



Head and Members of the CDM Executive Board

Mr. Clifford Mahlung  
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**To** cdm-info@unfccc.int  
**From** matt.spannagle@undp.org

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**Subject** **technical areas for engagement in discussions & consultations with the secretariat, members of relevant Panels and/or Working Groups.**

Dear Mr. Mahlung,

Members of the CDM Executive Board,

UNDP welcomes the initiative of exploring opportunities for greater stakeholder participation. UNDP's participation in, and very positive experiences gained with SSWG stakeholder workshops of late 2009 and June 2010, provide confidence that open and frank engagement with stakeholders creates real value to both sides of the table. We look forward to contributing.

Through the MDG Carbon Facility, UNDP works toward the two goals of increasing the regional distribution and increasing the sustainable development dividend of the CDM. There remain many difficult obstacles to overcome, not least of which is the diffuse, and relatively low emission levels of lower income developing countries. CDM has the possibility, within the current CMP decision framework, to substantially contribute to meeting legitimate development goals while avoiding high emission path lock-in. Nonetheless, there is a large gap between the theoretical potential, and the realities of implementation. UNDP suggests that consultations focus on practical outcomes to narrow this gap in the following areas:

**1. minimum level of demand. How can the issue of 'suppressed demand', 'unmet demand' and related concepts be practically addressed?**

Increasing consumption (ie suppressed demand) is recognised in many CDM methodologies and projects as 'real, measurable' emission reductions. Examples include the fundamental concept of 'BaU' baseline scenario in which a new plant (cement, power station etc) 'would have been built', and, more specifically, within the concept of build margins of grid emission factors. While these assumptions of increasing demand are readily accepted, projects providing energy services to the poor (where they currently have insufficient or none) have limited or no avenue to effectively access the CDM. Consultation should focus on:

- how can reasonable, conservative levels of demand be established for key sectors that have high emission growth potential, including energy access (to modern energy services), water treatment and transport;
- simple, practical methods for establishing baselines
- monitoring requirements that are commensurate with the capabilities of the country
- alignment of DNA sustainable development criteria of comparable countries to include an agreed level of minimum demand/basic service.

## **2. Standardised baselines**

Establishing baselines on a project by project basis is expensive at the outset, and continues to be a high transaction cost during validation, monitoring and verification. This is frequently a substantial barrier to CDM uptake of smaller projects, or projects in countries with low data capacity. Consultations should focus on:

- Which project types within a country or region (e.g. East Africa) can benefit from standardised baselines without diminishing environmental integrity
- Development of at least one specific methodology that includes a standardised baseline, with input from practitioners and experts, as well as Secretariat and Panel staff that facilitates pragmatic outcomes that balance the needs of the CMP for environmental integrity and accountability with the urgent need to scale-up mitigation efforts. This should aim to serve as an example for subsequent methodologies with standardised baselines
- How to maximise simplicity of a standardised baseline, minimising the need for costly pre-project measurements? How can standardisation reach a level that enables intelligent and capable local actors (consultants, companies etc) that are not CDM experts to access the CDM? The goal should be to eliminate the need for expensive international consultants and 'experts'.

## **3. Operationalising the 'simplified modalities' for establishing additionality for very small projects (VSSC)**

- How to raise awareness of this opportunity among DNAs and project developers, including case studies and success stories?
- How to minimise documentation requirements for this streamlined process, including within DNA approvals?
- Recognising that these projects will generate < 20,000 CERs/year (and typically < 10kCER/yr), what measures can be taken to minimise the proportionally high DOE costs (validation, verification)?

Clearly there is overlap between these areas, and they may be sequenced so as to build synergies between them. Given the substantive issues to be discussed, a single workshop will not suffice – but rather, a process including public input on a discussion paper, call for expert input, perhaps culminating in a three day workshop on 'methodologies for increasing regional distribution', with one day per focus area. In this way, interrelationships can be recognised and benefits maximised. Depending on resource availability and interest, there may be a need to

conduct workshops regionally – for instance, in Sub-saharan Africa, SEAsia, and central America.

These are some initial ideas to prompt thinking. UNDP can provide further elaboration and cooperation, as well as participation and substantive technical input to the processes. We look forward enthusiastically to opportunities for greater engagement in these areas.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MS', is centered below the text 'Sincerely,'.

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