

16 May 2011

**Dear Sir/Madam,**

Our view to the *call for public inputs on the expansion of the usability of the small scale methodology AMS-III.AV "Low greenhouse gas emitting water purification systems"* is as the followings:

**Issues are more or less related to the paragraph 3 (a), paragraph 4, paragraph 6 and paragraph 7 of AMS-III.AV including**

- Appropriateness of the maximum volume of purified water per person per day set at 5.5 liters in equation 1 of the methodology taking into account the baseline defined in the methodology, i.e. use of fossil fuel or non-renewable biomass for boiling water;
- Appropriateness of the threshold proportion of rural population using an improved drinking source specified in paragraph 4 of this methodology.

**1. The condition for paragraph 3 (a) and the case for paragraph 4 of the methodology might be against the sustainable development in a country or an area and the assume for project participant prior consideration of the CDM project activity**

The approved the new small scale methodology AMS-III.AV "Low greenhouse gas emitting water purification systems", as our thinking and experience, intends to be implied to tow type of areas in undeveloped and developing counties where the surface water from river, pool and lake has been either polluted or short of so that it needs to be treated in the lower greenhouse gas emitting water purification system as described in the methodology or to drill a deep well with the common technology but much more cost for safe drinking water instead of treating surface water.

Generally two or three ways of investment to these projects as nation's infrastructure: investment with the government revenue, joint venture with private and private investment.

In consideration of the CDM stimulus and limited revenue from government in most undeveloped and developing counties, especially undeveloped counties, it is quite necessary to take the sum of investment out of the government revenue back to proceed with the subsequent investment and to achieve an appropriate return to the risk suffered for the private as a reasonable investor during the project credit period designed in the PDD if no evidence shows that the technology applied in the water purification system has been updated and become a common practice in a country or a specific area as required by EB.

Therefore, the threshold proportion of rural population using an improved drinking source specified in paragraph 3 (a) and paragraph 4 of this methodology seems not so appropriate when the continuation of the investment out of the government revenue and a suitable return to the risk suffered for the private are concerned, which makes the assume for project participant prior consideration of the CDM project activity failed since the investors of the project activity might never gain the foreseen return prior to the time point that the methodology could not applied any more, without as much as expected subsequent investment in the end.

The similar situation for the same reason occurred in CDM as well, e.g. the projects submitted to and approved by China DNA would have never been registered as CDM project activity up to 50% (see the draft thesis: the *Study and reflection on the reasons for rejection and withdrawal of China's CDM projects registration by CDM EB: how to identify the three time*

points (period) of prior consideration, decision made and start date of CDM project, provided as an annex attached in Chinese<sup>1</sup>), which is far from the least expectation of more than 70% by the project participant pertaining to their prior consideration and as a decisive factor in the decision to proceed with the project, seriously spoiled the project participant confidence and reliability to the CDM as a result.

**Opinion for modification:** The project activity applicable to this methodology has the direct relation to the living and life of the people which should be put on the most superior position for consideration other than those for renewable energy or energy efficiency meanwhile it achieves sustainable development and green house gas emission reduction, It is not appropriate to set a new threshold for this type of project activities regardless of the essential objective of United Nations, which the part of reason for as well is the fact that the less for population without an improved drinking-water source, the less efficiency for investors to proceed with the project investment and the more financial incentive they need. This can be proved by the practice in China as well as other places in the world.

Even if the threshold were considered the types of project activity, as our opinion, would be divided into at least three types with respective appropriate proportion for it as below, in compliance with the objectives of the CDM shown in the document of CDM Methodology Booklet and the trend towards to poorer area, undeveloped countries and small-scale project activities by EB:

- a. For the project activity that has close relation to the living and life of the people like the type of project mentioned above, the threshold for the methodology shall be 100%;
- b. For the project activity that attributes great to sustainable development and emission reduction in a country or an area like renewable energy project, the threshold for the methodology shall be over 50% but less than 100%, in compliance with that for the baseline assessment if the project technology updated or as a common practice during the project credit period as required by EB;
- c. For the project activity that attributes not so great to sustainable development and emission reduction in a country or an area like energy efficiency project, the threshold for the methodology might be less than or equal to 50%, by reference to that for the baseline assessment if the project technology updated or as a common practice during the project credit period as required by EB.

**Consideration of the quantification for incentive:** The incentive to the project activity shall be limited to achieve the less return expectation for investors to proceed with the project activity under CDM, e.g. two hydropower project activities in China with IRR of 9.6% and 12% respectively including the revenue from CDM during the credit period of 21 years designed in the PDD, the first one shall gain the revenue from CDM during the credit period of 21 years if the baseline is not changed but the second one can only gain the revenue from CDM cumulated at most to the year when the IRR calculated equal to 10% (the benchmark) by verification at the same situation. An academic thesis for this issue will be specially done not long after and provided then.

**2. The applicable area for the project activity in paragraph 4 of the methodology shall be indicated either as a small country or a specific area in a large one**

The point in time *that this methodology can not be applied anymore to the project area* shall

---

<sup>1</sup> [http://cdm.unfccc.int/public\\_inputs/2010/guid\\_inv/cfi/YW06LN5144ILD4JL48566JCD4I6QGO](http://cdm.unfccc.int/public_inputs/2010/guid_inv/cfi/YW06LN5144ILD4JL48566JCD4I6QGO)

be that for the technology applied in the low greenhouse gas emitting water purification system to have been updated and become a common practice in a country or a specific area in compliance with that for the baseline assessment during the project credit period as required by EB.

Therefore, it shall be clearly stated in the modified methodology that the project activities implemented can be either in rural area in small undeveloped countries like in Africa or a specific rural area in large developing countries like in India or China where the similar situation applicable to the methodology exists, remote, poor and barren with much less population, and that there are two scenarios of sources of the purified surface water and drilled deep groundwater, when *the expansion of the usability of the small scale methodology AMS-III.AV "Low greenhouse gas emitting water purification systems"* is concerned.

Regards,

Zhao-jing Li

The personnel in charge

Beijing Wenhua Economic Consult Centre

Address: Room 501, gate 2 of Stored Building

No.3, Hualongyuan-Nanli, Changping District,

Huoying, Beijing 102208 China

Tel: 8610-81623924/69794234/13021156737

Fax: 8610-69794234

Email: bjwhzx@sohu.com