

Input on establishment of simplified modalities for demonstrating additionality for project activities up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year

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Dear members of the CDM Executive Board,

Thank you very much for giving us the opportunity to submit input on establishment of simplified modalities for demonstrating additionality for the defined projects. Here, I would like to submit my views as follows.

Regarding projects which employ renewable energy up to 5 MW, a number of analysis show that the projects cannot be economically attractive, at this moment, without some kinds of financial support. Therefore, I think those projects are clearly additional and must be exempted from demonstrating additionality at validation and registration stage.

But for the sake of clarification, it is better to define eligible technologies those will be exempted, by the Board. At the outset, technologies such as photovoltaic, solar, wind, hydro, wave, tidal, geothermal, ocean thermal and biomass utilization can be defined as eligible technologies with a view to be expanded in future. In case of biomass projects which claim emission reductions from methane avoidance, it may be needed to go through normal procedures which need to demonstrate additionality.

If we exempt demonstrating additionality for certain project types, this creates incentives to divide large projects into smaller components. Nevertheless, there is a rule to prevent de-bundling under the small-scale project activities, and needless to say, this rule must be ensured for the projects which employ renewable energy up to 5 MW.

Exemption from demonstrating additionality will definitely contribute to reduce both direct and indirect cost associated with the validation and registration process. In return for this lucrative treatment, it may be considered to mandate setting a crediting period at seven years. If the project participants want to renew a crediting period after seven years, the Board can request the project participants to demonstrate that the projects cannot operate and maintain without revenue from CERs which they will be receiving.

Regarding energy efficiency projects that aim to achieve energy savings at a scale of no more than 20 GWh/year, it is not easy to say that the all technologies cannot be

economically attractive. It depends on what kind of technologies applied in which region or country, taking into consideration circumstances. But certain technologies in certain regions or countries are economically not attractive hence clearly additional.

Therefore, I think it is better to define eligible energy efficiency technologies those will be exempted from demonstrating additionality, into two categories by the Board. The first category is the eligible technologies for all developing countries, and second category is, in addition to that, eligible technologies for the least developed countries, small island developing States and Africa. Those eligible technologies can be decided through combination of top-down and bottom-up approaches. Under bottom-up approach, project participants of CDM projects can propose to the Board, technologies which are clearly not profitable in certain developing countries, with evidence attached.

As far as de-bundling and a crediting period are concerned, the same modalities I described previously for renewable energy must be applied.

I hope my view expressed here be taken into account during the discussion of the SSC Working Group.

Sincerely Yours,

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\*The views expressed herein are solely those of the submitter. They do not reflect the views of IGES or other researchers.