



## Comments on CDM PoA

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[Note] For reference, [REF\_1] implies “Procedures for registration of a Programme of Activities as a single CDM project activity and issuance of Certified Emission Reductions for a Programme of Activities” (ver. 04.1).

### “Additionality” concept and “eligibility criteria” for inclusion of CPAs

There has been broad confusion of how to understand “additionality” concept for the PoA (as a whole) and that for each CPA. Theoretically speaking, as far as the additionality means “additional emission reductions”, additionality of each CPA is enough to be demonstrated. On the other hand, another concept that “the PoA (a programme as a whole) would not be implemented in the absence of CDM” can be envisaged.

In my understanding, para 6 (e) of [REF\_1] is for the latter concept. In many cases, this can be demonstrated easily. Therefore, I do not intend to discuss its necessity any more.<sup>1</sup>

On the other hand, “additionality of each CPA” is completely another concept. CPA (not PoA) is the *actions* to generate emission reductions, therefore it links to the concept of additional emission reductions.

As I see in the “Procedures for review of Erroneous Inclusion of a CPA”<sup>2</sup>, Section B.3 of the CDM-CPA-DD<sup>3</sup> and discussions of the “Draft guidelines for determining the eligibility criteria related to the demonstration of additionality for inclusion of CPAs in registered Programme of Activities”, I consider that it is appropriate and desirable to set the judgment criteria of the additionality of each CPA as a part of the “eligibility criteria” for inclusion of each CPA.

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<sup>1</sup> Theoretically, if each CPA delivers additional emission reductions, no more concepts are needed. Therefore additionality of the PoA (as a programme) is redundant.

<sup>2</sup> It defines that “Erroneous inclusion of a CPA into a PoA means that the CPA does not meet the eligibility criteria as specified in the CDM-PoA-DD.” (para. 4).

<sup>3</sup> B.3. Assessment and demonstration of additionality of the small-scale CPA, as per eligibility criteria listed in the Registered PoA

The most characteristic and beneficial aspect of the channel of PoA is to include CPAs in a flexible manner. Therefore the checking process at the time of inclusion shall be simple and transparent, mainly focusing on checking whether each eligibility criterion is met. This approach is different from the “applicability conditions” of the (large-scale) methodologies where additionality shall be demonstrated separately.

In this sense, the “eligibility criteria” is very important. It shall include the criteria which show the additionality of the CPA. An example is that the criteria include the existence of critical barrier (in a concrete and objective manner) which prevents introduction of the activity in the host country. Another example is that the criteria include that the calculated IRR is below some threshold.

In addition, it is preferable to include the sub-section in the PoA-DD “how (*i.e.*, means, typically some benchmarking value and/or binary question) the DOE is to judge whether the criteria are met” just below the section of eligibility criteria.

It must be noted that the form of PoA-DD shall be modified to be consistent with this. The explanation of section A.4.2.2 (eligibility criteria) shall be modified. A.4.3 (additionality of CPA) shall be for description how the criteria are appropriate to demonstrate additionality.

In addition, I would like to mention that if the criteria include the one to show a prevailing practice barrier, *e.g.*, the technology cannot be found as a commercial plant in the host country, this shall be applied to the activities outside of the PoA.

## No need for fundamentally different treatments between SSC project activities and SSC CPAs

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I believe that another important political intention to introduce PoA is to realize many small or tiny activities under CDM. Therefore, SSC methodologies can be applied to each CPA if it is under the SSC threshold even if the aggregated activities under the PoA is above this threshold. (But I must notify that most of such SSC PoAs do not have that large numbers of CPAs to date).

Nevertheless, there are some different treatments between SSC project activities and SSC CPAs. I believe that these treatments shall be removed basically (as default) and to be stated so explicitly.

The treatments include those for multiple methodologies, starting date of CPAs, application of tools, *etc.*)

For the methodology(ies) applied, the version at the time of registration shall be kept for all CPAs before renewal. This is consistent with the concept of ordinary CDM project activities and the concept of no retroactive change.

## Environmental integrity and additionality

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This is somewhat broader concept than PoA, but I would like to raise this issue because this is very much related to the expansion of PoA.

First of all, many criticisms are claimed that MRV processes of CDM are too stringent. I would like to raise the issue of “loss of opportunities” as a negative side of such stringency. CDM is a mechanism for sustainable development. Therefore, the scheme shall be designed to minimize such loss of opportunities, while ensuring the environmental integrity.

For example, in the case of energy efficiency measures, all people agree that energy efficiency improvement is the key component of sustainable development as well as to construct low-carbon economy. But we see limited number of such projects under CDM.

Although many energy efficiency type projects are small, the rules are over-stringent. In reality, the company owner wants to invest in production line to generate money, but reluctant to invest in saving-type activities. Taking this in mind, the methodology may admit that the IRR criteria can be differentiated for production-type activities and saving-type activities (*e.g.*, benchmarking value for the gap). In reality, the barriers are critical element for energy efficiency. Then why not providing some specific guidance based on study of such real situation in developing countries?

The reality is very important. I wish the CDM EB to initiate the study and provide appropriate guidance to avoid loss of important opportunities for sustainable development.

## PoA-DD (A.4.4.2)

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It is strange that the wording of “monitoring plan” is assigned for “how to verify by using of sampling method” in the section of A.4.4.2 of the PoA-DD.

In general, the project participants do not have a competence of verification. Therefore, this must be the role of the verifier. On the other hand, since it reduces the risks at the time of verification, I support inclusion of this section in the PoA-DD but with different name.

It shall be notified even if this section was kept blank in the PoA-DD, the verifier can undertake sampling method for its verification under its own responsibility.

## Letter of approval

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[REF\_1] specifies that the coordinating/managing entity shall obtain letter of approval from each host Party and Annex I Party which wishes to be involved in the PoA (para. 9).

The “coordinating/managing entity” shall be replaced by the “project participants” since it is

unrealistic to get the approval letter from the buyer's government by the entity in developing country.

## ODA

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[REF\_1] says that "In case public funding is used a confirmation that official development assistance is not being diverted to the implementation of the PoA." (para. 6 (n)).

In the case of PoA, some CPAs to be included in the future may utilize ODA especially for the activities in LDCs. Therefore, the above para (n) shall be replaced by:

In case public funding is used, a confirmation that official development assistance is not being diverted to the implementation of the PoA *or each CPA*.