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CDM Executive Board
UNFCCC Secretariat
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Thursday, 1 September 2008

Input to the “Proposal for an enhanced barrier test for project activities that have a potentially high profitability without CER revenues”

Dear Mr. Sethi,

In response to the above-mentioned call for public comments, launched by the 41th meeting of the Executive Board (EB), we would like to bring to your attention the following comments and considerations.

We welcome your efforts to improve the integrity as well as the practicability of the mechanism by proposing an enhanced barrier test. Still, we would like to share with you our concerns in this matter.

According to the Institute for Global Environmental Strategies (IGES) today 80% of the registered projects base their additionality on a successful barrier analysis partly in combination with a financial analysis. The barrier analysis is an important element namely for projects that are frontrunners in a process of low-carbon technology diffusion to developing countries. However profitable, these projects often face an array of socio-economic barriers. Recognising this fact a number of regulations dealing with the implementation of barrier tests already have been adopted by the COP and the EB.

Despite these regulations, we observe that the barrier test has become increasingly difficult to be accepted as prove for additionality by the DOEs and the EB. Today the investment analysis seems to be becoming de facto mandatory for projects.

Rather than adopting new rules, we therefore advocate a practicable approach that founds on the existing ones. For this the EB would be required to provide

- Clear guidance for all projects using barrier test, and not just for an arbitrary subset of project types considered highly profitable.
- Clear guidance on how to determine whether a project is “first of its kind” and how “prevailing practice” is to be operationalised. This could be by establishing country and technology specific thresholds by the EB, e.g. number of installed units or their market share.

If this guidance is unambiguous it likely will be able to reduce the revision rate and release the work of the DOEs.

Sincerely,



Mischä Glassen
Senior Project Manager
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