

3 September 2008

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CDM Executive Board
UNFCCC Secretariat
Martin Luther King Strasse 8
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Re: Programme of Activities Consultation

Dear Mr. Sethi,

We write in response to the invitation by the Executive Board to share our comments regarding issues associated with the development of Programme of Activities (PoA).

We believe strongly in the ability of the CDM to stimulate sustainable development and emission reductions and in the enormous potential that PoA could play in this. As a member of the International Emissions Trading Association (IETA) we have contributed to their input on this consultation. However there is one issue which is more specific to distributed household energy projects that we would like to address in more detail.

It is currently almost impossible for household energy programmes seeking CDM registration to respond to demand driven growth at significant scale under existing 1km boundary separation rules between individual CDM Programme Activities (CPA).

In this letter we will explain why this issue is such a challenge. We also propose solutions which we believe are a good compromise between the necessity for accuracy and rigour in environmental integrity, while still enabling a programme to be flexible in responding to consumer driven growth.

Household energy projects

BP Emerging Consumer Markets is a business which aims to provide practical and sustainable solutions to the billions of people worldwide lacking access to clean, safe and affordable energy. With partners we are working to develop a variety of low-carbon distributed energy solutions that can provide cooking, heating or lighting at or near the point of use.

Our first step on this journey has been to develop a clean-burn cooking stove using renewable biomass pellets. Such energy solutions are well known to have many sustainable development benefits, as well as greenhouse gas (GHG) savings. We have calculated baseline emissions in regions where we would like to pilot, and hope to scale this business to reach millions of households.

The aspirations of our business are made possible through programmatic CDM, providing that PoA allows for organic, unpredictable consumer driven growth. We have a strong additionality case.

The problem of the 1km rule

Using an approved small scale methodology there is a limit per CPA of 45MW_{th} - equating to approximately 20,000 stoves per CPA. Creating an artificial 1km boundary between CPAs would put a significant strain on managing and monitoring our activities. It would not be possible for us to create a customer driven business using these boundaries as it would exclude a significant number of households.

As an example; in a large periurban environment with a density of 800 households per km² and assuming a one third penetration of our stoves, up to 20% of households would fall outside of CPA boundaries if neighbouring CPAs had to be 1km apart¹. Creating larger CPA boundaries means we could exceed our 45MW_{th} limit, also excluding many households from the CDM benefits. Ongoing monitoring becomes almost impossible. Our proposed baseline and monitoring methodology is already very complex due to the varied fuel mix and habits of individual households.

It would be unrealistic for us to withhold sales to households falling outside of the CPA boundary or limit. It would equally be unaffordable for us to sell this stove without the CDM subsidy, and impossible to accurately monitor around these artificial boundaries.

We understand why the limits exist, and why boundaries are needed. We therefore propose a system which would work well for all distributed energy and energy efficiency programmes.

Proposed Solution – physical boundary

The first part of our proposal is to remove the 1km boundary rule for individual household level projects. We suggest having a 'micro' project category with an individual appliance limit of 9kW thermal or 3kW electrical where this rule would apply. Clearly established political/administrative boundaries would be used. Many of these boundaries border directly onto each other. In Vietnam and India where we initially intend to pilot and scale up our activities, periurban and urban districts (or sub-districts) can be clustered to appropriate population sizes (for example 100,000 households). Our market research has shown all households know which district/ward they are in. There is no chance of ambiguity regarding which district/ward (and therefore CPA) each household is in.

Proposed Solution – thermal or electrical limits

In addition to this our next proposal is a measure to prevent exceeding the small scale thermal or electrical limit by using a zone system. The boundary of the zone also uses well established political/administrative district boundaries. Although we would plan not to exceed the CPA limit, in stronger than expected growth areas, or areas where there is unexpected demographic or population change, there is the option for CPAs to be stacked over time using the same physical boundary. The zone boundary would also be the boundary within which CPAs would be situated. Once the small scale limit of the current CPA is reached (e.g 45MW_{th}) a new CPA for that zone is started – up to a maximum of 4 over the lifetime of the PoA.

¹ If a simple grid format is used to define CPA boundaries then at one third penetration 20,000 stoves would be sold in an area with 60,000 households. At 800 households per km² this is an area of 75km², or a square with 8.7km sides. If the neighbouring CPA has to be 1km away, then this separation area will cover an area equal to 20% of all the actual CPA areas.

Point of sale data for each stove will determine which CPA they are administered under; serial numbers on the stoves will be carefully recorded, together with the details of the customer, to avoid any possibility of double-counting.

The advantages of this system over existing rules are that it puts no artificial restraints on a consumer driven product uptake. Baseline development and monitoring will be much more manageable and accurate as it can follow well established political boundaries.

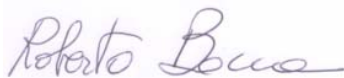
Conclusion

We believe that removing the 1km boundary separation, and allowing CPAs to be stacked over time to prevent them exceeding small scale limits, will open up the opportunity for many potential programmes targeted at providing lower carbon, healthier and more affordable solutions for households in emerging economies.

We would like to offer our programme as a test case through the submission of a PoA DD and CPA DDs to demonstrate practical application and the positive benefits it can have in creating a more accurate and consistent baseline and monitoring methodology.

We appreciate the opportunity to propose this concept and wish you success in your consultation.

Kind regards,

A handwritten signature in blue ink that reads 'Roberto Bocca'.

Roberto Bocca

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