

Decision 3/CMP.12

Guidance relating to the clean development mechanism

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 and decision 1/CMP.6,

Cognizant of decision 3/CMP.1 and subsequent guidance provided by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol relating to the clean development mechanism,

Noting decision 1/CP.19, on the promotion of the voluntary cancellation of certified emission reductions as a means of closing the pre-2020 ambition gap,

Urging Parties to deposit with the Depository their instruments of acceptance in respect of the Doha Amendment pursuant to Article 20 of the Kyoto Protocol with a view to expediting its entry into force,¹

I. General

1. *Takes note* of the report for 2015–2016 of the Executive Board of the clean development mechanism (hereinafter referred to as the Executive Board);²
2. *Acknowledges* the work undertaken by the Executive Board over the past year;
3. *Notes* that the clean development mechanism of the Kyoto Protocol, to date, has been responsible for:³
 - (a) Over 7,700 project activities being registered in over 95 countries;
 - (b) Over 1,900 component project activities being included in over 290 programmes of activities registered in over 80 countries;
 - (c) Over 1.7 billion certified emission reductions being issued and over USD 300 billion being invested;
 - (d) Over 15 million certified emission reductions voluntarily cancelled;
 - (e) Over 34 million certified emission reductions being transferred through the share of proceeds to the Adaptation Fund;
 - (f) Over USD 195 million of revenue for the Adaptation Fund from the sale of certified emission reductions;
 - (g) A total of 78 loans under the CDM Loan Scheme being approved and over USD 6.2 million of total commitment;⁴
 - (h) A total of 37 sustainable development co-benefit description reports being published using the voluntary sustainable development tool;

¹ Decision 1/CMP.8.

² FCCC/KP/CMP/2016/4.

³ See document FCCC/KP/CMP/2016/4 and <<http://cdm.unfccc.int/>>.

⁴ To date, 62 loan agreements have been entered into.

4. *Encourages* the Executive Board to continue its activities in response to decision 6/CMP.11, paragraphs 7 and 8;
5. *Also encourages* the Executive Board to continue the simplification of the clean development mechanism, with the aim of further simplifying and streamlining, in particular the registration and issuance processes, and methodologies, while maintaining environmental integrity;
6. *Requests* the Executive Board to analyse the overall cost for designated operational entities and to report back to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its thirteenth session (November 2017);
7. *Designates* as operational entities those entities that have been accredited, and provisionally designated, as operational entities by the Executive Board to carry out the sector-specific validation functions and/or sector-specific verification functions described in the annex;

II. Baseline and monitoring methodologies

8. *Encourages* the Executive Board to explore possibilities for reducing the transaction costs of monitoring by expanding the use of tiered approaches offering a choice between conservative default values and direct measurements;
9. *Also encourages* the Executive Board to continue its activities in response to decision 6/CMP.11, paragraph 14;

III. Regional and subregional distribution

10. *Invites* the Executive Board to further work on the development of simplified clean development mechanism methodologies and standardized baselines, while maintaining environmental integrity, in collaboration with regional collaboration centres;

IV. CDM Loan Scheme

11. *Recalls* the purpose of the CDM Loan Scheme, which is to increase the participation of underrepresented countries in the clean development mechanism;
12. *Takes note* of the report on the evaluation of the CDM Loan Scheme, implemented pursuant to decision 2/CMP.5, paragraphs 49 and 50, and decision 3/CMP.6, paragraphs 64 and 67, and annex III;
13. *Recognizes* the implications for the CDM Loan Scheme of the current low price of certified emission reductions and, in particular, the implications for the recipients of CDM Loan Scheme funds with regard to potential difficulties in the repayment of loans;
14. *Decides* that the implementing agency of the CDM Loan Scheme, after consultation with the secretariat, may write off amounts disbursed under individual loans on a case-by-case basis, where it becomes evident that it will not be feasible for the loan recipient to repay the disbursed funds;
15. *Requests* the implementing agency and the secretariat to work closely with loan recipients that wish to continue under the CDM Loan Scheme to help those recipients to identify ways to progress through the project cycle, including making adjustments to loan agreement terms, if appropriate;

16. *Decides* that the secretariat should not seek a new implementing agency after the expiry of the term of the current contract as required by decision 3/CMP.6, annex III, paragraph 8;

17. *Also decides* that other changes to the CDM Loan Scheme are not required at this time;

V. Resources for work on the clean development mechanism

18. *Requests* the Executive Board to continue to ensure the prudent management of the resources of the clean development mechanism and its ability to perform its duties in maintaining and developing the mechanism up to the end of the true-up period of the second commitment period of the Kyoto Protocol.