

August 9, 2012

CDM Executive Board
c/o UNFCCC Secretariat
P.O. Box 260124
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Germany

Subject: Comments on the “Draft voluntary tool for highlighting sustainable development co-benefits of CDM project activities and Programmes of Activities” in response to the EB call for public inputs at its 68th meeting.

Honorable members of the CDM Executive Board,
Members of the SD tool team within the Secretariat,

We welcome the opportunity to contribute to the discussion on the “Draft voluntary tool for highlighting sustainable development co-benefits of CDM project activities and Programmes of Activities” (draft SD Tool). We commend the effort to capture sustainable development co-benefits in a more systematic manner. Drawing on our experience in assessing and monitoring social, economic and environmental impacts of projects in developing countries, including in assessing co-benefits of CDM projects and Programmes of Activities (PoAs), we would like to submit the following comments for your consideration:

1. Consistent with paragraph 5 of Decision 8/CMP.7 which recognizes the need of "maintaining the prerogative of the Parties (to the Kyoto Protocol) to define their sustainable development criteria", and given that the scope of these issues is an important matter, attaining consensus on the definition of content and scope of the draft SD Tool (in particular for Steps 2 and 3) would benefit from further stakeholder consultation.
2. The list of indicators proposed in Figure 2 of the draft SD Tool covers a broad set of areas where CDM projects and PoAs could generate sustainable development co-benefits. However, the following improvements could be made to enhance the potential of the SD Tool to serve as a guiding principle for capturing commercial value of such co-benefits:
 - a. Clear, monitorable and reportable indicators would have to be suggested in the SD Tool while also bearing in mind the transaction costs that may be associated with their assessment;

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- b. Covered types of impact could include “direct” and/or “indirect” (induced, leveraged) co-benefits: (i) direct SD co-benefits are those co-benefits that are generated directly from the CDM project itself; and (ii) indirect SD co-benefits are generated from the CDM project through distinct community benefit activities, financed by the price premium associated to the ER revenue stream.
3. The draft SD Tool would benefit from further clarification of the modality of updating, changing and withdrawing of the initiation declaration (as per paragraph 3d) in the event that the type and/or level of declared co-benefits will become an intrinsic part of the commercial terms for the asset generated by the CDM project or PoA.
4. Procedures defined in the draft SD Tool would gain from a better integration into the existing CDM project cycle to avoid unnecessary duplication. For example, SD-related stakeholder consultation could be integrated into the stakeholder consultation process required by the current CDM regulation.

With kind regards,



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