

March 17, 2011

CDM Executive Board
c/o UNFCCC Secretariat
P.O Box 260124
D-53153 Bonn
Germany

Subject: Recommendations regarding Programme of Activities (PoA)

Honorable Members of the CDM Executive Board,

We welcome the opportunity to comment on the issues associated with the development and scaling-up of PoAs as a CDM project activity. As the first company to register a PoA, having completed the monitoring phase and now being in the verification phase, we have experienced a number of barriers that require improvement to make the process functional.

We strongly believe that PoAs have the unique ability to deliver CDM to communities that have been hard to reach with traditional CDM. However, for project developers like ourselves to continue to develop these projects and for financiers to continue to invest in them, some basic procedures need to be put in place and a clear point of contact for raising and resolving procedural issues needs to be established.

We will be glad to provide any further information or clarifications that you require. We would also be glad to participate in the PoA workshop and work constructively together on improving the processes for PoAs.

With Kind Regards,

Lara Olsen
CEO, Cool NRG

cool nrg International Pty Ltd

Australia Head Office 269 Stewart Street Brunswick East, Victoria 3057 Australia
Phone +61 3 9387 2964 Fax +61 3 9387 0299

www.coolnrg.com

1. Context

Cool NRG is a CDM project developer based in Australia. Cool NRG registered the first PoA, CUIDEMOS Mexico (project 2535), in July 2009. This PoA uses the small-scale methodology AMS-II.C Version 9, *Demand-side energy efficiency activities for specific activities*.

In November 2009, CPA1 was implemented with the first 1m CFLs being distributed across the State of Puebla, Mexico. Based on this, Cool NRG completed its monitoring report for the first monitoring period in December 2010 and is currently in the verification process.

In addition to this project, Cool NRG is working on the development of a number of other PoAs. We strongly believe that PoAs have a unique ability to deliver CDM in hard-to-reach communities and also disseminate technologies that would not be feasible under the broader CDM approach. For this reason, we believe it is vital that the PoA has the fundamental processes in place that are required to issue carbon credits. This is currently not the case and we believe this harms the viability and desire of developers and financiers to invest in PoAs.

2. Nature of Submission

As a project developer that has undergone/is undergoing the key phases of the PoA process, we have concentrated our submission on the practical barriers we have faced and suggestions for how these might be addressed.

3. Barriers in the current rules

There are 2 key barriers that we have come up against in our PoA experience that we believe should be addressed. These are:

- a) Lack of processes for PoAs that inhibit the key steps of the CDM process, for instance:
 - Uploading a monitoring report,
 - Uploading a final verification report and thereby joining the completeness check queue,
 - Amendments to the PoA, and
 - Distinction on UNFCCC website between the start date for individual CPAs as opposed to the overall PoA [note: this issue has since been resolved].
- b) Lack of a clear point of contact for raising and resolving such procedural issues.

3a. Lack of processes

cool nrg International Pty Ltd

Australia Head Office 269 Stewart Street Brunswick East, Victoria 3057 Australia
Phone +61 3 9387 2964 Fax +61 3 9387 0299

www.coolnrg.com

We have found that there are some key PoA processes that are missing. To date these have included:

- I. No process for uploading the monitoring report
- II. No process for uploading the verification report
- III. No process for amending PoAs
- IV. No location for the start date for CPAs on the UNFCCC website [since resolved]

The impact of these is significant. In the case of I, this resulted in a delay of 5 weeks and resulted in us needing to re-purchase flight tickets to meet the timing of the delayed site visit.

In the case of II (our current stage in the process), the verifying DOE cannot submit our verification report. This has meant that whilst the verification report was completed on March 4th, we still have not submitted it and have no process for submitting it or estimated timing of when we might be able to. This, in addition to the delay experienced due to point I above, is likely to result in a further delay in the issuance of credits, which harms the finances of the project (which is debt financed) and without any guarantee of success or the anticipated extent of the delay, increases the perception of risk of PoA projects to investors.

In the case of III, the lack of this process is currently the one that has the greatest impact on our project. As our first CPA has been implemented and as we have planned the scale up of the POA to roll out across Mexico, it has become clear that minor aspects of the PoA need to change to reflect the learnings and evolution of the program. Given the new and “learning by doing” approach of CDM and in particular innovative areas of CDM such as PoAs, there is a need to provide processes to allow for the consideration and approval of minor amendments to PoA design post-registration. This is a standard process for other CDM projects as demonstrated by the presence of an amendment process.

However, there is no process for making amendments to a PoA. For example, our CUIDEMOS PoA outlines a monitoring plan that works in the context of one CPA operating in isolation– but creates significant data redundancy and cost when applied to multiple CPAs that are essentially identical and implemented and operating concurrently across exactly the same geographic area (e.g rolling out CPAs and distributing bulbs across Mexico at scale).

As we have developed the program, we have obtained independent statistical advice that recommends a more statistically robust and cost effective sampling plan for a national program. This plan suggests that if the elements of the CPAs are otherwise identical, individual, unique groups of 240 monitored bulbs for each CPA are not required in order to achieve a robust sampling approach consistent with the chosen methodology and CDM guidelines. This change would make a \$20m difference to the costs of our project and therefore fundamentally changes

its viability. However, there is no current process for us to explore this amendment.

We believe that for PoAs to be a viable means of project development, processes should be established for each of these areas.

3b. Lack of clear point of contact for raising and resolving issues

It is to be expected in a relatively new approach such as the PoA that there are some issues that arise that are not foreseen. However, we have found that when issues do arise (such as those above), there is no dedicated point of contact for determining how they could be resolved.

To date, we have either emailed as many of the UNFCCC's general email addresses as we could find, or have had to rely on the DOE to raise the issues through the formal and informal avenues they have available. In doing this, we have no idea if the issue has reached the correct recipient, if it has been logged, or the process or timing for resolving it. This makes it extremely difficult in our communication to partners and investors as it makes the process seem uncertain and therefore risky.

To address this, we would propose that a specific point of contact for addressing any procedural PoA issues is established.

4. Interest in attending workshop

We are very interested to attend the PoA workshop and contribute our experiences as a project developer in the PoA registration, monitoring, verification and issuance phases. We would be interested to use this opportunity to both help improve current processes and to work with others in the field.

We thank you for the opportunity to comment on these areas.

Our contact information is:

Lara Olsen
Cool NRG
269 Stewart St
Brunswick East, Victoria 3057
Australia
+61 3 9387 2964