

April 12, 2010



UNFCCC Secretariat
Haus Carstanjen
Martin-Luther-King-Strasse 8
53175 Bonn
Germany

Re: Call for comments on simplified approach to establishing additionality

Honorable Members of the CDM Executive Board & Small-Scale Working Group,

I appreciate the opportunity to provide comments on simplified approaches to establishing additionality. My comments pertain to establishing simplified modalities for demonstrating additionality for project activities up to 5 MW 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 GWh per year.

Through assignments with Sunrise Technologies Consulting, and working in other capacities since the UNFCCC first entered into force, I have been involved in efforts to broaden and facilitate access to the international carbon market for smaller-scale and disseminated applications of renewable energy and energy efficiency. I have considered various options that could help to enable such activities to participate in the CDM, and believe there are ways to streamline additionality testing for small- and micro-scale activities that enhance the objectivity and transparency of additionality testing while maintaining the environmental integrity of activities implemented under the mechanism.

I respectfully suggest that the EB and SSC Working Group consider two possible options for additionality testing for renewable energy activities up to 5 MW and energy efficiency activities that aim to achieve energy savings of no more than 20 GWh per year:

1. A market penetration test, similar to that adopted in the framework for offset allowance creation under the Regional Greenhouse Gas Initiative (RGGI) in the Northeastern United States. The RGGI model rule and subsequently adopted state regulations set a maximum market penetration rate that selected measures must not exceed to be eligible to create offset allowances. Using this approach, for certain measures, the sponsors of proposed offsets projects must demonstrate, to the satisfaction of the regulatory agency, that, among other things, the measures implemented as part of an offset project have a market penetration rate of less than a designated percentage. A 5% rate has been adopted for some categories of activity, but under this general framework, other metrics could be possible as well. I am not suggesting here a specific metric as an appropriate

level of market penetration for additionality testing, but the general approach of specifying a level of market penetration below which activities can be assumed not to be “business as usual.”

With a market penetration test, I also suggest that the EB and SSC Working Group consider allowing for market segmentation where adequately justified, enabling project proponents to demonstrate that a well defined market segment remains below a designated maximum penetration level even if the overall level of market penetration for a measure in a defined location exceeds the maximum. For example, if the maximum market penetration level for additionality testing was set at 10% for residential solar water heating systems in a location such as Barbados, where the overall level of market penetration would exceed this amount, if, with adequate justification, project proponents could demonstrate that the level of market penetration for a well defined market segment, such as low income households meeting defined criteria, was below the market penetration threshold, a project involving that market segment could pass the market penetration additionality test.

2) A positive list, specifying, inter alia, technology applications considered additional to business as usual because they face barriers that generally prevent their implementation without measures to overcome the barriers, i.e. measures that could be supported through carbon market participation. Example technology applications might include off-grid applications of photovoltaic technology, energy efficient cooking stoves, biogas digesters, and/or selected other small- and micro-scale renewable energy and energy efficiency applications. The positive list idea was popular with a range of stakeholders during the CDM's development, and has the advantage of providing simplicity and objectivity in its application. A positive list could be developed for some project activities that would be considered universally additional and/or could be structured as a technology or activity matrix, broken down by activities considered additional in specified geographic locations. Of course, the list or matrix should be dynamic, with approved activities remaining valid only as long as they continue to be considered broadly additional, and with the ability for new activities to be added.

The market penetration and positive list approaches to additionality testing could be complementary to one another, and would not need to be mutually exclusive. I further suggest that the specific details used in these approaches, i.e. determination of what metrics would be appropriate for market penetration tests, and what measures and technology applications would be on a positive list, be developed in a process that proactively gathers, or provides for, stakeholder input.

Thank you again for the opportunity to provide comments.

Sincerely,



Steven Kaufman
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