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Clean Development Mechanism Executive Board
UNFCCC - Climate Change Secretariat
Martin Luther King Strasse 8
53175 Bonn
Germany

Ref.: Proposal for an enhanced barrier test for project activities that have a potentially high
profitability without CER revenues

Dear Members of the CDM Executive Board,

As an active member in the CDM process I thank you very much for the opportunity to help finding ways to increase the participation of energy efficiency project activities in the CDM. To start my contribution, I would like to use the words of the UN Secretary-General Ban Ki-moon in his address to Economic and Social Commission for Asia and the Pacific in Bangkok (Thailand) on 10 December 2007:

Today, we need to create a new type of industrial revolution based on cleaner technology and a low-carbon economy. Greater energy efficiency is the first step towards this revolution.

In my opinion, we might be missing this crucial first step. I may be wrong, but I believe that the use of some reasonable flexibility, as shown in the case of other project types, and the understanding of their nature could really boost the participation of energy efficiency projects in the CDM.

Some examples of reasonable flexibility demonstrated in other project types that could be evaluated while looking for solutions to difficulties found when defining methodologies for energy efficiency projects:

- In the case of electricity dispatched into grids, it is impossible to directly measure emission reductions. To solve the problem, a mathematical tool - combined margin emission factor – is used, to reasonably estimate the emission reductions achieved.
- In the case of modal shift in public transportation (from private automobile to public transportation), it is impossible to directly monitor every single action leading to emission reductions. The solution found was the use of pools to statistically determine a reasonable share of passengers shifting from private transportation to public transportation.
- In the case of natural gas pipelines replacements, it is impossible to unequivocally determine the baseline scenario (leaks in a distribution network). The solution found was to use literature data that reasonably represents the expected number of leaks in a pipeline lifetime.

Please keep in mind that the above examples do not intend to be extensive and extremely precise, but are just mentioned as an exercise of flexibility that might be used while evaluating energy efficiency methodologies.

Regarding the nature of energy efficiency projects:

- Energy efficiency projects not often lead to production increases and, for that reason, are rarely carried out in an economic growth period (in spite of potentially high profitability).
- Energy efficiency projects frequently have small absolute financial return (high profitability, but small size); as a result project owners strategically prefer to develop projects with smaller returns but bigger scale.
- Energy efficiency project activities in existing plants unequivocally lead to reduction of energy consumption (unambiguous sustainable development) and, therefore, to fewer emissions.

Concerning the proposed enhanced barrier test:

- Limiting it to greenfield projects is an extremely timid action, which will bring little help.
- Energy Saving Companies' (ESCOs) experience and tools could be used to solve monitoring, baseline and barriers issues.
- Energy efficiency projects in existing plants with potentially high profitability should be able to (indirectly) demonstrate the existence of barriers, by showing that the

potential had existed for a long period and, nevertheless, the project was either
never studied or was proposed but rejected.

Thank you very much.

Yours sincerely,



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