

I. First-of-its-kind

1. One possible barrier that needs to be analyzed as part of the barrier analysis is whether “barriers exist due to prevailing practice”. One such barrier would be the fact that the project is “first-of -its-kind” which implicitly assumes that such "first of its kind" (FOIK) projects are facing barriers due to prevailing practice. If these can be alleviated by the CDM, then the project is additional. The questions could then be:

- (a) How would you normally define “prevailing practice” and what influences the consideration of whether such prevailing practice constitutes a barrier?

Reply: the “prevailing practice” means the kind of activities has been widely accepted and other practices will be considered as grotesque or completely new. Most investors are risk averse. It is a rational behavior that follows the “prevailing practice”, so, prevailing practice of course constitutes a barrier.

- (b) In light of the previous answer, in your understanding, is a "first of its kind" project always facing barriers due to prevailing practice?

Reply: First person to try tomato always face higher risks and barriers. Often, a "first of its kind" project is experimentation in real situation. Even though success of a "first of its kind" project can obtain good benefits, but the high failure risks and uncertainty prevented most of investor.

Those barriers due to prevailing practice include inter alia:

(1) The design entity have no knowledge and experiences on the design of the "first of its kind" project”, which make the investment decision of a "first of its kind" project in a high uncertain circumstance, but the design of the prevailing practice is very mature.

(2) the technical problems of a "first of its kind" in the construction period and operation period is much frequent, and must be solved by experimentation, test, modification, retrofitting or replacement, the expenditure for those activities is unpredictable by the investor or the project owner

(3) The failure of a "first of its kind" project will lead to the strength of prevailing practice.

- (c) Consequently, is there a need for a FOIK concept in the additionality and combined tools or can the normal – or further improved - investment analysis or barrier analysis test sufficiently or even better capture the additionality of a project?

Reply: the FOIK concept in the additionality and combined tools needed to be improved. The status of FOIK should to improve to same as the investment analysis or barrier analysis test, i.e., only FOIK is enough for additionality demonstration. Based on my experience, those basic materials for investment analysis, such as the FSR, for a FOIK project are much poor or faultiness due to no knowledge and experiences of the design entity, which will make the validation of investment analysis stagnant. For FOIK project, documented evidence for barriers such as listed by the additionality tool is not easy to obtained, for example, studies or surveys of technical barriers is not available for FOIK technology.

- (d) Is it sufficiently clear what constitutes a technology that is FOIK or is additional guidance required (e.g. geographical limitations, methodologies, industry and technology, other differentiating factors...)? How would one define this guidance?

Reply: the additional guidance should be provided to identify the FOIK technology, the geographical limitations, industry and technology should used to define the FOIK. It is my suggestion that the technology firstly applied to an industry in a country, and no sufficient abroad technical support can be considered as FOIK.

(e) Should there be technologies that are automatically deemed FOIK or technologies that are deemed never to be FOIK?

Reply: it is easy to define those technologies never to be FOIK, but for deemed FOIK need a guidance or a tool.

(f) Since FOIK is meant to reflect a barrier due to a very limited and quite unique application of a (new) technology, would it then be necessary to demonstrate how CDM helps to overcome this barrier?

Reply: it is very difficult to assess how CDM helps to overcome this barrier faced by a FOIK project because the lack of basic materials. It is my suggestion the step(demonstrate how CDM helps to overcome this barrier) can be ignored.

(g) Should CDM projects (registered or under validation) continue to be excluded from the FOIK test in the long term? What would be a reasonable term?

Reply: Operated CDM projects (registered or under validation) should included in the FOIK test. The effect of learning by doing will make the risks and cost for FOIK decreased rapidly and make the FOIK technology mature. so, it is my suggestion when there are more than 5 operated FOIK projects , the FOIK test will be invalid, and the additionality should be demonstrated by investment analysis or barrier analysis.

The Last, it is my suggestion that, a flexible mechanism should be designed to treat the modification, retrofitting or replacement of a KOIK project. It is high possibility that the capacity and type of main equipment for a KOIK project are changed once too often in the construction period and the operation period.

II. Common Practice (CP)

1. In the additionality tool, the generic additionality tests shall be complemented with an analysis of the extent to which the proposed project type (e.g. technology or practice) has already diffused in the relevant sector and region. This test is a credibility check to complement the investment analysis or barrier analysis.

- (a) Is there a need for a CP concept in the additionality and combined tools or can the normal – or further improved - investment and barrier analysis tests sufficiently capture the additionality of a project?

Reply: the CP concept is necessary for some kind of projects, such as energy efficiency project, but it is not necessary for renewable projects such as windpower, hydropower, solar power, wave/tidal power, geothermal power.

- (b) Should this concept be introduced early on in the assessment of additionality or should it continue to be implemented as a final stage of the assessment acting as a credibility check?

Reply: It is indifference, if the CP test is not satisfied, the additionality can not be demonstrated successfully.

- (c) Do you agree with the current approach to determine the CP of an activity?

Reply: Basically agree, but need to be improved.

- (d) Is there a need to better define what constitutes a “similar activity” and the criteria used to identify essential distinctions (e.g. geographical scope, methodology, industry, technology, size, local circumstances, others criteria including the current criteria in the existing guidance)

Reply: Yes, especially how to define the size.

- (e) Is there any other alternative approach to determine the CP of an activity?

Reply: market penetration factor may be used as the alternative approach to determine the CP of an activity for those projects that detailed similar project information unavailable.

- (f) Should CDM projects (registered or under validation) continue to be excluded from the CP test in the long term? What would be a reasonable term?

Reply: CDM projects (registered or under validation) should continue to be excluded from the CP test in the long term. The existence of those CDM projects shows how the CDM revenue can help a project feasible.

(g) Should there be a list of activities that are exempt from the CP test?

It is my suggestion that the renewable projects such as windpower, hydropower, solar power, wave/tidal power, geothermal power, i.e. those projects applying ACM0002, are exempt from the CP test.

The reason is renewable resources is a resource also, with the increase of development degree, the marginal cost of new renewable resource development is also increased but the resource quality become poorer. The feasibility of existing projects is no use for the CP test because the development condition is different in different site.