



Dear Members of the CDM Executive Board,

In response to the invitation for public comments on efficiency in the operation of the CDM and opportunities for improvement, Mitsubishi UFJ Securities Co., Ltd. submits the following comments for the Board's consideration.

1. Comments on the clarity of EB guidance

- Guidance provided by the CDM EB provides adequate clarity to users in general. From the user's point of view, however, guidance documentation could be further improved by including additional information to assist in a more comprehensive understanding of the guidance. While some guidance includes the history of the document so that the users can understand the development of the guidance, some guidance still does not include such information. Also, if a list of affected documents, such as methodologies, tools, decisions, etc., could also be included, it would help users to quickly grasp the applicability of the guidance.
- It is recommended that clearer definitions and sentences are used in the guidance as well as in the methodologies. Due to this ambiguity, DOEs take more time to proceed with validation or request more evidence as a safety net to avoid requests for review from the EB. Consequently, project participants can find themselves having to respond to a DOE's excessive requests or having to submit a clarification to the EB. Both procedures take additional time and result in extra cost for project owners.
- Guidance provided in the methodologies/tools by the Panels/ Working Groups/ EB sometimes does not fit the reality of project implementation which requires project participants to expend effort on clarifications, deviations, and incorporating additional guidance. This causes more time and cost for project implementation and less benefit is obtained from the CDM. One idea to avoid this situation is to involve inputs from those who are experts in real project implementation and not only those from academia.
- When PPs apply multiple methodologies, tools, and guidance, inconsistencies occasionally emerge in the guidance. These inconsistencies are difficult to prevent as the methodologies, tools, and guidance are revised at different rates. It may be beneficial if there are some clear guidelines on the hierarchy of EB decisions. In doing so, PPs would know which rule takes precedence, and could proceed accordingly. This could be incorporated in the PDD guidelines

and also a glossary. In addition, some annotation on the rationale behind revisions or new guidance would be helpful, as it would show to the PPs what is not acceptable.

- There is limited guidance for programmatic CDM. Project participants who are interested in programmatic CDM are required to try it without much guidance. Due to this insufficiency, DOEs ask for higher fees for validation and take more time to validate projects.

2. Efficiency and transparency of EB decision-making

- Although efficiency and transparency has been significantly improved since EB01, the “learning-by-doing” process may not be as effective as it can be. It is suggested that “what the EB has learned” and “what the EB wants to avoid” are more clearly communicated to the public when suggesting any revisions or introducing new guidance/tools. From that perspective, the EB should, in clear language:

- 1) Provide the background information of what is at stake; and
- 2) Express what is “not” allowed under specific methodologies, tools, guidance, guidelines, etc.

When communicating both points, referencing to exemplary cases will be helpful. In order to minimize the possible occurrence of unexpected consequences derived from various interpretations of the decisions, the EB may call for inputs from outside experts and public comment before making decisions (see Section 4 for details).

- The decision-making process should have a feedback step as well, in order to ensure that the decisions made by the EB are as effective as expected. Periodic public calls for comments for post-implementation reviews of decision-making may also serve as a good performance indicator.
- The current review mechanism for the project registration and CER issuance is found to be a fair system in its structure. It allows the PPs and DOEs to submit comments prior to the decision to undergo the formal review process is made, and allows a last chance during the formal review process. However, sometimes EB decisions related to rejected cases do not provide full explanations as to why the additional explanations and documents provided by the PP and DOE during those review periods continue to fail to meet EB standards. Extra transparency in regard to these details will contribute to reducing the future occurrence of

similar types of failure.

- It is found that there are inconsistencies in requests for review of similar projects (with same project type, project location, technologies applied, etc). Such cases are even found in cases where requests for registration or issuance have been submitted at the same time by the same project participants. The EB should improve consistency in requesting reviews.

3. Accessibility of information and transparency

- Documentation of the proceedings and accessibility of the information have been improved. However, there is still room for further improvement. The following are examples of the suggested improvements made to the UNFCCC website.
 - 1) To add a search function for “Issuance of CERs” like “Project Activities” and “Methodologies”.
 - 2) To improve the “UNFCCC Google Search” function. In many cases, the users are inundated with information from all different sources which do not have any relevance to the topic you are searching.
 - 3) To create FAQ page.
- When a methodology is updated to a newer version, changes to the methodology are only reflected in the version in the Annex to the EB meeting report and not in the history of the methodology, making it difficult to visualize and understand the changes over time. If possible, a dynamic working model of the methodologies with track changes should be developed in the methodology history section to readily show the changes over time between each version.

4. Support system for the EB

Experts

- There should be a roster of industrial and project financing specialists from developed and developing countries to be called upon for ad-hoc consultancy services to aid the official support structure (panels and working groups). In particular, it is strongly recommended to have project financing specialists to take into consideration the actual practice in project financing and investment analysis for similar projects presented as CDM project activities. For transparency, their inputs should be publicly available.



Public comments

- Periodic calls for public comments will help to improve the CDM efficiency. Currently, there are two types of public call: 1) a call for comments prior to introduction of a new guidance/procedures, etc., and 2) a call for comments on a draft document before finalization for EB approval. The EB should continue to create opportunities for the public to comment.
- The above two initiatives can be further reinforced by having two additional types: 3) a call for comments post-decision/-introduction of new guidance/procedures, etc., and 4) a non-binding, quick call for comments on recommendations and draft methodologies, guidance, guidelines, tools, etc. resulting from MP, SSC WG, AR WG meetings prior to the subsequent EB meeting. It should be “non-binding” in that the EB does not have the procedural obligation to take into account the comments provided during these periods due to time limitation.

General efficiency

- Not just the efficiency of EB decision-making, but also the overall efficiency of the entire process needs to be taken into consideration. Applying new guidance or issues raised as part of review requests by the EB which had never been raised in the past causes the validation process to be extremely complicated and long. Retroactive application of clarifications and issues raised by the review requests should have a grace period as well, except for issues related to the interpretation of applicability conditions of methodologies.

Thank you for your consideration of the contents of this letter.

Sincerely yours,

Hajime Watanabe

Chairman

Clean Energy Finance Committee

Mitsubishi UFJ Securities Co., Ltd.