

04 May 2009

Dear Executive Board,

Re: Call for inputs on efficiency in the operation of the CDM and opportunities for improvement

We have the following suggestions for improving the CDM process:

1. Clarification on role of DNAs

The executive board is requested to further clarify the function of the DNA, specifically with regards to issuing Host Country Approval to project promoters for the CDM process. As per CDM modalities and procedures, the role of the DNA includes issuance of a written approval of voluntary participation and confirmation that the project activity assists the host country in achieving sustainable development (3/CMP.1, Annex, paragraph 40(a)). However, on what basis the approval is to be granted is not specified. Due to the absence of a clearly defined role of the DNA, in some countries the entire CDM process in certain cases is delayed by years because of pending Host Country Approval.

On one hand EB 41 Annex 46 requires project promoters to ensure registration of the project with UNFCCC in parallel with project implementation. However it is exceedingly difficult to obtain the Host Country Approval at the early stages of projects in nations such as India. The HCA process in India requires in addition to submission of the PDD, submission of statutory clearances including land lease/purchase documents. Some of these clearances are available to the project promoters only after physical implementation of the project activity. Therefore, registering a project activity with UNFCCC in time to secure CDM status prior to commissioning becomes exceedingly difficult. While waiting for the HCA approval, some CDM projects are further delayed owing to new CDM guidelines which necessitate reworking of the PDD and validation report.

The executive board is requested to improve the CDM process by providing guidance on the role of the DNA to simplify and accelerate the HCA process.

2. Minimization of gestation period of CDM process for implementation of novel technologies

In the current scenario most project promoters have to wait at least two years from the date of initiation of the CDM process before realizing revenues from the sale of CERs. Therefore, even if a project promoter initiates the CDM process at an early in the lifetime of the project, unless a forward contract for sale of CERs is established (which may not be preferred because of penalty clauses and below market CER rates), the time taken to realize the benefits of CDM is too high mitigate strong barriers.

The CDM has failed to remove barriers for implementation of solar power plants, geothermal power plants, tidal power plants, and off-shore wind power plants in non Annex 1 countries. These technologies are operating in some Annex 1 countries but are largely non-existent in developing nations.

The Executive Board is requested to consider mechanisms for reducing the gestation period for the CDM process for projects implementing certain technologies which have clearly not penetrated into non Annex 1 nations. One way to reduce the gestation time for the CDM process could be to combine the validation and initial verification. A combined validation and verification report could be submitted along with the PDD for a combined Request for Registration and Request for Issuance. Another option is to simplify the process of proving additionality by publicly identifying project types which are clearly not economically feasible under prevailing economic/regulatory conditions in respective non Annex 1 countries. The EB could publish tools for proving that a project falls under one of these identified project types which could then be quoted in Section B.5 of the PDD.

The Executive Board is requested to consider such mechanisms for accelerating the CDM process for certain project types and for mitigating barriers to novel technologies more effectively.

3. Clarification on deviations from PDD

The Executive Board is requested to provide further guidance on procedures to be followed during verification in case of changes in the operation of project activities. For instance, a renewable electricity generation project may undergo changes in the Power Purchase Agreement for sale of power subsequent to registration. Such changes may have no bearing on the physical design of the project and may not affect the baseline or additionality of the project. However, discrepancies between the PDD and the actual operation of the project may lead to delays in verification.

We thank you for the opportunity to share our inputs.

Sincerely,

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