Dear Chair and Members of the Executive Board,

I would like to respond to the public call for input on the simplified modalities for demonstrating additionality of small scale renewable energy and energy efficiency project activities for project activities up to 5 megawatts that employ renewable energy as their primary technology and for energy efficiency project activities that aim to achieve energy savings at a scale of no more than 20 gigawatt hours per year (see paragraph 24 of further guidance relating to clean development mechanism 2/CMP.5).

Project activities of this scale only deliver very small volumes of emission reductions. However, the costs of achieving CDM registration, verification and CER issuance, including PDD preparation, validation, and other additional costs, are currently high and large independent of the size of the project. While the simplified PDDs, methodologies and procedures for small scale CDM project activities reduce costs somewhat, the costs are still too high to develop CDM projects of 5MW or less.

Therefore, in order for CDM registration and CER revenue to make a significant impact and really help the implementation of these projects, the CDM registration process would need to be greatly simplified. Indeed only if the process of CDM registration for this scale projects is almost automatic, will they receive the economic benefit to make the projects competitive with conventional energy projects. This may be achieved through the agreement of a positive list of technologies, which could be introduced on a stand-alone basis or be part of a prevailing practice barrier such as that proposed in the joint submission by the Project Developer Forum and IETA, or the existing prevailing practice barrier within Attachment A to Appendix B of the simplified modalities and procedures for small-scale CDM project activities.

For example, a 3MW wind farm can generate maybe 8,500 MWh in a good location. Using an emission factor from an electricity grid dominated by coal, the emission reductions would be only 8,500 tCO2e per year; reductions would be significantly lower in many countries. Given the current complexity of the CDM requirements, the consulting fees for the PDD preparation and going through the registration process far exceed 20,000 Euros, while validation fees and annual verification fees are also 20,000 Euros or more each, plus costs for monitoring. Before the first CER is issued the project costs for such a project therefore will be the equivalent of at least 7 to 8 Euros per CER. Only if the registration is simplified to a point of being nearly automatic, can the costs be reduced to acceptable levels which leave some benefit to the project developer, although they would still be likely to be a couple of Euros per CER.

There is no contradiction between maintaining the environmental integrity of the CDM and a near-automatic registration for a large number of renewable energy technologies (I restrict myself to renewables):

According to the Fourth Assessment Report of the IPCC, published in 2007, only large hydro[1], woody biomass combustion and geothermal technologies ‘have, for the

[1] Large hydro would obviously not fall within the scope of these simplified modalities.

most part, been able to compete in today's energy markets without policy support'[2]. The report also says that bioethanol from sugar and starch is technologically mature with an established market in Brazil (and the US). Some other technologies in the best locations or in countries with the most mature markets may be competitive on an average-cost basis. While there are some non-Annex I countries with (relatively) mature markets for small scale hydro, not including mini or micro scale hydro, other renewable technologies, therefore, could be considered automatically additional as they are either technologically not mature or there is no mature market in the host country.

With the exception of the few technologies specifically identified above, renewable energy technologies up to 5MW, therefore, can be considered to be automatically additional without jeopardising the environmental integrity of the CDM. In the case of woody biomass combustion, geothermal, small hydro (excluding mini and micro scale), and bioethanol, it should be identified whether the technology is mature in the host country. I believe the test of maturity of the host country market for this technology should be very simple and straightforward, using a rate of market penetration. The market penetration rate could be set at a conservatively (very) low limit of 1%. If the technology has not achieved a market penetration of 1%, then the technology is not mature in the region, and the project can be considered additional. Of course, being not yet mature, the other technologies will not have reached this market penetration yet either.

In conclusion, therefore, in accordance with the categorisation of the IPCC in its Fourth Assessment Report, the additionality of small scale renewable energy project activities up to 5 megawatts should be considered to be automatically demonstrated through the agreement of a positive list for all technologies, with the exception of woody biomass combustion, geothermal, small hydro and bioethanol. For these exceptions, it needs to demonstrate that the market penetration is still below 1%. Where the market penetration is above 1%, Attachment A to Appendix B of the simplified modalities and procedures for small-scale CDM project activities should be used.

Yours sincerely,
Christiaan Vrolijk

[2] IPCC Fourth Assessment Report (2007), Working Group III, Mitigation of Climate Change, section 4.3.3 Renewable Energy.