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CDM Executive Board / UNFCCC  
Secretariat  
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Call for Inputs

## **Simplified modalities for demonstrating additionality of small scale renewable energy and energy efficiency project activities**

Ladies and Gentlemen

I welcome the opportunity to provide several comments on the subject of simplified demonstration of additionality for SSC renewable energy and energy efficiency project activities:

- I understand that this call is in response to the CMP 5 decision to establish simplified modalities for demonstrating additionality for “micro-SSC” 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/y). However, we have to be very careful with how this decision is implemented, so as to avoid perverse outcomes, such as:
  - Making it even more difficult for regular SSC projects to demonstrate additionality.
  - Driving more project developers to break up projects into smaller pieces, which would increase the level of DOE scrutiny required per CER, exacerbating problems with secretariat and DOE capacity (increasing bottlenecks and delays) and raising transaction costs per CER, making these projects even less viable.

In both cases, we should be going in the opposite direction – in line with the clear intent of the Parties.

- To avoid perverse outcomes, any solutions for the “micro-SSC” category must be considered in the broader context of improving/simplifying additionality guidance for all SSC projects, as this category was created to facilitate CDM investment in projects with the greatest sustainable development benefits. Recall that back in November 2006, the COP/MOP took an explicit decision to increase the limits for SSC projects, because the smaller limits proved unviable, given the high fixed transaction costs (for Type II, for example, the limit was increased from 15 GWh/y to 60 GWh/y). We should not lose sight of history and what we are trying to achieve.



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- We need simplified approaches for the SSC category overall that bring transparency and predictability to the process, while increasing efficiency. I have previously submitted some specific suggestions under the [Call for inputs requesting non-binding best practice examples on the demonstration of additionality to assist the development of PDDs, in particular for SSC project activities](#) from July 2007, as well as in this publication: [Arquit Niederberger, A., Scaling up energy efficiency under the CDM. In Holm Olsen, K., and J. Fenhann \(eds.\), A Reformed CDM, Including New Mechanisms for Sustainable Development. Perspectives Series 2008. Copenhagen: UNEP Risø Centre, pp. 127-145, December 2008.](#)
- In addition, the following could apply to “micro-SSC” projects: Any micro-SSC project activity that can demonstrate emissions reductions relative to the baseline is deemed (environmentally) additional, with no requirement to demonstrate additionality. This basic approach was actually accepted under the large-scale methodologies AM0070 and AM0071, for which no additionality test is required, as long as the refrigerators manufactured have emissions per fridge lower than a calculated benchmark value.
- However, the primary barrier to a “micro-SSC” (or other SSC) project is often not the challenge of demonstrating additionality, but rather the high costs of having such projects developed, validated, monitored, and the subsequent greenhouse gas emission reductions certified, leaving very little net CER revenues, if any. These costs can be addressed through enterprise development assistance (to stimulate viable business plans), by adopting truly simplified methodologies that rely on conservative default values or benchmarks and do not require extensive *ex post* monitoring and by addressing validation and certification requirements and related costs. As pointed out in the recent SSC WG stove workshop, the level of DOE scrutiny per CER is far higher for SSC project activities (which are supposed to benefit from simplified procedures that would lower transaction costs) than for large-scale CDM projects: [Chan, D., A. Arquit Niederberger, and H. Ho, Transaction Costs of Small-Scale Methodologies - Case Study: Fuel Switch to Biomass Residue for Household Stoves. Paper for UNFCCC “Practitioners Workshop on AMS-I.E, AMS-II.G and AMS-I.C: CDM methodologies for household cooking energy supply”. Milestone Energy / Policy Solutions, 25 October 2009.](#) Until this is rectified, the CDM will offer very little incentive for small-scale project activities, particularly end-use energy efficiency projects.

Sincerely

Anne Arquit Niederberger