



Proposal for removal of obstacles to CDM Programmes of Activities

Submission regarding call for public inputs on Programme of Activities (PoA)

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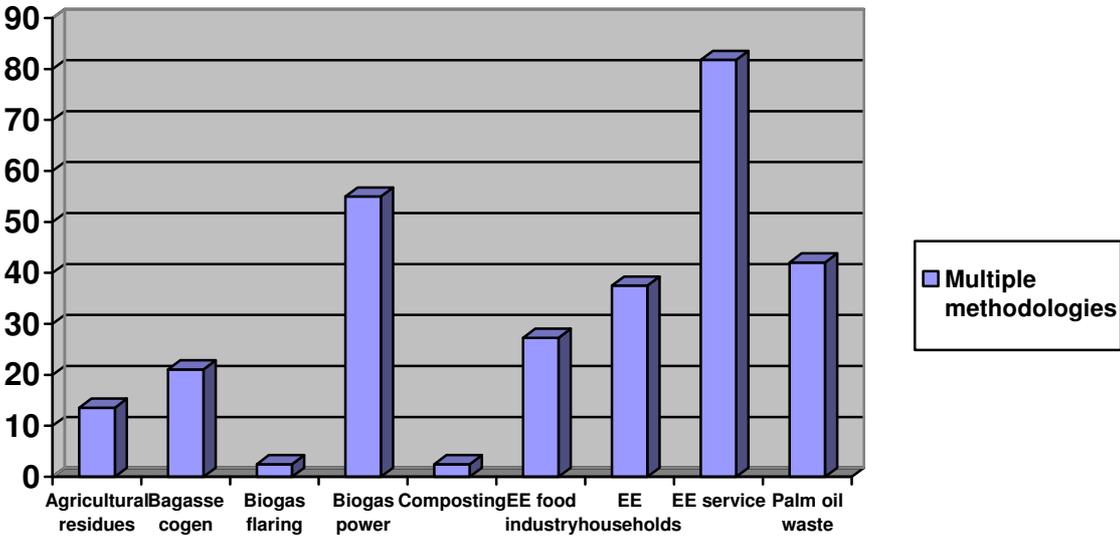
1. Obstacles for PoAs

Despite the rules for PoAs being available for almost two years, until September 2008 only 4 PoAs had been submitted and not a single one registered. This is due to several important obstacles:

- A PoA is restricted to one baseline methodology
- At any time after inclusion of a CPA, a PoA can be challenged by one EB member. The EB then decides whether the CPA should be excluded. The DOE that validated the PoA has to provide CERs to cover all CERs issued for the excluded CPA. This liability is very tough, given that a challenge could come many years after the inclusion of a CPA. Subsequently, a DOE reviews the entire PoA and checks whether other CPAs should be excluded as well. So far, validators have not been willing to take up this liability or asked programme developers to provide insurance coverage.
- A cumbersome rule is that a PoA has to be revalidated every time its baseline methodology is revised. Given the high frequency of baseline revisions, this will lead to an enormous workload for PoA coordinators, validators and the EB.

By April 2008, 55% of submitted biogas power projects used more than one methodology (for shares of projects using multiple methodologies in project categories interesting for PoAs see Figure 1). The single project registered on energy efficiency in the building sector used two methodologies. The only three registered projects improving energy efficiency in the household sector used three methodologies. Generally, small-scale projects and energy-efficiency-related are more likely to use several methodologies than large ones. Projects in the building sector are likely to encompass multiple components and thus will suffer disproportionately from the limitation to one methodology. Projects entailing methane reduction have a high share in multiple methodology use as they often claim methane reduction and renewable energy generation. The new methodologies for non-renewable biomass substitution will also frequently be linked to methodologies reducing methane emissions.

Figure 1: Share of projects using multiple methodologies for selected project types (%)



Data source: URC CDM project pipeline, April 1, 2008

2. Recommendation to remove obstacles to PoAs

The three obstacles should be removed as follows:

The rule that only one methodology is to be used should be scrapped. There are no valid arguments for maintaining that rule:

- There are sufficient DOEs that can validate all possible scopes
- Sampling requirements that differ according to methodologies can be taken into account by increasing the sample size to cover both sub-samples

The liability of the validator could be limited by allowing the EB to challenge each CPA for a limited period after its addition (e.g. 6 months). This makes it likely that no CERs have been issued for a CPA that was excluded due to a challenge, while retaining the reputational incentive for the validator to do a good job.

A PoA should be allowed to use the baseline methodology version that was in force when it was submitted for registration at least for the first 7 years of its duration. This would be consistent with the need to update baseline methodologies for single projects at the time of renewal of their crediting period. The baseline revision would have to be validated and would only be valid for CPAs added after the 7 year. After each subsequent 7 years, this procedure would be repeated.