



පරිසර හා ස්වාභාවික සම්පත් අමාත්‍යාංශය
சுற்றாடல் இயற்கை வளங்கள் அமைச்சு
Ministry of Environment and Natural Resources

"සමපතපාය" අංක 82, රජමල්වත්ත පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.
"சம்பத்பாய" இல. 82, ரஜமல்வத்த வீதி, பத்தரமுல்லை, இலங்கை.
"Sampathpaya" No. 82, Rajamalwatta Road, Battaramulla, Sri Lanka.
Gen. Tel: +94-11-2882112-3

ලේකම්
செயலாளர்
+94-11-2877290

ලකේ
பெக்ஸ்
+94-11-2877292

මගේ අංකය:
எனது இல. }
My No. }

ඔබේ අංකය:
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

2009.04.16

The CDM Executive Board
UNFCCC

Dear Sir/Madam,

Call for input for DNAs on regional distribution of CDM Projects

This has reference to your e-mail dated 14th April, 2009 on the above.

Accordingly, the issues faced by Sri Lanka leading to poor participation in CDM, and means to rectify this situation are as follows;

i. Process issues

Complexity of processes and methodologies, insufficient guidance on bundling and size limit of bundles, and inability to use donor funds for project implementation are major barriers.

Sri Lanka needs assistance for the development of national CDM catalogues and investor guides. Lack of country specific baseline data are a severe hindrance in the validation process.

Hydro power CDM projects have a high potential, and it is necessary that these not be considered as the baseline in Sri Lanka. Energy efficiency projects have a high potential in Sri Lanka in the business, industry, households and the public sectors. This encompasses a range of measures from improved maintenance, efficiency standards and repair to retrofitting/installing new equipment. Reducing the transmission loss is another potential. But these have extremely high investment costs, and therefore are not attempted.

Sri Lanka also need in-country validators and verifying authorities.

....Contd/

" මේ මහලොව සහ ගහකොළ මිනිසාට මෙන්ම අහසේ පිසාකරන සීතොතුන්ටද, මිහිමත කරන සිව්ලාවුන්ටද, සීතල සතුන්ටද එකසේ අයිතිය."

"நாம் வாழும் இந்த பூமி மற்றும் மரம் செடி கொடிகள் மனிதனுக்கு மட்டுமன்றி வான் வெளியில் பறந்து திரியும் பறவைகள் மற்றும் பூமியிலுள்ள விலங்குகளுக்கும், ஏனைய அனைத்து விலங்குகளுக்கும் சொந்தமானது"

ii. Financial issues:

Lack of public and private sector organizations that have suitable investment and financial frameworks with associated incentives and fiscal instruments is one of the main reasons for the small amounts of CDM projects.

The commercial banks are not only willing to take the risk of financing CDM projects, but they also use the traditional evaluation methods to evaluate CDM projects. It is necessary to establish insurance schemes to protect the financial institutions that provide funds for CDM projects against major project risks. CDM Bazaar can play a key role in matching the parties in this regard.

The Government of Sri Lanka is strongly committed to improve country's share in the Carbon Market, and have established a State owned company in the name of the Sri Lanka Carbon Fund (SLCF). Its objective is to assist the developers through technical and financial interventions for CDM projects. However, as at present, the country does not have adequate national resources to operationalize the Sri Lanka Carbon Fund. The Cooperate Business Plan for the SLCF has been developed, and its implementation is lagging due to lack of financial resources and competent man power for its implementation.

iii. Regional Cooperation

Establishing regional DNA forums and regional networks for promotion of CDM would lead to better participation in CDM. Regional centers of excellence will be very helpful in information dissemination and networking.

iv. Better facilitation of CDM projects from countries with poor participating

The projects from countries that have less than 10 projects needs to be encouraged through a special, may be a transitional procedure. When CDM projects from these countries are rejected, it is extremely difficult to promote other developers to invest in new CDM projects. This situation has been clearly visible when the CDM project on Holcim Ltd was rejected by the CDM Executive Board.

v. High transaction cost

Most projects in Sri Lanka are comparatively small and therefore unattractive to the global carbon market. They bring small economic returns to the investors, but have many environmental and social benefits than the larger project. However, these are not feasible as stand-alone projects due to the high transaction costs against the small return from CERs.

vi. Programmatic CDM

In order to reduce the transaction costs and to allow participation of smaller CDM project activities, another instrument is to promote Programmatic CDM activities in Sri Lanka, since there is a huge potential for such projects. It needs to be possible to use already approved methodologies for such Programmatic CDM projects. However, the awareness of these methodologies and their use needs to be raised, so that they become more accessible.

Programmatic CDMs and bundling of project activities would result in lowering of the associated transaction costs.

Since Programmatic CDM projects are extremely beneficial for the sustainable development in the country, it is appropriate that barriers in validation and verification be minimized for these projects. Assistance in developing programmatic CDM frameworks specific to the target countries is necessary.

vii. Lack of technical know-how

Countries like Sri Lanka need assistance in identifying potential project types and appropriate methodologies. It is noted that the countries such as China and India which have benefited from CDM projects have the financial capacity to employ persons with a wide range of expertise for the development of projects. Another such example are the sub Saharan African countries who have many CDM projects. Lack of such capacity is one of the reasons that Sri Lanka has not been able to participate in a more meaningful manner.

CDM Bazaar can play a more active role as an information repository for project developers.

A strategic program of action to provide assistance under the Nairobi Framework would lead to the increase of the number of CDM projects.

C. R. Panditharatne

Deputy Director

Climate Change Division

Ministry of Environment and Natural Resources

For DNA Sri Lanka