

CDM Executive Board  
UNFCCC Secretariat  
Martin Luther King Strasse 8  
P.O.Box 260124  
D-53153, Bonn  
Germany

Attention: Mr. Rajesh Kumar Sethi

**30 April 2008**

**Subject: Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)**

Dear Mr. Sethi,

I am writing to you on behalf of the International Emission Trading Association (IETA) in response to your call for input at EB 38 in relation to “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)” IETA welcomes this call for input and its secretariat and member look forward to be working with you to further improve the clarity in the Guidelines.

IETA welcomes the Boards initiative to enhance the guidance for completing the PDD template, particularly where this provides clarity in areas that are currently being interpreted in different ways by different DOEs. IETA however, feels that there is still scope for further improvement by eliminating elements that lead to repetition between the different sections of the PDD.

IETA welcomes the new text in Section D which allow a methodology developer to explain reasoning to the Methodology Panel. IETA sees this as a significant positive step that will assist in NM approval process.

IETA is also concerned that the quest to obtain more detailed information by increasing the requirements on detailed information in relation to the different technologies that would be employed in the project scenario, baseline scenario and the situation before implementation of the project may prove not practical for the project owner at the time it is writing the PDD.

**MARKET SOLUTIONS FOR GLOBAL ENVIRONMENTAL PROBLEMS**

24, Rue Merle d'Aubigné  
Geneva, 1207, Switzerland  
Tel: +41 (22) 737 0500

4th Floor, office n. 412  
Rond-Point Schuman 11  
Brussels, 1040, Belgium  
Tel: +32 (2) 256 7535  
Reg. 0889.072.702

1850 M Street, NW, Suite 600  
Washington, DC 20036  
USA  
Tel: +1 (202) 629 5980

350 Sparks Street, Suite 809  
Ottawa, Ontario  
Canada, K1R 7S8  
Tel: +1 (613) 594 3912



In addition to these general comments IETA has a number of detailed comments which it has outlined below by section of the Guidance document:

### **Part I (General Guidance):**

IETA is concerned that provisions under Items 10 and 11, places unnecessary additional costs to the project developer. As the Board is aware the development of PDDs and NMs of good quality requires considerable up-front costs & time (months) by the project developers. New rules guiding PDD or NM formats not affecting the project activities can cause developers to rework without a material impacts to the projects but with significant time and cost delays. IETA would therefore propose that the 6 months period currently specified under item 10 and 3 months under item 11 are increased to 12 months.

### **Part II (Project Design Document): Information note for the Project Design Document**

- Section A2: requires the PP to give a description of the project scenario, the baseline scenario identified in section B4 and the scenario prior to implementation for the project. IETA feels that there is a risk of repetition here with sections A.4.3 and B.4. Further, the level of detail required is not clear: for example,
  - In situations where the technology to be applied is very new, it is often difficult to make a brief but clear summary of the technology employed.
  - Will it be necessary to describe how the baseline scenario is identified, as well as describing what it is?
- Section A4.3: requires the PP to give a detailed description of the project scenario and the baseline scenario, including:
  - the main manufacturing/production technologies, systems and equipments involved in
  - the project,
  - the emissions sources and the greenhouse gases involved in the project activity, and
  - the types and levels of services (normally in terms of mass or energy flows) provided
  - by the systems and equipments that are being modified and/or installed under the project activity

IETA feels that this may be problematic for a number of reasons:

- For some projects, which are considering CDM very early in the project process, the main technologies, systems and equipment may not be confirmed at the time of writing the PDD. For example, in many



situations, a feasibility study report will contain a number of different technology options and a final decision may not be made until a tendering process has been completed. In this way, a PDD can contain general information about the type of technology to be installed but it would not be possible to give detailed information about specific technologies. Further, it is likely that in many cases, detailed information regarding the technology and equipment to be installed will change over time as the project develops.

- Similarly for the baseline scenario, which is in many cases, a hypothetical scenario of what would happen if the project was not implemented, it is often not possible to provide detailed technical information about what would be installed, particularly for greenfield projects or projects where the baseline is electricity supplied from the grid.
- Again, there is a risk of duplicating information in sections A.2, A4.3 and B.4
- Section B.3: addition of the requirement for a flow diagram showing the project boundary is useful and indeed confirms what many DOEs are already asking for. However, it is not clear how practically such a diagram could include all “emissions sources and gases included in the project boundary and the monitoring variables”. More guidance would be useful here.
- Section B.6.3: IETA would highlight that the current text seems to be in conflict with the latest version of the additionality tool which reads:

*“6. Present the investment analysis in a transparent manner and provide all the relevant assumptions, preferably in the CDM-PDD, or in separate annexes to the CDM-PDD, so that a reader can reproduce the analysis and obtain the same results.”*

The current wording of Section B.6.3 of the PDD guidelines

*“Where relevant, provide additional background information and or data in Annex 3, including relevant electronic files (i.e spreadsheets)”*

IETA suggest that in the guidance the reference to including relevant electronic files should be removed from the Guidance and only a snapshot table of the spreadsheets can be provided.



## **Part II (Project Design Document): Specific guidance on Proposed New Baseline and Monitoring Methodologies.**

### C 1.1 Start date

IETA welcomes the clarification and feels that it reflects what generally is asked for by DOEs. However, we encourage the Board for further guidance on what is required to provide a “description of how the benefits of the CDM were seriously considered prior to the start date” as the IETA members have noticed that this is currently being interpreted in different ways among the different DOEs.

IETA also likes to suggest for the Board consideration to also include as start date of the CDM project activity can be considered as the project start date or project re-start date, and is the earliest date at which either the implementation or construction or real action of a project activity begins or re-begins. This would emphasize the possibility to use the date of re-start of project undertaken after suspension of delays from the original start date of the project.

## **Part III: (Proposed New Baseline and Monitoring Methodologies)**

### General Comment:

- Methodologies need to be simplified as much as possible while permitting accurate and consistent calculation of emission reductions achieved by a project activity. The rules proposed for new methodologies are still quite onerous and greatly discourage project developers from entering into activities not completely described by existing methodologies. IETA continue to encourage the Executive Board and Methodological Panel to continue its efforts to simplify methodology development as much as possible so as to encourage developers to create new methodologies and new project activities that serve the purpose of emissions reduction.

### Detailed comments Specific changes:

- *Section 4.1 i,j:* Provision of an approved set of estimation tools also appear to be useful additions and allows for additional estimation tools. However IETA is concerned that the specific text of j) would force project developers to used an existing estimation tool which can be considered inadequate or inaccurate for a specific project and as such IETA would suggest that the text is modified to reflect not only the need to follow the tool but also that were the tool is inadequate project developers can come forward with a new tool.
- *Section 4.9:* IETA would like to suggest that the Board provide more clarification on what is required to support the uncertainty analysis. Some of the IETA members have run into trouble with this requirement in some of their projects and as such IETA feels that that the requirements could be better defined.
- *Section 4.13, 4.15, 4.16, 4.17:* IETA feels that the guidance provided in these sections may not be best placed in this guidance document since it on the one



hand makes the guidance document very susceptible to changes following new methodological rulings and at the same time all is contained in the approved the respective methodologies. IETA suggests that this portion is removed, and instead direct project developers to the list of approved, as well as rejected methodologies.

Within this list, topics of specific concern include:

Part 4.16: Appears to exclude combustion efficiency gains and create some kind of division between what is combustion efficiency and what is energy efficiency. The division is not clearly defined in this section and the rationale for excluding combustion efficiency is not clear. IETA would discourage combustion device efficiency activities to experience added impediments to CDM so IETA requests better guidance on the rationale behind this paragraph.

### **List of Standard Variables**

IETA welcomes the list of standard variations as a useful addition, although it might at this stage to be potentially a bit constraining.

IETA trusts that the comments above will assist the Board in further refining the “Guidelines for completing the project design document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM)” and providing Project Proponents & DOEs with more clarity and guidance on the requirements.

Sincerely,

Henry Derwent  
President & CEO  
International Emissions Trading Association