

Subject: IETA response to the call for input on focus areas for future practitioner workshops for CDM stakeholders

27 August 2010
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D 53153 Bonn
Germany

Dear Mr. Mahlung,

I am writing to you on behalf of the International Emissions Trading Association (IETA) in response to the call for input issued in at EB55 on “focus areas for future practitioner workshops for CDM stakeholders”.

IETA would like to suggest the following focus areas for future practitioner workshops:

1. Resolution of remaining issues restricting the development of Programme of Activities (PoAs), especially regarding the concerns about DOE liability.

This workshop would bring project participants, DOEs, Secretariat staff, and EB members together to discuss remaining barriers to PoAs. At EB 47 in May 2009, the CDM EB published version 3 of the “Procedures for the Registration of a Programme of Activities...”, 5 months after the CMP urged the EB to finish its work on this issue with expediency. At EB 55, the CDM EB further revised the “Procedures for review of erroneous inclusion of a CPA” and “Procedures for Registration of a Programme of ...”.

IETA welcomes the recent revisions, but believes that they do not go far enough. Project participants and DOEs have been very clear about what changes need to be made to facilitate PoA development, yet many of those problems remain only partially addressed and several of them have not been addressed at all. The most important of these is a severe problem regarding the high levels of liability associated with PoA validation, which limits the extent to which DOEs will agree to work on PoAs.

A PoA workshop would allow project participants and DOEs to work with the Secretariat and EB members to finally resolve these issues. Since it is the EB taking the final decision, IETA feels that EB member attendance and participation is critical to the success of this workshop.

Geneva

24 rue Merle d’Aubigné
1207 Geneva, Switzerland
Tel: +41.22.737.05.00

Washington

1730 Rhode Island Ave. NW
Washington, DC 20036, USA
Tel: +1.202.629.5980

Brussels

11 Rond Point Schuman, #501
1040 Brussels, Belgium
Tel: +32.2.256.75.35

Ottawa

350 Sparks St., Ste. 809
Ottawa, ON K1R 7S8, Canada
Tel: +1.613.594.3912

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2. Workability of Additionality Tool in Large Infrastructure/Energy Generation Projects

This workshop would bring project participants and the Secretariat together to focus on the difficulties faced by very large infrastructure/energy generation projects to prove additionality under the CDM. Due to the size of investments, and the complexity and long time-lines of investment decisions, the barrier and investment analyses can be very problematic, regardless of the true additionality of the project. Recent difficulties faced by project participants using the methodology ACM0013 for fossil fuel power plants using less GHG intensive technologies has motivated this request for a workshop, though IETA can foresee ongoing problems with similar project types as well.

3. Digitization of the document and data exchange process between PPs, DOEs and UNFCCC

This workshop would bring relevant stakeholders together to begin to address the challenges of document and data management between project participants, DOEs and the CDM Secretariat and EB. The CDM today lacks an unbroken, digital audit trail of documents and data from one actor to the next, and it is resulting in:

- lack of trust between parties;
- errors from manual transmission of data between files/formats;
- the inability to use statistical analysis and checks to understand the risk for and of errors or omissions;
- a completeness check process that can not be automated but requires manual review
- delays due to reviews of issues with little or no effect on total CERs

This workshop should present the state of thinking of the Secretariat on this issue, provide technology providers an opportunity to present possible solutions, and give project participants and DOEs the opportunity to discuss the workability of solutions and provide input to the Secretariat on the suggested solutions

4. Project participant involvement in the sub-categorization of sectoral scopes into technical areas

This workshop would bring the project participants into the discussion on the sub-categorization of sectoral scopes into technical areas. As you know, DOEs have been in discussion with the UNFCCC Secretariat regarding the sub-categorization of the 15 CDM sectoral scopes into technical areas. DOEs have asked the Secretariat to categorize/list the existing methodologies under one or more technical areas within the sectoral scopes for identification and allocation of appropriate resources in validation and verification jobs and also to bring in objectivity in CDM Accreditation Team's assessment of DOEs.

IETA welcomes this interaction between the DOEs and the Secretariat, but also believes that it is critical for Project Participants to be involved in the classification of methodologies under the technical areas, as they too will be significantly impacted by this change. Not only do project participants have useful expertise to contribute to this exercise, but coordination is

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necessary to ensure that a resource crunch, in terms of expertise, does not develop as a result of the chosen approach.

IETA suggests that a workshop involving methodology developers, DOEs, methodologies panel members, and members of the Secretariat would be extremely useful and is urgently needed, given that this issue is currently on the agenda of CDM Accreditation Panel.

5. Discussion of technical and methodological issues with CDM project activities based on distributed independent subsystem/measures

This workshop would focus on a discussion of technical and methodological problems facing CDM projects based on distributed independent subsystem/measures. The implementation of distributed project activities is uncovering operational issues overlooked or not anticipated when methodologies were designed. The workshop would aim to share and reflect on such issues, based on concrete examples, with a view to possibly adapt requirements projects are currently subject to.

Specific discussion topics could include:

- Constraints associated to procurement of subsystems/measures - For instance, cost/benefit of the requirement to identify CFLs of each project in a "unique" manner.
- Sampling - Cost/benefits of monitoring a widely geographically dispersed sample
- Availability of accurate information ex-post in relation to all parameters (e.g. number of consumers, mix of wattages, CFLs that will be used, etc.) may differ from the time projects are executed since there is a 12 month time to register projects. Hence some materiality tests and principles must govern the evaluation of such projects.

6. Difficulties in addressing changes in project activities compared to the registered PDD at verification stage

This workshop would discuss the difficulties in addressing changes in projects compared to the registered PDD at verification stage. Pursuant to the "Procedures for notifying and requesting approval of Changes from the Project activity as described in the registered Project Design Document" (EB48, Annex 67), and the "Guidelines on Assessment of different Types of Changes from the Project Activity as described in the Registered PDD" (EB48, Annex 66), any project change need to go through a notification process.

As a consequence, an increasing of projects effectively goes through a re-validation process at verification. Example include:

- Power projects, which, once operating, happen to have a higher availability/load factor than initially planned at the designed stage. DOE need to verify whether this "over-performance" questions the additionality, and if so could have been known at validation. As a matter of fact, this is uneasy to assess, and therefore, such projects in practice do not manage to actually issue CERs, as soon as over-performance is high enough so that IRR crosses the benchmark

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- Biomass projects, which are using in practice other types of biomass than initially synthesised in the PDD need to go through both a notification of change and additionality demonstration (given biomass most often is not bought on long term contract from farmers, and prices tend to increase once the plant is operating).

The workshop should aim to discuss how to effectively implement the above procedures and guidelines in a least disruptive manner. In particular, the workshop should propose solutions to avoid a systematic re-assessment of the project additionality based on information not known at the time of the investment decision.

IETA greatly appreciates the opportunity to provide our input on this issue. Please do not hesitate to contact IETA's Policy Leader for Flexible Mechanisms, Kim Carnahan, at carnahan@ieta.org should you have any questions regarding this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Derwent', with a long horizontal flourish extending to the right.

Henry Derwent
President and CEO, IETA