

The Carbon Markets & Investors Association (CMIA) is an international trade association representing close to 50 companies that finance, invest in, and provide enabling support to activities that reduce emissions. CMIA's international membership accounts for an estimated 75 per cent of the global carbon market, valued at USD 130 billion in 2009. Solely representing organizations that provide services to and invest in the environmental sector, membership does not include any entities with compliance obligations under cap-and-trade schemes. This results in a unique advocacy platform with emphasis on the environmental integrity of market mechanisms and climate change policies.

CMIA Response to Calls for Input on Review and Issuance Procedures

5 March 2010

Dear Mr Mahlung and the Honourable Members of the CDM Executive Board (EB),

CMIA is pleased with and supportive of the CMP .5 decision and encouraged to see that the EB is addressing one of the major concerns of investors: the need to increase certainty and transparency in the decision making process and improve the interaction between project participants and the Secretariat.

CMIA also supports the continued efforts of the EB and Secretariat to codify and explain procedures and decisions in a transparent and open manner.

We welcome the timelines included in the draft proposals. The use of timelines helps investors to better manage uncertainties around the registration and issuance processes and to plan for the delivery of Certified Emission Reductions (CERs), the disbursement of revenues, and to fulfil contractual obligations. Whilst timelines are welcome, we note however that in the past the Secretariat has often been unable to stick to them with the result that they ultimately become meaningless and create greater confusion and uncertainty than if they were not present at all. CMIA would like to see the EB specify and adopt a process or series of measures, as part of these guidelines, which would automatically be triggered if timelines are breached to give confidence to project participants that these timelines will be adhered to. Examples of such measures would be an obligation for the Secretariat to provide a public explanation in the event that timelines are breached and a series of corrective actions to be taken to bring timelines back in line with procedures; and a requirement for the Secretariat to explicitly report its performance on meeting these timelines ahead of each EB meeting.

We encourage the EB to build a mechanism into its systems which would allow guidance to be reviewed regularly based on performance and capacity, and with input from project participants and the Secretariat. At a minimum we would recommend review on an annual basis, and more frequently if the EB decides.

We view paragraphs 37 – 41 of the CMP.5 decision, requiring the EB to review and revise the process and timelines for registration and issuance requests, as referring to all elements of the process, including the completeness check. Unfortunately, while the completeness check process is mentioned in the guidance, no timelines are specified.

The completeness check is an integral part of the registration and issuance process and is one of the longest, if not the longest, process for projects seeking registration and requesting issuance. Currently projects awaiting registration are waiting nine to ten weeks to exit the completeness check process – we now see similar days in the issuance process. We note that, with 32 months remaining before the end of the first commitment period, each month spent in completeness check can account for 3 percent of the CERs a project is forecast to generate. Whilst delays impact all projects they have a stronger impact on small-scale projects which are not able to bear increased uncertainties and increased transaction costs.

CMIA has expressed its concerns previously over the time required by the Secretariat to process completeness checks and believe that subjecting one part of the registration and issuance process to guidance, whilst not adequately addressing, or providing a means to address another part will limit the effectiveness of the proposed guidance: unless there is a strong guidance covering the whole process we are extremely concerned that delays will continue or increase in parts of the process which are not covered. Consequently, certainty and transparency for investors is reduced and the overall length of the process, from submission to registration or issuance, for project participants remains unchanged. We strongly encourage the EB to also include both the issuance and registration completeness check in its review.

Similarly the EB is a necessary part of the registration and issuance process and whilst the draft procedures propose deadlines for consideration of projects by the EB, they do not address the significant amount of time wasted by projects waiting to be considered at sitting EB meetings. CMIA notes that the number of EB meetings scheduled for 2010 is six, one less than in 2009, and two less than in 2008. Reviews which have been processed by the Registration and Issuance Team (RIT) may have to wait over two months before they are considered by the EB. This delay is not consistent with the amount of time needed to vet the work of the Secretariat and RIT and unnecessarily slows down the approval process. CMIA encourages the EB to allow reviews to be ruled on electronically at bi-weekly or weekly intervals. This would also have the positive effect of freeing up time for discussion of strategic and policy related matters at each EB meeting.

CMIA supports the proposed changes to abolish the two stage review process and combine the request for review and under review status into one system, overseen by the Secretariat and reviewed by the RIT. However, this process must be made as transparent as possible. The procedure should give project participants the opportunity to request a telephone call with the Secretariat to discuss details of review cases and through making assessments available to project participants. It is central to the integrity and transparency of the process, for the new guidance to require the publication of the rational of proposed rulings and final rulings, including all assessments prepared by the Secretariat and RIT and the publication of a full explanation of any EB decision to request a reconsideration of a proposed ruling by the RIT - currently there is only the requirement to communicate the final decision - to be made publicly available. The latter would represent continuity of the current situation.

Finally, while we support many of the proposed changes to the registration and issuance procedures we wish to reiterate our position that it is unfair to penalise project participants by making them bear the costs of uncertainties and delays to registration when many of these delays are due to administration bottlenecks at the UNFCCC level. Once a project is registered by the EB, its registration date should be the date on which the registration fees were paid rather than the date on which the project was finally approved by the EB – likely to be months after the project was submitted.

CMIA welcomes the EBs work on the registration and issuance process and urges the EB to continue to work towards reforming the initial parts of the process: the completeness check and registration and issuance in order to reduce the number of projects which are sent for review.

Yours faithfully,

Charles Purshouse
Chair of the Flexible Mechanisms Working Group
Carbon Markets and Investors Association