (f) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5. This responsibility includes:

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<sup>2</sup> In the context of this annex, “Party” refers to a Party to the Kyoto Protocol, unless otherwise specified.

- (i) Decisions on re-accreditation, suspension and withdrawal of accreditation;
- (ii) Operationalization of accreditation procedures and standards;
- (g) Review the accreditation standards in Appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;
- (h) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;
- (i) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;
- (j) Make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration;
- (k) Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;
- (l) Develop and maintain the CDM registry as defined in Appendix D of the **annex to the present decision on modalities and procedures for a clean development mechanism and the present annex**;
- (m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all TCERs and CERs issued;
- (n) Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP;
- (o) Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews referred to in paragraphs 41 and 65 of the of the **annex to the present decision on modalities and procedures for a clean development mechanism and paragraphs 42 and 66 below** including, *inter alia*, procedures to facilitate consideration of information from Parties, stakeholders and UNFCCC accredited observers. Until their adoption by the COP/MOP, the procedures shall be applied provisionally;
- (p) Carry out any other functions ascribed to it in decision 17/CP.7, the **annex to the present decision on modalities and procedures for a clean development mechanism**, the present annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 44 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 38(c), and if applicable, 38 (d) below, shall not be considered as proprietary or confidential.

7. The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members, including alternate members, of the executive board shall:

- (a) Be nominated by the relevant constituencies referred to in paragraph 7 above and be elected by the COP/MOP. Vacancies shall be filled in the same way;
- (b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 below shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;

- (c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the executive board;
- (d) Be bound by the rules of procedure of the executive board;
- (e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties;
- (f) Have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity;
- (g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the executive board.

9. The COP/MOP shall elect an alternate for each member of the executive board based on the criteria in paragraphs 7 and 8 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

10. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification.

11. If a member, or an alternate member, of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

12. The executive board shall elect its own chairperson and vice-chairperson, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

13. The executive board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 42 below. All documentation for executive board meetings shall be made available to alternate members.

14. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

15. Decisions by the executive board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the executive board.

17. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations.



18. The executive board may establish committees, panels or working groups to assist it in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

19. The secretariat shall service the executive board.

#### **D. Accreditation and designation of operational entities**

20. The executive board shall:

- (a) Accredit operational entities which meet the accreditation standards contained in Appendix A below;
- (b) Recommend the designation of operational entities to the COP/MOP;
- (c) Maintain a publicly available list of all designated operational entities;
- (d) Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;
- (e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

21. The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess **TCERs and/or CERs** were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess **TCERs and/or CERs issued, respectively**, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

23. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

24. Any costs related to the review referred to in paragraph 22 above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

25. The executive board may seek assistance in performing the functions in paragraph 20 above, in accordance with the provisions of paragraph 18 above.

### **E. Designated operational entities**

26. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, the **annex to the present decision on modalities and procedures for a clean development mechanism**, the present annex and relevant decisions of the COP/MOP and the executive board.

27. A designated operational entity shall:

- (a) Validate proposed CDM project activities;
- (b) Verify and certify **removals by sinks and** reductions in anthropogenic emissions by sources of greenhouse gases;
- (c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph (e) below;
- (d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;
- (e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;
- (f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;
- (g) Submit an annual activity report to the executive board;
- (h) Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 44 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph and if applicable, 38 (d) below, shall not be considered as proprietary or confidential.

### **F. Participation requirements**

28. Participation in a CDM project activity is voluntary.

29. Parties participating in the CDM shall designate a national authority for the CDM.

30. **A Party not included in Annex I may participate in a CDM afforestation and reforestation project activity if it is a Party to the Kyoto Protocol, and for the purposes of applying the definition of “forest” as contained in Section A above, has selected and submitted to the Executive Board, through its designated national authority for the Clean Development Mechanism, a single minimum tree crown cover value between 10 and 30 per cent, a single minimum land area value between 0.05 and 1 hectare and a single minimum tree height value between 2 and 5 metres. The selection of a Party shall be fixed for the duration of the first commitment period.**

31. **A Party not included in Annex I may establish country-specific guidelines for addressing socioeconomic and environmental impacts for afforestation and reforestation project activities implemented within its territory.**

32. Subject to the provisions of paragraph 33 below and paragraph 32 of the **annex to the present decision on modalities and procedures for a clean development mechanism**, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use **TCERs and CERs**, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

- (a) It is a Party to the Kyoto Protocol;
- (b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);
- (c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;
- (d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;
- (e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;
- (f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

33. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

- (a) To meet the eligibility requirements referred to in paragraph 32 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;
- (b) To continue to meet the eligibility requirements referred to in paragraph 32 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

34. A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfillment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

35. The secretariat shall maintain publicly accessible lists of:

- (a) Parties not included in Annex I which are Parties to the Kyoto Protocol;
- (b) Parties included in Annex I that do not meet the requirements in paragraph 32 above or have been suspended.

#### **G. Validation and registration**

36. 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, the **annex to the present decision on modalities and procedures for a clean development mechanism, the present annex** and

relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in **Appendix B below**.

37. Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of **TCERs and CERs** related to that project activity.

38. 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:

- (a) The participation requirements as set out in **paragraphs 28 to 30 of the present annex** are satisfied;
- (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 undertaken an environmental impact assessment in accordance with procedures as required by the host Party ;
- (d) Project participants have submitted to the designated operational entity, if applicable, documentation demonstrating that the guidelines for addressing socioeconomic and environmental impacts established by the host Party have been satisfied;**
- (e) The project activity is expected to result in **removals by sinks, and if applicable, reductions in anthropogenic emissions by sources of greenhouse gases**, that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 44 to 53 below;
- (f) The baseline and monitoring methodologies comply with requirements pertaining to:
  - (i) Methodologies previously approved by the executive board; or
  - (ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 39 below; and following the guidance of the IPCC and providing justification when using alternative coefficients/values/practice**
- (g) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the **annex to the present decision on modalities and procedures for a clean development mechanism, the present annex** and relevant decisions of the COP/MOP;
- (h) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the **annex to the present decision on modalities and procedures for a clean development mechanism**, the present annex and relevant decisions by the COP/MOP and the executive board.

39. If the designated operational entity determines that the project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 38 (f) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review.

The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. 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 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.

40. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 39 above. Any revision to an approved

methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

41. 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; **and, if applicable, confirmation that the guidelines to address environmental and socioeconomic impacts established by the host Party have been fulfilled;**
- (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:
  - (i) Confirmation of validation and date of submission of the validation report to the executive board; or
  - (ii) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfill 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.

42. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

- (a) It shall be related to issues associated with the validation requirements;
- (b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

43. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

**44. A CDM project activity is additional if the net enhancement of sinks is increased over that which would have occurred in the absence of the registered CDM project activity and the anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.**

45. The baseline for an afforestation or reforestation CDM project activity is the scenario that reasonably represents the net changes in carbon stocks and greenhouse gas emissions that would occur on the project land in the absence of the project **within the project boundary**. A baseline shall be deemed to reasonably represent the net changes in carbon stocks and emissions by sources and that would occur in the absence of the proposed project activity if it is derived using **a baseline methodology referred to in paragraphs 38 and 39 above and paragraphs 37 and 38 of the annex to the present decision on modalities and procedures for a clean development mechanism, respectively**. **The baseline of an afforestation or reforestation CDM project activity shall account for all changes in the following**

**carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic pools. A project participant may choose not to account for a given pool in the first commitment period, if transparent and verifiable information is provided that the pool is not a source.**

46. A baseline shall be established:

- (a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the **annex on modalities and procedures for a clean development mechanism, the present annex** and relevant decisions of the COP/MOP;
- (b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
- (c) On a project-specific basis;
- (d) In the case of small-scale CDM project activities which meet the **criteria to be proposed by SBSTA and adopted by the COP during its 10th session, in accordance with simplified procedures to be developed by the CDM executive board for such activities;**
- (e) Taking into account relevant national and/or sectoral policies and circumstances, such as **sectoral reform initiatives, historical land uses, practices and trends; cultural traditions; socio-economic conditions; future trends at sectoral and national levels and the economic situation in the project sector.**

47. The baseline may include a scenario **where future carbon stocks are projected to decrease below current levels** and anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.

**48. The baseline shall be defined in a way that CERs and TCERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*.**

49. In choosing a baseline methodology **for an afforestation or reforestation** project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

- (a) **Existing actual or historical emissions and removals by sinks**, as applicable; or
- (b) **The net greenhouse gas emissions and removals by sinks due to a use of land that represents an economically attractive course of action, taking into account barriers to investment and other barriers.**

**50. Project participants may select a crediting period of 15 years which may be renewed at most 2 times, provided for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable;**

**51. The net increase in the quantity of carbon stocks in the specified pools and, where applicable, reductions in emissions by sources, must be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively. An afforestation or reforestation CDM project activity is to be designed in a manner to minimize leakage. This is to be achieved by involving local participants in the project design and promoting alternative livelihood activities to avoid displacement of current land-use activities to areas outside the project boundary.**

52. Leakage is defined as the net emissions by sources of greenhouse gases **and removals by sinks which occur outside the project boundary, and which are measurable and directly attributable to the CDM project activity, including carbon stock loss in other land uses and/or forests which is a direct result of the afforestation or reforestation CDM project activity.**

53. The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases **and removal by sinks** under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

#### **H. Monitoring**

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring **removals by sinks and, where applicable, emissions by sources of greenhouse gases** occurring within the project boundary during the crediting period;
- (b) The collection and archiving of all relevant data necessary for determining the baseline **removals by sinks and, where applicable, emissions by sources of greenhouse gases** within the project boundary during the crediting period;
- (c) **The identification of all potential sources of, and the collection and archiving of data on, removals by sinks and, where applicable, emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;**
- (d) The collection and archiving of information relevant to the provisions in paragraph 38(c) **and, if applicable, 38 (d) of the present annex;**
- (e) **Techniques and methods for sampling and measuring individual carbon pools that reflect commonly accepted principles and criteria concerning forest inventory, soil sampling and ecological surveys. Sample plots shall be established by project participants and maintained for evaluating changes in forest carbon pools and emissions by sources throughout the project lifetime. These sample plots must be selected and managed in a way that does not bias the estimate of the carbon sequestered. The emissions and removals in control sites shall be measured at the same time.**
- (f) Quality assurance and control procedures for the monitoring process;
- (g) Procedures for the periodic calculation of the **removals by sinks and, where applicable, emissions by sources of greenhouse gases** by the proposed CDM project activity, and for leakage effects;
- (h) Documentation of all steps involved in the calculations referred to **in paragraph 54(c) and (g) above.**

55. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 38 and 39 above, that:

- (a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;
- (b) Reflects good monitoring practice appropriate to the type of project activity.

56. **For small-scale CDM project activities meeting the criteria to be developed by SBSTA** and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.

57. Project participants shall implement the monitoring plan contained in the registered project design document.

58. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

59. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of **CERS and TCERS**.

60. Subsequent to the monitoring and reporting of enhancements by sinks, TCERs resulting from an afforestation or reforestation CDM project activity during a specified time period shall be calculated, applying the registered methodology, as the increase in the amount of carbon sequestered in specified pools by the project activity less the variation in the amount of carbon that would have been sequestered during the same period under the baseline scenario, adjusted for leakage. Likewise, subsequent to the monitoring and reporting of reductions in anthropogenic emissions directly attributable to the afforestation or reforestation project activity during a specified time period, CERs shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.

61. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in **paragraph 54 above** for the purpose of verification and certification.

### **I. Verification and certification**

62. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases **and removals by sinks** that have occurred as a result of a registered CDM project activity during the verification period. 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 **and removals by sinks** as verified.

63. 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 **removals by sinks and** 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 net amount of carbon sequestered by the afforestation or reforestation CDM project activity, and, where applicable, 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; and, in the case of emissions reductions, in accordance with the annex on modalities and procedures for a clean development mechanism;**
- (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.



64. 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 **and removals by sinks** 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.

**J. Issuance of temporary certified emission reductions and certified emissions reductions**

65. The certification report shall constitute a request for issuance to the executive board of **TCERs** and **CERs**.

**66. Issuance of TCERs shall be carried out following the carbon stock accounting approach selected by project participants as stated in the project design document. Carbon stock accounting approaches shall be limited to the following:**

- (a) **TCERs issued shall be equal to the verified amount of removals by sinks during the specified time period; or**
- (b) **TCERs issued shall be equivalent to the average amount of removals by sinks during the sequestration period.**

**The selected accounting approach shall remain fixed for the duration of the crediting period, however, accounting approaches may be changed every time the crediting period is renewed.**

**67. CERs issued shall be equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.**

68. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of **TCERs and CERs**. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

- (a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of **TCERs and CERs** should be approved;
- (b) The executive board shall complete its review within 30 days following its decision to perform the review;
- (c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of **TCERs and CERs** and the reasons for it.

69. Upon being instructed by the executive board to issue **TCERs and CERs** for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of **TCERs and CERs** into the pending account of the executive board in the CDM registry, in accordance with Appendix D of the **annex to the present decision on modalities and procedures for a clean development mechanism and Appendix “D” of the present annex**. Upon such issuance, the CDM registry administrator shall promptly:

- (a) Forward the quantity of **TCERs and CERs** corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;
- (b) Forward the remaining **TCERs and CERs** to the registry accounts of Parties and project participants involved, in accordance with their request.

**K. Reissuance of temporary certified emission reductions**

**70. TCERs shall expire 5 years after their issuance.**

**71. Upon expiry, TCERs shall be transferred to the cancellation account of the holding Party. In the case of expiring TCERs already retired by a Party included in Annex I for the purpose of demonstrating its compliance with its commitment under Article 3, paragraph 1, for a previous commitment period, an equivalent amount of units shall be subtracted from the current assigned amount of that Party.**

**72. If after the expiry of TCERs from a project activity an operational entity verifies and certifies, according to the requirements stated in section I of these modalities and procedures, that there has been no reversal of the carbon fixed by that project activity, new TCERs may be issued following the procedure established in section J above. Removals by sinks verified and certified by the operational entity over and above the amount originally verified and certified may generate additional TCERs.**

**73. Reissuance of TCERs shall be limited to the crediting period as established in paragraph 50 above.**

## APPENDIX A

### Standards for the accreditation of operational entities

1. An operational entity shall:
  - (a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;
  - (b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;
  - (c) Have the financial stability, insurance coverage and resources required for its activities;
  - (d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;
  - (e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;
  - (f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
    - (i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;
    - (ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate;
    - (iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;
    - (iv) Relevant environmental auditing requirements and methodologies;
    - (v) Methodologies for accounting of anthropogenic emissions by sources **and removals by sinks**;
    - (vi) Regional and sectoral aspects;
  - (g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:
    - (i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;
    - (ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from senior management;
    - (iii) Its quality assurance policy and procedures;
    - (iv) Administrative procedures, including document control;
    - (v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;
    - (vi) Its procedures for handling complaints, appeals and disputes;
  - (h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.
2. An applicant operational entity shall meet the following operational requirements:
  - (a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:
    - (i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;
    - (ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:

- Make a declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activities;
  - Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;
  - Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;
  - Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;
- (b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the **annex to the present decision on modalities and procedures for a clean development mechanism and the above annex.**

## APPENDIX B

### Project design document

1. The provisions of this appendix shall be interpreted in accordance with the **annex to the present decision on modalities and procedures for a clean development mechanism and the annex above on modalities and procedures for afforestation and reforestation project activities for a CDM.**
2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the **modalities and procedures for afforestation and reforestation project activities for a CDM**, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:
  - (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 afforestation and reforestation project activities for a CDM** including, in the case of the:
    - (i) Application of an approved methodology:
      - Statement of which approved methodology has been selected;
      - Description of how the approved methodology will be applied in the context of the project;
    - (ii) Application of a new methodology:
      - Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
      - Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
      - Projections of baseline **removals by sinks and** emissions;
      - Description of how the baseline methodology addresses potential leakage;
    - (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;
  - (c) Statement of the estimated operational lifetime of the project and which crediting period was selected;
  - (d) **Statement of the carbon stock accounting approach selected for the present crediting period;**
  - (e) Description of **how removals by sinks are increased and, if applicable**, how anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity;
  - (f) 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;
    - (iii) **If applicable, documentation demonstrating that the guidelines for addressing socioeconomic and environmental impacts established by the host country have been fulfilled.**
  - (g) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;

- (h) 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;
- (i) Monitoring plan:
  - (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
  - (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
  - (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;
- (j) Calculations:
  - (i) Description of formulae used to calculate and estimate **removals by sinks, and if applicable**, anthropogenic emissions by sources of greenhouse gases of the CDM project activity within the project boundary;
  - (ii) Description of formulae used to calculate and to project leakage, defined as: the net change of **removals by sinks** and anthropogenic emissions by sources of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and **directly** attributable to the CDM project activity;
  - (iii) The sum of (i) and (ii) above representing the CDM project activity **removals by sinks and, if applicable**, emissions;
  - (iv) Description of formulae used to calculate and to **project the removals by sinks** and anthropogenic emissions by sources of greenhouse gases of the baseline;
  - (v) Description of formulae used to calculate and to project leakage;
  - (vi) The sum of (iv) and (v) above representing the baseline emissions;
  - (vii) Difference between (vi) and (iii) above representing **the removals by sinks and** emission reductions of the CDM project activity;
- (k) References to support the above, if any.

## APPENDIX C

### Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

- (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
  - (i) Elaborate the provisions relating to baseline and monitoring methodologies **contained in the annex above** and relevant decisions of the COP/MOP;
  - (ii) Promote consistency, transparency and predictability;
  - (iii) Provide rigour to ensure that **net removals by sinks** and reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;
  - (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
  - (v) Address the additionality requirement of Article 12, paragraph 5(c), paragraph 43 of the **annex to the present decision on modalities and procedures for a clean development mechanism and paragraph 44 of the above annex**;
- (b) Specific guidance in the following areas:
  - (i) Definition of project categories (**e.g. based on project type, geographic area**) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
  - (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
  - (iii) Monitoring methodologies that provide an accurate measure of **actual removals by sinks, and, if applicable, and** reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness;
  - (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;
  - (vi) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
  - (vii) Accounting for applicable national policies and specific national or regional circumstances, such as **sectoral reform initiatives, historical land uses, practices and trends; cultural traditions; socio-economic conditions; future trends at sectoral and national levels and the economic situation in the project sector**;
  - (viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the **land use introduced by the project activity** and other **land uses** in the sector;
- (c) In developing the guidance in (a) and (b) above, the executive board shall take into account:
  - (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) Least cost **land use alternative** for the activity or project category.

## APPENDIX D

### Clean development mechanism registry requirements

1. Provisions for a CDM registry as stated in Appendix D of the **annex to the present decision on modalities and procedures for a clean development mechanism shall apply for the registry and accounting of TCERs and CERs resulting from afforestation and reforestation CDM project activities. For these purposes, TCERs shall be treated as CERs unless otherwise specified in the present appendix.**
2. Each TCER shall have a unique serial number comprising the following elements:
  - (a) Commitment period: the commitment period for which the TCER is issued;
  - (b) Expiration date: the date on which the TCER shall be cancelled.**
  - (c) Party of origin: the Party which hosted the CDM project activity, using the two letter country code defined by ISO 3166;
  - (d) Type: this shall identify the unit as a TCER;
  - (e) Unit: a number unique to the TCER for the identified commitment period and Party of origin;
  - (f) Project identifier: a number unique to the CDM project activity for the Party of origin.



PAPER NO. 13: NEW ZEALAND

**DEFINITIONS AND MODALITIES FOR THE INCLUSION OF AFFORESTATION AND REFORESTATION ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM IN THE FIRST COMMITMENT PERIOD**

**Introduction**

In accordance with the agenda for work as agreed by SBSTA 16 [refer FCCC/SBSTA/2002/6], New Zealand makes the following submission regarding draft text for definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period.

**Modalities: General Approach**

New Zealand supports the adoption of modalities for Afforestation and Reforestation (A&R) activities under the Clean Development Mechanism (CDM) that follow the modalities applicable to other activities under the CDM, with the addition of specific text to address the unique characteristics of A & R activities. In practice, such an approach would result in methodologies with only minor adjustments to the current text.

There are a number of issues that are either unique to A&R activities in the CDM or where minor modifications to the existing text may not result in desirable outcomes. These are discussed in the rest of this submission.

**Issues Requiring Further Consideration of Modalities**

*Non-permanence*

The issue of non-permanence is unique to A&R activities. Two different approaches have been proposed for addressing non-permanence, both of which have the potential to create a regime with environmental integrity.

New Zealand looks forward to the inclusion of draft modalities covering both approaches to the non-permanence issue for further consideration by the SBSTA.

*Baselines, Verification and Certification, and Leakage: Stock change approach or emissions & sequestration approach*

There are at least two general approaches to the issue of which greenhouse gas emissions and removals should be considered for A&R activities under the CDM:

1. All emissions & sequestration of greenhouse gases; and
2. Stock change of carbon only

***Option 1: All emissions & sequestration of greenhouse gases***

This option would potentially create considerable complications in determining baselines and, in particular, in assessing leakage. For example, under this approach the baseline of a project that involved, say the reforestation of grazing land, would include estimates of the methane and nitrous oxide emissions from the pastoral system within the project boundary.

The assessment of leakage would also need to consider whether or not the livestock displaced from the land within the project boundary had been removed permanently from production or whether they had been moved elsewhere.

New Zealand's experience with estimating methane and nitrous oxide emissions using current technology suggests that it can be extremely difficult to estimate (at reasonable cost and degree of certainty) the emissions expected from a specific area of land and agricultural operation. New Zealand's experience also suggests that the issue of whether livestock are permanently removed from production through A&R activities is very complex and dependent on a range of interacting factors, such as intensification of production, changes to farming incentive regimes, genetic improvement of livestock and the like.

***Option 2: Stock change of carbon only***

The stock change approach would be relatively straightforward to implement compared with option 1. It would also be consistent with the treatment of LULUCF activities under the Marrakech Accords.

In terms of draft text, New Zealand wishes to explore the possibility of utilising, as far as is practicable, the carbon pools text currently applied to A & R activities under Decision 11/CP7 of the Marrakech Accords.

For example, under such an approach the current text regarding baselines [FCCC/CP/2001/13/Add.2 Page 36 Para.44] might be amended in an annex on modalities and procedures for the inclusion of A&R project activities under the CDM to read:

*“The baseline for an afforestation or reforestation CDM project activity is the scenario that reasonably represents the [anthropogenic<sup>1</sup>] changes in measured carbon pools that would occur within the project boundary in the absence of the proposed project activity. A baseline shall be deemed to reasonably represent the [anthropogenic] changes in measured carbon pools that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs {insert equivalent paragraph references to paragraphs 37 and 38 of FCCC/CP/2001/13/Add.2 Pages 34 and 35}.”*

The text regarding leakage [FCCC/CP/2001/13/Add.2 Page 37 Para.51] might be amended in an annex on modalities and procedures for the inclusion of A&R project activities under the CDM to read:

*“Leakage is defined as the net [anthropogenic] changes in measured carbon pools which occur outside the project boundary, and which are measurable and attributable to the CDM project activity.”*

Further, the operational text regarding the process for determining the number of units to be issued [for example FCCC/CP/2001/13/Add.2 Page 39 Paras. 61 and 62(f) and Page 40 paras. 63 and 64 respectively] might be amended in an annex on modalities and procedures for the inclusion of A&R project activities under the CDM to read:

*“Verification is the periodic independent review and ex post determination by the designated operational entity of the monitored [anthropogenic] changes in measured carbon pools that have occurred as a result*

*of a registered CDM project during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the [anthropogenic] changes in measured carbon pools as verified.”*

*“Determine the [anthropogenic] changes in measured carbon pools that would not have occurred in the absence of the CDM project activity, based.....”*

*“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 [anthropogenic] changes in measured carbon pools that would not have occurred in the absence of the CDM project activity.....”*

*“The certification report shall constitute a request for issuance to the executive board of [CERs] [tCERs] equal to the verified [anthropogenic] changes in measured carbon pools.”*

<sup>1</sup>It is unclear whether, for the purposes of A&R activities under the CDM, only anthropogenic changes in carbon pools should be considered. New Zealand wishes to explore whether, for example, the baseline should in fact include all changes likely to occur in carbon pools in the absence of the project. Such an approach would, for example, allow possible sequestration by natural forest regeneration to be included in a project baseline. Put another way, if natural forest regeneration were expected to occur in the absence of the project, then any carbon expected to be sequestered by such regeneration should be taken into account when establishing a project baseline.

“Measured Carbon Pools” would be defined to be generally consistent with paragraph 21 FCCC/CP/2001/13/Add.1 Page 62 to read:

*“Measured Carbon Pools” shall include the following carbon pools: above-ground biomass, below ground biomass, litter, dead wood and soil organic carbon. Except for the purposes of establishing a baseline and determining leakage<sup>2</sup>, a carbon pool may be excluded from the measured carbon pools if project participants have submitted transparent and verifiable information is provided that the pool is not a source.*

<sup>2</sup> The ability to exclude carbon pools which are not sources should not be applicable when determining baselines and leakage. This is because all carbon pools that are sequestering carbon should be included in these assessments.

### ***Additionality***

The current text regarding additionality is open to a degree of interpretation that may result in considerable 'free-riding' of A&R projects under the CDM. The Executive Board's job of determining additionality may be made more difficult by the specific geographic boundaries applicable to A&R project activities. Such specific project boundaries may restrict the Executive Board's ability to consider wider market drivers for a project.

New Zealand proposes that the SBSTA consider augmenting the existing additionality text by making specific provision for the designated operational entity to consider whether a given project would meet the normal forest-establishment investment criteria generally applicable in the host country.

For example, the text regarding additionality [FCCC/CP/2001/13/Add.2 Page 36 Para.43] might be amended in an annex on modalities and procedures for the inclusion of A&R project activities under the CDM to read:

*“A CDM project activity is additional if the [anthropogenic] increases in measured carbon pools are greater than those that would have occurred in the absence of the CDM project activity.*

*For the purposes of confirming that a project is additional, the designated operational entity shall consider whether it is likely that the expected economic rate of return for a proposed project is sufficient to allow the project to proceed in the absence of the project activity under the CDM, given the specific economic, regulatory, and risk factors applicable in the host country.”*

PAPER NO. 14: NICARAGUA

**MODALITIES AND PROCEDURES FOR AFFORESTATION AND REFORESTATION  
PROJECT ACTIVITIES IN THE CLEAN DEVELOPMENT MECHANISM**

**INTRODUCTION:**

The Republic of Nicaragua submits to the Secretary of the UNFCCC its views and special considerations with regards to the Annex of the Decision 17/CP.7, on definitions and modalities for the inclusion of reforestation and afforestation under the Clean Development Mechanism, in response to the invitation prescribed in the agenda for work in document FCCC/SBSTA/2002/L.8.

The Republic of Nicaragua will like to express that it considers that the contents of the Annex for AR-CDM should be quite similar, in principle, to those that already exist in Annex I for "Modalities and procedures for a Clean Development Mechanism" for emission reductions. Furthermore, Nicaragua believes that only the question of permanence is unique to sinks and therefore needs to be addressed carefully in the context of modalities for afforestation and reforestation projects under the CDM.

The Republic of Nicaragua will like to inform the Secretary of the UNFCCC that it is making a joint submission with other Latin American countries, which is being presented to the Secretary by the Republic of Uruguay.

In this individual submission the Republic of Nicaragua expresses individual views on some issues, not necessarily shared with the countries participating in the common Latin American submission.

**Special considerations on specific subjects**

***1. Definitions***

Definitions of "afforestation", "reforestation", and "forest" are those indicated in the Annex to decision 11/CP.7 on definitions and modalities related to LULUCF.

The Republic of Nicaragua will like to express its concern with regard to the possibility that the lack of information on land use change, prior to the reference date of the 31 of December of 1989, in some developing countries, might become an obstacle in the promotion of an even distribution of project activities under the CDM. It is also a concern that the little availability of information, and the high costs of obtaining it, might also prove to be an obstacle for the development of small scale forestry projects. An evaluation of these aspects should be made for the second commitment period.

***2. Non-permanence***

In the view of the Republic of Nicaragua the most critical issue that differentiates AR CDM project activities from other types of CDM project activities is the issue of non-permanence. Nicaragua believes that non-permanence should be addressed by an appropriate carbon credits accounting method. The temporary CER approach, in the view of Nicaragua, is the most adequate one to address the issue of non-permanence

***3. Crediting period of the project***

A crediting period should be the time of the validity of a baseline, during this period the baseline should not be changed. Generally, the high value native wood species have a harvesting period between 15 and 25 years. Therefore, Nicaragua considers that long crediting periods, of 20 years, should be established, because they will support sustainable forestry practices. Nicaragua believes that the crediting periods

should be able to be renewed twice, for a total of 60 years. Nicaragua considers that projects will have to review and update their baseline as a prerequisite for renewing a crediting period.

#### **4. Carbon removals in AR-CDM activities**

Nicaragua believes that simple but clearly defined rules to account for carbon pools should be developed in order to address the goal of promoting an even geographical distribution of MDL activities. It is important to note that many developing countries do not have the technical capacity and infrastructure to evaluate all carbon pools, and that this activity might prove to be a very expensive for small scale projects. The rules developed should not be an obstacle for the participation of small developing countries and for of small scale forestry MDL projects.

Nicaragua will like Parties to consider the following simple rules for quantifying sources and removals in carbon pools:

1. Take only into account pools that in the long and short term represent more than 10% of the direct removal of the main activity of the project.
2. The pools considered in the baseline must be the same used in the quantification of sources and removals by the project activities.
3. The methodology used for calculating the removals in the baseline must be the same used in the measurement of the pools.

#### **5. Small Scale CDM forestry projects**

The Republic of Nicaragua favors the elaboration of simplified procedures for small scale forestry projects, similar to those that exist for small scale emission reductions projects.

The Republic of Nicaragua believes that small scale forestry projects can help improve the conditions of rural communities and thus make a substantial contribution to sustainable development and the fight against poverty many developing countries are currently conducting. Furthermore, community based CDM forestry projects with strong participation of the locals might reduce the possibilities of leakages and adverse environmental impacts.

Taking this into account, Nicaragua supports that special considerations be given to projects where the common good prevails. The special considerations for small scale community based projects might include the following:

1. These special type of projects should be able to use official development assistance in the design, formulation and negotiations phases and in the process of strengthening local capacity required for the implementation of project activities.
2. The bundling of small project activities should be allowed in the context of small scale projects simplified procedures, in order to reduce formulation, validation, verification and certification costs.
3. The use of standardized baselines and technical data (e.g. state or eco-regions or species growing rates and carbon contents), based on similar biophysical and socioeconomic conditions, should be allowed in the formulation of small scale forestry projects in order to reduce project costs.

These special considerations might help local communities, local NGOs and indigenous associations overcome the barriers that might not allow them to participate in CDM forest activities.

PAPER NO. 15: NORWAY

**VIEWS ON MODALITIES AND PROCEDURES FOR AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM (CDM) IN THE 1<sup>ST</sup> COMMITMENT PERIOD**

The SBSTA at its sixteenth session requested Parties to provide submissions by 15 March 2003 with views on issues related to definitions and modalities for the inclusion of afforestation and reforestation (A&R) project activities under the clean development mechanism (CDM) in the first commitment period. Norway welcomes this opportunity to provide views and proposals on this issue.

For Norway, it is important to ensure that certified emission reductions are not issued unless the enhancement of anthropogenic removals by A&R project activities is real and measurable. It is also absolutely essential to avoid negative environmental impacts of such project activities, in particular on biodiversity. Norway will work towards these aims in the agreed process towards COP 9, where a decision on definitions and modalities for including A&R project activities under the CDM is to be adopted. The definitions and modalities must ensure that A&R project activities are environmentally and socially sound and that biodiversity is not threatened. In the process of preparing a decision at COP 9, Norway is particularly concerned about finding environmentally acceptable solutions to the issues of non-permanence, baselines and leakage, and environmental and socio-economic impacts of A&R project activities.

As requested by the Chairs at the recent workshop (Iguassu Falls, Brasil, 12.-14. februar 2003), we are submitting text for inclusion in an annex on modalities and procedures for A & R CDM project activities reflecting, *mutatis mutandis*, the annex to decision 17/CP.7 on modalities and procedures for the CDM. We are also submitting text for inclusion in a draft COP/MOP decision.

***Non-permanence***

Different options have been proposed to ensure that only real and measurable removals by sinks of greenhouse gases are credited, and that all losses of carbon are accounted for. Among these, we consider in particular the option on temporary certified emission reductions (tCERs) as a viable option. The tCER option may, in our view, involve less risk of loss of carbon without replacement of certified emission reduction units than other proposals. Replacement of losses of the credited carbon must always be guaranteed.

If Norway is to make use of credits from afforestation and reforestation CDM projects in complying with its commitments under the Kyoto Protocol, it will be important that such projects result in long-term storage of carbon, and we prefer an option that provides such an incentive for the project developer. This should be taken into account when developing the modalities and procedures for A&R project activities. The following elements should be prerequisites for temporary certified emission reductions:

- The definition of the tCER should be equal to a CER, with exception of the adjustments necessary for the temporary nature of a tCER.
- The validity period should be five years.
- Re-issuance should be possible during the length of the crediting period as long as new verification of the carbon content is made every five years.
- Project developers' incentive to store the carbon should be ensured.

### ***Baselines, additionality and leakage***

Baselines for A&R project activities should cover both emissions by sources and removals by sinks within the project boundary for the following carbon pools: below- and above-ground biomass, dead wood, litter and soil organic carbon. When calculating the credits from the project, it should be mandatory to include relevant carbon pools that are estimated to decrease because of the proposed project activity, while inclusion of pools that increase in carbon content could be optional. The same pools should thus be included in calculations of the baseline. Such a requirement would be equivalent to the provision in paragraph 21 in the draft decision -/CMP.1 on Land use, land-use change and forestry. The baseline should cover changes in the greenhouse gases CO<sub>2</sub>, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) within the project boundary. It should be mandatory to include greenhouse gases that increase during the project period, while inclusion of greenhouse gases that decrease could be optional.

It is our view that an afforestation or reforestation project activity is *additional* if the net removal by sinks of greenhouse gases resulting from the project increases above the net removal that would have occurred in the absence of the project. The net removal by sinks then signifies the removal of carbon stocks in the pools specified above minus emissions by sources of the greenhouse gases CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O.

We propose that *leakage* be defined as emissions of greenhouse gases or reduced removal of carbon due to the afforestation or reforestation project activity that takes place outside the project boundary, which can be measurable and directly attributable to the afforestation/reforestation project activity. When calculating net increase in the quantity of carbon stocks in the specified pools, the amount of leakage must be subtracted. We do not support the inclusion of what some Parties have introduced as “positive” leakage; i.e. adding to the calculation reduced emissions or increased removals outside the project boundary due to the project activity. In our view, this was not the intention of the inclusion of leakage effects, and the modalities for other CDM projects do not include a provision to include reduced emissions outside the project-boundary. Thus, reduced emissions or increased removals taking place outside the defined project can not lead to issuance of credits to the project. Furthermore, if significant sources of leakage from the proposed project activity exist but cannot be quantified, the leakage should be considered to be equal to the net removal by the project.

On the requirements for monitoring plans, we suggest including a reference to the Good Practice Guidance by the IPCC.

### ***Socio-economic and environmental impacts***

For Norway, it is crucial to avoid negative environmental impacts of A&R project activities, in particular on biodiversity. We would like to emphasise that the modalities and procedures for A&R project activities must build upon and be in accordance with other international Conventions and agreements, like the Convention on Biological Diversity (CBD) and the Convention to Combat Desertification (CCD). Regarding the rights of local communities and indigenous peoples, we would also like to underline the importance of ensuring consistency with commitments under the ILO Convention 169. Proper attention should also be paid to relevant policy advice from the UN Forum on Forests. We therefore propose the inclusion of principles which should govern the treatment of A&R project activities, e.g. to ensure consistency with commitments and goals under other relevant international agreements, such as the CBD, the CCD, and the ILO Convention 169. Moreover, we propose including a provision ensuring that the afforestation/reforestation project activity complies with the host party's national laws and with its commitments with regard to multilateral environmental agreements.

We propose to exclude the use of alien species and genetically modified organisms (GMOs) in A&R project activities. On the other hand we would like to encourage mixed-species plantations (the



incorporation of several tree species into a single stand) in A&R project activities and propose the introduction of text on this in the draft COP/MOP decision. Due to negative impacts on biodiversity, drainage of wetlands, peat lands and mires in order to establish A&R project activities should also be avoided.

It is essential that information on socio-economic and environmental impacts related to the different projects is provided in a consistent and comparable way. This should be in the interest of both the project developer and the buyer of the credits. Therefore we propose the inclusion of an appendix outlining a checklist of common issues to be addressed in the analysis of socio-economic and environmental impacts of A&R project activities. If any of the impacts revealed in the analyses would be considered significant by the project participants or the host Party, the project participants should undertake social- and/or environmental impact assessments, in accordance with paragraph 37 c) of the annex.

An ad hoc technical expert group that will prepare advice on integrating biological diversity considerations into the implementation of the UNFCCC and the Kyoto Protocol has been established under the CBD. In our view, it is important to carefully consider the outcome of the SBSTTA's (under CBD) considerations of the findings of this group before COP 9 and their relevance for the decision on modalities and procedures for afforestation and reforestation project activities under the CDM.

### ***Definitions***

Definitions of forest, afforestation and reforestation outlined in paragraph 1 (a), (b) and (c) of the annex to decision 11/CP.7 for sink activities under articles 3.3 and 3.4 of the Kyoto Protocol should also be valid for A&R project activities under the CDM. The definition of forest is rather broad, and Parties are to choose a minimum area of land, a minimum tree crown cover and a minimum tree height at maturity within quite wide ranges. As for the CDM, we suggest that non-Annex I Parties that wish to host A&R project activities choose a minimum forest area, a minimum tree height at maturity as well as a minimum density within the given ranges. The selection should be reported to the Secretariat, and should be valid throughout the first commitment period for all A&R project activities under the CDM in the respective non-Annex I Parties.

The definition of afforestation according to the LULUCF-modalities is "the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources". As mentioned above, this definition is appropriate also for afforestation project activities under the CDM. The definition on reforestation is expressed as "the direct human-induced conversion of non-forested land to forest land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forest land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989". In our view, it is important to keep the same base year for reforestation project activities to avoid crediting of carbon from activities on lands that quite recently were deforested.

Furthermore, we propose definitions related to the terms *ecosystem*, *biodiversity* and *alien species*. It is useful to have common understanding of what these terms signify when employed in the annex. We propose that introduction of alien species and genetically modified organisms (GMOs) should not be allowed in A&R project activities under the CDM. The language proposed on definitions of the term alien species is based on definitions under the CBD.

**Proposed text to be included under Draft decision -/CMP.1 (Article 12) - Modalities and procedures for inclusion of afforestation and reforestation project activities under the CDM in the first commitment period**

(...)

1. Affirms that the following principles govern the treatment of afforestation and reforestation project activities under the clean development mechanism:

- (a) It is the host country's prerogative to confirm that the project assists in achieving sustainable development;
- (b) In the project design and approval processes Parties and project participants should take into account internationally agreed principles and criteria on sustainable development, and use the principles of the ecosystem approach as a guidance;
- (c) Parties and project participants shall ensure consistency and mutual supportiveness of afforestation and reforestation project activities with national strategies and policies for sustainable development and other relevant national policies such as national forest programs, and with commitments and goals under other relevant international agreements, such as the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (CCD), and the International Labour Organization Convention (ILO Convention 169);
- (d) Parties and project participants shall address socio-economic and environmental impacts of afforestation and reforestation project activities through assessment or analysis at appropriate levels (e.g. as outlined in Decision 7 of COP 6 of the CBD) enabling them to set key priorities on project type, activities, geographic areas and technologies to be transferred and adapted;
- (e) Use of alien species and genetically modified organisms (GMOs) is excluded from afforestation and reforestation project activities;
- (f) In afforestation and reforestation projects, mixed-species plantations (the incorporation of several tree species into a single stand) are encouraged;
- (g) Drainage of wetlands, peatlands and mires in order to establish afforestation and reforestation projects shall be avoided.

**Proposed text to be included in an annex on modalities and procedures for afforestation and reforestation project activities under the CDM**

The annex will reflect, *mutatis mutandis*, the annex to decision 17/CP.7 on modalities and procedures for the CDM. Proposed textual amendments for the annex on modalities and procedures for afforestation and reforestation project activities under the CDM are underlined.

ANNEX

**Modalities and procedures for afforestation and reforestation project activities under the CDM for the first commitment period**

**A. Definitions**

*Paragraph 1 of the Annex to Decision 17/CP.7 applies with the following additions:*

(f) “Forest” is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity *in situ*. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest.

(g) “Afforestation” is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources;

(h) “Reforestation” is the direct human-induced conversion of non-forested land to forest land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forest land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989;

(i) “Ecosystem” means a dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit;

(j) “Biological diversity” (biodiversity) means the variability among living organisms from all sources including, *inter alia*, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems.

(k) “Alien species” means a species, subspecies or lower taxon, introduced outside its natural past or present distribution, includes any part, gametes, seeds, eggs, or propagules of such species that might survive and subsequently reproduce.

(l) “Introduction” in this context means the movement by human agency, indirect or direct, of an alien species outside of its natural range (past or present). This movement can be either within a country or between countries or areas beyond national jurisdiction.

**B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

*Paragraphs 2-4 of the Annex to Decision 17/CP.7 apply. No changes suggested.*

**C. Executive board**

*Paragraphs 5-19 of the Annex to Decision 17/CP.7 apply. No changes suggested.*

**D. Accreditation and designation of operational entities**

*Paragraphs 20-25 of the Annex to Decision 17/CP.7 apply. No changes suggested.*

**E. Designated operational entities**

*Paragraphs 26 and 27 of the Annex to Decision 17/CP.7 apply. No changes suggested.*

**F. Participation requirements**

*Paragraphs 28-34 of the Annex to Decision 17/CP.7 apply with the following amendment:*

30. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol and may host an afforestation and/or reforestation project activity if it has selected and reported to the Secretariat a minimum tree crown value between 10 and 30 per cent, a single minimum land area value between 0.05 and 1 hectare and a single minimum tree height value between 2 and 5 metres. This selection shall apply to all afforestation and reforestation project activities under the CDM in the non-Annex I country during the first commitment period.

**G. Validation and registration**

*Paragraphs 35-36, 37 (d), (e) and (g), 38-42, 45 (a) - (c) and 46-47 of the Annex to Decision 17/CP.7 apply. We propose the following amendments to this section:*

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:

(a) The participation requirements as set out in paragraphs 28 to 30 above are satisfied;

(b) Local stakeholders were involved at an early stage in the project design, adequate procedures were available for stakeholders to provide comments, identified concerns were dealt with, 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;

(b bis) The project activity does not entail the use of alien species and/or genetically modified organisms.

(c) Project participants have submitted to the designated operational entity documentation on the analysis of the socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems of the project activity in accordance with Appendix E, confirmation that this documentation correctly reflects expected impacts of the implementation of project activities and, if any impact was considered significant by the project participants or the host Party, that project participants have undertaken socio-economic impact assessments and environmental impact assessments, as appropriate, in accordance with procedures as required by the host Party and guided by decision VI/7 under the Convention on Biological Diversity on further development of guidelines for incorporating biodiversity-related issues into environmental-impact-assessment legislation or processes and in strategic impact assessments;

(c bis) Based on the analysis on socio-economic and environmental impacts and regarding the issues referred to in Appendix E below, project participants have presented a document with conclusions with respect to the kind of impacts identified in the project area and from project activities, the significance of these impacts and possible remedial measures. Monitoring strategies to follow up these impacts should be included in this document;

(f) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the present annex, the IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry and relevant decisions of the COP/MOP;

(h) The afforestation and reforestation project activity complies with national laws of the host Party and with international commitments of the host Party under multilateral environmental agreements.

43. An afforestation and/or reforestation CDM project activity is additional if net removals<sup>1</sup> are increased above those that would have occurred in the absence of the registered afforestation and/or reforestation CDM project activity.

44. The baseline for an afforestation and/or reforestation CDM project activity is the scenario that reasonably represents the net removals<sup>1</sup> that would occur in the absence of the proposed afforestation and/or reforestation project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 above. A baseline shall cover all the greenhouses gases CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O if relevant and all the following carbon pools within the project boundary: Above-ground and below-ground biomass, litter, dead wood and soil organic carbon, in accordance with paragraph 53 (a). The carbon pools that are included when calculating the credits from the project shall be included in the baseline scenario.

45. A baseline shall be established:

(e) Taking into account natural site-specific factors, initial carbon stocks within the project boundary, as well as the most likely prospective land use at the time of the project start such as agriculture, abandonment, or other alternative land uses, and socio-economic factors;

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<sup>1</sup> Net removal is the verifiable changes in carbon stocks in the following pools: above-ground and below-ground biomass, litter, dead wood and soil organic carbon, minus the emissions by sources of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, measured in CO<sub>2</sub>-equivalents

(f) Taking into account relevant national policies, plans and circumstances, including national forest programmes, other national and/or sectoral and/or local policies and circumstances, and the economic situation in the project agriculture and forestry sector.

46. *Delete.*

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

- (a) Existing actual or historical removals and/or emissions, as applicable; or
- (b) Removals and/or emissions from a land use activity that represents an economically attractive course of action, taking into account barriers to investment;
- (c) *Delete.*

49. Afforestation and/or reforestation CDM project activities shall have a crediting period of at least 60 years, provided that, every 10 years, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking into account new data where applicable.

50. The net increase in the quantity of carbon stocks in the specified pools shall be reduced by the amount of leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62 (f) below, respectively.

51. Leakage is defined as increased emissions of greenhouse gases and reduced removals of carbon, which occur outside the project boundary due to the afforestation and reforestation CDM project activity which can be measurable and can be directly attributable to the CDM project activity. If significant sources of leakage cannot be calculated, or if leakage cannot be properly addressed, leakage shall be assumed to be equal to increased net removal.

52. The project boundary is the boundary of the land that will be afforested or reforested by the CDM project activity.

## **H. Monitoring**

*Paragraphs 55-58 of the Annex to Decision 17/CP.7 apply. We propose the following amendments:*

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

- (a) The collection and archiving of all relevant data necessary for estimating or measuring the changes in carbon stocks and emissions of greenhouse gases by sources and removals by sinks. The relevant greenhouse gases include CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. Carbon change in the following pools should be included: above-ground and below-ground biomass, litter, dead wood and soil organic carbon, occurring within the project boundary during the crediting period. Projects participants may choose not to include in the monitoring plan one or more of the identified greenhouse gases

or pools if transparent and verifiable information is provided that the implementation of the project will not lead to higher emissions from these gases or lower net removal of carbon in these pools compared to the baseline scenario;

(b) The collection and archiving of all relevant data necessary for determining the baseline of emissions of greenhouse gases by sources and removals by sinks related to the specified pools, within the project boundary during the crediting period. The monitoring plan shall specify techniques and methods for sampling and measuring individual carbon pools included in the baseline that reflect commonly accepted principles and criteria concerning forest inventory, soil sampling and ecological surveys. Permanent sample plots shall be established and maintained for evaluating changes in forest carbon pools and non-CO<sub>2</sub> GHG fluxes throughout the crediting period/project lifetime. The emissions and removals in control sites shall be measured at the same time.

(c) The identification of all potential sources of, and the collection of data on, changes in carbon stocks and emissions of greenhouse gases by sources outside the project boundary, that are significant and reasonably attributable to the project activity during the project period.

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

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the changes in carbon stocks in the specified pools and changes in emissions by sources of relevant greenhouse gases by the proposed afforestation and/or reforestation CDM project activity, and for leakage effects

(f bis) The collection and archiving of all relevant data related to socio-economic and environmental impact assessment and any remedial measures;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53 (c) and (f) above.

54. A monitoring plan for a proposed afforestation and/or reforestation project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 38 above, that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere.

(b) Reflects good monitoring practice appropriate for afforestation and reforestation project activities, taking into account the IPCC Good Practice Guidance for Land use, Land use Change and Forestry as approved by the COP.

59. Subsequent to the monitoring and reporting, the quantity removed from an afforestation and/or reforestation project activity shall be calculated applying the registered methodology, as the increase in the amount of carbon sequestered in specified pools by the afforestation or reforestation CDM project activity minus changes in emissions of relevant greenhouse gases during a specified period measured ex-post less the increase in the amount of carbon that would have been sequestered and changes in emissions of greenhouse gases during the same period under the baseline scenario in accordance with paragraph 53 a) above, adjusted for leakage.

**I. Verification and certification**

*Paragraphs 61- 63 of the Annex to Decision 17/CP.7 apply. No changes suggested.*

**J. Issuance of certified emission reductions**

*Paragraphs 64-67 of the Annex to Decision 17/CP.7 apply. No changes suggested.*



## **APPENDIX A**

### **Standards for the accreditation of operational entities**

*The appendix applies; no changes suggested.*

## **APPENDIX B**

### **Project design document**

*The appendix applies; no changes suggested.*

## **APPENDIX C**

### **Terms of reference for establishing guidelines on baselines and monitoring methodologies**

*The appendix applies; no changes suggested.*

## **APPENDIX D**

### **Clean development mechanism registry requirements**

*The appendix applies; no changes suggested.*

## **APPENDIX E**

*We propose the inclusion of a new appendix on:*

### **Socio-economic and environmental impacts of afforestation and reforestation activities**

1. The purpose of this Appendix is to outline common issues to be addressed in the analysis of socio-economic and environmental impacts of afforestation and reforestation project activities, as required under paragraph 37 c) and c bis), including transboundary impacts.
2. A management plan for the project shall be provided, describing the timeframe of planned project activities, forestry practices such as rotation age and harvesting intensity, and monitoring. The management plan should take into account information collected in connection with the analysis of socio-economic and environmental impacts.
3. For the analysis of environmental impacts of the A&R, the following items should be addressed:

Environmental status of the project area:

- Information on present environmental status of the land area planned to be included in the project, including a description of ecosystems and habitat types and their respective coverage of the area in question, including a description of presence of rare/endangered vegetation types;
- Information on neighbouring ecosystem types likely to be exposed to transboundary impacts;

- Information on the presence of rare and/or endangered species as described in national and/or global Red Lists in accordance with the classification from the International Union for Conservation of Nature and Natural Resources (IUCN), both in the project area and in neighbouring ecosystems;

Project activities:

- Planned land use changes in addition to the actual planting, including the construction of roads and fences, changes in watercourses and irrigation, including potential environmental impacts of these activities;
  - Planned use of pesticides and fertilizers, including potential negative impacts on the environment of these pesticides and fertilizers;
  - Planning and management tools available for the project including tools for mitigating fire and pests and monitoring environmental impacts;
  - Potential negative impacts of the project and its activities on soil and water resources, biodiversity (including expected changes in species composition in the project area), ecosystem functioning, and human health;
4. For the analysis of socio-economic impacts, the following items should be addressed:
- Current use of land areas planned to be included in the project, and expected impacts on access to and future use of those land areas for indigenous and local communities;
  - The special needs of indigenous and forest dwelling people;
  - Synergy between the potential of the project to mitigate climate change and its potential to positively impact on local living conditions;
  - Impacts on employment, market access, livelihood of local communities and food production;

PAPER NO. 16: SENEGAL ON BEHALF OF THE AFRICAN GROUP

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

**KEY COMMENTS**

**ISSUES ON NON PERMANENCY**

Concerning Insurance, for Africa, the difficulties is to provide such application, which increase the cost of project and increase the cost participation of the host country. CDM project are supposed to sustain development in developing countries and help annexe I countries to respect their commitment not to transfer the commitment to non annexe I countries;

The level of insurance is not define?

Also, such approach, will not allowed the development of small projects supported by local community which have limited financial capacities;

Again, in Africa, it will be difficult to find so insurance company for such kind of activities;

Concerning Credits reserves, it can be use to compensate CERs lost during the CDM sinks project. Each country manage at a national level a stock of CERs coming from others CDM activities. The amounts of credits for compensation will be equivalent to the quantity of carbon loose during the project.

Regarding buffers, We considered it as an potential guarantee for compensation for any lease of carbon in the CDM sinks project

How will be the characteristic of buffer:

- provide some CERs, buffer need to follow the same consideration as CDM sink project, the difference point is that buffer will be use only when the project loose some CERs.
- Buffer need to be not far to the local place of the CDM project, just to limit cost aspect, but enough far to be preserve it from any disease or fire which will happened in the sink CDM project
- The size of the buffer is not important but the amount of credits it can generate;
- The aspect interested by buffer is it can be finance by development agency and reinforce national capacities to monitor sinks project
- Also, it preferential for the global warming perspective to have a natural compensation than an financial one ;

**TCERs**

Such approach have an interested aspect:

- not need for insurance due to the short period of validity of CERs, five years, risk are minimize;
- If tCERs are renewed, such approach seems acceptable, if the lifetime of the project is long enough to allow projects participants to maximize the benefits of sinks CDM;

## **SOCIOECONOMIC AND ENVIRONMENTAL IMPACTS**

### **Socio-economic impacts:**

Project developers have to identify positive and negative socio-economic impacts of the CDM sink project and it will be up to host country at the national level to analyse those impacts and solutions to minimize social negative impacts. This analysis will be based on national development goals, national commitments under international agreements and national indicators for sustainable development.

Some main aspects like a statement on legal use of land and on carbon sequestration rights and the approbation of local communities on the implementation of the project activities have to be ensured.

A socio-economic impacts analysis is required in the project document design.

Operational Entity have to look the guidelines develop by project participants and verify the level of stakeholder and indigenous consultation during the national process of validation of the project.

During the monitoring step, those impacts need to be considered by the OE, to verify if they are sufficiently addresses.

### **ENVIRONMENTAL IMPACT**

Within the context of the Kyoto protocol, implementation of land use, land use change and forestry (LULUCF) activities have to contribute to the conservation of biodiversity and sustainable use of natural resources is the key to environmental protection, biodiversity conservation and sustainable development.

Afforestation, reforestation as well as small holding agroforestry activities to sequester carbon and other greenhouse gases pose risk to environmental impacts.

Environmental impact analysis is therefore important for LULUCF project in particular for projects with high potentialities of negative environmental impacts.

Operational activities of environmental impact assessment for LULUCF projects should be less complicated but, be capable to address all negative environmental impacts as follows: Conversion of natural forest to other land use forms; loss of biodiversity; reduce pressure on natural forest; preservation of water use and water quality; ecosystem restoration to combat desertification;

During the monitoring step, those impacts need to be considered by the OE, to verify if they are sufficiently addresses.

### **Crediting period**

The EU proposal, to have the crediting period be 15 to 20 years , with possibilities of renew it twice or third time is acceptable. So, at the end of the crediting period, the baseline will be reviewed.

Such approach is acceptable and give the potentialities to not only limit CDM forest project to the first commitment period ( five years).

**Small scale projects:**

Some simplifies modalities and procedures for “small scale” afforestation or a reforestation project” shall be apply. SBSTA have to considerer this issue and recommend at COP9, that the Executive board will develop and recommend to the COP at its 10 th session simplified modalities and procedures for small-scale clean development mechanism project activities in the forestry as he already made it for energy small scale projects.

So, concerning the modalities for “small scale”, following elements have to be considered:

- it concern project which sequestered less than 15 kilotonnes of carbon dioxide annually;
- these project should be treated similar to the energy small scale projects;
- baseline and monitoring plan are simplified;
- possibilities to bundle small afforestation or reforestation project activities.

**Decision 17/CP.7**  
**Modalities and procedures for a clean development mechanism**  
**as defined in Article 12 of the Kyoto Protocol**

*The Conference of the Parties,*

*Recalling* Article 12 of the Kyoto Protocol which provides that the purpose of the clean development mechanism shall be to assist Parties not included in Annex I to the Convention 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 of the Kyoto Protocol,

*Recalling also* its decision 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

*Aware* of its decisions 2/CP.7, 11/CP.7, 15/CP.7, 16/CP.7, 18/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7, 24/CP.7 and 38/CP.7,

*Affirming* that it is the host Party's prerogative to confirm whether a clean development mechanism project activity assists it in achieving sustainable development,

*Recognizing* that Parties included in Annex I are to refrain from using certified emission reductions generated from nuclear facilities to meet their commitments under Article 3, paragraph 1,

*Bearing in mind* the need to promote equitable geographic distribution of clean development mechanism project activities at regional and subregional levels,

*Emphasizing* that public funding for clean development mechanism projects from Parties in Annex I is not to result in the diversion of official development assistance and is to be separate from and not counted towards the financial obligations of Parties included in Annex I,

*Further emphasizing* that clean development mechanism project activities should lead to the transfer of environmentally safe and sound technology and know-how in addition to that required under Article 4, paragraph 5, of the Convention and Article 10 of the Kyoto Protocol,

*Recognizing* the need for guidance for project participants and designated operational entities, in particular for establishing reliable, transparent and conservative baselines, to assess whether clean development mechanism project activities are in accordance with the additionality criterion in Article 12, paragraph 5(c), of the Kyoto Protocol,

1. *Decides* to facilitate a prompt start for a clean development mechanism by adopting the modalities and procedures contained in the annex below;
2. *Decides* that, for the purposes of the present decision, the Conference of the Parties shall assume the responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as set out in the annex below on modalities and procedures;
3. *Invites* nominations for membership in the executive board:
  - (a) For facilitating the prompt start of the clean development mechanism, from Parties to the Convention to be submitted to the President of the Conference of the Parties at its present session, with a view to the Conference of the Parties electing the members of the executive board at that session;

(b) Upon the entry into force of the Kyoto Protocol, to replace any member of the executive board of the clean development mechanism whose country has not ratified or acceded to the Kyoto Protocol. Such new members shall be nominated by the same constituencies and elected at the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Decides* that, prior to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the executive board and any designated operational entities shall operate in the same manner as the executive board and designated operational entities of the clean development mechanism as set out in the annex below;

5. *Decides* that the executive board shall convene its first meeting immediately upon the election of its members;

6. *Decides* that the executive board shall include in its work plan until the eighth session of the Conference of the Parties, *inter alia*, the following tasks:

(a) To develop and agree on its rules of procedure and recommend them to the Conference of the Parties for adoption, applying draft rules until then;

(b) To accredit operational entities and designate them, on a provisional basis, pending the designation by the Conference of the Parties at its eighth session;

(c) To develop and recommend to the Conference of the Parties, at its eighth session, simplified modalities and procedures for the following small-scale clean development mechanism project activities:

(i) Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent);

(ii) Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatt/hours per year;

(iii) Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually;

(d) To prepare recommendations on any relevant matter, including on Appendix C to the annex below, for consideration by the Conference of the Parties at its eighth session;

(e) To identify modalities for seeking collaboration with the Subsidiary Body for Scientific and Technological Advice on methodological and scientific issues;

7. *Decides*:

(a) That the eligibility of land use, land-use change and forestry project activities under the clean development mechanism is limited to afforestation and reforestation;

(b) That for the first commitment period, the total of additions to a Party's assigned amount resulting from eligible land use, land-use change and forestry project activities under the clean development mechanism shall not exceed one per cent of base year emissions of that Party, times five;

(c) That the treatment of land use, land-use change and forestry project activities under the clean development mechanism in future commitment periods shall be decided as part of the negotiations on the second commitment period;

8. *Requests* the secretariat to organize a workshop before the sixteenth session of the Subsidiary Body for Scientific and Technological Advice with the aim of recommending terms of reference and an agenda for the work to be conducted under paragraph 10(b) below on the basis of, *inter alia*, submissions by Parties referred to in paragraph 9 below;

9. *Invites* Parties to provide submissions to the secretariat by 1 February 2002 on the organization of the workshop referred to in paragraph 8 above, and to express their views on the terms of reference and the agenda for the work to be conducted under paragraph 10(b) below;

10. *Requests* the Subsidiary Body for Scientific and Technological Advice:

(a) To develop at its sixteenth session terms of reference and an agenda for the work to be conducted under subparagraph (b) below, taking into consideration, *inter alia*, the outcome of the workshop mentioned in paragraph 8 above;

(b) To develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism 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 decision -/CMP.1 (*Land use, land-use change and forestry*) and the terms of reference referred to in subparagraph (a) above, with the aim of adopting a decision on these definitions and modalities at the ninth session of the Conference of the Parties, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session;

11. *Decides* that the decision by the Conference of the Parties at its ninth session, on definitions and modalities for inclusion of afforestation and reforestation project activities under the clean development mechanism, for the first commitment period, referred to in paragraph 10 (b) above, shall be in the form of an annex on modalities and procedures for afforestation and reforestation project activities for a clean development mechanism reflecting, *mutatis mutandis*, the annex to the present decision on modalities and procedures for a clean development mechanism;

12. *Decides* that certified emission reductions shall only be issued for a crediting period starting after the date of registration of a clean development mechanism project activity;

13. *Further decides* that a project activity starting as of the year 2000, and prior to the adoption of this decision, shall be eligible for validation and registration as a clean development mechanism project activity if submitted for registration before 31 December 2005. If registered, the crediting period for such project activities may start prior to the date of its registration but not earlier than 1 January 2000;

14. *Requests* Parties included in Annex I to start implementing measures to assist Parties not included in Annex I, in particular the least developed and small island developing States among them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention;



15. *Decides*:

(a) That the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be two per cent of the certified emission reductions issued for a clean development mechanism project activity;

(b) That clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

16. *Decides* that the level of the share of proceeds to cover administrative expenses of the clean development mechanism shall be determined by the Conference of the Parties upon the recommendation of the executive board;

17. *Invites* Parties to finance the administrative expenses for operating the clean development mechanism by making contributions to the UNFCCC Trust Fund for Supplementary Activities. Such contributions shall be reimbursed, if requested, in accordance with procedures and a timetable to be determined by the Conference of the Parties upon the recommendation of the executive board. Until the Conference of the Parties determines a percentage for the share of proceeds for the administrative expenses, the executive board shall charge a fee to recover any project related expenses;

18. *Requests* the secretariat to perform any functions assigned to it in the present decision and in the annex below;

19. *Decides* to assess progress made regarding the clean development mechanism and to take appropriate action, as necessary. Any revision of the decision shall not affect clean development mechanism project activities already registered;

20. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

*8th plenary meeting*

*10 November 2001*

**Draft decision -/CMP.1 (Article 12)**  
**Modalities and procedures for afforestation and reforestation projects under the clean development mechanism**  
**as defined in Article 12 of the Kyoto Protocol**

*The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,*

*Recalling* the provisions of Articles 3 and 12 of the Kyoto Protocol,

*Bearing in mind* that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention 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 of the Kyoto Protocol,

*Aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 6), -/CMP.1 (Article 17), -/CMP.1 (Land use, land-use change and forestry), -/CMP.1 (Modalities for the accounting of assigned amounts), -/CMP.1 (Article 5.1), -/CMP.1 (Article 5.2), -/CMP.1 (Article 7) and -/CMP.1 (Article 8), and decisions 2/CP.7 and 24/CP.7,*

*Cognizant of decision X/CP.9 on modalities and procedures for afforestation and reforestation activities, under the clean development mechanism in the first commitment as defined in Article 12 of the Kyoto Protocol,*

1. *Decides* to confirm, and give full effect to any actions taken pursuant to, decision X/CP.9 and to any other relevant decisions by the Conference of the Parties, as appropriate;
2. *Adopts* the modalities and procedures for afforestation and reforestation activities, under the clean development mechanism for the first commitment period contained in the annex below;
3. *Invites* the executive board to review the simplified modalities, procedures and the definitions of small-scale project activities referred to in paragraph 6(c) of decision 17/CP.7 and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;
4. *Decides* further that any future revision of the modalities and procedures for afforestation and reforestation activities, under the clean development mechanism in the first commitment shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the executive board and by the Subsidiary Body for Implementation drawing on technical advice from the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.

## ANNEX

### Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period

#### A. Definitions

1. For the purposes of the present annex the definitions contained in Article 11 and the provisions of Article 14 shall apply. Furthermore:

(a) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(b) 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 modalities and procedures contained in the Annex to decision 17/CP.7, 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;

(c) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(d) A “removal unit” or “RMU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) 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;

(b)bis A “temporary certified emission reduction” or “TCER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these modalities and procedures, with a validity of five years, 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. The number of outstanding TCERs is subject to review during verification .

(e) “Stakeholders” means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

**B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol**

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM).
3. The COP/MOP shall provide guidance to the executive board by taking decisions on:
  - (a) The recommendations made by the executive board on its rules of procedure;
  - (b) The recommendations made by the executive board, in accordance with provisions of [decision 17/CP.7 and] decision 9/CP.9, the present annex and relevant decisions of the COP/MOP;
  - (c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5, and accreditation standards contained in Appendix A below.
4. The COP/MOP shall further:
  - (a) Review annual reports of the executive board;
  - (b) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties<sup>2</sup>.
  - (c) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;
  - (d) Assist in arranging funding of CDM project activities, as necessary.

**C. Executive board**

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:
  - (a) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;
  - (b) Make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the executive board contained in the present annex, as appropriate;
  - (c) Report on its activities to each session of the COP/MOP;

<sup>1</sup> In the context of this annex, "Article" refers to an Article of the Kyoto Protocol, unless otherwise specified.

- d) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below;
- (e) Review provisions with regard to simplified modalities, procedures and the definitions of small scale project activities including their applicability to small-scale afforestation and reforestation projects and make recommendations to the COP/MOP with the aim of adopting a decision on revised modalities for small scale afforestation and reforestation projects under the CDM, as necessary, at the tenth session of the Conference of the Parties [nth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol];
- (f) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5. This responsibility includes:
  - (i) Decisions on re-accreditation, suspension and withdrawal of accreditation;
  - (ii) Operationalization of accreditation procedures and standards;
- (g) Review the accreditation standards in Appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;
- (h) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;
- (i) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;
- (j) Make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration;
- (k) Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;
- (l) Develop and maintain the CDM registry as defined in Appendix D below;
- (m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs issued;
- (n) Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP;

(o) Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews referred to in paragraphs 41 and 65 below including, *inter alia*, procedures to facilitate consideration of information from Parties, stakeholders and

UNFCCC accredited observers. Until their adoption by the COP/MOP, the procedures shall be applied provisionally;

(p) Carry out any other functions ascribed to it in [decision 17/CP.7 and] decision X/CP.9, the present annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support a socio-economic and environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

7. The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members, including alternate members, of the executive board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 above and be elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 below shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the executive board;

(d) Be bound by the rules of procedure of the executive board;

(e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties;

(f) Have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity;

(g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate

member, and shall remain an obligation after the expiration or termination of that member's function for the executive board.

9. The COP/MOP shall elect an alternate for each member of the executive board based on the criteria in paragraphs 7 and 8 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

10. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification.

11. If a member, or an alternate member, of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

12. The executive board shall elect its own chairperson and vice-chairperson, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

13. The executive board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 below. All documentation for executive board meetings shall be made available to alternate members.

14. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

15. Decisions by the executive board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the executive board.

17. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations.

18. The executive board may establish committees, panels or working groups to assist it in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

19. The secretariat shall service the executive board.

#### **D. Accreditation and designation of operational entities**

20. The executive board shall:

- (a) Accredite operational entities which meet the accreditation standards contained in Appendix A below;
- (b) Recommend the designation of operational entities to the COP/MOP;
- (c) Maintain a publicly available list of all designated operational entities;
- (d) Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;
- (e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

21. The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess TCERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess TCERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

23. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

24. Any costs related to the review referred to in paragraph 22 above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

25. The executive board may seek assistance in performing the functions in paragraph 20 above, in accordance with the provisions of paragraph 18 above.



### **E. Designated operational entities**

26. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in [decision 17/CP.7 and] decision X/CP.9, the present annex and relevant decisions of the COP/MOP and the executive board.

27. A designated operational entity shall:

(a) Validate proposed CDM afforestation and reforestation project activities;

(b) Verify and certify the net anthropogenic removals by sinks projects of greenhouse gases ;

(c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph (e) below;

(d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;

(e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;

(f) Maintain a publicly available list of all CDM afforestation and reforestation project activities for which it has carried out validation, verification and certification;

(g) Submit an annual activity report to the executive board;

(h) Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

### **F. Participation requirements**

28. Participation in a CDM afforestation and reforestation project activity is voluntary.

29. Parties participating in the CDM shall designate a national authority for the CDM.

30. A Party not included in Annex I may participate in a CDM afforestation and reforestation project activity if it is a Party to the Kyoto Protocol.

31. Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use TCERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

(a) It is a Party to the Kyoto Protocol;

(b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);

(c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(c bis) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

(e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;

(f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

32. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

(a) To meet the eligibility requirements referred to in paragraph 31 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) To continue to meet the eligibility requirements referred to in paragraph 31 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

33. A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire TCERs if the authorizing Party is eligible to do so at that time.

34. The secretariat shall maintain publicly accessible lists of:

- (a) Parties not included in Annex I which are Parties to the Kyoto Protocol;
- (b) Parties included in Annex I that do not meet the requirements in paragraph 31 above or have been suspended.

### **G. Validation and registration**

35. 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 and] decision X/CP.9, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.

36. Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of TCERs related to that project activity.

37. The designated operational entity selected by project participants to validate an afforestation or reforestation CDM 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:

- (a) The participation requirements as set out in paragraphs 28 to 30 above are satisfied;
- (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 socio-economic and 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 undertaken a socio-economic and environmental impact assessment in accordance with procedures as required by the host Party;
- (d) The project activity is expected to result in a net enhancement of anthropogenic removals by sinks that is additional to any that would occur in the absence of the proposed afforestation and reforestation project activity, in accordance with paragraphs 43 to 52 below;
- (e) The baseline and monitoring methodologies comply with requirements pertaining to:
  - (i) Methodologies previously approved by the executive board; or
  - (ii) Modalities and procedures for establishing a new methodology, taking into consideration the IPCC guidance for Land Use, Land Use Change and Forestry as set out in paragraph 38 below;
- (f) Provisions for monitoring, verification and reporting are in accordance with [decision 17/CP.7 and] decision X/CP.9, the present annex and relevant decisions of the COP/MOP;
- (g) The project activity conforms to all other requirements for CDM project activities in [decision 17/CP.7 and] decision X/CP.9, the present annex and relevant decisions by the COP/MOP and the executive board.

38. If the designated operational entity determines that the project activity intends to use a

new baseline or monitoring methodology, as referred to in paragraph 37(e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review. The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. 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 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.

39. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

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:
  - (i) Confirmation of validation and date of submission of the validation report to the executive board; or
  - (ii) 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.

41. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

(a) It shall be related to issues associated with the validation requirements;

(b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

42. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

43. A CDM project activity is additional if the net enhancement of sinks resulting from the afforestation or reforestation CDM project activity is higher than those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for a CDM afforestation and reforestation project activity is the scenario that reasonably represents the anthropogenic emissions by sources and the removals by sinks of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources and removals by sinks 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 above.

44 (bis) Above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon pools shall be included in the baseline unless the proponent is able to provide transparent and verifiable information that the excluded pool is not a source.

45. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in [decision 17/CP.7 and] decision X/CP.9, the present annex and relevant decisions of the COP/MOP;

(b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;

(c) On a project-specific basis;

(d) In the case of afforestation and reforestation small-scale CDM project activities which meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;

(e) Taking into account relevant national and/or sectoral policies and circumstances.

46. The baseline may include a scenario where future anthropogenic removals by sinks are

projected to rise above current levels, due to the specific circumstances of the host Party.

47. The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*.(to be deleted)

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) Existing actual or historical emissions and removals by sinks, as applicable; or

(b) Removals from land use practices that represents an economically attractive course of action, taking into account barriers to investment or other barriers.

c)The average removals of similar land use 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.

49. Project participants shall select a crediting period for a proposed afforestation or reforestation CDM project activity from the following approach:

A maximum of fifteen or twenty years which may be renewed at most three or two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable.

50. The net increase in the quantity of carbon stocks in the specified pools must be adjusted by the amount of leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.

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

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

## **H. Monitoring**

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

(a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic removals by sinks of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and removals by sinks of greenhouse gases within the project boundary during the crediting period;

(c) The monitoring plan of all potential sources of leakage that are significant and reasonably attributable to the project activity during the crediting period;

(c bis) Consideration of the implementation of socioeconomic and environmental statements of the project activity during the crediting period.

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

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the net increase in anthropogenic removals by sinks by the proposed CDM project activity, taking into account the Good Practice Guidance on Land Use, Land Use Change and Forestry as set out in decision X/CP.9, relevant decisions by the COP/MOP, and for leakage effects;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53(c) and (f) above.

h) Details on how to collect and archive the data need to calculate the net increase in CO<sub>2</sub> stored in each of the specified pools and non CO<sub>2</sub> greenhouse gas fluxes, the net increase in removals of greenhouse gases by sinks that would have occurred in the absence of the project, and leakage.

54. A monitoring plan for a proposed afforestation or reforestation project activity shall be based on a previously approved monitoring methodology or a new methodology, appropriate to afforestation and reforestation CDM activity, in accordance with paragraphs 37 and 38 above, that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) Reflects good monitoring practice appropriate to the type of project activity.

55. For afforestation and reforestation small-scale CDM project activities meeting the criteria specified in decision X/CP.9 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.

56. Project participants shall implement the monitoring plan contained in the registered project design document.

57. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

58. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of TCERs.

59. Subsequent to the monitoring and reporting of removals by sinks, TCERs resulting from a CDM afforestation or reforestation project shall be calculated, applying the registered methodology, as the increase in the amount of carbon sequestered in specified pools by afforestation or reforestation CDM activity during a specified period measure ex-post less the increase in the amount of carbon that would have been sequestered during the same period under the baseline scenario, adjusted for leakage.

60. The project participants shall provide to the designated operational entity, contracted by

the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

### **I. Verification and certification**

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity, no more than once in a commitment period, of the monitored, increase of carbon removals by sinks that have occurred as a result of a registered afforestation or reforestation CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, an afforestation or reforestation project activity achieved the net amount of anthropogenic greenhouse gases removals by sinks as verified.

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 and X/CP.9], 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 net removals of carbon dioxide by sinks 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) Calculate the net amount of greenhouse gases sequestered by afforestation or reforestation CDM activity using the registered calculation procedure in the monitoring plan and refer to other data as appropriate.

(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 increased amount of greenhouse gas removals by sinks 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.



## **J. Issuance of temporary certified emission reductions**

64. The certification report shall constitute a request for issuance to the executive board of TCERs equal to the verified amount of anthropogenic removals greenhouse gases by sinks.

65. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of TCERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of TCERs should be approved;

(b) The executive board shall complete its review within 30 days following its decision to perform the review;

(c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of TCERs and the reasons for it.

66. Upon being instructed by the executive board to issue TCERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of TCERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining TCERs to the registry accounts of Parties and project participants involved, in accordance with their request.

## **APPENDIX A**

### ***Standards for the accreditation of operational entities***

1. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

- (i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;
- (ii) Issues, in particular environmental, relevant to validation, verification and certification of afforestation and reforestation CDM project activities, as appropriate;
- (iii) The technical aspects of afforestation and reforestation CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and removals by sinks;
- (iv) Relevant environmental auditing requirements and methodologies;
- (v) Methodologies for accounting of anthropogenic removals by sinks;
- (vi) Regional and sectoral aspects;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

- (i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;
- (ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from senior management;
- (iii) Its quality assurance policy and procedures;
- (iv) Administrative procedures, including document control;
- (v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;
- (vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

- (i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;
- (ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or

financing of any CDM project activity, the applicant operational entity shall:

- Make a declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activities;
- Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;
- Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;
- Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

## **APPENDIX B**

### ***Project design document***

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for an afforestation or reforestation project under the CDM.

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

(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:

(i) Application of an approved methodology:

- Statement of which approved methodology has been selected;
- Description of how the approved methodology will be applied in the context of the project;

(ii) Application of a new methodology:

- Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
- Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
- Projections of baseline net emissions;
- Description of how the baseline methodology addresses potential leakage;

- (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;

(c) Statement of the estimated operational lifetime of the project and which crediting period was selected;

(d) Description of how the anthropogenic removals of GHG by sinks are increased below those that would have occurred in the absence of the registered CDM project activity;

(e) Socio- economic and environmental impacts:

- (i) Documentation on the analysis of the environmental impacts, in particular the biological biodiversity aspects, including transboundary impacts,
- (ii) Documentation on the analysis of socioeconomic impacts of the project activity, in particular the benefits for local communities or indigenous people;
- (iii) If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of a socio economic- environmental impact assessment that has been undertaken in accordance with the procedures as required by the host Party;

(f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding is additional to official development assistance and is separate from and is not counted towards the financial obligations of those Parties.

(g) Stakeholder comments, including a brief description of their participation in the process of national validation of the project, a summary of the comments received, and a report on how due account was taken of any comments received;

(h) Monitoring plan:

- (i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;
- (ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;
- (iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;

(iv) the monitoring of implementation of socioeconomic and environmental statements of the project activity have to be considered by the designated operational entities.

(i) Calculations:

- (i) Description of formulae used to calculate and estimate anthropogenic removals by sinks of greenhouse gases of the afforestation or reforestation CDM project activity within the project boundary;
- (ii) Description of formulae used to calculate and to project leakage, defined as: the net increase of anthropogenic removals by sinks of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;
- (iii) The sum of (i) and (ii) above representing the CDM project activity removals;
- (iv) Description of formulae used to calculate and to project the net anthropogenic emissions by sources of greenhouse gases of the baseline;
- (v) Description of formulae used to calculate and to project leakage;
- (vi) The sum of (iv) and (v) above representing the baseline emissions;
- (vii) Difference between (vi) and (iii) above representing the GHG removals of the CDM project activity;
- (j) References to support the above, if any.

#### APPENDIX C

##### ***Terms of reference for establishing guidelines on baselines and monitoring methodologies***

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

(a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:

- (i) Elaborate the provisions relating to baseline and monitoring methodologies contained in [decision 17/CP.7 and] decision X/CP.9, the annex above and relevant decisions of the COP/MOP;
- (ii) Promote consistency, transparency and predictability;
- (iii) Provide rigour to ensure that net increase in anthropogenic GHG removals by sinks real and measurable, and an accurate reflection of what has occurred within the project boundary;
- (iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;
- (v) Address the additionality requirement of Article 12, paragraph 5(c), and

(b) Specific guidance in the following areas:

- (i) Definition of project categories (e.g. based on project type, land use practices, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;
- (ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;
- (iii) Monitoring methodologies that provide an accurate measure of actual increase in anthropogenic GHG removals as a result of the project activity,

- taking into account the need for consistency and cost-effectiveness;
  - (iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;
  - (v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of increase in anthropogenic GHG removals;
  - (vi) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;
  - (vii) Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, and the economic situation in the sector relevant to the project activity;
  - (viii) The breadth of the baseline, e.g. how the baseline makes comparisons between land practices used ;
- (c) In developing the guidance in (a) and (b) above, the executive board shall take into account:
- (i) Current practices in the host country or an appropriate region, and observed trends;
  - (ii) project category.

#### APPENDIX D

##### ***Clean development mechanism registry requirements***

1. The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of TCERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.
2. The CDM registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer and acquisition of TCERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.
3. The CDM registry shall have the following accounts:
  - (a) One pending account for the executive board, into which TCERs are issued before being transferred to other accounts;
  - (b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account;
  - (c) At least one account for the purpose of cancelling ERUs, TCERs, AAUs and RMUs equal to excess TCERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;

(d) At least one account for the purpose of holding and transferring TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire TCERs.

4. Each TCER shall be held in only one account in one registry at a given time.

5. Each account within the CDM registry shall have a unique account number comprising the following elements:

(a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the TCERs corresponding to the share of proceeds, the executive board or another appropriate organization;

(b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.

6. Upon being instructed by the executive board to issue TCERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):

(a) Issue the specified quantity of TCERs into a pending account of the executive board;

(b) Forward the quantity of TCERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such TCERs;

(c) Forward the remaining TCERs to the registry accounts of project participants and Parties involved, in accordance with their request.

7. Each tCER shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the TCER is issued;

(b) Party of origin: the Party which hosted the CDM project activity, using the twoletter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a TCER;

(d) Unit: a number unique to the TCER for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the CDM project activity for the Party of origin; and

(f) Expiry date.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess TCERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, TCERs, AAUs and RMUs may not be further transferred or used for the purpose of

demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. The CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

10. The information referred to in paragraph 9 above shall include up-to-date information, for each account number in the registry, on the following:

- (a) Account name: the holder of the account;
- (b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;
- (c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the TCERs have been issued:

- (a) Project name: a unique name for the CDM project activity;
- (b) Project location: the Party and town or region in which the CDM project activity is located;
- (c) Years of TCER issuance: the years in which TCERs have been issued as a result of the CDM project activity;
- (d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;
- (e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

- (a) The total quantity of TCERs in each account at the beginning of the year;
- (b) The total quantity of TCERs issued;
- (c) The total quantity of TCERs transferred and the identity of the acquiring accounts and registries;
- (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above;
- (e) Current holdings of TCERs in each account.



PAPER NO. 17: SWITZERLAND

Switzerland submits, in the suggested structure for legal text submission, elements of legal text to be incorporated into the annex to decision -/CP.9 and the corresponding decision -/CMP.1 (*Article 12*) respectively, for the inclusion of afforestation and/or reforestation project activities under the CDM.

The submission is not a comprehensive piece of work but suggests text reflecting Switzerland's view on major substantial modifications required compared to provisions for CDM project activities as contained in the annex to decision 17/CP.7.

Recalling and reaffirming the principles established by draft decision -/CMP.1 (*Land use, Land-Use Change and Forestry*), notably (e), (f), and (g), Switzerland wishes to reiterate its position that the environmental integrity of the UNFCCC and the Kyoto Protocol calls for a recognition of the fact that afforestation and/or reforestation project activities under Article 12 have distinct features in comparison to other project activities under the CDM. These are (i) the permanence issue in view of an effective climate protection and (ii) the social and environmental impacts potentially caused by afforestation and/or reforestation projects under the CDM. The introduction of tCERs appears to be the only viable and promising option to address the permanence issue in an effective way. Their introduction is thus of paramount importance for Switzerland, since they tackle a crucial issue unique to sink projects under Article 12.

It is understood that the notion of temporary credits requires further modifications in section J of the annex and in appendix D to the annex as well as in the annex to decision 19/CP.7 which are subject to the subsequent work of the SBSTA.

## ANNEX

### **Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period**

*Recalling and reaffirming* the principles established by draft decision -/CMP.1 (*Land use, Land-Use Change and Forestry*) the following modalities and procedures for inclusion of afforestation and/or reforestation project activities under Article 12 (Clean Development Mechanism) shall apply in the first commitment period:

#### **A. Definitions**

1. Definitions in paragraph 1 of the annex to Decision 17/CP.7 shall apply.

1bis. For project activities under Article 12 as presented in this annex, the definitions of forest, afforestation and reforestation as contained in paragraph 1 of the annex to Decision 11/CP.7 (*Land use, Land-Use Change and Forestry*) shall apply.

1ter. Any CERs resulting from afforestation and/or reforestation project activities under Article 12 shall be referred to as temporary CERs (tCERs), to which modalities and rules apply as presented in this annex apply.

#### **B. Role of the Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol**

#### **C. Executive Board**

#### **D. Accreditation and Designation of Operational Entities**

#### **E. Designated Operational Entities**

Replace in paragraph 27 subparagraph (b) by

(b) Verify and certify removals by sinks and emissions by sources of greenhouse gases as measured by verifiable changes in carbon stocks;

## **F. Participation Requirements**

## **G. Validation and Registration**

Replace in paragraph 37 subparagraphs (c), (d), (f) and (g) by

(c) Project participants have submitted to the designated operational entity a report which documents that (i) the socio-economic and environmental impacts assessment has been conducted, that (ii) the project developer disposes of the necessary methodology to assess and monitor removals by sinks and emissions by sources with verifiable measurements of changes in carbon stocks, that (iii) the project developer has endowed a forest management and monitoring plan, as well as a statement that the project meets the requirements as listed in appendix E below.

(d) The afforestation and/or reforestation project activity under Article 12 is expected to result in an enhanced net effect of the removal by sinks minus the emissions by sources of greenhouse gases verifiably measured as changes in carbon stocks within the project boundaries that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

(f) Provisions for describing project boundaries, monitoring, verification, and reporting are in accordance with decision -/CP.9, the present annex, relevant decisions of the COP/MOP and shall be consistent with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* as adopted by the COP;

(g) The afforestation and/or reforestation project activity conforms to all other requirements for CDM project activities in decisions -/CP.9, the present annex and relevant decisions by the COP/MOP and the executive board, as well as to all relevant provisions of other multilateral environmental agreements, in particular the UN Convention of Biodiversity (CBD) and its principles for the conservation of biodiversity, the Ramsar Convention on Wetlands, and the Convention to Combat Desertification (CCD);

43. An afforestation and/or reforestation project activity under Article 12 is additional, if the net effect of the removal by sinks minus the emissions by sources of greenhouse gases verifiably measured as changes in carbon stocks within the project boundaries are increased above those that would have occurred in the absence of the registered project activity.

49. Replace (a) by

(a) A maximum of 15 years which may be renewed at most three times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable;

and delete (b).

52. The project boundary shall be defined such that it includes all geographically identified project areas, in which removals by sinks and emissions by sources of greenhouse gases measured verifiably as changes in carbon stocks are under the control of the project participants and which are significant and reasonably

attributable to the CDM project activity. The project developer shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. A project developer may choose not to account for a given pool during the project period, if transparent and verifiable information is provided that the pool is not a source. Project boundaries shall be described and stock change assessments shall be made consistently with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* as adopted by the COP;

#### **H. Monitoring**

54. Replace (b) by

(b) Reflects good monitoring practice appropriate to afforestation and/or reforestation project activity in accordance with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* as adopted by the COP;

#### **I. Verification and Certification**

62. Replace (b) by

(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, and assessment of the conformity of project implementation with the statement referred to in paragraph 37 (c) affirming that the project meets the requirements as listed in appendix E.

#### **J. Issuance of Temporary Certified Emission Reductions (tCERs)**

Replace CERs by tCERs and adjust text accordingly where necessary.

## **APPENDIX A**

### **Standards for the accreditation of operational entities**

1. Replace (f) (ii), (iii) and (v) by

(ii) Issues, in particular socio-economic and environmental impacts relevant to validation, verification and certification of afforestation and/or reforestation project activities under the CDM, as appropriate;

(iii) The technical aspects of afforestation and/or reforestation project activities under the CDM relevant to socio-economic and environmental impact issues, including expertise in the setting of baselines and monitoring of removals by sinks and emissions by sources;

(v) Methodologies for accounting of removals by sinks and emissions by sources;

and add new

(vii) Above listed requirements for knowledge and understanding (i) to (vi) shall be understood or conducted in a manner which is consistent with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* as adopted by the COP;

## **APPENDIX B**

### **Project Design Document**

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for a CDM and shall demonstrate to be consistent with any *IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry* as adopted by the COP;

2. Replace (e) including items (i) and (ii) by

(e) Environmental and socio-economic impacts

(i) Documentation on the analysis of the aforementioned impacts, including transboundary impacts, demonstrating that all applicable indicators of environmental and socio-economic impact assessment as listed in appendix E have been addressed;

(ii) If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of an environmental and socio-economic impact assessment that has been undertaken in accordance with the procedures as required by the host Party;

## **APPENDIX E**

### **Indicators of Environmental and Socio-economic Impact Assessment**

For the purpose of requirements of paragraph 37 (c) and paragraph 2 (e) of appendix B the following, applicable indicators are to be addressed:

Environmental indicators:

- Increase or at least preservation of diversity
- Increase or at least preservation of soil fertility
- Planting of non genetically modified organisms
- Planting of indigenous, native species
- Establishment of multi-species culture or at least big diversity at the landscape level (“ecosystem approach”)
- Sustainable soil preparation
- Sustainable silviculture
- Minimal leakage (no displacement of demand, e.g. for agricultural land or fuel wood)
- Agroforestry approaches complying with forest definitions as contained in the annex to decision 11/CP.7

Socio-economic indicators:

- Improvement of living conditions and local livelihood
- Development meets sustainability criteria
- Reducing rural emigration
- Avoidance or minimization of land-use conflicts
- Clear land tenure and legal entitlement of land ownership of all involved groups (project developers, local stakeholders, host country)
- Involvement and integration of local stakeholders in decision and management process
- Project acceptance among local stakeholders (relevant only for validation)
- No deterioration in equitable income distribution among local stakeholders

PAPER NO. 18: TUVALU

**Amendment to Decision 17/CP.7**

4. *Decides*, that, prior to the first session of the Conference of Parties serving as the meeting of Parties to the Kyoto Protocol, the executive board and any designated operational entities shall operate in the same manner as the executive board and designated operational entity of the clean development mechanism as set out in the annexes below;

**Draft Decision -/CMP.1 (Modalities and Procedures for Afforestation and Reforestation project activities under the Clean Development Mechanism for the First Commitment Period)**

The Conference of Parties serving as the meeting of Parties to the Kyoto Protocol,

*Recalling* decisions 11/CP.7, Draft decision –CMP.1 (Land use, land-use change and forestry), 17/CP.7, 19/CP.7, 21/CP.7

*Decides* the following Annex shall apply for afforestation and reforestation project activities under the clean development mechanism for the first commitment period.

*Requests* the Intergovernmental Panel on Climate Change to extend its work on good practice guidance in order to develop benchmarks to assist in the calculation of removals of greenhouse gases within various ecosystems, species and climatic regimes that may be subject to afforestation and reforestation project activities under the Clean Development Mechanism.

**ANNEX**

**Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism for the first commitment period.**

**A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1 of the Kyoto Protocol and the definitions in paragraph 1 of the Annex to Decision 17/CP.7 shall apply. Furthermore:

- (a) A “temporary removal equivalent to a certified emission reduction” (TRECER) is a removal unit arising from an afforestation or reforestation project activity pursuant to the relevant provisions in the annex to decision –CMP.1 (*Modalities for the accounting of assigned amounts*), is equivalent to a certified emission reduction for the purposes of Article 12 and requirements thereunder, for the purposes of accounting for afforestation and reforestation project activities in the first commitment period 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.
- (b) A “baseline for an afforestation and reforestation CDM project activity” is the scenario that reasonably represents the anthropogenic removals by afforestation and reforestation activities of greenhouse gases that would occur in the absence of the proposed project activities. A baseline shall cover all removals of greenhouse gases within the project boundary.
- (c) “Sinks leakage” is defined as the anthropogenic emissions by sources of greenhouse gases which occur outside the project boundary and which can be attributed to or assumed to be attributed to

the project activity. Possible sinks leakage may include: increases in emissions from downstream processing of forest products and transport of forest products, increases in deforestation rates due to the displacement of peoples or land use activities,

- (d) "Non-permanence" relates to the temporary nature and reversibility of greenhouse gas removals by sinks. Carbon contained in land use systems is vulnerable to disturbances and/or change creating partial or total loss of the carbon stocks and the release of other greenhouse gases.

**B. Role of the Conference of Parties serving as the meeting of Parties to the Kyoto Protocol in the context of afforestation and reforestation project activities under the clean development mechanism for the first commitment period**

- 2. The COP/MOP shall provide guidance to the executive board by taking decisions on:
  - (a) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, the Annex to decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
  - (b) The designation of operational entities accredited with the executive board in accordance with Article 12, paragraph 5, and accreditation is standards contained in Appendix A below.

**C. Executive Board in the context of afforestation and reforestation project activities under the clean development mechanism for the first commitment period**

- 3. Provisions relating to the executive board inscribed in the Annex to decision 17/CP.7 shall apply. Furthermore, the executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In the context of afforestation and reforestation project activities, the executive board shall:
  - (a) Make recommendations to be COP/MOP on any amendments or additions to rules of procedure for the executive board contained in the present annex, as appropriate;
  - (b) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project countries in accordance with provisions of Appendix C below;
  - (c) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5. This responsibility includes:
    - (i) Decisions on re-accreditation, suspension and withdrawal of accreditation;
    - (ii) Operationalization of accreditation procedures and standards;
  - (d) Review the accreditation standards in Appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;
  - (e) Carry out any other functions ascribed to it in decision 17/CP.7, the Annex to decision 17/CP.7, the present annex and relevant decisions of the COP/MOP.



#### **D. Accreditation and designation of operational entities**

4. For the purposes of accreditation and designation of operational entities validating, verifying and/or certifying afforestation and reforestation CDM project activities, paragraphs 20 through 25 of the Annex to decision 17/CP.7 shall apply. Furthermore:

(a) Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess TRECERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess TRECERs issued, as determined by the executive board, to a cancellation accounting maintained in CDM registry by the executive board.

(b) Any costs related to the review referred to in subparagraph (a) above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

#### **E. Designated operational entities**

5. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, the Annex to decision 17/CP.7, the present annex and relevant decisions of the COP/MOP and the executive board.

#### **F. Participation requirements**

6. For the purposes of the participation requirements for afforestation or reforestation project activities, paragraphs 28 through 34 of the Annex to decision 17/CP.7 shall apply. Furthermore:

(a) Subject to the provisions of paragraph 32 of the Annex to decision 17/CP.7, Party included in Annex I with a commitment inscribed in Annex B is eligible to use TRECERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the eligibility requirements prescribed in paragraph 31 of the Annex to Decision 17/CP.7.

#### **G. Validation and registration of afforestation and reforestation project activities**

7. 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, the Annex to 17/CP.7, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.

8. Registration is the formal acceptance by the executive board of a validated afforestation or reforestation project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of TRECERs related to that afforestation or reforestation project activity.

9. In addition to the requirements prescribed in paragraph 37 of the Annex to decision 17/CP.7, the designated operational entity selected by project participants to validate an afforestation or reforestation project activity, being under a contractual arrangement with them, shall review the project design documents and any supporting documentation to confirm that the following requirements have been met:

- (a) The project participants have undertaken environmental and social impacts assessments in accordance with the standards specified in Appendix E and F;
- (b) The project participants, in their calculation of removals by the project activity, have excluded additional removals as a result of elevated carbon dioxide, nitrogen deposition and the dynamic effects of age structure;
- (c) The project activity is expected to result in anthropogenic removals of greenhouse gases that are additional to any that would have occurred in the absence of the proposed project activity;
- (d) The baseline and monitoring methodologies comply with requirements pertaining to methodologies and procedures for establishing a new methodology, as set out in paragraph 38 of the Annex to decision 17/CP.7;
- (e) The project participants have adequately accounted for sinks leakage and have made the necessary adjustments for such sinks leakage;
- (f) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the Annex to decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
- (g) The project activity, conforms to all other requirements for CDM project activities in decision 17/CP.7, the Annex to decision 17/CP.7, the present annex and relevant decisions by the COP/MOP and the executive board.

#### **H. Validation of Measures to Address Non-Permanence**

10. In addition to the validation requirements prescribed in paragraph 9 above and paragraph 37 of the Annex to decision 17/CP.7, the designated operational entity, selected by project participants to validate an afforestation or reforestation project activity, being under a contractual arrangement with them, shall review the project design documents and any supporting documentation or other forms of proof to confirm that the project participants have submitted a report to the designated operational entity indicating they have fulfilled the following actions to address non-permanence:

- (a) Procured a legal agreement that all local stakeholders affected by the project (including Indigenous Peoples) have given their approval to the project;
- (b) Procured:
  - i. title of legal authority to use the land;
  - ii. legal right to own or have rights over the sequestered carbon on the land during the lifetime of the project;
- (c) Ensured financial viability for the entire lifetime of the project through such means as a trust fund, or other form of financial guarantee;
- (d) Ensured that the project is covered by an appropriate insurance policy, such that the insurance provider can guarantee that any reversal of carbon removals is replaced with an equivalent quantity of certified emission reductions (CERs), assigned amount units (AAUs), emission reduction units (ERUs) or removal units (RMUs) and that the procedures are in place to recoup any losses as indicated in paragraphs 19 to 21 below;

- (e) Ensured that the project participants have adequate and appropriate management system capacity to monitor the ongoing viability of the project as indicated in the monitoring requirements specified in paragraph 25 below;
- (f) Ensured that the project has adequate strategies for controlling fires, pest outbreaks and disease outbreaks among planted trees;
- (g) Provided management strategies to control illegal logging, grazing, mining or any other activity likely to threaten the amount of carbon sequestered in some or all of the planted trees;
- (h) Defined the crediting period of the project activity so that it does not exceed 5 years with a possibility of renewable, but not extending beyond the 31<sup>st</sup> December 2012.

#### **I. Additionality Requirements for Afforestation and Reforestation Project Activities**

11. A CDM afforestation or reforestation project activity is additional if anthropogenic removals of greenhouse gases by sequestration activities are increased above that would have occurred in the absence of the registered CDM afforestation or reforestation project activity.

#### **J. Baselines for Afforestation and Reforestation Project Activities**

12. The baseline for an afforestation or reforestation project activity is the scenario that reasonably represents the anthropogenic removals of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover removals from land use, land use change and forestry activities within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic removals by sequestration activities that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 9c above, and paragraph 38 of the Annex to decision 17/CP.7.

13. A baseline shall be established:

- (a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;
- (b) In a transparent and conservative manner regarding choices of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;
- (c) On a project-specific basis;
- (d) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, forestry sector expansion plans, and the economic situation in the project sector;
- (e) Taking into account effects such as elevated carbon dioxide, nitrogen deposition and the dynamic effects of age structure.

14. The baseline shall include carbon pools associated with above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon pools.

15. The baseline should include consideration of current afforestation and reforestation practices, and should include a scenario where future anthropogenic removals by sequestration activities are projected to increase above current levels, due to the specific circumstances of the host Party.

16. The baseline shall be defined in such a way that TRECERs cannot be earned for increases in sequestration levels outside the project activity or due to *force majeure*.

17. In choosing a baseline methodology for an afforestation or reforestation project activity, project participants shall select from among the following approaches that are deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice.

(a) Existing actual or historical removals, as applicable; or

(b) The average removals of similar project activities undertaken in the previous five years, in similar social, economic, environmental, geophysical, species type, climatological, and technological circumstances.

18. The baseline will be reviewed at the end of each crediting period and a new baseline established for any renewed crediting period, up to the end of the first commitment period.

#### **K. Insurance Procedures for Afforestation and Reforestation Project Activities**

19. Each afforestation or reforestation project shall be covered by an appropriate insurance policy to cover possibly losses of carbon. An insurance provider shall replace the TERCERs lost, due to any cause, with an equivalent quantity of CERs, TERCERs, AAUs, ERUs or RMUs.

20. The liability for holding insurance for any carbon losses shall remain for the period of time that the carbon remains sequestered, unless the executive board has been notified that an equivalent amount of sequestered carbon, in the form of equivalent CERs, TRECERS, AAUs, ERUs or RMUs, has been transferred into a cancellation account maintained by the executive board in the CDM registry.

21. The following procedures for replacing TERCERs, as a result of loss, shall be undertaken:

(a) A reversal of carbon removals shall be reported by the project participants to the operational entity responsible for the verification of the project;

(b) The operational entity shall immediately notify the executive board of such a reversal and undertake a quantified assessment of the carbon reversal;

(c) The operational entity shall forward its quantified assessment of the carbon reversal to the executive board;

(d) Upon receipt of the notification and assessment, the executive board shall flag a corresponding number of CERs, TRECERS, AAUs, ERUs or RMUs of the Party responsible for the project activity;

(e) The project participants shall file a claim of loss with the insurance provider based on the quantified assessment undertaken by the operational entity;

(f) The insurance provider shall immediately replace the flagged CERs, TRECERS, AAUs, ERUs or RMUs, on a one-to-one basis, with CERs, TRECERS, AAUs, ERUs or RMUs from its own holdings;

- (g) Upon replacement of the flagged CERs, TRECERS, AAUs, ERUs or RMUs, the executive board shall remove its flagging of CERs, TRECERS, AAUs, ERUs or RMUs and transfer the CERs, TRECERS, AAUs, ERUs or RMUs replaced by the insurance provider into a cancellation account maintained by the executive board in the CDM registry.

#### **L. Crediting Period for Afforestation and Reforestation Project Activities**

22. The crediting period for a proposed afforestation or reforestation project activity shall be a maximum of five years, which may be renewed, but may not extend beyond the 31<sup>st</sup> December 2012.

#### **M. Sinks Leakage for Afforestation and Reforestation Project Activities**

23. Removals of greenhouse gases by afforestation and reforestation project activities shall be adjusted for sinks leakage in accordance with the monitoring and verification provisions in paragraphs 25 to 28 below.

#### **N. Project Boundary for Afforestation and Reforestation Project Activities**

24. The project boundary shall encompass the land subject to the afforestation and reforestation project activity.

#### **O. Monitoring**

25. Project participants shall include, as part of the project design document, a monitoring plan that provides for:
- (a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic removals of greenhouse gases are occurring within the project boundary during the crediting period;
  - (b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic removals of greenhouse gases within the project boundary during the crediting period;
  - (c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary which can be attributed or assumed to be attributed to the project activity during the crediting period;
  - (d) The collection and archiving of information relevant to the environmental and social impacts as required in paragraph 9(a) above
  - (e) Quality assurance and control procedures for the monitoring process;
  - (f) Procedures for the periodic calculation of the removals of anthropogenic greenhouse gases by the proposed reforestation and reforestation CDM project activity, and for sinks leakage effects, taking into account developments by the IPCC with regard to good practice benchmarks;
  - (g) Documentation of all steps involved in the calculation referred to in paragraphs 25(c) and (f) above.

- (h) Documentation of changes in circumstances within the project boundary. Documentation should indicate any changes in:
- (a) legal title to the land;
  - (b) the rights of access to the sequestered carbon;
  - (c) the attitude of local stakeholder to the project;
  - (d) the insurance cover of the project
  - (e) the financial viability of the project
  - (f) the status of the sequestered carbon

**P. Verification of afforestation and reforestation project activities**

26. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored removals of greenhouse gases that occurred as a result of a registered afforestation and reforestation CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time, a project activity has achieved the removals in greenhouse gases as verified.

27. In accordance with the provisions on confidentiality in paragraph 27 (h) of the Annex to decision 17/CP.7, 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 Annex to 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 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 or new sources, including IPCC good practice benchmarks;
- (d) Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic removals 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 removals of greenhouse gases that would have occurred in the absence of the afforestation and reforestation CDM project to activity, based on the data and information derived under the 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 concern related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concern 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.

28. 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 removals 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.

#### **Q. Issuance of temporary removals equivalent to certified emission reductions (TRECERs)**

29. The certification report shall constitute a request for issuance to the executive board of TRECERs equal to the verified amount of removals of greenhouse gases by afforestation and reforestation project activities.

30. The issuance shall be considered final 15 days after the date of receipt of the request for consumers, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of TRECERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) Upon receipt of the request for such a review, the executive board, at its next meeting, shall decide on its course of action. If he decides that the request has merit it shall perform review and decide whether to propose issuance of TRECERs should be approved;

(b) The executive board shall complete its review within 30 days following its decision to perform the review;

(c) The executive board shall inform the project participants of the outcomes of the review, to make public's decision regarding the approval of the proposed issuance of TRECERs and the reasons for it.

31. Upon being instructed by the executive board to issue TRECERs for an afforestation and reforestation CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of TRECERs interdependent account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such instruments, and the city and registry administrator shall promptly:

(a) Forward the quantity of TRECERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining TRECERs to the registry counts of Parties and project participants involved, in accordance with the request.

#### APPENDIX A

#### **Standards for the accreditation of operational entities in relation to afforestation and reforestation project activities**

1. The standards for the accreditation of operational entities inscribed in paragraphs 1 and 2 of Appendix A to the Annex to decision 17/CP.7 shall apply. Furthermore, an operational entity shall have, or have access to, the necessary expertise, knowledge and understanding of:
  - (a) Methodologies for accounting for removals from afforestation and reforestation activities;
  - (b) Methodologies for undertaking environmental and social impact assessments;
  - (c) Methodologies for measuring and accounting for sinks leakage.

#### APPENDIX B

#### **Project Design Document for Afforestation and Reforestation Project Activities**

1. The provisions relating to the project design document inscribed in paragraphs 1 and 2 of Appendix B to the Annex to decision 17/CP.7 shall apply. Furthermore, the project design document for an afforestation or reforestation project shall include the following descriptions:
  - (a) legal title to the land;
  - (b) the rights of access to the sequestered carbon;
  - (c) the attitude of local stakeholder to the project;
  - (d) the insurance cover of the project;
  - (e) environmental and social impact assessments;
  - (f) the financial viability of the project;
  - (g) the status of the sequestered carbon.

#### APPENDIX C

#### **Terms of reference for establishing guidelines on baselines and monitoring methodologies for afforestation and reforestation project activities**

1. In the context establishing guidelines on baselines and monitoring methodologies for afforestation and reforestation project activities, the executive board shall apply paragraph 1 of Appendix C to the Annex to decision 17/CP.7, with the following, *inter alia*:
  - (a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:
    - i. Provide rigour to ensure that net reductions in anthropogenic removals are real and measurable, and an accurate reflection of what has occurred within the project boundary;



- ii. Address the additionality requirement of Article 12, paragraph 5(c), and paragraph 11 of the above annex;

(b) Specific guidance in the following areas:

- i. Determination of project boundaries, including geo-referencing and all greenhouse gases that should be included as part of the baseline, and monitoring. Relevance of sinks leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of sinks leakage;
- ii. Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, forestry sector expansion plans, and the economic situation in the sector relevant to the project activity;
- iii. Accounting for the legal status of the land, including levels of approval by local stakeholders;
- iv. Accounting for environmental and social impacts consistent with the standards prescribed in Appendix E and F;
- v. Regular accounting of the status of the sequestered carbon.

#### APPENDIX D

#### **Clean development mechanism registry requirements for TRECERS**

1. For the purposes of establishing and maintaining the CDM registry in the context of ensuring the accurate accounting of the issuance, holding transfer and acquisition of TRECERS, paragraph 1 through 11 of Appendix D of the Annex to decision 17/CP.7 shall apply. Furthermore:
  - a) The executive board shall also maintain the CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of TRECERS by Parties not included in Annex 1.
  - (b) The CDM registry shall be in the form of a standardised electronic database which contains, into a clear, common data elements relevant to the issuance, holding, transfer and acquisition of TRECERS.
2. For the purposes of TRECERS, the CDM registry shall have the following accounts:
  - (a) One pending account for the executive board, into which TRECERS are issue before being transferred to other accounts;
  - (b) At least one holding account for each party not included in Annex 1 hosting an afforestation and reforestation CDM project activity or requesting an account;
  - (c) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to excess TRECERS issued, as determined by the executive board, with the accreditation of a designated operational entity has been withdrawn or suspended;
  - (d) At least one account for the purpose of holding and transferring TRECERS corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire TRECERS.

3. Each TRECER shall be held in only one account in one registry in the given time.
4. Each account within the CDM registry shall have a unique account number comprising the following elements:
  - (a) Party/organisation identifier: the Party for which the account is maintained, using the two-letter country covered to find by the International Organisation for Standardisation (ISO 3166), or, in cases of the pending account and an account for managing the TRECERs corresponding to the share of proceeds, the executive board or another appropriate organisation;
  - (b) A unique number: the number unique to that account for the Party will organisation for which the account is maintained.
5. Upon being instructed by the executive board to issue TRECERs for an afforestation or reforestation CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision-/CMP.1 (*Modalities for the accounting of assigned amounts*):
  - (a) Issue the specified quantity of TRECERs into a pending account of the executive board;
  - (b) Forward the quantity of TRECERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate account is in the CDM registry for holding and transferring such TRECERs;
  - (c) Forward the remaining TRECERs to the registry counts of project participants and Parties involved, in accordance with their request.
6. Each TRECER shall have a unique serial number comprising the following elements:
  - (a) Commitment period: the commitment period for which the TRECERs is issued;
  - (b) Party of origin: the Party which hosted the CDM project activity, using the two-letter country covered to find by ISO 3166;
  - (c) Type: This shall identify the unit as a TRECER;
  - (d) Unit: a number unique to the TRECER for the identified commitment period and Party of origin;
  - (e) Project identifier: a number unique to the CDM project activity for the Party of origin;
7. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs, and/or RMUs equal to the excess TRECERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred for the purpose of demonstrating compliance of the Party with its commitment under Article 3, paragraph 1.
8. The CDM registry shall make non-confidential information publicly available and provide the publicly accessible user interface through the Internet that allows interested persons to query and view it.
9. The information referred to in paragraph 8 above shall include up-to-date information, for each account number in the registry, on the following:

- (a) Account name: the holder of the account;
  - (b) Representatives identifier: the representative of the account holder, using the Party/organisation identifier (the two-letter country covered to find by ISO 3166) and number unique to the representative for that Party or organisation;
  - (c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.
10. The information referred to in paragraph 8 above shall include the following CDM project activity information, for each project identifier accounts which the TRECERs have been issued:
- (a) Project name: a unique name for the afforestation or reforestation CDM project activity;
  - (b) Project location: the Party, nearest town and exact geo-referenced location of the afforestation or reforestation CDM project activity;
  - (c) Years of TRECERs issuance: the years in which TRECERs have been issued as a result of the afforestation or reforestation CDM project activity;
  - (d) Operational entities: the operational entities involved in the validation, verification and certification of the afforestation or reforestation CDM project activity;
  - (e) Reports: downloadable electronically versions of documentation to be made publicly available in accordance with the provisions of the present annex.
11. The information referred to in paragraph 8 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):
- (a) The total quantity of TRECERs in each account at the beginning of the year;
  - (b) The total quantity of TRECERs issued;
  - (c) The total quantity of TRECERs transferred and the density of the acquiring accounts and registry is;
  - (d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 7 above;
  - (e) Current holdings of TRECERs in each account.

#### APPENDIX E

#### **Standard Information for Environmental Impact Assessment**

1. The purpose of this annex is to outline the standard set of information required to be considered for the purposes of an environmental impact assessment of each afforestation and reforestation project activity. An environmental impact assessment of each afforestation and reforestation project activity shall be undertaken for the purposes of validation and registration of a project. Environmental impact assessments shall be an ongoing process and shall be included as part of the monitoring process. Methodologies for undertaking the environmental impact assessment shall be included in the project design document.

2. The environmental impact assessment shall be based on a description of the environmental conditions before the project activity, both within the project boundary and areas outside the project boundary likely to be affected by the project, and the likely changes according to, *inter alia*, the following potential effects<sup>1</sup>:

- (a) Landforms and Soils:
  - i. slope, bank all shore instability;
  - ii. real, gully or shoes erosion;
  - iii. loss of nutrients and organic matter
  - iv. decrease or alteration of microflora and fauna
  - v. decrease in cation-exchange capacity
  - vi. soil compaction
  - vii. laterization
  - viii. rutting and swamping of soils
  - ix. burial of downslope soils as a result of excessive erosion and sedimentation
  
- (b) Water resources
  - i. decreased infiltration and groundwater recharge;
  - ii. increased storm run-off;
  - iii. decreased base flow, lose dependable year-around discharge;
  - iv. local ponding of water;
  - v. increased turbidity
  - vi. accelerated eutrophication
  - vii. contamination of waters we have hydrocarbons, biocides and would preservatives;
  - viii. increased sediment loads, with a detrimental effects on channel stability, waterlife, useful reservoir life, navigation.
  - ix. if plantations are fertilized, the lose of excess fertilizer may accelerate the eutrophication of waters
  - x. return water from irrigated plantations may be saline
  - xi. tree roots from shelterbelts may invade adjacent cropland, clog drainage tiles and withdraw water from irrigation ditches
  
- (c) Climate and Air Quality:
  - i. higher ground temperatures
  - ii. local and regional desiccation of the climate
  - iii. release of duet and fumes
  - iv. release of CO<sub>2</sub>
  
- (d) Vegetation:
  - i. high forest may not regenerate itself;
  - ii. whole species may become extinct;
  - iii. genetic erosion as a result of selective cutting of superior trees;
  - iv. reduction of the total population of one species;
  - v. undesirable secondary forest growth
  - vi. influx of persistent weeds;
  - vii. seed trees may not survive mechanical damage and "isolation shock"
  - viii. adjacent and cut forest may be damaged by machinery, wind throw, fires, the illegal felling, sedimentation, hydrologic changes and intensified shifting cultivation;

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<sup>1</sup> Based on Zimmermann, R.C., Environmental impact of forestry: Guidelines for its assessment in development countries, in: FAO Conservation Guide 7, Forest Resources Division, FAO Forestry Department

- ix. regeneration may be affected by changes in the populations of animals that act as pollinators or seed vectors

(e) Wildlife and Fisheries

- i. entire rare and endemic species can be eliminated or depleted
- ii. some animals may be killed outright;
- iii. nesting sites, including hollow trees, may be eliminated or damaged;
- iv. feeding and breeding grounds may be eliminated;
- v. spawning and nursery areas and bottom organisms (benthos) may be damaged or destroyed by sediment logging debris;
- vi. animals may be displaced by noise and human presence;
- vii. displaced animals can induce reproductive and other stress in existing animal populations in uncut forest;
- viii. some animals can be favoured by new browse and habitats created by logging; however, some of these animals can become pests or disease vectors
- ix. some herbivores can be displaced and made dependent on agricultural crops
- x. may damage aquatic habitats with improper disposal of sawdust and other wastes
- xi. fires from clearing and other operations may kill species and destroy or harm important ecological communities
- xii. may serve as new access routes, thereby increasing hunting pressure, poaching, illegal felling and shifting cultivation

(f) Protected Areas:

- i. damage to existing conservation areas (parks, game reserves, protection forests, etc.) either directly or indirectly by affecting the buffer zones around these areas
- ii. damage to conservation areas that have vague legal statue or that are poorly demarcated on the ground
- iii. disruption of conservation plane by affecting areas that have not yet bean sat aside loyally or administratively

## APPENDIX F

### **Standard Information for Social Impact Assessment**

1. The purpose of this annex is to outline the standard information required to be considered for the purposes of a social impact assessment of each afforestation and reforestation project activity. A social impact assessment of each afforestation and reforestation project activity shall be undertaken for the purposes of validation and registration of a project. Social impact assessments shall be an ongoing process and shall be included as part of the monitoring process. Methodologies for undertaking the social impact assessment shall be included in the project design document.

2. The social impact assessment shall be based on a description of the social conditions before the project activity, both within the project boundary and areas outside the project boundary likely to be affected by the project, and the likely changes according to, *inter alia*, the following potential effects:

(a) General Amenity

- i. reduction in the amenity value of a region through adverse visual effects
- ii. may serve as axis for new unplanned settlements
- iii. may be unsightly if poorly maintained or abandoned without proper clean-up
- iv. may cause dust or other particulate emissions
- v. generate solid waste
- vi. noise
- vii. fire hazards
- viii. source of accidents

ix. may interfere with local traffic

(b) Traditional Cultures and Subsistence Economy

- i. traditional shelter, food and other resources of forest dwellers could be reduced or eliminated
- ii. in remote areas, "culture shock, and attendant social unrest could occur
- iii. damage to or destruction of sites of religious or other heritage value
- iv. disruption of local non-cash economy
- v. may accelerate the erosion of traditional cultural values
- vi. long- term decrease in fuelwood supply
- vii. conflict over job opportunities or lack thereof in the forestry sector
- viii. harassment or illegal hunting of local wildlife used for subsistence by local population
- ix. may cause land use conflicts
- x. can be source of friction with local residents

(c) Epidemiology

- i. higher incidence of malaria (exposure of stagnant water) and other diseases
- ii. more contact between vectors of arbovirus diseases and man
- iii. creation of habitats for potential animal vectors of diseases (mainly grasslands invaded by rodents)
- iv. introduction of diseases by forestry workers

**Modalities for the accounting of assigned amounts of Article 7, paragraph 4, of the Kyoto Protocol**

1. Paragraphs 1 through 69 of the Annex to decision 19/CP.7 on the modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol apply with the following changes:

2(bis) A "temporary removal equivalent to a certified emission reduction" or "TRECER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in both annexes to decision –CMP.1 (*Article 12*), 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.

11.b (bis) Acquisitions of TRECERs in accordance with Article 12;

12 (d) add "TRECERs"

12 (e) add "TRECERs"

12 (f) add "TRECERs"

13. add "TRECERs"

14 add "TRECERs"

15 add "TRECERs"

15 (b) Any CERs held in its national registry, which is not a TRECER and which has not been retired for that commitment period or cancelled, to a maximum of 2.5 per cent of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party;

15 (bis) TRECERs may not be carried over to the subsequent commitment period.

17. add “TRECERs” to the first list of units but not the second.
- 19 add “TRECERs” to the first list of units but not the second
- 20 add “TRECERs”
- 21 (b) (c) (d) (e) add “TRECERs”
30. add “TRECERs”
31. Change “CERs” to TRECERs”
32. add “TRECERs”
33. add “TRECERs”
34. add “TRECERs”
35. add “TRECERs”
37. add “TRECERs”
38. add “TRECERs” to the first list of units but not the second
- 39 (second sentence) The executive board of the CDM shall initiate issuance of CERs and/or TRECERs by directing the CDM registry to issue CERs and/or TRECERs into it pending account in accordance with the requirements of Article 12 and requirements thereunder, as well as the relevant provisions in both annexes to decision –CMP.1 (*Article 12*)
- 39 (last sentence) add “TRECERs” to the first list of units.
40. add “TRECERs”
- 41, 41 (b) add “TRECERs”
- 42 (c) replace “CERs” with “TRECERs”
- 43 (b) add “TRECERs”
- 47 (a),(d),(f),(h),(i),(j),(l) add “TRECERs”
48. add “TRECERs”
- 49, 49(a),(b)
51. add “TRECERs”
- 52 (b) replace “CERs” with “TRECERs”
53. add “TRECERs”
- 58 (a)(b) add “TRECERs”, 58(c) replace “CERs” with “TRECERs”, 58(g),(h),(i),(j) add “TRECERs”,

59 (b) add “TRECERS”

62 (b),(d) add “TRECERS”

**Modalities for the calculation of the commitment period reserve**

1. Paragraph 1 through 10 of the Annex to Decision 18/CP.7 on the modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol shall apply with the following changes:

7. add “TRECERS”

9. add “TRECERS”

**Reporting of supplementary information under Article 7, paragraphs 1 and 2, of the Kyoto Protocol**

1. Paragraphs 1 through 3 of the Appendix to decision 22/CP.7 on guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol shall apply with the following changes:

1(a),(c),(d),(f),(g),(h),(i),(k) add “TRECERS”

3 (d) (i),(ii),(iii),(iv),(v) add “TRECERS”

**Review of information on assigned amounts pursuant to Article 3, paragraphs 7 and 8, emission reduction units, certified emission reductions, assigned amount units and removal units**

1. Paragraphs 1 through 15 of Appendix I to decision 23/CP.7 on guidelines for review under Article 8 of the Kyoto Protocol shall apply with the following changes:

1. add “TRECERS”

2. add “TRECERS”

5(c) add “TRECERS”

12 (e) add “TRECERS”



PAPER NO. 19: URUGUAY

ANNEX

**Modalities and procedures for inclusion of afforestation and reforestation project activities under the clean development mechanism for the first commitment period.**

**Uruguay submits the following proposal of legal text for the chapter “A. Definitions” of the Annex for the inclusion of afforestation and reforestation project activities in the Clean Development Mechanism, reflecting, *mutatis mutandis*, the annex to the draft decision -/CMP.1 (Article 12), in accordance with decision 17/CP.7.**

**The position of Uruguay in relation to the rest of the chapters of the Annex is reflected in the common submission prepared with several Latin-American countries**

**A. Definitions**

1. For the purposes of the present annex the definitions contained in Article 1<sup>1</sup> and the provisions of Article 14 shall apply. Furthermore:

(c) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these 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; CERs issued in afforestation and/or reforestation project activities shall be temporary, and its validity will expire [x] years after issuance.

1a. Unless otherwise defined in this Annex, the definitions contained in decision 11/CP.7 shall apply.

1b. “Net removals by sinks” are the difference between the removals by sinks of greenhouse gases measured as changes in carbon stock minus the emissions carbon dioxide and non carbon dioxide gases attributable to the installation and management of the afforestation and/or reforestation project activity within its boundary.

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<sup>1</sup> In the context of this annex, "Article" refers to an Article of the Kyoto Protocol