

September 2, 2008

To Mr.
Rajesh Kumar Sethi
Chair
Executive Board of the Clean Development Mechanism

Dear Sir,

We are writing to you as project participants and members of the International Emissions Trading Association (IETA) and of the Carbon Market International Association (CMIA).

Regarding the Call for Public Comments on four issues, issued at the 42nd meeting of the Executive Board, we have the pleasure to submit to your consideration our contribution in the issue of *Difficulties in implementing the Programme of Activities (PoA)*, as follows:

A. Difficulties in validation

Presently, some of the major problems that prevent a wider implementation of PoA can be found in the provisions for validation of the PoA, especially with regards to the inclusion of CpA and the stipulations for an erroneous inclusion of a CPA. The DOE seem to be particularly affected by the paragraph in version 02 of the *Procedure for Registration of a PoA*:

Identification and consequences of erroneous inclusion

15 (b) *The DOE that included the CPA, shall acquire and transfer, within 30 days of the exclusion of the CPA, an amount of reduced tonnes of carbon dioxide equivalent to the amount of CERs issued to the PoA as a result of the CPA having been included, to a cancellation account maintained in the CDM registry by the Executive Board.*

As a result of this, DOE seem somewhat reluctant to validate DOE. The general work overload in the CDM has also, in our impression, affected the DOE to acquire/update their expertise in handling these projects.

A similar situation occurs in relation to Para 36 (b) in the Section of *Identification and consequences of erroneous renewal*

B. Difficulties in submission for registration

One of the major uncertainties in the submission for registration is the one related to the payment of fees for every CpA that is included in the PoA, and the level of this payment. Will it be equivalent to the regular fess for CDM CpA? If this is true, this could make PoA encompassing a large number of small CpA quite prohibitive,

meaning that the PoA would not accomplish one of the foremost purposes for which it was established.

Further clarifications on this and other elements affecting opportunity and transaction costs is needed from the EB. It should be made explicit that the share of proceeds and fees, although necessary, would not be set up in a level that hinders the implementation of PoA.

Additionally, the requirements for the request for review of PoAs is considerably more stringent than for regular CDM activities. Only one member of the Board can request a review, against three members for regular activities. This provision should be modified to level the rule of three members of the EB requesting review either for regular CDM projects or PoAs

C. Other operational difficulties

In general, difficulties in implementing PoA derive from what is perceived as unclear or incomplete guidance on how to register, validate and put into operation such PoA, but most of all, by the lack of generalized practice and familiarity of project developers with the concept, as well as certain degree of uncertainty with the post-2012 Kyoto regime.

More particular concerns derive from the following issues:

Para 4 (g) of the Procedures states that PP must include in the template CDM-CPA-DD a confirmation that each CPA is neither registered as a CDM project activity nor included in another registered PoA. This would be greatly facilitated if the current CDM database included the geographical references of each CPA presently registered in the CDM (or the registration of the GPS in case of mobile sources), but this is not so at the moment.

Para 26 of the *Procedures*, in Section F on *Implications of an approved methodology being put on hold or withdrawn*, states that

"If the methodology is subsequently revised or replaced by inclusion in a consolidated methodology, the PoA shall be revised accordingly and the changes shall be validated by a DOE and approved by the Board. The Board's approval defines a new version of the PoA and the PoA specific CDM-CPA-DD"

This could exert unnecessary hurdles in PoA, especially with the high rate of methodology revisions and adjustments, and could make the implementation of the PoA very difficult. A more practical approach would be to apply *mutatis mutandis* the procedure for normal project activities, which allows them to continue with the same version of the methodology until the renewal of the crediting period.

We thank you for the opportunity to share this input with you. We hope our comments are useful to improve the corresponding documents and processes. We also look forward to continue supporting your work and the continuous development of the CDM

Best regards,



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