

KfW Bankengruppe • Postfach 111141 • 60046 Frankfurt am Main

Members of the CDM Executive Board
c/o UNFCCC Secretariat
P.O. Box 260124
53153 Bonn
Fax: 228-815-1999

Frankfurt, May 4, 2009

Call for public inputs on efficiency in the operation of the CDM and opportunities for improvement from March 30 until May 4, 2009.

Dear Mr. de Jonge,
Dear Members of the CDM Executive Board,

KfW appreciates the opportunity to submit its views on issues associated with the efficiency in the operation of the CDM and opportunities for improvement. First of all we want to express our highest respect towards all current and former members of the Executive Board for the work that has been done. The registration of 1,600 projects, the approval of almost 150 methodologies and the accreditation of 28 DOEs are impressive results achieved under often severe capacity constraints.

However we also recognize in line with Decision CMP.4 and former similar decisions taken by COP/MOP that the operation of the CDM still suffers from major imperfections including long timelines for decision-making that are in some areas even not defined (e.g. implementation of CMP decisions) and lack of consistency and clarity in methodology, guidance and procedure documents. As an example we want to mention the December 2005 COP/MOP decision to include Programmes of Activities' (PoAs) in the CDM that was only implemented by the Executive Board within its 32nd meeting in June 2007. However even after a one and a half year processing period the finally issued guidance and procedures on PoAs appeared to be inappropriate to allow for PoA registration. That has resulted in a still not answered encouragement by CMP4 to undertake changes.

In our view these inefficiencies in the CDM operation are up to a high degree caused by imperfections in the interaction of the main CDM stakeholders: the COP/MOP, the CDM Executive Board, the UNFCCC Secretariat, the DOEs, the DNAs and the project proponents and developers (CDM market). In particular COP/MOP and the Executive Board don't seem to utilize the full support potential of the Secretariat and the available knowledge and expertise in the CDM market to inform their decision making.

Concerning COP/MOP we saw major potential for specifying CDM decisions and for setting binding deadlines for implementation if the Secretariat would provide COP/MOP in a more systematic and comprehensive way with the required information/analysis for decision making. This would and should of course not exclude the possibilities to continue with the current practice of also providing the Executive Board with more open recommendations and requests without binding timeline. But even in this area there is potential to improve the use of the resources of the Secretariat to report on progress made and to identify items that are sufficiently analysed and developed for allowing for more specified decisions and setting of binding timelines in a subsequent COP/MOP.

For the Executive Board we very much appreciate the establishment of a DNA and a DOE/AE Forum. We believe that both forums can substantially inform the decision making process of the Executive Board out of the experience of DNAs and DOE/AEs as entities being part of the regulatory regime of the CDM. However we don't believe that DNAs or DOE/AEs can make the CDM knowledge and expertise of the market sufficiently available to the Executive Board in particular not in areas that are not yet part of the established CDM procedures (e.g.: PoAs, CCS, new methodologies in general).

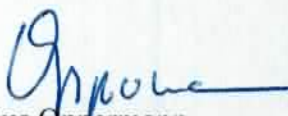
To take full advantage of the market's expertise we suggest broadening the interface of the UNFCCC-Secretariat to the CDM market in:

- 1) Opening a communication window on the interpretation of CDM methodologies, guidance and procedures e.g. in establishing an appropriate client-oriented service unit within the Secretariat;
- 2) Establishing the instrument of calls for temporary expert advisory groups (besides the already existing instrument of calls of public input) that informs the discussion in the Secretariat and its provision of analysis and draft decisions to the Executive Board.

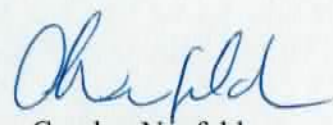
We believe that suggestions no. 1 not only would help CDM project sponsors and developers to better understand the relevant documents but also provide the Secretariat with a permanent feedback on the consistency, clarity and rational of the whole set of CDM methodologies, guidance and procedures. On this basis the Secretariat could become much more effective in informing and supporting the decision-making of the Executive Board and the COP/MOP. Suggestion no. 2 would go in its decision informing role beyond a feedback-loop on existing regulation and could provide relevant knowledge and expertise within new areas (e.g.: PoAs or new technologies not yet covered by the CDM).

Being fully aware of the limited scope of our suggestions that focus basically on the CDM communication process we nevertheless hope that our contribution will be of interest to you. We are always ready to further explain our position and to contribute to the regulatory CDM discussion.

Yours sincerely,



Klaus Oppermann
Vice President
KfW Carbon Fund



Carolyn Neufeld
Senior Project Manager
KfW Carbon Fund