



Dear Members of the CDM Executive Board,

In response to the invitation for public comments on the reason for no or low application of approved methodologies in CDM project, Mitsubishi UFJ Securities Co., Ltd.(MUS), as a writer of the several approved methodologies, submits following comments for the CDM Executive Board's consideration.

1. Reasons for low or no application of the approved methodologies

Out of the methodologies listed in "Methodologies having Five or Fewer No. of Projects Validated/Registered" (Annex 1, EB47), MUS authored the following methodologies: AM0042, AM0044, and AM0054. MUS opines that the followings are the reasons for low or no application of these specific methodologies.

AM0042 has a specific scope of application, that is, biomass from dedicated plantations. Other project developers involved in biomass power use residues of other processes, instead of dedicated biomass.

As for AM0044, at the time it was approved, the threshold for the small scale CDM project activity was 15GWh/yr of energy saving (Type II) or the project emissions less than 15 ktCO₂/yr (Type III). The accompanying project that applied this methodology was beyond this threshold, thus the methodology was written as a regular scale methodology. However, due to the change of the definition of small scale, most project activities involving rehabilitation of boilers currently fall within the new threshold, thus other small scale methodologies can be applied instead of AM0044.

Lastly, AM0054 involves a technology (oil/water emulsion) that is novel and still not widely used for existing boilers. This limits the number of project activities that could apply this methodology.

To summarize, AM0042, AM0044 and AM0054 have limited application because other projects applying for CDM fall outside the scope of these methodologies, thus alternative methodologies are considered or new methodologies are proposed.

It must be noted that low application of approved methodologies is not itself a problem; technically sound approaches for reducing GHG emissions should have an available method for calculating emission reductions. What should be addressed is the inflexibility in applicability conditions of some



methodologies; it may be more appropriate to investigate how applicability conditions of each methodology can be made more inclusive in order to accommodate projects that have the same general approach.

2. Difficulties faced by the stakeholders for the application of methodologies, in general

Available methodologies, in general, are not applied to a proposed project activity because the project, for one reason or another, fails the applicability conditions set by the methodology. In some instances, when a project participant (PP) requests clarification over applicability of a certain project to a methodology, the response is to suggest to the PP to propose a new methodology. This results in methodologies having applicability conditions specific to the example project; other future projects are only eligible to use this new methodology if the future project has very similar conditions. The application of a methodology then depends on the prevalence of the specific technology that a methodology addresses, or whether the project site has the same geographic features, etc. Meanwhile a significant number of approved methodologies fail to have the flexibility in expanding its applicability conditions. The number of requests for clarification and revision which failed to be accepted by the EB shows the need for further improvement in this respect.

On other times, there is ambiguity whether a project can actually apply a methodology, so requests for clarification are made. These requests take time, sometimes lasting a year. PPs incur some lost opportunity costs on account of this long wait. As for requests for revisions, PPs incur actual costs in hiring a DOE in order to make the request. The effort and expense may not be worth undertaking, especially since there is still risk of the request being ultimately rejected.

Another difficulty with application of methodologies concerns the data a methodology requires in order to set the baseline or establish what the common practice is. Some methodologies, such as AM0017 and AM0041 require sampling from competing production sites. Alternative measures for obtaining data should at least be provided; it may be unreasonable to gather competitor's data.

Lastly, there exists structural problem throughout the new methodology approval procedure. It usually takes more than a year to get a methodology approved. This means that projects miss the window of opportunity for implementation - the people with the money and the passion lose interest during the time that the methodology is being developed and reviewed. In addition, PP has only a few indirect dialogue with methodology reviewers. Such situation causes PPs to go for an overly-conservative



approach in order to maximize the chances of being approved quickly, which may be impractical for the actual project implementation, resulting in no or low application of the approved methodologies.

3. Difficulties faced with the methodologies, in general, for the periods of monitoring

The major difficulty in the periods of monitoring is the fact that requirements set by the methodology can get too stringent (e.g. separate electricity meters for each kiln when applying AM0066, etc.). Requirements as specified in methodologies sometimes may be too sophisticated for PPs in developing countries, who may lack the know-how, or do not even have the equipment readily available.

Thank you for your consideration.

Sincerely yours,

Hajime Watanabe

Chairman

Clean Energy Finance Committee

Mitsubishi UFJ Securities Co., Ltd.