

18 March 2011

The Chairman and the Members of the CDM Executive Board  
c/o UNFCCC Secretariat  
P. O. Box 260124  
D-53153 Bonn, Germany

Dear Madam/Sir,

**RE: Call for public inputs on Programme of Activities (PoA)**

We appreciate the efforts made by the CDM Executive Board to improve the procedures and guidelines of Programme of Activities (PoA) and welcome this second call for inputs on PoA to further address the issues of stakeholders. Along with the other advantages of PoA concept, we are confident that PoA will continue playing a vital role in improving regional distribution of CDM project activities.

Our responses / comments to PoA call for inputs are under for your kind consideration.

**(a) What are the possible alternative concepts for a PoA?**

1. PoA is getting widely accepted (with 7 PoA registration, more than 60 projects are at different stages of validation) by the project promoters and other stakeholders in spite of its slightly cumbersome and time-consuming approach for registration than the normal CDM approach. This is mainly because of long-term advantages of the PoA approach. In view of this, we strongly feel that it will be better to put result-oriented efforts to improve and simplify on PoA procedures and guidelines rather than looking for a completely new alternative concept to PoA approach, at this stage. Since, establishing a new concept will again take time and will need additional efforts for wide acceptance, it should be avoided.
2. But, further to above, bundling concept can be thought of as a partial alternative to PoA concept, with some improvements in CDM guidelines applicable for bundled projects, which restricts the project coverage/span. Current guideline of start date consideration and project crediting period, limits bundling project applicability. Many a times, some of the projects bundled have different schedules. Due to the single date for start of the crediting period, the projects beginning later on miss out credits after the completion of the crediting period. The revised guidelines should allow project proponent (PP) of bundled projects to include the similar projects to be implemented /considered in future, with consideration of different project start dates albeit within a shorter time span in comparison with the PoA and crediting period, accordingly. This would help PPs especially of micro scale CDM components of a bundle, in some project cases, to avoid the complicated and time-consuming PoA approach.

**(b) What are the barriers in the current rules?**

1. Per the current procedure for a registration of PoA (EB55, Annex 38), the start date of any CPA must not be prior to the commencement of validation (paragraph 7(d)). It is suggested that this condition be replaced with the requirement of submission of prior consideration form to the UNFCCC secretariat and host country DNA, within 6 months of the start date of PoA as in normal CDM project. Based on ADB's

experiences in PoA development (energy-efficient lighting bulbs distribution and biogas projects), DOE appointment took enormous time, much more than the normal CDM project activities due to existing PoA validation and verification guidelines including DOE liability issue.

2. The current procedures for review of erroneous inclusion of a CPA and issuance of illegitimate CERs in view of DOE liability are unclear and thus suggested to be enhanced and/or simplified. Specifically, the guideline should elaborate what constitutes erroneous inclusion, since the current definition seems insufficient. Many of the DOEs are unwilling to take up PoA work like validation, CPA inclusions and verification due to said unclear guidelines which seem to increase their liability. Because of this liability issue, it is also noticed that some of the DOEs have put thresholds on CERs per CPA (e.g. 5000 CERs p.a.). This is detrimental to the overall concept of the PoA itself and needs to be addressed expeditiously.
3. The CPA inclusion form to be filled-in by the DOE during CPA validation indicates checking and validation of almost all the major parameters/issues of CDM like consistency/integrity, internal quality control aspects, conclusions on eligibility criteria, additionality, emission factors, monitoring, stakeholder consultation etc for preparation of CPA validation report. If this all is to be covered during CPA validation for inclusion, then it will require similar time and effort of DOE as for normal CDM validation and accordingly DoE will charge similar validation expenses from the project proponent. This is confusing in view of overall purpose of PoA concept and needs clarity. Appropriate guideline /procedure needs to be incorporated to speed up the CPA inclusion process to registered PoA.
4. Further, DOE liability issue is still a matter of concern to DOEs, although many PoAs are under validation, they may not be viable for the PPs as DOEs will either be unable to include CPAs or will charge heavily for CPA inclusion. This will minimize financial incentives of PoA such as charging registration fee only for CPAs that will be submitted together with the request for registration of the PoA and eventually defeat the very purpose of having PoA approach. EB is requested to address this issue appropriately at the earliest.

**(c) What are the rules that are not existing or are missing and should be there?**

1. The current VVM and the available procedure for a registration of PoA does not fully address procedure for DOE to verify CPA inclusion after PoA registration. At present, only one registered PoA has added CPAs after registration. With current guidelines, it is not clear for DOEs that how much time and efforts needs to be put on to proceed for inclusion of CPAs. In view of current DOE liability issue, DOEs are risk adverse and hence may end up doing similar (validation) exercise for CPA inclusion, as required for a normal CDM. The DOE should be given clear guidance on how far to go in validation of CPA eligibility conditions before including a CPA. Procedures of inclusion of CPAs with clear guideline for verification to DOEs need to be further developed along with the timeline for inclusion of CPAs, to be provided to DOEs and PPs as well.
2. Also, there is no procedure or guidance available for CPA implementer(s). For example, it is not clear how CPA implementer(s) can be added as project participants at later stage especially when additional CPAs will be included after registration. Since most PoAs may have different CPA implementer(s) in addition to already defined CME at PoA level, role of CPA implementer(s) needs to be clearly defined and appropriate guidance including clarity on CER sharing between new CPA implementer and CME should be provided to the CPA implementers.

3. As per current guidelines, cross border CDM activities are required to receive all host country approvals within the defined physical boundary of PoA, before registration. Since there may be cases where participating countries are not confirmed at the time of validation and request for registration of PoA, the current rules needs revision so that it should allow to include additional host countries even after registration of PoA. The simplified procedure for ex-post inclusion of host party to registered PoA as well as changes of PoA host party and geographical boundary needs to be widely discussed and developed.
4. Further, there is very high potential for small scale cross boundary CDM-PoA projects (like biogas digester, solar home system, improved cook stove etc.) at under developed countries and to promote these projects, EB needs to come up with necessary guidelines/procedures which will relieve small scale CPA implementers from additional procedural and financial burden faced at project preparatory and implementation stages. This can cover fast track HCA issuance guideline for DNAs (like E-clearance), easy procedure for inclusion of CPAs and avoidance of DOE site visits, conditional exemption to DOEs on erroneous CPA inclusion issue.

We hope these suggestions will be useful during your discussions. We will be glad to provide further clarifications if required.

Sincerely yours,

**Jiwan Acharya**

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