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Methodological issues

**Small-scale afforestation and reforestation project activities
under the clean development mechanism**

Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism

Submissions from Parties

1. The Conference of the Parties (COP), by its decision 19/CP.9, adopted modalities and procedures for afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period of the Kyoto Protocol. It requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to recommend a draft decision on simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM and on measures to facilitate these project activities, for adoption by the COP at its tenth session. The COP invited Parties and accredited observers to submit to the secretariat, by 28 February 2004, their views on simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM.
2. The secretariat has received 11 such submissions from Parties. In accordance with the procedure for miscellaneous documents, these submissions are reproduced* in the language in which they were received and without formal editing.
3. The secretariat has also received two submissions from intergovernmental organizations and one from a non-governmental organization. It is the practice of the secretariat not to reproduce submissions from organizations in miscellaneous documents. These submissions can be found in document FCCC/WEB/2004/2, available on the UNFCCC web site at <http://unfccc.int/resource/webdocs/2004/02.pdf>.

* 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.

FCCC/SBSTA/2004/MISC.4

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PAPER NO. 1 : ARGENTINA

Presentation of the Government of Argentina to the UNFCCC

The Government of Argentina accepts the invitation of the secretariat to submit views on:

- (a) "...simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism..."¹, and
- (b) "...how to facilitate the implementation of small-scale afforestation and reforestation project activities under the clean development mechanism..."²

(a) On simplified modalities

Certified emission reductions generated by small-scale afforestation and reforestation project activities under the clean development mechanism³ may represent an important contribution to the economic advancement of low-income individuals, which could well undertake an afforestation or reforestation project with their own means, but they very likely could not afford paying the transaction costs of the estimation of a project baseline, and the monitoring and verification of the net anthropogenic greenhouse gas removals by sinks.

However, those individuals could unite into some kind of legal association aimed at the stewardship of the totality of their parcels of land, so as to reduce the burden of transaction costs in the total cost of implementing an afforestation or reforestation project activity. Even so, the size of the aggregated area would depend upon the number of associated small-holders, which will be constrained by the organisation of the participatory agreements they chose to represent them. The project area would likely be small compared to the size required to minimize the weight of transaction costs on a project's profitability, and possibly very much spatially fragmented. These two features warrant the development of special procedures and modalities for small-scale afforestation or reforestation project activities under the clean development mechanism.

The Government of Argentina considers that simplified modalities for small-scale afforestation and reforestation project activities should heed to the following three basic tenets, without prejudice of any others:

- (i) The totality of parcels in a community of small-holders should be treated as a single unit of land for the purposes of the project. If this area were spatially heterogeneous as to its geographical, edaphological, and vegetational characteristics, a single baseline weighted for the relative sizes of the heterogeneous areas should be determined.
- (ii) The property rights on both the project land and the putative emission reduction certificates should be unequivocally established before the project is carried out.
- (iii) Representative parcels (test parcels) of the project's area should be chosen to perform in them the tasks of monitoring and verification of carbon stocks and the emissions/removals of

¹ Paragraph 3 of document FCCC/SBSTA/2003/L.27.

² Paragraph 4 of document FCCC/SBSTA/2003/L.27.

³ Decision -/CP.9 (Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism)

relevant greenhouse gases included in the Annex A of the Kyoto Protocol. The same test parcels should be used throughout the project's crediting period.

PAPER NO. 2: BOLIVIA

Submission by the Republic of Bolivia on Small-Scale Afforestation and Reforestation Projects:

Simplified Modalities and Procedures and Facilitation of their Implementation

*National Program on Climate Change, Focal Point
National Clean Development Office*

Parties to the Convention on Climate Change approved, at their 9th Conference of the Parties *COP 9) the Decision 19/CP.9 on modalities and procedures for afforestation and reforestation project activities under the CDM in the first commitment period of the Kyoto Protocol (KP). In that Decision, Parties and accredited observers to the UNFCCC were invited to submit their views on “simplified modalities, procedures and definitions for small-scale activities.” by 28th February 2004⁴. By Paragraph 4 of the same Decision, they were also invited to submit, by the same date, their views on “how to facilitate the implementation” of these activities. The present submission by the Republic of Bolivia addresses both issues in a consolidated document, with an initial section on definitions, which are necessary to adopt these simplified modalities and procedures. Supporting text is not formatted. Specific operational proposals are highlighted in bold, italics text.

1. Definitions

The following definition of small – scales afforestation and reforestation project activities is given by Decision 19/CP.9, para 1(i):

“Small-scale afforestation and reforestation project activities under the CDM” are those that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 kt of CO₂ per year and are developed or implemented by low-income communities and individuals as determined by the host Party. If a small-scale afforestation or reforestation project activity under the CDM results in net anthropogenic GHG removals by sinks greater than 8 kt of CO₂ per year, the excess removals will not be eligible for the issuance of tCERs or ICERs.

The first issue requiring further clarification is how the allowed quantity of 8 kilotonnes yearly should be calculated. The question here being if this level of removal should be calculated based on the annual changes in carbon stocks, the long-term storage average, or by applying a different calculation approach.

The amount of sequestered tons of CO₂ is verified by a Designated Operational Entity on a periodic basis (every 5 years) as a condition for the issuance of tCERs or ICERs. In the years between periodic verifications, the achieved carbon storage is estimated by the project proponents or operators, but not officially verified and reported by any DOE. The only logical requirement would be to request exact compliance with the quantitative limit for a period for which official data exists, namely the entire verification period. Operatively, there is no way of ascertaining, by third parties, the annual uptake or removals at the project level, unless verification is performed every year. As verification will not be performed every year, then another equivalent criterion must be adopted to account for a yearly uptake of 8 kilotonnes CO₂.

The requirement of a removal not greater than 8 kt CO₂ annually should be based on the average annual removal during the verification period, i.e. 40 kt CO₂ over a five-year period. There is no

⁴ See paragraph 3 of Decision 19/CP.9 on “modalities and procedures for afforestation and reforestation project activities under the Clean Development Mechanism in the first commitment period of the Kyoto Protocol.

other feasible way to ascertain that the removals do not exceed the determined threshold in any given year (which will not be subject to verification).

Furthermore, the definitions of afforestation and reforestation could be adjusted to allow small-scale activities to pursue more immediate social and environmental benefits. In this regard, the definition of reforestation should be reconsidered for small-scale projects. Lands, which have been without forest for a shorter period, are generally easier to afforest than lands that have been deforested for a longer period of time. Recently deforested areas tend to have less impoverished soils and may be in the vicinity of still existing forests, which increases the chance of their reforestation. These areas thus offer particular opportunities for low-income community projects and should not be excluded ex ante from the benefits of the CDM. It is suggested to change the reference date in the definition of reforestation for small-scale A&R to 31st December 1999 and to include all areas that did not contain forest since this date. Accordingly, “afforestation” should be defined as the direct human-induced conversion of land that has not been forested for a period of at least 30 years to forested land.

Population growth and moving into new forest areas followed by clearing in some parts of the tropics has increased during the last 10-15 years or so (particularly in parts of Africa and South East Asia) and the resulting degraded lands from these activities would be ineligible—this has an equity issue—it essentially eliminates activities on lands that have more recently been cleared due to a variety of social conditions. The 1990 base year is completely arbitrary, anyhow, and only related to the year 1990 after the Rio Meeting in 1992 when developed countries agreed to make voluntary reductions, based on 1990. As it took another almost decade for an agreement to be constructed, it could have just as easily been set at 2000 at that time. There is nothing magic or mandatory about 1990, and we are absolutely positive that no land has been cleared in the developing countries in anticipation of getting carbon credits for removals after that year. Insisting on keeping year to 1990 is basically eliminating millions of poor people and a substantive area of degraded land from potentially receiving carbon finance, to make their lands more productive again and to reduce their vulnerability to future climate change.

Small – scale afforestation projects should be limited to afforestation occurring on those lands that did not contain forest in the previous 30 years. Small-scale reforestation projects should be limited to reforestation occurring on those lands that did not contain forest on 31 December 1999.

Another issue arising in the context of defining small-scale A&R projects is whether the definitions of forest, afforestation and reforestation adopted at COP 7 and applied to the “full scale” forestry projects in the CDM by Decision 19/CP.9, should be rigorously applied to small-scale projects or whether some special provisions could be made. The definition of a forest adopted by COP 7⁵, in particular the minimum area requirement, may prove restrictive for some community driven forestry projects, particularly if a project consists of a bundle of small, individually owned, pieces of land. Given the objective to promote activities implemented by low-income communities and individuals, it is foreseeable that some of these activities will consist of only a few square meters, which will not necessarily meet the minimum area criteria of a forest as currently defined.

⁵ “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 meters at maturity in situ. A forest may consist either of closed forest formations where trees of various stories 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 meters 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;

para 1.(a), Annex of Decision 11/CP.7

In order to include a maximum of small, community-driven activities, compliance with the definition of a forest should ideally be waived for small-scale A&R projects. As a second-best solution, it is suggested to adopt the lower values contained in the forest definition (0.05 ha minimum area, 10% crown cover, 2m height of trees) for all small-scale projects, irrespective of the parameter values chosen by the host country for full-scale projects. In this case, SBSTA may consider lowering the minimum area even below 0.05 ha.

In the implementation of the definition of small-scale project activities there might be some problems related to diverse structures of **land tenure and property rights** in host countries. The definition contained in the Annex to decision 19/CP.9 requests that the projects have to be “developed or implemented by low-income communities and individuals as determined by the host Party”. The issue here is that low-income communities and individuals that work, derive their sustenance, or live in some areas of land, which could be eventually included in a project activity, do not necessarily have full property rights, as defined legally, to these areas of land, in many developing countries. The Decision does not address the issue of land property or tenure rights in this paragraph. However, in paragraph 2 (c) of Appendix B of the Annex to decision 19/CP.9, there is a request for the “*description of the legal title to the land, rights of access to the sequestered carbon, current land tenure and land use*”. The question is the extension of the definition of the terms “*being developed and implemented by*” low-income communities. Asking these communities to have *legal property* of the lands in which projects activities are implemented might be a barrier that is impossible to overcome. It would be better if, in the absence of formal land property rights, customary land use and access rights could be demonstrated, with the obvious provisions for authorization from the landowner or the community leaders in cases in which they apply and as recognized by the host country.

In the absence of formal land property, tenure or use rights, recognized customary or access rights to the land should be a sufficient condition for low-income communities and individuals to participate in the CDM. A substantial proportion of the benefits from the CDM project activity should be assigned to these low-income communities and individuals.

2. *Simplified Modalities and Procedures*

A natural starting point for the development of simplified rules for small scale A&R projects are the simplified modalities and procedures for small scale energy projects adopted by the Conference of the Parties at its eighth session (Annex II of [Decision 21/CP.8](#)). While consistency across project categories seems generally desirable, these rules should however be examined carefully regarding their applicability to small-scale A&R projects and should be modified if necessary. Some additional simplifications related to the specifics of forestry projects should also be considered.

For energy projects, the simplified modalities and procedures include the following⁶:

- a) Project activities may be bundled or portfolio bundled at the following stages in the project cycle: the project design document, validation, registration, monitoring, verification and certification. The size of the total bundle should not exceed the limits stipulated in paragraph 6 (c) of decision 17/CP.7;
- b) The requirements for the project design document are reduced;
- c) Baselines methodologies by project category are simplified to reduce the cost of developing a project baseline;
- d) Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs;

⁶ Annex II of Decision 21/CP.8, accessible at <http://cdm.unfccc.int/pac/Reference/Documents/AnnexII/English/annexII.pdf>

- e) The same operational entity may undertake validation, and verification and certification.

Furthermore, small-scale energy projects benefit from a reduced project registration fee of 5,000 USD.

The simplifications adopted for energy projects are examined for A&R projects in the following paragraphs.

2.1. Consolidation of projects

There are many opportunities to implement small-scale A&R projects that will bring significant benefits to low income communities. However, projects that deliver no more than 8kt CO₂ per year are not large enough to individually absorb the costs of the due diligence, validation and verification procedures necessary to safeguard the atmospheric, environmental and social benefits that are sought from small-scale projects in the CDM. Only projects with a minimum delivery of 30,000 tonnes annual emission reductions to be financially feasible and capable of absorbing the CDM-related transaction costs. At 8kt of emission reductions per year, the entire revenue from the sale of the carbon credits can easily be eaten up by transaction costs alone, assuming today's transaction costs and market price.⁷ It is also expectable that the amount of CO₂ reductions from small-scale energy projects will be considerably larger than the amount of CO₂ sequestered by small-scale A&R projects.⁸ In addition, tCERs and ICERs are likely to sell at a much lower market price than CERs due to the ultimate buyer's liability to replace them with permanent credits, which reduces the expected revenue even further.

The cost of maintaining the necessary safeguards can be reduced significantly if small-scale projects, carried out by separate low-income communities, but of a similar nature and in similar environmental and social conditions, can be **treated as a consolidated unit and the costs of validation, verification and monitoring can be shared between them.**

This could be achieved, for example, by a single entity working with multiple communities to promote a particular type of A&R activity (e.g. village tree lots for multiple purposes such as shelter, fuel wood, fruits, etc). The entity would organize a monitoring system that includes appropriate visits and authentication to establish that agreed procedures are being carried out, the number, size and class of the trees and so on. The entity would also establish regional allometric equations to convert simple count and size sampling to carbon pools. Local people with local supervision would largely carry out this work, but the whole process would be subject to independent validation and verification.

In this way, a large number of separate projects could be developed. Each would be carried out by different low-income communities and with a large degree of autonomy as to what degree they engaged in the activity (e.g. the number of trees planted) and even which species they preferred, and what local management and cost/benefit sharing occurred. The consolidation process would allow local expertise to be developed and delivered to these communities and ensure that the expertise was of adequate quality

⁷ Assuming up-front transaction costs of 100,000 USD for preparation of the project documents, negotiation and validation of the project (less than the Carbon Finance Business is currently experiencing), verification costs of 20,000 USD at 7 year intervals, a price of 3 US Dollars per ton of tCERs/ICERs and a discount rate of 12%, the share of transaction costs of total revenues accrues to 95% if the project size is limited to 8,000 tons tCERs/ICERs per year.

⁸ Consider the case of a 15 MW hydropower plant with a 60% capacity factor that is feeding its output into a grid with an average emission rate of 0.6 tCO₂/MWh. The expectable annual amount of credits in this case is 47,304 t CO₂. This amount is about six times bigger than the acceptable amount for small-scale A&R projects. .

and authority. The independent validation and verification by a DOE of the whole process ensures that the appropriate international standards are adhered to.

Every small-scale project activity of a consolidate action could be registered as a different project activity. However, all these project activities could be validated, verified and certified by the same DOE.

Consolidation in the way that small-scale A&R projects are validated, monitored and verified is essential to allow them to absorb the CDM-related transaction costs. A DOE should be allowed to validate and/or verify a group of small-scale projects with a similar design and management process and which implement similar carbon sequestration activities within a particular region or across comparable regions. The CDM Executive Board may wish to consider an appropriate fee for this kind of consolidated activities.

2.2. Criteria for de-bundling

For small-scale project activities of afforestation and reforestation under the CDM, the following criteria have been defined to determine the occurrence of de-bundling:⁹

A proposed small-scale energy project activity is deemed to be a de-bundled component of a large project activity if there is a registered small-scale CDM project activity or an application to register another small-scale CDM project activity:

- **With the same project participants;**
- **Registered within the previous 2 years; and**
- **Whose project boundary is within 1 km of the project boundary of the proposed small-scale activity at the closest point.**

There may be cases in which small scale plots owned and managed by different individuals are located within 1km distance of each other. It seems desirable not to exclude bundling of these projects given that the beneficiaries from the CDM activity are different. In order not to be excluded, these activities should be ascertained as being implemented by different project participants, thus not meeting the first criterion for the occurrence of de-bundling. The individuals owning and managing the land should be counted as different project participants. This is consistent with the definition of small-scale projects that asks for low-income individuals and communities to develop and implement the CDM project thereby implicitly recognizing individuals as project participants. An example would be the case of many small landowners developing a project and sharing the carbon benefits of their joint undertaking, under the direction, supervision or management of a centralized organization.

In that line of analysis, the second criterion for the consideration of de-bundling seems to have no relevance in the case of forestry projects under the CDM. The second criterion asks the project to be *in the same project category and technology/measure*. Projects can only be in the categories of afforestation and reforestation, and the technology applied would evidently be the plantation of trees¹⁰. Generally speaking, the analysis could not go beyond that ascertainment of facts, and not, as in the case of energy projects, be allocated to various categories and technologies. Hence, *all* projects, bundled or de-bundled from a larger project activity, will meet the criterion of being in the same project category and of using the same technology, in a general way. This means that all of these projects will be using plantation

⁹ *Mutatis mutandis* from Appendix C of the Simplified Modalities and Procedures for Small-Scale CDM project activities

¹⁰ Unless the Executive Board adopts definitions related to the specific purposes of plantations, in which case this problem has to be revisited.

techniques for the removal of carbon from the atmosphere, as a common technology, unless the act of planting is conventionally divided into several technologies, for the purpose of categorization.

The same set of de-bundling criteria for A&R projects that were previously defined for energy projects should be adopted, with the exception of the second criterion “in the same project category and technology/measure”. Projects adjacent to each other (<1 km distance) but developed and implemented by different low-income individuals or communities should not be excluded from bundling. Thus it is important to recognize each individual or community as a project participant (not simply an aggregating entity which organizes the whole program).

2.3. Simplified Project Design Document (PDD)

It is advisable to simplify the requirements of the Project Design Document for small-scale A&R projects, as is the case for small-scale energy projects. Specifics of the simplified template, however, are not suggested here as they critically depend on the prior adoption of other simplified rules.

The EB should develop a template for a simplified Project Design Document for small-scale A&R project activities, taking into account the Decision taken at COP 10 on these matters, within the period until COP 10 and their next regular meeting. This template will be temporarily in force until its formal adoption at COP 11. SBSTA will ascertain the consistency of the PDD template with the COP Decisions at its 22nd session, and forward to the COP any recommendation required thereto.

2.4. Simplified methodologies

2.4.1 Baseline methodologies

Decision 19/CP.9, para 22 lists three possible baseline approaches for A&R projects:

- (a) *Existing or historical, as applicable, changes in carbon stocks in the carbon pools within the project boundary;*
- (b) *Changes in carbon stocks in the carbon pools within the project boundary from a land use that represents an economically attractive course of action, taking into account barriers to investment;*
- (c) *Changes in carbon stocks in the pools within the project boundary from the most likely land use at the time the project starts.*

For the purpose of developing a simplified and widely applicable baseline methodology, the approach listed in 22 (a) seems to be most appropriate as project proponents for all types of small-scale projects can easily assess the existing or historical trends.

In any case, the distinction between baseline methodological approaches listed in (b) and (c) is not so clear, for the time being. One wonders what would be the practical difference between “*a land use that represents an economically attractive course of action*” taking into account any barriers to investment and “*the most likely land use at the time the project starts*”. Coming to make methodological differentiations among these two approaches, this could take complex modeling tools, even for the determination of a methodology using the approach listed in (b), resulting in costs that may be unbearable for small-scale activities.

Carbon stocks in the carbon pools within the project boundary can be, either increasing, decreasing or can remain constant. Since the definition of afforestation and reforestation requires the project area under consideration to be without forest since at least 1990, the most likely situation is that no changes in carbon stocks are occurring before the onset of the project. Prevalence of the existing carbon stocks appears to be a reasonable baseline.

For small-scale A&R projects, the baseline approach outlined in Paragraph 22 (a) should be accepted as sufficient and the default value for the existing or historical changes in carbon stocks should be zero. Project participants may, however, choose to follow a different approach if they wish.

The SBSTA will also consider the feasibility of mandating the EB with the establishment of standardized default baseline methodologies, to facilitate the implementation of these projects (See facilitation section, Nr. 3).

2.4.2 Additionality

In the case of small-scale A&R projects, barriers such as lack of knowledge or information, limited access to capital, poor land management and prevailing practices are likely to play a crucial role and a demonstration of additionality based on an analysis of these barriers would seem conclusive. *However, one may argue that a demonstration of barriers is already implicit in the definition of afforestation and reforestation.* The fact that an area has been without forest since at least 1990 gives a very strong indication for prevailing economic or social barriers impeding its afforestation and/or natural conditions being such that no natural regrowth occurs. *Thus, one may think of the definition of afforestation and reforestation as a built-in additionality test.* In the definition of small-scale A&R projects, an additional barrier is introduced by the fact that a project is to be implemented by low-income communities or individuals. For small-scale projects it seems reasonable to waive the requirement of a further proof of their additionality given that the risk of crediting business-as-usual projects appears to be very low.

The fact that the afforested or reforested lands have been without forest since at least 1990 should, in the case of small-scale A&R project activities, be regarded as sufficient evidence for their existence and thus for the additionality of the proposed project.

2.4.3 Carbon Pools

Decision 19/CP.9 recognizes aboveground biomass, belowground biomass, litter, dead wood and soil organic carbon as carbon pools. The “actual net GHG removals by sinks” are to be determined as the sum of verifiable changes in the carbon pools minus any increases in emissions due to the project activity. This means that the project proponent needs to take into account verifiable changes in all of the above-mentioned carbon pools plus any other emissions which can be linked to the project activity (para 1.[d]). Project participants are allowed not to include in their calculations one or more carbon pools, if “*transparent and verifiable information is provided that the choice will not increase the accounting of anthropogenic gas removals by sinks*”¹¹.

In general, the greatest changes in carbon stocks from A&R activities occur in aboveground tree and belowground biomass (roots). While methods to determine the carbon stock changes in trees are well established and easy to apply, estimation of changes in other carbon pools prove to be more difficult and may involve the use of sophisticated equipment and laboratory analysis. Lack of measuring and monitoring capacities should not result in a barrier to the implementation of small-scale projects. The

¹¹ Paragraph 21 of the Annex of Decision 19/CP.9

monitoring requirements for small-scale projects should be such that even less resourceful project proponents are able to implement them. One option is for the CDM EB to provide to the extent possible default values that project proponents can use to estimate the sequestration effect of their project. As pertaining to the adoption of simplified rules, it is suggested to let project proponents decide on the carbon pools they wish to include in the assessment. If they find themselves incapable of assessing the carbon stock changes of a certain pool, they should be allowed to disregard that particular pool without providing proof that the pool is not a source. As it can be expected that carbon stocks of all pools tend to increase as a result of the project activity, excluding any pools in the assessment will not easily result in an overestimation of net removals.

Project proponents of small-scale A&R activities will decide on which carbon pools will be included in the assessment of carbon stocks. They may choose to exclude any pool without having to provide further information.

2.4.4 Emissions from A&R activities

Emissions, which may increase as a result of A&R activities, are, in particular, CO₂ from transportation or burning of biomass during site preparation, N₂O from fertilizer use and planting of leguminous trees, as well as methane emission due to changes in the groundwater table. As a measure of simplification, small-scale A&R projects should only have to account for these emissions if they are considered significant, i.e. represent 15% or more of the total expected removals by sinks.

Emissions from small-scale A&R activities, such as, for example, increases of nitrous oxide due to fertilization, should only be estimated and deducted for small-scale projects if they represent 15% or more of the proposed net anthropogenic removals by sinks. Default methods as outlined in the IPCC Good Practice Guidance may be used for their assessment.

2.4.5 Project Boundary and Leakage

Leakage should be estimated and deducted from net anthropogenic removals by sinks in the project area, if it is found to be clearly significant, its level is feasible to be assessed, and it is directly attributable to the small-scale A&R project activity

Besides physical leakage, projects may exert “market leakage” if their implementation impacts the price of wood and thereby affects the behavior of other actors in the market. In the case of small-scale projects, however, it seems reasonable to disregard market leakage, given that their impact on market prices appears negligible.

Leakage should only be assessed for small-scale A&R activities if it is estimated to be substantial, measurable and attributable to the proposed activity. “Market” leakage should be ignored.

2.4.6 Monitoring

The costs of monitoring greatly depend on the level of precision with which changes in carbon stocks are to be assessed. The higher the aspired precision level, the more field measurements have to be conducted and the greater the needs for sophisticated equipment. For small-scale A&R projects, SBSTA could be willing to accept a lesser precision level since the absolute risk for the climate from small projects is low. Monitoring costs could be cut if small-scale projects are allowed, to the extent possible, to revert to standard allometric equations (per species), standard biomass – conversion equations and other monitoring techniques, that facilitate the estimation of carbon stock changes at low cost. An example is the estimation of the carbon sequestration in roots based on an average ratio between aboveground and belowground biomass.

It should be explored further if also for the estimation and monitoring of soil organic carbon, standard models can be used, which relate the increase in living biomass to the increase in uptake of soil organic carbon, taking into account variables such as the plantation age, hydrological resources, type of soil and local climatic conditions.

Small-scale project activities should be able to revert, to the extent possible, to the use of standard allometric equations (per species), standard estimation using biomass expansion factors and other low-cost monitoring techniques, consistent with the IPCC Good Practice Guidance for the LULUCF sector, as applicable.

2.5. Single Designated Operational Entity (DOE)

In the case of small – scale project activities for the reduction of emissions, Annex II of Decision 21/CP.8, in its paragraph 20, clearly determines that “*A single designated operational entity may perform validation as well as verification and certification for a small-scale CDM project activity or bundled small-scale CDM project activities*”. With this legal antecedent, it would be logical to establish an equivalent guideline for small – scale project activities in the LULUCF sector.

For small-scale A&R project activities, the same operational entity should be able to undertake validation, verification and certification.

2.6. Share of proceeds

Again, in the case of small – scale project activities, Annex II of Decision 21/CP.8, in its paragraph 21, establishes that “*The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, may consider proposing lower fees for small-scale CDM project activities*”. The current procedure for energy projects establishes a fixed lower upfront fee for small – scale project activities in the energy sector, which has to be reimbursed thereafter. Normally, the portion of the “share of proceeds” destined to cover administrative costs should be a percentage of the total CERs accrued by the project activity. Given that small – scale project activities in the LULUCF sector are especially projected to be “developed or implemented” by low-income communities or individuals, it would make economical sense to establish a fixed fee to cover the administrative costs of these project activities, instead of a proportion of the CER earned, which could go to a maximum of, e.g., US\$ 5,000.

For regular size projects, 2% of the CER should go to the Adaptation Fund. However, the text of Decision 17/CP.7 has also waived this obligation for the LDC, in its paragraph 15 (b), which reads “*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*”. Since, as mentioned in the preceding paragraph, the expected beneficiaries/implementers of small – scale LULUCF project activities are low – income communities or individuals, it follows logically that the same exact principle should apply to these project participants.

For small-scale A&R project activities, a low fixed fee to cover administrative costs should be established. Consolidated projects would also receive a further preferential treatment regarding fees of registration. These types of activities should be exempt from payments to the Adaptation Fund.

2.7. Frequency of Verification

The frequency of the verification for small – scale forestry project activities in the CDM should be extended to be every 10 years, instead of every 5 years, as established for large-scale A&R activities. The requisite for the intermediate 5-year verification report could be substituted by the requisite for a thorough report following a certain reporting protocol, to be established, on all monitoring variables and monitoring data, performed by the project participants and/or implementers. The selected DOE should provide the template format for the intermediate 5-year report. The report should be submitted to the EB and the DOE, which will assess the necessity to perform a full verification in the event of:

- a) Larger inconsistencies between the report sent by project participants and the PDD, or the expected rates of average carbon removal;
- b) Failure to comply with the obligation of submission of the report 60 days after 5 years have passed since the last verification report by the DOE.

A longer verification period of 10 years should be adopted. It should be complemented by an intermediate 5-year report from project participants, to be submitted to the Executive Board and the DOE, following an official reporting format.

2.8. Replacement of temporary credits

For the case of small-scale LULUCF project activities in the CDM, it is important to ensure the maximum possible income stream to the project participants from the sale of CERs and to remove any incentives to release the sequestered carbon at the end of a crediting period. The following procedures could apply for this category of project activities:

- a) In the case of a loss in carbon stock the project participants will have to replace the corresponding amounts of tCER or ICER with the adequate units, as established in Decision 19/CP.9.
- b) At the end of the crediting period, either if the project activity completes a 30-year implementation lifetime or three consecutive 20-year terms, tCER or ICER will continue to be valid until the project participants decide to cease to perform the verification by a DOE at which time they will have to replace the tCER or ICER with the adequate units, as established in Decision 19/CP.9. However, no further ICER or tCER will be issued for the same project activity.

These procedures also provide an incentive for the project proponent to maintain forests after the end of the crediting period.

At the end of the crediting period, either a one-time 30-year period or the last of three consecutive 20-year periods, tCER and ICER from small-scale A&R project activities shall continue to be valid, provided that the DOE performs the periodic verification, establishing the continued existence of the created carbon stock.

PAPER NO. 3: CANADA

SIMPLIFIED MODALITIES AND PROCEDURES AND HOW TO FACILITATE THE IMPLEMENTATION OF SMALL-SCALE AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM

28 February 2004

1. INTRODUCTION

The purpose of this submission is to elaborate Canada's views on simplified modalities and procedures for small-scale afforestation and reforestation (A&R) projects activities under the CDM, including how to facilitate the implementation of these project activities, as invited by paragraphs 3 and 4 of decision -/CP.9 (FCCC/SBSTA/2003/L.27).

Canada notes that the size and eligible developers of small-scale A&R projects defined in paragraph 1 (i) of the annex to decision -/CP.9¹² (FCCC/SBSTA/2003/L.27) mean that these types of projects must be principally regarded as locally-initiated sustainable development projects. The CERs that these projects may earn in future will be insignificant to attainment of the quantified emission reduction obligation of Annex I Parties but the revenue associated with the CERs could be of significant economic value to local communities or individuals. However, such economic value will only be achieved in real terms if CER revenue exceeds the CDM-related cost of implementing a small-scale A&R project.

Accordingly, Canada's view is that there should be three objectives for the development of simple and practical modalities and procedures for small-scale AR projects:

1. To greatly streamline the administrative and technical processes of project design and implementation;
2. To minimize to the greatest extent possible the upfront and ongoing project-related costs; and
3. To ensure locally-appropriate environmental integrity of projects.

To achieve these objectives, Canada's view is that Parties should both draw upon the applicable components of Annex II to Decision 21/CP.8 (Simplified modalities and procedures for small-scale CDM project activities) and adopt, *inter alia*, the following elements to ensure the greatest opportunity of implementation of small-scale A&R projects:

1. Reduced registration fees commensurate with the size of these projects;
2. Simplified baseline and monitoring methodologies;
3. Boundaries and leakage;
4. Simple, community-supported socio-economic and environmental assessments;

¹² "Small-scale afforestation and reforestation project activities under the CDM" are those that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 kilotonnes of CO₂ per year and are developed or implemented by low-income communities and individuals as determined by the host Party."

5. Validation and Verification; and
6. Bundling.

Each of these elements is elaborated in more detail in the subsequent section.

2. SIMPLIFIED MODALITIES AND PROCEDURES

2.1 Reduced Registration Fees

Parties should consider a reduction in the registration fee for small-scale A&R projects such that it is commensurate with the project size, e.g. US\$1500 for non-bundled projects that remove up to 8 kt of CO₂; bundled projects could have a slightly higher fee.

2.2 Simplified Baseline and Monitoring Methodologies

Appendix B of the simplified modalities and procedures for small-scale CDM project activities, developed by the CDM Executive Board in accordance with the simplified modalities and procedures for small-scale CDM project activities (annex II to decision 21/CP.8), contains simplified baseline and monitoring methodologies for selected small-scale CDM project activities. Canada recommends that Parties should request the Executive Board to use a similar approach to develop simplified baseline and monitoring methodologies for small-scale A&R CDM project activities.

In developing simplified baseline and monitoring methodologies for A&R CDM project activities, the Executive Board should seek to minimize the number and complexity of field-level measurements by accepting use of models (e.g. simulation, allometric equations) and default values published by the 2003 IPCC Good Practice Guidance (GPG) for LULUCF. Both project-specific and standardized baseline methodologies should be available to afforestation and reforestation project activities under the CDM. Standardized baselines in particular are efficient for small-scale projects with the added appeal that they lower the CDM-related project costs.

The monitoring requirements for small-scale A&R projects will depend on the chosen baseline methodology, including which pools to monitor and the type of project – single site or multiple-site project.

Consistent with paragraph 2 of decision -/CP.9 (FCCC/SBSTA/2003/L.27), Canada recommends that the Parties should draw guidance from Chapter 4 of the IPCC GPG to develop simple, practical modalities and procedures that can be implemented in a locally-appropriate manner that ensures environmental integrity while minimizing the burdens and complexities of implementation.

2.3 Boundaries and Leakage

Given that small-scale A&R project activities will inherently have a very small environmental footprint, there is little risk of leakage diluting their climate benefits. Canada thus proposes that Parties should agree to eliminate the requirement for the measurement of leakage as a way to reduce costs for the communities and individuals developing small-scale A&R projects without compromising the environmental integrity of the CDM. This approach would make the treatment of leakage for small-scale A&R projects consistent with Annex II to Decision 21/CP.8, which only requires leakage calculation for small-scale energy sector projects in the event that the technology to be used is transferred from another activity.

2.4 Socio-economic and environmental impacts

Given that there is little likelihood of these very small projects resulting in significant negative environmental and socio-economic impacts, reducing the requirements in this area would streamline the implementation of this class of projects without compromising their environmental integrity.

Canada recommends that analysis of socio-economic and environmental impacts should be a locally-appropriate, community-driven participatory process organized by the project implementing community/individual. Such a participatory analysis process should conclude with a consensus statement by the local community or its authorized representative that a community assessment of impacts has been made, a description of the process undertaken and a description of the actions or initiatives to mitigate any anticipated negative impacts. No impact assessment or monitoring after inception of the project would be required.

2.5 Validation and verification

Consistent with paragraph 12 of Annex II to Decision 21/CP.8 on small-scale energy projects, small scale A&R project developers should be permitted to engage the same Operational Entity at both the validation and the verification stages of the project activity.

2.6 Bundling

Canada recommends that Parties should allow project bundling for the purpose of validation. In this case, several discrete areas of land that yield net greenhouse gas removals of up to 8 kt each could be bundled for validation with the proviso that the total of the bundles shall not exceed a defined quantified threshold defined by the Parties in kilotonnes. An overall monitoring plan that monitors performance on a sample basis may be proposed for bundled project activities. If bundled project activities are registered with an overall monitoring plan, this monitoring plan shall be implemented and each verification/certification of the removals achieved shall cover all of the bundled project activities.

Monitoring of carbon stock changes for bundled projects should, consistent with paragraph 2 of decision -/CP.9 (FCCC/SBSTA/2003/L.27), be guided by 2003 IPCC GPG for LULUCF project activities (Section 4.3.3.8.1) and should be simple and practical so as not to undermine the economies and community benefits that bundled projects will aim to achieve.

PAPER NO. 4: CHINA

Submission by China on simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM

In accordance with the request of FCCC/SBSTA/2003/L.27, China submits the following views on simplified modalities and procedures for small-scale afforestation and reforestation project activities under the Clean Development Mechanism. Further views and proposals may be elaborated.

1. Environmental integrity can not be sacrificed and shall still be ensured in the process of developing the simplified modalities and procedures for small-scale afforestation and reforestation projects activities under Clean Development Mechanism.
2. The simplified modalities and procedures for small-scale afforestation and reforestation projects activities under CDM shall be guided by relevant principles and decisions adopted, in particular the principals in the preamble of Draft decision-/CMP.1 (land use, land-use change and forestry), Decision 17/CP.7 (Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol), and Draft decision -/CMP.1 (Modalities and procedures for A&R project activities under the CDM in the first commitment period of the Kyoto Protocol).
3. The implementation of small-scale A&R project activities shall contribute to the sustainable development of the host country and also lead to technology transfer to host country.
4. In addition to the requirements specified in paragraph 1 to 3 above, the following elements must be contained in the simplified modalities and procedures for small-scale afforestation and reforestation project activities under the Clean Development Mechanism.
 - 1) Where appropriate, simplified modalities and procedures for small-scale clean development mechanism project activities, as contained in annex II to Decision 21/CP.8 (Guidance to the Executive Board of the clean development mechanism), shall apply.
 - 2) A clarification shall be developed for the definition of small-scale afforestation and reforestation CDM project activity.
 - 3) Section K of the A&R CDM project modalities and procedures contained in Draft decision -/CMP.1 (Modalities and procedures for afforestation and reforestation project activities under CDM in the first commitment period of the Kyoto Protocol) shall fully apply to small-scale A&R CDM project activities.
 - 4) Before a proposed small-scale afforestation or reforestation project could be validated, the operational entity contracted to do so shall receive from the project proponent, *inter alia*, a document explaining how the proposed project activity is developed or implemented by low-income communities and individuals as determined by the host Party, as well as relevant supporting documents.
 - 5) The crediting period for small-scale A&R CDM project activities shall be same as specified in the Annex to Draft decision -/CMP.1 (Modalities and procedures for A&R project activities under the CDM in the first commitment period of the Kyoto Protocol);

- 6) A large project shall not be debundled, as determined through appendix C of Annex II (Simplified modalities and procedures for small-scale clean development mechanism project activities, FCCC/CP/2002/7/Add.3). A small-scale project activity that is part of a large project activity shall not be eligible to use the simplified modalities and procedures for small-scale CDM project activities.
- 7) Simplified project design document for small-scale afforestation or reforestation project should be developed.
- 8) Project participants shall include, as part of the project design document for a small-scale CDM project activity, a monitor plan when submitting for registration.
- 9) Any baseline methodologies and monitoring methodologies must be approved by CDM Executive Board before they can be applied.
- 10) Official development assistance can not be used in small-scale A&R CDM project activities.

PAPER NO. 5: INDIA

Submission to UNFCCC in response to Decision CP.9 Para 3

Simplified Modalities and Procedures for Small-Scale Afforestation and Reforestation Project Activities under the Clean Development Mechanism

1. Introduction

In order to reduce the transaction costs and enhance the attractiveness of small-scale CDM projects, modalities and procedures have to be simplified for Afforestation and Reforestation activities along the following lines:

- a) Simplification of the Project Design Document (PDD)
- b) Simplified baseline methodologies and, project-type specific regional and national (default) standardized baselines to reduce the cost of developing a project baseline
- c) Simplified monitoring plans including simplified methodologies and monitoring requirements, to reduce monitoring costs
- d) Simplified project cycle combining multiple steps such as validation, monitoring, verification, certification and issuance of CERs
- e) Bundling of Small-scale CDM Afforestation and Reforestation activities which satisfy a defined criteria
- f) Executive Board to develop simplified baseline and monitoring methodologies for typical small-scale Afforestation and Reforestation projects under CDM

I. Simplified Modalities and Procedures for Small-scale Afforestation and Reforestation Projects under the Clean Development Mechanism

1. The small-scale projects, to become eligible for simplified modalities and procedures must meet the eligibility criteria:

- The net anthropogenic GHG removal should be less than 8 kt CO₂ per year
- Should not be a debundled component of a larger project activity
- The project development or implementation is by low-income communities or individuals as determined by the host Party

2. The Executive Board may provide methodology to address the following issues.

- i. Simplified PDD for SSC-CDM projects (similar to Appendix-A SSC-PDD, Version 01 (21 January 2003);
 - a. Baseline methodology to be adopted for the proposed project activity will be based on the typology of SSC-CDM project category given in Appendix-B (proposed to be developed, refer to point ii)
 - b. Monitoring methodology and plan to be adopted for the proposed project activity will be based on the typology of SSC-CDM project category given in Appendix-B (proposed to be developed, refer to point below)
- ii. Develop indicative simplified baseline and monitoring methodologies for selected SSC-CDM A&R project activity categories similar to Appendix-B, Version 02 (2 December 2003);

- a. Types of Projects: Assisted Natural regeneration, plantation forestry short-rotation and plantation forestry long-rotation, agro-forestry, farm forestry, urban forestry and shelterbelt meeting the definition criteria of 'forests'
 - b. Carbon pools: Suggest carbon pools which will be significantly impacted under different types of A&R projects or project types and which can be measured by simplified methods.
 - c. Guidelines for defining project boundary
 - d. Guidelines for defining project additionality
- iii. Provide default values for baseline carbon stocks and rate of change (sequestration factor) in different land categories eligible for A&R project activities in different forest biomes or soil and climatic conditions; Above-ground biomass, Below-ground biomass, Litter, Soil carbon
 - iv. Provide default values for major forest biomes or for A&R activities through plantation (different species) and natural regeneration approaches (as followed by the IPCC-Good Practice Guidance); Above-ground biomass stocks and growth rates (sequestration factor), Below-ground biomass stocks and rates of change, Litter, Soil carbon stocks and rates of change
 - v. Sustainable development criteria (socio-economic and environmental) should be left to the host Party
 - vi. Suggest simplified monitoring plan and methodologies
 - a. Critically impacted C-pools to be monitored for different A&R project types
 - b. Simplified sampling methods
 - c. Description of simplified field and laboratory measurement methods
 - d. Reduced frequency of monitoring of different carbon pools
 - e. Monitoring for bundled projects may be restricted to stratified random sampling of the bundled project activities and locations
3. Criteria for bundling: CDM projects to qualify for bundling must meet all the following conditions.
- a. Same project activity type (short- and long-rotation) or consist of identical set of multiple activities (E.g., a combination of short- and long-rotation plantations and natural regeneration activities)
 - b. Similar rainfall (say 50-100 cm or 100-200 cm, >200 cm annual rainfall) and agro climatic conditions
 - c. Determination of regional jurisdiction of the locations of the bundled project sites would be left to the host party
 - e. CDM EB to decide the criteria for occurrence of debundling i.e. when a project would be considered a debundled component of a larger project.
4. Exemption from leakage estimation requirement for A&R projects under SSC-CDM, since small-scale projects of 8 Kt CO₂ are unlikely to have significant impact on carbon stocks outside the project boundary or on markets and prices
5. Develop model PDDs having common baseline estimation, monitoring methods, calculation procedures and default values for carbon stocks for certain project categories (e.g. small block plantations) which may also be applied to other project types with minor modifications, wherever necessary, hence saving development cost.

PAPER NO. 6: INDONESIA

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
Views on simplified modalities and procedures for and how to facilitate the implementation of
small-scale afforestation and reforestation (A/R) project activities under the CDM
Due 28 February 2004

Introduction

Small Scale A/R CDM is targeted to benefit especially rural-people of host countries. In many developing countries, people in and surrounding forests have been practicing forest-based activities for centuries, and these long practices have resulted in indigenous knowledge which can be considered as an asset for successful A/R project activities. At the national level, in the case of Indonesia, the government has introduced a number of programmes to involve people in and surrounding forest in management and/or utilization of forest resources. In the context of CDM, there are two aspects which demand serious attention, firstly, rule and procedure that need to be followed and what forms of facilitation are needed and how facilitation should be carried out for the successful implementation of A/R CDM.

In response to the invitation prescribed in FCCC/SBSTA/2003/L.27, Draft decision-/CP.9, paragraph 3 and paragraph 4, the Government of Indonesia submits a view on issues related to Small Scale A/R CDM covering the following aspects:

1. Possible categories and types of Small Scale A/R CDM,
2. Simplified modalities and procedures for A/R CDM,
3. How to facilitate the implementation of Small Scale A/R CDM.

Possible categories and types of Small Scale A/R CDM

Category 1. Forest for producing local self-sufficient material :

- a. afforestation/reforestation for simple to complex agroforestry
- b. afforestation/reforestation for silvo-pastoral.

Category 2. Forest for producing industrial/marketable material :

- a. afforestation/reforestation for producing timber with various uses (e.g.construction wood, plywood, furniture, fiberboard),
- b. afforestation/reforestation for producing non-timber and timber forest products (using multi purpose tree species).

Category 3. Forest to protect beach/coastal and inland :

- a. afforestation/reforestation as mitigation and adaptation to climate change as well as restoration/rehabilitation of mangrove forests.
- b. afforestation/reforestation for peat swamp forest conservation, erosion control, landslide control.

Category 4. Forest for producing environmental services :

- a. afforestation/reforestation for recreational use or eco-tourism, biodiversity conservation (e.g. using indigenous (mixed) species)
- b. afforestation/reforestation for rehabilitation of buffer zone of protected area.

Simplified modalities and procedures for A/R CDM

There are three unique characteristics of small-scale A/R CDM projects : (a) the maximum GHG removal should not be more than 8000 ton CO₂ per year, (b) it should be developed or implemented by low-income communities, (c) rule and modalities are not very different with large scale project but this will be issued by Executive Board.

Modalities

A. Bundling and rebundling

As applied for Small Scale energy CDM, it should be allowed project activities or portfolio of Small Scale A/R CDM are bundled for applying registration. And for debundling, a proposed Small Scale A/R CDM project activity shall be deemed to be a debundled component of a large project activity if there is a registered Small Scale A/R CDM project activity or an application to register another Small Scale A/R CDM project activity: (1) with the same project participants; (2) in the same project category, (3) registered within the previous 2 years; and (4) whose project boundary is within 1km of the project boundary of the proposed Small Scale A/R CDM activity at the closest point.

If a proposed Small Scale A/R CDM activity is deemed to be debundled component in accordance with above, but total size of such activity combined with the previous registered Small Scale A/R CDM project activity does not exceed the limits for Small Scale A/R CDM project activities, the project activity can qualify to use simplified procedures for Small Scale A/R CDM project activities.

If all the conditions (1) to (4) are not met, the proposed Small Scale A/R CDM project activity shall not be deemed to be a debundled component of a large project activity. For example, if (1), (3), and (4) are met, but (2) is not met, the proposed Small Scale A/R CDM project activity shall not be deemed to be a debundled component of a large project activity.

B. Project Design Document

As for Small Scale energy CDM, the requirements for the project design document should be reduced. Format of project design document for Small Scale A/R CDM should be simpler than the format of project design document for large scale A/R CDM.

C. Additionality and baselines

Similar to Small Scale energy CDM, baseline methodologies for Small Scale A/R CDM should be simplified. In the case of applying simplified baseline methodology, it should be possible that the amount of carbon stock of the vegetation, in the absence of the proposed Small Scale A/R CDM project activity, is considered to be constant throughout the crediting period. For example, if the project participants of the host country could demonstrate that the condition of land use for the Small Scale A/R CDM project has been last for a number of years following the A/R definition (not forest since 31 December 1989, or as non-forest areas since 50 years ago), the sum of carbon stock under the baseline should be equal to x CO₂-t/ha throughout the crediting period.

Additionality test should not be necessary for Small Scale A/R CDM since the participants of SS-AR-CDM are low-income communities, in which financial barriers would be the main constraint for them to implement Small Scale A/R CDM. For demonstrating that land used for

Small Scale A/R CDM are not forest since 31 December 1989, or as non-forest areas since 50 years ago, it should be enough to attach document issued by the local authorities and confirm by representative of project participants of the host country as prove, to project design document.

D. Project Boundary

Simple definition of project boundary for Small Scale A/R CDM should be applied. In most developing countries, communities in the rural areas are dominated by low-income communities. In most cases the economic growth of this community would be very low, and the implementation of Small Scale A/R CDM would not significantly change the land use pattern surrounding the project location if there is no new initiative to change the condition. Therefore, the project boundary for Small Scale A/R CDM could be defined as the location of the projects. In this case, "Actual net greenhouse gas removals by sinks" for Small Scale A/R CDM would be the sum of the verifiable changes in carbon stocks in the carbon pools in the project locations, minus the increase in emissions of the greenhouse gases measured in CO₂ equivalents by the sources that are increased as a result of the implementation of the afforestation or reforestation project activity.

E. Leakage

As threshold of Small Scale A/R CDM (8 kilotonnes per year) was determined considering the threshold of Type III of Small Scale energy CDM. Therefore, it should be possible that leakage calculation of Small Scale A/R CDM is not required and leakage is considered to be zero.

D. Monitoring Plan

Like in the Small Scale energy CDM, requirement of monitoring plan Small Scale A/R CDM should be simplified. Approved monitoring plans can be used according to the project categories. For example, it should be possible to estimate stand-volume from diameter without measuring the height of the trees or using common methods used in general forestry activities.

E. Designated Operational Entity

As in the case of Small Scale energy CDM, it should be possible that the same operational entity may undertake validation, verification and certification.

F. Analysis of socio-economic/environmental impacts

It should be possible that analysis of socio-economic/environmental impacts is needed if it is required by the host Party, as applied for Small Scale energy CDM.

G. Prove of being developed/implemented by low income communities and individuals

Each host Party should decide both the definition of "low-income communities and individuals" and the definition of being "developed or implemented by low-income communities and individuals", according to the condition and policy of the host Party.

For demonstrating that Small Scale A/R CDM is developed or implemented by low-income communities and individuals, it should be enough to attach document issued by the host Party, which proves it is so, to project design document.

Procedures

A. Share of proceeds

Considering the requirement of Small Scale A/R-CDM which is 'developed or implemented by low-income communities and individual', it should be exempt from share of proceeds to assist with the cost of adaptation. And since the threshold for Small Scale A/R-CDM (8 kilotonnes per year) is smaller than the threshold for Small Scale energy CDM (15 kilotonnes per year) and are developed or implemented by low-income communities and individuals, share of proceeds to cover administrative expenses of CDM for Small Scale A/R-CDM should bear lower than the share of proceeds for Small Scale energy CDM.

B. Registration fees

For similar reasons that since the threshold for Small Scale A/R-CDM (8 kilotonnes per year) is smaller than the threshold for Small Scale energy CDM (15 kilotonnes per year) and Small Scale A/R-CDM are developed or implemented by low-income communities and individuals, registration fees for Small Scale A/R-CDM should be lower than the registration fees for Small Scale energy CDM.

C. Period to be registered

Registration of Small Scale A/R-CDM by the Executive Board shall be deemed final 4 weeks, which is the same period of Small Scale energy CDM and is shorter period than of regular-scale AR-CDM, 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.

Jakarta, 27 February 2004

PAPER NO. 7: IRELAND ON BEHALF OF THE EUROPEAN COMMUNITY AND
ITS MEMBER STATES AND SUPPORTED BY THE FOLLOWING
ACCEDING STATES: ESTONIA, LATVIA, SLOVAKIA AND
SLOVENIA

**SUBMISSION BY IRELAND ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS
MEMBER STATES**

**THIS SUBMISSION IS ALSO SUPPORTED BY THE FOLLOWING ACCEDING STATES:
ESTONIA, LATVIA, SLOVAKIA & SLOVENIA.**

Dublin, February 2004

**Subject: Views on simplified modalities and procedures for small-scale afforestation and
reforestation projects as requested in FCCC/SBSTA/2003 L.27**

Background

Small scale afforestation and reforestation projects offer an opportunity for low-income communities and individuals in developing countries to participate in, and benefit from the clean development mechanism of the Kyoto Protocol. The EU regards this as an important distinguishing feature of small scale afforestation and reforestation projects. Simplified modalities and procedures for small scale CDM projects are ways of facilitating such participation through reducing transaction costs.

Simplified modalities and procedures

The EU view is that the existing definitions and participation requirements (contained in the Annex to draft decision -/CP.9 paragraph 1 (a-h) and paragraphs 7 to 9 respectively) shall apply to small scale afforestation and reforestation projects.

In addition the EU proposes that the decision text elaborated below should form the basis for modalities and procedures for small scale afforestation and reforestation projects under the CDM. The principal areas where the EU sees simplified procedures operating are:

1. A simplified Project Design Document,
2. Guidelines for determining the additionality of small scale afforestation and reforestation activities,
3. Simplified baseline methodologies and monitoring plans, and
4. Simplified procedures for the assessment and calculation of leakage.

In addition, consideration should be given to developing cost effective certification, verification and monitoring for small scale projects. Furthermore, the EU highlights the need to elaborate guidelines to decide whether a small scale project is not a de-bundled part of a large scale afforestation or reforestation project activity.

The EU believes that the Technical Note to be elaborated by the Secretariat in accordance with the request from CP9 should cover options for simplified modalities in areas 1 to 4, including work on the appendices. SBSTA 20 would then consider conclusions on the basis of this paper. The EU notes that Annex II of Decision 21/CP.8, and the Appendices to it, form a good starting point for a simplified PDD, simplified methodologies for baseline determination and monitoring plans, and debundling, and has drawn on this material in proposing the following draft decision text.

Proposed decision text

Simplified modalities and procedures for small-scale afforestation/reforestation CDM project activities

A. Introduction

1. Small-scale afforestation/reforestation clean development mechanism (A/R CDM) project activities shall follow the stages of the project cycle specified in the modalities and procedures for a clean development mechanism contained in the annex to decision /CP.9. In order to reduce transaction costs modalities and procedures are simplified for small-scale A/R CDM project activities, as follows:
 - (a) Project activities may be bundled or portfolio bundled at the following stages in the project cycle: the project design document, validation, registration, monitoring, verification and certification. The size of the total bundle should not exceed the limits stipulated in paragraph 1 (i) of the annex to decision /CP.9.
 - (b) The requirements for the project design document are reduced as indicated in Appendix A.
 - (c) Baseline methodologies are simplified to reduce the cost of developing a baseline as set out in Appendix B.
 - (d) Monitoring plans are simplified, including simplified monitoring requirements, to reduce monitoring costs as indicated in Appendix C;
 - (e) The same operational entity may undertake validation, verification and certification.
2. The A/R CDM modalities and procedures shall apply to small-scale A/R CDM project activities, apart from paragraphs 12 to 30 which shall be replaced by paragraphs 3 to 27 below. Appendix A provides for the elaboration of the provisions in Appendix B of the A/R CDM modalities and procedures for small scale projects.

B. Simplified modalities and procedures for small-scale A/R CDM project activities

3. To use simplified modalities and procedures for small-scale A/R CDM project activities, a proposed project activity shall:
 - (a) Meet the eligibility criteria for small-scale A/R CDM project activities set out in paragraph 1 (i) the annex to decision /CP.9.
 - (b) Not be a debundled component of a project activity that exceeds the limits stipulated in paragraph 1 (i) of the annex to decision /CP.9, and as determined through Appendix D to this annex.
4. Project participants shall prepare a project design document in accordance with the format specified in Appendix A to this annex.

5. Project participants may use the simplified baseline and monitoring methodologies specified in Appendices B and C for their project category.
6. Project participants involved in small-scale A/R CDM project activities may propose changes to the simplified baseline and monitoring methodologies specified in Appendices B and C for consideration by the Executive Board.
7. Project participants wishing to submit revisions to a baseline or monitoring methodology shall make a request in writing to the Board providing information about the activity and proposals on how a simplified baseline and monitoring methodology would be applied to this category. The Board may draw on appropriate expertise in considering revisions of and amendments to simplified methodologies. The Executive Board shall expeditiously, if possible at its next meeting, review the proposed methodology. Once approved, the Executive Board shall amend Appendix B or C as appropriate.
8. The Executive Board shall review and amend, as necessary, Appendices B and C at least once a year.
9. Amendments to Appendices B and C shall apply only to project activities registered subsequent to the date of amendment and shall not affect registered A/R CDM project activities during the crediting periods for which they are registered.
10. Several small-scale A/R CDM project activities may for the purpose of validation be bundled, within the limit set out in paragraph 1 (i) of the annex to draft decision -/CMP1 (Modalities and procedures for A/R CDM activities in the first commitment period of the Kyoto Protocol). An overall monitoring plan that monitors performance of the constituent project activities on a sample basis may be proposed for bundled project activities. Guidance on sampling is provided in Appendix C. If bundled project activities are registered with an overall monitoring plan, this monitoring plan shall be implemented and each verification/certification of the emission reductions achieved shall cover all of the bundled project activities.
11. The single designated operational entity may perform validation as well as verification and certification for a small-scale A/R CDM project activity or bundled small-scale A/R CDM project activities.
12. The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, shall propose lower fees for small-scale A/R CDM project activities.

C. Validation and Registration

13. The designated operational entity selected by project participants to validate a proposed A/R project activity under the CDM, 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 set out in paragraphs 28–30 of the annex to decision 17/CP.7 and paragraphs 8 and 9 of the annex to decision -/CP.9 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, including impacts on biodiversity and natural ecosystems, and impacts outside the project boundary of the proposed A/R project activity under the CDM. If any negative impact is considered significant by the project participants or the host Party, project participants have undertaken a socio-economic impact assessment and/or an environmental impact assessment in accordance with the procedures in accordance with the procedures required by the host Party. Project participants shall submit a statement that confirms that they have undertaken such an assessment in accordance with the procedures required by the host Party and include a description of the planned monitoring and remedial measures to address them;
- (d) The proposed A/R project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM A/R project activity, in accordance with paragraphs 17–24 below;
- (e) The small-scale project activity uses a simplified baseline methodology as specified in Appendix B;
- (f) Project participants have specified the approach proposed to address non-permanence in accordance with paragraph 38 of the annex to the decision CP-9
- (g) The small-scale project activity uses a monitoring methodology as specified in Appendix C;
- (h) In case of a bundle of several small-scale project activities, the bundle satisfies the conditions for bundling and the overall monitoring plan for the bundled small-scale project activities is appropriate;
- (i) Provisions for monitoring, verification and reporting are in accordance with decision -/CP.9, to the annex to the decision CP.9, the present annex and relevant decisions of the COP/MOP;
- (j) The proposed project activity conforms to all other requirements for A/R project activities under the CDM in decision -/CP.9 (*Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto Protocol*), to the annex to the decision CP.9, the present annex and relevant decisions by the COP/MOP and the Executive Board.

14. 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 proposed A/R project activity under the CDM assists it in achieving sustainable development;
- (b) In accordance with provisions on confidentiality contained in paragraph 27 (h) of the annex to decision 17/CP.7, make the project design document publicly available;
- (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 proposed A/R project activity under the CDM should be validated;

- (e) Inform project participants of its determination on the validation of the project activity. The notification to the project participants will include a confirmation of validation and the date of submission of the validation report to the Executive Board, or an explanation of reasons for non-acceptance if the proposed A/R project activity under the CDM, as documented, is judged not to fulfil the requirements for validation;
 - (f) Submit to the Executive Board, if it determines the proposed A/R project activity under the CDM to be valid, a request for registration in the form of a validation report including the project design document, the written approval of voluntary participation from the designated national authority of each Party involved, as referred to in paragraph 15 (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.
15. The registration by the Executive Board shall be deemed final four weeks after the date of receipt by the Executive Board of the request for registration, unless a Party involved in the proposed A/R project activity under the CDM, or at least three members of the Executive Board, request a review of the proposed A/R project activity under the CDM. 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.
16. A proposed A/R project activity under the CDM that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions, provided that this A/R affores project activity follows the procedures and meets the requirements for validation and registration, including those relating to public comments.
17. An A/R project activity under the CDM is additional if the actual net greenhouse gas removals by sinks are increased above the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the registered CDM A/R project activity.
18. The baseline for a proposed A/R project activity under the CDM is the scenario that reasonably represents the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the proposed project activity.
19. The crediting period shall begin at the start of the A/R project activity under the CDM. The crediting period for a proposed A/R project activity under the CDM shall be either:
- (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.
20. An A/R project activity under the CDM shall be designed in such a manner as to minimize leakage. If project participants have successfully shown to the designated operational entity that significant leakage is not expected to occur, it shall be assumed to be zero.

D. Monitoring

21. Project participants shall include, as part of the project design document for a small-scale A/R project CDM activity or a bundle of small-scale CDM project activities, a monitoring plan that provides for:
 - (a) The collection and archiving of all relevant data necessary for estimating or measuring the actual net greenhouse gas removals by sinks during the crediting period as specified in Appendix B for the relevant project activity;
 - (b) The collection and archiving of all relevant data necessary for determining the baseline net greenhouse gas removals by sinks during the crediting period as specified in Appendix B for the relevant project activity;
 - (c) Unless project participants have successfully shown to the designated operational entity that significant leakage is not expected to occur, the identification of all potential sources of, and the collection and archiving of data on, leakage during the crediting period;
 - (d) Changes in circumstances within the project boundary that affect legal title to the land or rights of access to the carbon pools;
 - (e) Quality assurance and control procedures for the monitoring process;
 - (f) Procedures for the periodic calculation of the net anthropogenic greenhouse gas removals by sinks due to the A/R project activity and documentation of all steps involved in those calculations, and for the periodic review of implementation of activities and measures to minimize leakage.
22. The monitoring plan for a proposed small scale A/R project activity under the CDM may use the monitoring methodology specified in Appendix B for the relevant project activity if the designated operational entity determines at validation that the monitoring methodology reflects good monitoring practice appropriate to the circumstances of the project activity.
23. If project activities are bundled, a separate monitoring plan shall apply for each of the constituent project activities in accordance with paragraphs 21 and 22 above, or an overall monitoring plan shall apply for the bundled projects, as determined by the designated operational entity at validation to reflect good monitoring practice appropriate for the bundled project activities and to provide for collection and archiving of the data to calculate the net anthropogenic greenhouse gas removals by sinks by the bundled project activities. Good practice may include monitoring of a sample of projects in a bundle.
24. Project participants shall implement the monitoring plan contained in the registered project design document.
25. Revisions, if any, to the monitoring plan to improve the accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.
26. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of tCERs or ICERs.
27. 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 21 above for the purpose of verification and certification.

The EU wishes to see outlines of Appendices A-D below elaborated by the Secretariat in a technical note taking into account the present submissions by parties and any conclusions on technical matters relevant to the Appendices to be agreed at SBSTA 20.

Appendix A

Simplified Project Design Document for small scale afforestation and reforestation clean development mechanism project activities

The Secretariat should address issues to be considered in the provision of an outline PDD for small scale afforestation and reforestation project activities along the lines of the PDD already developed for other small scale project activities under the clean development mechanism.

Appendix B

Guidelines for baseline methodologies and additionality for small scale afforestation and reforestation clean development mechanism project activities

- *Where project participants can demonstrate that a project overcomes barriers to implementation, baselines for small scale afforestation and reforestation project activities can be / standardised in terms of typical levels linked to previous land use levels in the region*
- *A project would overcome barriers to implementation where, in the judgement of the operational entity, it involves non exclusively commercial activity linked to specific social needs, promotion of native species, promotion of biodiversity, poverty reduction, reduction of soil erosion, combating desertification and or/watershed protection.*

Appendix C

Simplified monitoring methodologies for small scale afforestation and reforestation clean development mechanism project activities

- *This Appendix would contain standardised procedures for small scale projects, drawing on the IPCC Good Practice Guidance.*
- *The procedures would cover sampling, selection of pools and gases; useful Good Practice Guidance to include Box 4.3.6 and Tables 4.3.1,4.3.2 and 4.3.3.*

Appendix D

Guidelines for determining that a small scale A/R CDM project activity is not a debundled part of a large afforestation and reforestation clean development mechanism project activity

- *Project areas that, in the opinion of the Designated Operational Entity, are functionally contiguous geographically or are institutionally linked in the social, environmental or economic functions they perform, should not be debundled.*

PAPER NO. 8: JAPAN

**JAPAN' S VIEW ON ISSUES RELATED TO
SMALL-SCALE AFFORESTATION / REFORESTATION CDM**

Japan submits a view on issues related to small-scale afforestation/reforestation CDM (SS-AR-CDM), due on 28 February 2004, in response to the invitation prescribed in FCCC/SBSTA/2003/L.27, Draft decision -/CP.9, paragraph 3 (simplified modalities and procedures) and paragraph 4 (how to facilitate the implementation).

Contents

1. Categories of SS-AR-CDM and simplified modalities and procedures for SS-AR-CDM

1.1. General comments

1.2. Specific comments

1.2.1. Example of the categories of SS-AR-CDM

1.2.2. Simplified modalities for SS-AR-CDM

1.2.3. Simplified procedures for SS-AR-CDM

2. How to facilitate the implementation of SS-AR-CDM

Appendix:

Categories of Small Scale energy CDM (SS-energy-CDM) and simplified modalities and procedures for SS-energy-CDM

1. Categories of SS-energy-CDM

2. Simplified modalities for SS-energy-CDM

3. Simplified procedures for SS-energy-CDM

1. Categories of SS-AR-CDM and simplified modalities and procedures for SS-AR-CDM

1.1. General comments

In COP 9, the category of SS-AR-CDM was created. Since SS-AR-CDM has

- 1) a requirement of being “developed or implemented by low-income communities and individuals”, which is additional to the requirement for small scale energy CDM (SS-energy-CDM), and
- 2) more restricted threshold as of 8 kilotonnes per year (*) than SS-energy-CDM has as of 15 kilotonnes per year (**),

* Net anthropogenic greenhouse gas removals by sinks. It is equal to actual net greenhouse gas removals by sinks, if baseline net greenhouse gas removals by sinks is zero and leakage is zero.

** Project emissions.

the modalities and procedures for SS-AR-CDM should be simpler than those for SS-energy-CDM.

1.2. Specific comments

1.2.1. Example of the categories of SS-AR-CDM (4 categories plus proposed new category)

A. Coastal preserving forest

(e.g. mangrove afforestation/reforestation as mitigation as well as adaptation to climate change, afforestation/reforestation to preserve coastal line including in small island nations)

B. In-land preserving forest

(e.g. afforestation/reforestation for headwater conservation, erosion control, landslide control, prevention of desertification, recreational use or eco-tourism, and for local public welfare etc.)

C. Local self-sufficient material producing forest

(e.g. afforestation/reforestation for agroforestry, silvo-pastoral, local self-sufficient materials such as timber, fuelwood, fodder, or medicine etc.)

D. Industrial material producing forest

(e.g. afforestation/reforestation producing pulpwood, timber, plywood, fiberboard, or bio-energy material, to share profit between local people and participants of investing country, to entrust local people for management, or to improve welfare of local people (such as donating seedlings to local people, or guaranteeing the purchase of the materials produced by the local people))

E. Other forest (proposed and approved new category)

1.2.2. Simplified modalities for SS-AR-CDM

(1) Bundling and debundling

Same as in the case of SS-energy-CDM, it should be possible that project activities or portfolio of SS-AR-CDM are bundled for applying registration.

As for debundling, a proposed SS-AR-CDM project activity shall be deemed to be a debundled component of a large project activity if there is a registered SS-AR- CDM project activity or an application to register another SS-AR-CDM project activity:

- 1) with the same project participants;
- 2) in the same project category; and
- 3) registered within the previous 2 years; and
- 4) whose project boundary is within 1km of the project boundary of the proposed SS-AR-CDM activity at the closest point.

If a proposed SS-AR-CDM project activity is deemed to be debundled component in accordance with above, while the total size of such activity combined with the previous registered SS-AR- CDM project activity does not exceed the limits for SS-AR-CDM project activities, the project activity can be qualified to use simplified procedures for SS-AR-CDM project activities.

If all the conditions through 1) to 4) are not met, the proposed SS-AR-CDM project activity shall not be deemed to be a debundled component of a large project activity. For instance, if 1), 3), and 4) are met, and 2) is not met, the proposed SS-AR-CDM project activity shall not be deemed to be a debundled component of a large project activity.

(2) Project design document

Same as in the case of SS-energy-CDM, it should be possible that the requirements for the project design document are reduced. Format of project design document for SS-AR-CDM should be simpler than that for regular-scale AR-CDM.

(3) Baseline

Same as in the case of SS-energy-CDM, it should be possible that baseline methodologies are simplified. In the case of applying simplified baseline methodology, it should be possible that the amount of carbon stock of the vegetation, in the absence of the proposed SS-AR-CDM project activity, is considered to be constant throughout the crediting period. For instance, if project participants can demonstrate that 1) vegetation in the absence

of the registered SS-AR-CDM project activity is grassland and that 2) the sum of carbon stock of two carbon pools (in the above ground biomass and in the below ground biomass) in the grassland is $x \text{ CO}_2\text{-t/ha}$, it should be possible that the sum of carbon stock of the two carbon pools in the grassland is considered to be $x \text{ CO}_2\text{-t/ha}$ throughout the crediting period.

In analysing the simplified baseline for SS-AR-CDM, project participants should have possibility to demonstrate that the proposed SS-AR-CDM would not have occurred as commercial plantation. In this case, it is not necessary to demonstrate that the proposed SS-AR-CDM would not have occurred as plantation in general including NGO plantation, ODA plantation, or environmental plantation. In the case of demonstrating that the proposed SS-AR-CDM would not have occurred as commercial plantation, indicating one qualitative barrier is enough as in the case of SS-energy-CDM.

(4) Leakage

Threshold of SS-AR-CDM (8 kilotonnes per year) was determined considering the threshold of Type III of SS-energy-CDM. Therefore, it should be possible that leakage calculation of SS-AR-CDM is not required and leakage is considered to be zero as in the case of Type III (Type III B, III C, III D) of SS-energy-CDM.

(5) Monitoring plan

Same as in the case of SS-energy-CDM, it should be possible that requirement of monitoring plan is simplified. Approved monitoring plans can be used according to the project categories. For instance, it should be possible to estimate stand-volume from diameter without measuring the height of the trees.

It should be possible to monitor no more than two (above ground biomass and below ground biomass) carbon pools among five carbon pools.

(6) Designated operational entity

Same as in the case of SS-energy-CDM, it should be possible that the same operational entity may undertake validation, verification and certification.

(7) Analysis of socio-economic/environmental impacts

Same as in the case of SS-energy-CDM, it should be possible to analyze socio-economic/ environmental impacts only when required by the host Party.

(8) Demonstration of being developed or implemented by low-income communities and individuals

Each host Party should decide both the definition of “low-income communities and individuals” and the definition of being “developed or implemented by low-income communities and individuals”, depending on the condition of the host Party.

For demonstrating that SS-AR-CDM is developed or implemented by low-income communities and individuals, it should be enough to attach document issued by the host Party, which proves it is so, to project design document.

1.2.3. Simplified procedures for SS-AR-CDM

(1) Share of proceeds

Considering the requirement of SS-AR-CDM, which prescribes it is “developed or implemented by low-income communities and individuals”, the share of proceeds to assist developing country Parties should be exempt, applying FCCC/CP/2001/13/Add.2, Decision 17/CP.7, paragraph 15 (b), which prescribes “clean development mechanism project activities in the least developed country Parties shall be exempt from the share of proceeds to assist with the cost of adaptation.”

With regard to the share of proceeds to cover administrative expenses of CDM, the share of proceeds for SS-AR-CDM should be lower than that for SS-energy-CDM, since the threshold for SS-AR-CDM (8 kilotonnes per year) is smaller than the threshold for SS-energy-CDM (15 kilotonnes per year) and, SS-AR-CDM projects are developed or implemented by low-income communities and individuals.

(2) Registration fees

Registration fees for SS-AR-CDM should be lower than the registration fees for SS-energy-CDM, since the threshold for SS-AR-CDM (8 kilotonnes per year) is smaller than the threshold for SS-energy-CDM (15 kilotonnes per year) and SS-AR-CDM projects are developed or implemented by low-income communities and individuals.

(3) Period before registration

In SS-AR-CDM, the registration by the Executive Board shall be deemed final 4 weeks, which is the same period of SS-energy-CDM and is shorter period than that of regular-scale AR-CDM, 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.

Appendix:

Categories of Small Scale energy CDM (SS-energy-CDM) and simplified modalities and procedures for SS-energy-CDM

1. Categories of SS-energy-CDM

TYPE I - RENEWABLE ENERGY PROJECTS

- I.A. Electricity generation by the user
- I.B. Mechanical energy for the user
- I.C. Thermal energy for the user
- I.D. Renewable electricity generation for a grid

TYPE II - ENERGY EFFICIENCY IMPROVEMENT PROJECTS

- II.A. Supply side energy efficiency improvements - transmission and distribution
- II.B. Supply side energy efficiency improvements - generation
- II.C. Demand-side energy efficiency programmes for specific technologies
- II.D. Energy efficiency and fuel switching measures for industrial facilities
- II.E. Energy efficiency and fuel switching measures for buildings

TYPE III - OTHER PROJECT ACTIVITIES

- III. A. Agriculture
- III.B. Switching fossil fuels
- III.C. Emission reductions by low-greenhouse gas emitting vehicles
- III.D. Methane recovery
- III.E. Methane avoidance

2. Simplified modalities for SS-energy-CDM

(1) Bundling and debundling

Project activities or portfolio of SS-energy-CDM are bundled for applying registration.

As for debundling, a proposed SS-energy-CDM project activity shall be deemed to be a debundled component of a large project activity if there is a registered SS-energy-CDM project activity or an application to register another SS-energy-CDM project activity:

- 1) with the same project participants;
- 2) in the same project category and technology/measure; and
- 3) registered within the previous 2 years; and
- 4) whose project boundary is within 1km of the project boundary of the proposed SS-energy-CDM activity at the closest point.

If a proposed SS-energy-CDM project activity is deemed to be debundled component in accordance with above, but total size of such activity combined with the previous registered SS-energy-CDM project activity does not exceed the limits for SS-energy-CDM project activities, the project activity can qualify to use simplified procedures for SS-energy-CDM project activities.

(2) Project design document

The requirements for the project design document are reduced. Format of project design document for SS-energy-CDM should be simpler than the format of project design document for regular-scale energy-CDM.

(3) Baseline

A simplified baseline and monitoring methodology listed in Attachment A to Appendix B, ANNEX II, 21/CP.8, FCCC/CP/2002/7Add.3, may be used for a SS-energy-CDM project activity if the project participants are able to demonstrate to a DOE that the

project activity would otherwise not to be implemented due to the existence of one or more barriers listed in Attachment A to Appendix B.

Simplified baseline methodologies can be applied according to project categories. Appendix B, ANNEX II, 21/CP.8, FCCC/CP/2002/7Add.3 shows simplified baseline methodologies. Appendix B of the simplified modalities and procedures for small-scale CDM project activities, INDICATIVE SIMPLIFIED BSELINE AND MONITORING METHODOLOGIES FOR SELECTED SMALL-SCALE CDM PROJECT ACTIVITY CATEGORIES (version 02:2 December 2003) prescribes indicative simplified baseline methodologies. For instance, in categories I.A., I.B., and I.D., coefficients of diesels' are used for simplified baseline methodologies. (Baseline methodologies for III.A. and III.E. are blank.)

(4) Leakage

Simplified leakage methodologies can be applied according to project categories. Appendix B, ANNEX II, 21/CP.8, FCCC/CP/2002/7Add.3 shows simplified leakage methodologies. Appendix B of the simplified modalities and procedures for small-scale CDM project activities, INDICATIVE SIMPLIFIED BSELINE AND MONITORING METHODOLOGIES FOR SELECTED SMALL-SCALE CDM PROJECT ACTIVITY CATEGORIES (version 02:2 December 2003) prescribes indicative simplified leakage methodologies. For instance, in categories III.B., III.C. and III.D., no leakage calculations are required. (Leakage methodologies for III.A. and III.E. are blank.)

Project boundary for regular-scale energy CDM is prescribed as:

significant and reasonably attributable to the CDM project activity.

Project boundary for SS-energy CDM is prescribed as:

reasonably attributable to the CDM project activity

omitting "significant".

(5) Monitoring plan

Simplified monitoring methodologies can be applied according to project categories. Appendix B, ANNEX II, 21/CP.8, FCCC/CP/2002/7Add.3 shows simplified monitoring methodologies. Appendix B of the simplified modalities and procedures for small-scale CDM project activities, INDICATIVE SIMPLIFIED BSELINE AND MONITORING METHODOLOGIES FOR SELECTED SMALL-SCALE CDM PROJECT ACTIVITY CATEGORIES (version 02:2 December 2003) prescribes indicative simplified monitoring methodologies. For instance, in categories from I.A. to III.E., simplified monitoring methodologies are prescribed. (Monitoring methodologies for III.A. and III.E. are blank.)

(6) Designated operational entity

The same operational entity may undertake validation, verification and certification.

(7) Analysis of environmental impacts

All regular-scale energy-CDM are required to implement analysis of environmental impacts attached in project design document. In SS-energy-CDM, analysis of environmental impacts is needed only in the case if it is required by the host Party.

3. Simplified procedures for SS-energy-CDM

(1) Share of proceed

The Executive Board, in proposing the share of proceeds to cover administrative expenses, may consider proposing lower fees for SS-energy-CDM project activities.

(2) Registration fees

The Executive Board, in proposing registration fees to recover any project related expenses, may consider proposing lower fees for SS-energy-CDM project activities.

(3) Period to be registered

In SS-energy-CDM, the registration by the Executive Board shall be deemed final 4 weeks, which corresponds 8 weeks in regular-scale energy-CDM, 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.

PAPER NO. 9: MADAGASCAR

Vues sur les modalités et procédures simplifiées pour la prise en compte des activités de projet de boisement et de reboisement de faible ampleur au titre du mécanisme pour un développement propre

Les procédures et modalités devraient être les plus simples possibles de façon à ce que les coûts de transaction soient réduits au minimum. En effet, selon la définition adoptée par la CP9, les activités de projet de boisement et de reboisement de faible ampleur considérées au titre de MDP sont des activités qui sont censées se traduire par des absorptions anthropiques nettes de gaz à effet de serre inférieures à 8 kilotonnes de CO₂ par an, et par conséquent, pour que le projet considéré soit rentable, compétitif et attractif, le coût de transaction y afférent ne doit être représenté qu'un taux très faible par rapport au crédit de carbone généré.

Ainsi, comme dans le cas des projets de faible ampleur admissibles au MDP, les modalités et procédures simplifiées pour la prise en compte des activités de projet de boisement et de reboisement de faible ampleur peuvent se traduire par :

- le regroupement des activités de projet de boisement et de reboisement en un portefeuille aux différentes étapes : établissement du descriptif du projet, validation, enregistrement, surveillance, vérification et certification, avec respect de la limite à ne pas dépasser stipulée à l'alinéa i du paragraphe I de l'annexe de la décision de la CP sur les modalités et procédures de prise en compte des activités de boisement et de reboisement au titre du MDP.
- des méthodes simplifiées pour déterminer les niveaux de référence et le plan de surveillance
- la même entité opérationnelle peut procéder à la validation ainsi qu'à la vérification et à la certification.
- la réduction au minimum des informations à fournir dans le descriptif de projet

Randriasandratana Germain
Point focal national de la Convention
sur le changement climatique
Madagascar

PAPER NO. 10: PERU ON BEHALF OF BOLIVIA, COLOMBIA, COSTA RICA, CHILE,
GUATEMALA, MEXICO, NICARAGUA, PANAMA AND URUGUAY

**Small-Scale Afforestation and Reforestation Projects under the Clean Development Mechanism:
Simplified Modalities and Procedures and Facilitation of their implementation
Submission by Peru on behalf of Bolivia, Colombia, Costa Rica, Chile, Guatemala, Mexico,
Nicaragua, Panama and Uruguay.**

In accordance with Decision 19/CP.9, adopted in the Conference of the Parties at its ninth session (CoP9), Parties and accredited observers were invited to submit their views on two issues:

- A. Simplified modalities and procedures for small-scale Afforestation and Reforestation (A&R) project activities under the clean development mechanism
- B. How to facilitate their implementation

Peru, on behalf of Colombia, Chile, Mexico, Nicaragua, Panama and Uruguay, submits the following consolidated proposal on both issues.

A. SIMPLIFIED MODALITIES AND PROCEDURES

I. Definitions:

i. Definition of small-scale project

We consider that the definition achieved for small-scale projects on A&R activities in COP 9 is clear. Nevertheless the calculation of the allowed quantity of 8 kilotonnes of CO₂ per year is an issue that requires further consideration.

The amount of carbon sequestered by A&R projects will be verified by a Designated Operational Entity (DOE) according to the modalities described in the document 19/CP9, on a periodic basis of 5 years after the first verification. During the years between periodic verifications, the achieved carbon storage will be monitored by the project operator but not officially verified and reported.

Our position looks for compliance with the availability of official data, namely the entire certification period, taking into account that the annual verification of uptake or removals at the project level would increase considerably the transaction costs.

Proposal: The requirement that removals do not exceed 8 kilotonnes per year should be based on the average annual removal during the whole accreditation period.

ii. Carbon Pools

Decision 19/CP.9 defines five carbon pools: “*above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon*”. Moreover, the “Baseline net greenhouse gas removals by sinks” is defined in its paragraph 1.c) as the sum of the changes in carbon stocks in the carbon pools within the project boundary that would have occurred in the absence of the A&R project activity under the CDM. Additionally, the “Actual net GHG removals by sinks” is defined as the sum of the verifiable changes in carbon stocks in the carbon pools within the project boundary, minus the increase in emissions of the greenhouse gases measured in CO₂ equivalents by the sources that are increased as a result of the

implementation of the afforestation or reforestation project activity, while avoiding double counting, within the project boundary, attributable to the afforestation or reforestation project activity under the CDM.

It is our interpretation of the above text that project proponents have to take into account verifiable changes in every carbon pool plus any other emissions which can be linked to the project activity with the exception of the options mentioned in Paragraph 21 of Decision 19/CP.9. This paragraph allows for project participants not to include in their calculations of baseline net greenhouse gas removals by sinks and/or actual net greenhouse gas removals by sinks one or more carbon pools, if transparent and verifiable information is provided that the choice will not increase the accounting of anthropogenic gas removals by sinks.

The methods to determine carbon stock changes in above-ground biomass are well-established and easy to apply. On the other hand, estimation of changes in other carbon pools proves to be more difficult and may involve the use of sophisticated equipment and laboratory analysis. Lack of measuring and monitoring capacities is in this case an important barrier for small-scale projects implementation. Monitoring requirements for small-scale projects should be such that even the less resourceful project proponents are able to implement them.

Proposal: Allow proponents of small scale A&R project activities to include in their baseline net greenhouse gas removals by sinks and/or actual net greenhouse gas removals by sinks calculations only the pools with significant changes in carbon stocks, excluding the pools for which they are incapable of assessing the carbon stock change.

iii. Leakage

Increases in emissions due to displacement of activities like cattle raising and agriculture are directly related to the size of the project activity and the displacement of local communities. Taking into account the size of small scale A&R project activities and that those projects are developed or implemented by low income communities, it is reasonable to assume that changes in carbon stock outside the project boundaries are not going to be significant.

In addition, A&R small scale project activities are going to be developed in lands without forest cover; therefore, a displacement on wood harvest is not expected.

Furthermore, focusing on the objective of working with poor communities, an increase on their incomes will contribute to control natural resources depletion.

Proposal: Assume that in small scale A&R project activities leakage is considered equal to zero by default.

iv. Project boundaries.

The “project boundary” geographically delineates the afforestation or reforestation project activity under the control of the project participants. The project activity may vary in size and may be confined to a single or several discrete areas of land. Project surface may be established initially in the small-scale A&R project design document according to the estimated carbon uptake, allowing a progressive incorporation of geographic discrete areas of land owned by low-income individuals, after the start of the project. In this respect, the project boundary could be delineated within one or several country administrative limits.

Proposal: Allow small scale A&R project activities to develop dynamic project boundaries, incorporating new areas during the lifetime of the project, until reaching the 8 kilotonnes limit, and taking into account that the Good Practice Guidance for LULUCF includes this possibility. New areas must have similar characteristics regarding to baseline and additionality.

I. II. Validation and registration

i. Registration fees

Decision 21/CP.8, on its Annex II, paragraph 21, , establishes, in the case of small scale project activities, that “the Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, may consider proposing lower fees for small-scale CDM project activities”. The current procedure for energy projects establishes a fixed lower upfront fee for small scale project activities in the energy sector, which has to be reimbursed thereafter. Normally, the portion of the “share of proceeds” destined to cover administrative costs should be a percentage of the total CER accrued by the project activity. Given that small scale project activities in the LULUCF sector are especially projected to be “developed or implemented” by low-income communities or individuals, it would make economical sense to reduce these fees significantly.

Proposal: Lower fees for the registration of small scale A&R project activities should be applied. It will make sense to reduce these to a symbolic level.

ii. Designated Operational Entity

Decision 21/CP.8, Annex II of, paragraph 20 defines for small – scale project activities that “a single designated operational entity may perform validation as well as verification and certification for a small-scale CDM project activity or bundled small-scale CDM project activities”. This legal antecedent should allow the same treatment for small – scale project activities on the LULUCF sector.

Proposal: Allow proponents of small scale A&R project activities to contract a single designate operational entity to perform validation, verification and certification activities at the project level.

iii. Develop standardized baselines methodologies using:

a. Ecological zones identified by the IPCC Good Practice Guidance for LULUCF activities

In lands where natural regeneration is expected to be replaced by a new forest, the project participants may use the default values for average annual increment in above ground biomass in natural regeneration by broad category, in tonnes dry matter/ha/year, (table 3.A.1.5 of the IPCC Good Practices Guidance on LULUCF (IPCC GPG on LULUCF) or country-specific factors or specific growth values developed by the project participants, as appropriate.

In the lands above, for estimating belowground biomass the project participants may use the default values for average belowground to aboveground biomass ratio (root to shoot ratio) in natural regeneration by broad category, in tonnes dry matter/ha/year, of table 3.A.1.8 of the IPCC GPG on LULUCF or country-specific factors or specific values developed by the project participants, as appropriate.

b. Present land use.

In lands where present land use is expected to be replaced by a new forest, project participants may use default values for average annual increment in biomass for each particular land use, using country-specific factors, as appropriate.

In these lands above, for estimating belowground biomass the project participants may use default values for average belowground to aboveground biomass ratio (root to shoot ratio) for the particular land use, using country-specific factors, as appropriate.

c. No significant carbon stock changes.

In lands where no significant changes in carbon stocks are reasonably expected unless a land use change is produced, changes in carbon stocks can be considered to be zero as a default value.

Proposal:

- **Develop standardized baseline methodologies using:**
 - a) **the ecological zones identified by the IPCC Good Practice Guidance on LULUCF**
 - b) **present land use**
- **Baseline Net GHG Removals should be accounted as zero, where there are no significant carbon stock changes.**

III. Monitoring

i. Measure of selected carbon pools

Project participants may use default values for average annual increment in above ground biomass in plantations by broad category, in tonnes of dry matter/ha/year of table 3.A.1.6 or average annual increment in above ground biomass in plantations by species of table 3.A.1.7 of the IPCC GPG on LULUCF or country-specific factors.

For estimating belowground biomass the project participants may use the default values for average belowground to aboveground biomass ratio (root to shoot ratio) in natural regeneration by broad category, in tonnes dry matter/ha/year, of table 3.A.1.6 of the IPCC GPG on LULUCF or country-specific factors or specific values developed by the project participants, as appropriate.

Allometric equations and/or equations with biomass-expansion factors, validated by the IPCC or by the country, may also be used for the monitoring of carbon changes on selected carbon pools in small scale A&R project activities.

Proposal: Monitor only above ground biomass and estimate other pools through scientifically established default values from IPCC or developed by countries.

IV. Verification and certification

i. Share of proceeds for the adaptation fund.

Regular projects are required to share 2% of their CERs for the Adaptation Fund. However, the text of Decision 17/CP.7, paragraph 15 b define 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”.

Taking into account that beneficiaries or developers of small scale A&R project activities are low income communities or individuals, it is logical that the same principle could apply to this type of project activities. Additionally, A&R project activities, by nature, can also be considered as an adaptation measure and contribute to reduce vulnerability of the local communities to the potential impacts of climate change.

Proposal: Small Scale projects should be exempt from payments to the Adaptation Fund.

- ii. **Allow the same DOE to validate, monitor and certify the project and its emission removals.**

As said in item II.ii

V. Project Design Document

Simplified modalities and procedures for small scale A&R project activities should be reflected on the PDD, as it is for energy projects. Specifics on a simplified template are not suggested since critically depend on previous adoption of simplified rules and expedite procedures.

Proposal: Request the SBSTA 20 to develop a simplified PDD template for small scale A&R project activities, to be approved at SBSTA 21 and forwarded to COP 10.

VI. Additionality

- i. **Criteria to define additionality**

Small-scale energy projects can demonstrate additionality by referring to a list of barriers adopted by the CDM Executive Board. In the case of small-scale A&R projects activities, barriers such as limited access to capital, poor land management and prevailing practices are likely to play a crucial role and a demonstration of additionality based on an analysis of these barriers seems conclusive.

In addition, making provisions on lands without forest since at least 1990 gives a very strong indication of prevailing economic and/or social barriers impeding A&R and/or natural conditions being such that no natural regrowth occurs. Thus, one may think of the definition of afforestation and reforestation as a built-in additionality test. In the definition of small-scale A&R projects, an additional barrier is introduced by the fact that a project is to be implemented by low-income communities or individuals.

Proposal: Small scale A&R project activities should no be required supplementary information for demonstrating additionality. Additionally, synergies with any other sources of funding shall not imply a conflict with additionality.

PAPER NO. 11: UGANDA, NAMIBIA AND SENEGAL ON BEHALF OF THE AFRICAN GROUP

**Small-Scale Afforestation and Reforestation Projects under the Clean Development Mechanism:
Simplified Modalities and Procedures and Facilitation of their implementation
Submission by UGANDA, NAMIBIA AND SENEGAL on behalf of the African group**

**SIMPLIFIED MODALITIES AND PROCEDURES FOR SMALL-SCALE AFFORESTATION
AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM**

In accordance with UNFCCC decision 19/CP.9, adopted in the conference of the Parties at its ninth session (COP 9), Parties and accredited observers were invited to submit their views on two issues:

- A- Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM
- B- How to facilitate the implementation of small-scale afforestation and reforestation project activities under the CDM

The aim of THE FOLLOWING proposal is to reduce the transaction costs and to make such project economically viable and attractive.

With regard to the issue of “Definition” the following is proposed:

The requirement that removals do not exceed 8 kilotonnes of CO₂ per year should be based on the average annual removal during the multi-year period covered by any certification.

With regard to the issue of “leakage” the following is proposed:

Calculation of leakage is neglected and is considered as equal to zero as default value, due to the specific size of such activity and the total involvement of local population in the implementation of the project.

With regard to the issue of “Stakeholder participation” the following is proposed:

Consultations during the validation and the monitoring process will be organised by the host country, in particular by the DNA in accordance with national procedures. The report of their comments will be part of the documentation provided to the Operational Entity.

With regard to the issue of “Project boundary” the following is proposed:

Project boundaries geographically delineate the afforestation or reforestation project activity under the control of the project participants. The project activity may be confined to a single or several geographic discrete areas of land within one or several administrative limits.

To provide the option of dynamic project boundaries, which would allow for a progressive incorporation of geographic discrete areas up to the limit of 8 kilotonnes of CO₂ per year per small-scale project. It is suggested that, a general project boundary is delineate within one or across several country administrative limits and could either contiguous or separated. The boundary of each patch of land to be afforested or reforested in the first year of the project activity should be described in the project design document.

With regard to the issue of “Environmental and Socio Economic Impacts Analysis” the following is proposed:

Only an initial environmental and socio economic impacts analysis is required. A reference framework will be developed as guidelines for project participants, by the DNA in accordance with the host country procedures. Such process will allow determining the degree of impacts of the project activities and if a complete impacts assessment is required.

With regard to the issue of “Registration Fees” the following is proposed :

The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees will consider lower fees for small scale A/R projects.

With regard to the issue of “Share of Proceeds” the following is proposed:

Small –scale projects are exempted from the 2% share of proceeds for the adaptation fund.

With regard to the issue of “Designated Operational Entity” the following is proposed:

The same Designated Operational Entity should be used during the entire project cycle (validation, monitoring, verification and certification). If possible, within a country or at a sub regional level, different small scale projects can use the same DOE and share the expenses.

With regard to the issue of “Simplified Baseline” the following is proposed:

- To develop standardized baseline methodologies using ecological zones ;
- To use IPCC GPC for data information or default factor values where applicable and when lacking data on project level;
- To use all relevant literature data and information as applicable for the project activities;
- To replicate the same baseline methodology for a same type of projects if conditions are similar;
- To limit selection of carbon pools to those with expected significant changes in carbon stocks while allowing for exclusion other carbon pools if scientifically established default values or direct measurements rule out that the pool is a source.

With regard to the issue of “Simplified Monitoring process” the following is proposed:

- To develop standardized baseline methodologies using ecological zones ;
- To use IPCC GPC for data information or default factor values where applicable and when lacking data on project level;
- To use all relevant literature data and information as applicable for the project activities;
- To replicate the same monitoring methodology for a same type of projects if conditions are similar;
- To limit selection of carbon pools to those with expected significant changes in carbon stocks while allowing for exclusion other carbon pools if scientifically established default values or direct measurements rule out that the pool is a source;
- To allow measurement on fixed sample plots.

With regard to the issue of “Project design document” the following is proposed:

To request SBSTA to develop a simplified template for the PDD for small scale projects.

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