

Views on efficiency in the operation of the CDM and opportunities for improvement

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Dear members of the CDM Executive Board,

Thank you very much for giving us the opportunity to submit views on efficiency in the operation of the CDM and opportunities for improvement. Here, I would like to submit my views as follows.

In order to improve the efficiency of the CDM process, predictability, certainty and objectivity are the most important points, in my understanding. This means all stakeholders involved, i.e. project participants, DOEs, the secretariat and the CDM EB, can foresee what will happen after they do something in the CDM process. The same actions must lead the same consequence. If at all possible, procedures should be excluded if they require difficult assessment and complicated judgment by different stakeholders.

Learning from the accumulated experience of development and operation of the CDM process, I can identify one remarkable effort which greatly improved the efficiency of the CDM process. That is the public announcement of emission factors for electricity grid systems by the DNAs of host countries. After several host countries publicly announced emission factors, the burdens for all stakeholders were dramatically reduced. Previously, project participants had to calculate those factors on their own, and DOEs had to check whether the calculation was right. The results of such calculation tended to differ, even in the the same country. After the public announcement of emission factors, the value of emission factors became predictable, certain and objective, which definitely improved the CDM process.

We can apply this experience to other calculations, for example, as follows,

- To allow the EB, its panels, other outside expertise or the secretariat to define the default unit price of CERs to be used in calculating and comparing IRRs in the investment analysis, which will be updated regularly and made publicly available;
- To allow the DNAs in the host country to define the default values for

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"appropriate benchmarks" used in calculating and comparing IRRs in the investment analysis, which will be updated regularly and made publicly available.

For each example above, it should always be allowed to use different values depending upon the project, as long as project participants explain their justification for using those values.

In addition to that, it would be well worth considering providing "automatic calculation sheets for CERs." This means the amount of CERs expected from certain types [and size] of CDM project can be automatically calculated by inputting several major parameters into excel files by the project participant. The actual examples are uploaded in the IGES web site (see "CDM Emission Reductions Calculation Sheet Series" at <http://www.iges.or.jp/en/cdm/report.html>). These kind of sheets will also reduce burdens for all stakeholders, and make the results predictable, certain and objective. Some people might say that these kind of sheets are not accurate. That may be a true, but I must say that not all the methodologies can reflect "accurate amount of emission reductions," since the reductions are made in comparison with baseline emissions which are always counterfactual. The most important purpose of the CDM is to promote additional emission reductions, which would have not occurred without the CDM. In order to promote and reward ambitious investments for CDM projects which rely on future CER revenues, predictability, certainty and objectivity are crucial. Developing "automatic calculation sheets for CERS" can improve the CDM process, and at the same time, contribute to fulfill the purpose of the CDM.

\*The views expressed herein are solely those of the submitter. They do not reflect the views of IGES or other researchers