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*CDM Executive Board
UNFCCC Secretariat
P.O. Box 260124
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Germany*

Subject: Call for public inputs on the “Programme of Activities”

Dear Sir/Madame,

In response to the request for public inputs on the “Programme of Activities”, please find below Carbon Africa’s comments. We hope our comments will be of value for further discussions regarding the regulation and scaling-up of PoAs under the CDM. We, herewith, also express our interest to participate in the proposed workshop, main reason being that we are currently developing a number of PoAs in Africa and would like to share our experience and get some clarification on a number of issues some of which are discussed below.

Kind regards,

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Request for Public Inputs

The Executive Board, at its [fifty-ninth meeting](#), agreed to launch a call for public inputs on programme of activities (PoA) from 18 February 2011 until 18 March 2011, to seek comments on issues associated with the development and scaling-up of PoAs as a CDM project activity and its difficulties.

In addition to expressing views regarding the implementation of paragraph 4 of decision 3/CMP.6, the Board specially seeks for inputs, in the above context, on the following:

- (a) What are the possible alternative concepts for a PoA?;
- (b) What are the barriers in the current rules?;
- (c) What are the rules that are not existing or are missing and should be there?;

The inputs received from this public call will serve as discussion points for a workshop to be organized by the UNFCCC secretariat, involving CDM stakeholders. The outcome of the workshop will be considered for a final recommendation to the Board at its future meetings.

The comments are sought from all CDM stakeholders, particularly from coordinating entities and project proponents of PoAs, financiers and project developers, designated operational entities (DOEs) engaged in the PoAs under validation/registration and verification/issuance registration, and from various development organisations.

In this context, the Board also invites expression of interest for attending the workshop on the PoA, citing the purpose of attending and the contact information.

Barriers in current rules

(a) Starting Date

The starting date of a CDM Programme Activity is currently formulated in such a way that it “cannot be prior to the commencement of validation of the programme of activities, i.e. the date on which the CDM PoA-DD is published for global stakeholder consultation”. This is problematic in a number of ways:

First, the lack of a clear definition of “real action” makes it hard to establish the starting date of certain project activities, especially in the case of small-scale, distributed activities like cook stove projects or projects that introduce LED lighting systems. Many of these projects are being implemented by start up businesses, which implement a number of pilots to test technologies and business models. Gradually, these activities expand as the project attracts more investment. Throughout this start up phase, which is characterized by gradual growth, it is very hard to define the point at which “real action” takes place.

Secondly, the early stages of these projects also face severe financial constraints and, even though it is realized that revenues from carbon credits will play a critical role in the viability of the project, it is often hard to allocate the necessary resources to hire a CDM consultant and

DOE to start the process of PoA-DD development and validation. This, then, puts the project in a situation where, by the time the project really starts taking off, it still needs to start the PoA-DD development, let alone the validation. The requirement to have a project's start date after the start of validation can therefore be problematic for many projects.

Thirdly, the requirement to have the start date of the CPA after the start of validation could force projects in a type of artificial 'timing exercise' where project proponents might have to postpone the start date of the project until validation has started. This obviously doesn't make sense from a project and business point of view, especially in a context where PoA development rules are complicated and the availability of DOEs is limited (currently, not all DOEs are ready to validate PoAs and some DOEs refrain from carrying out validation in LDCs or other countries because of country risk) and, therefore, the risk for delay in the project becomes substantial.

Given the issues above, Carbon Africa would like to propose the introduction of a prior consideration mechanism, which is similar to the existing prior consideration mechanism for single CDM projects, where each CPA can submit a prior consideration form before or within six months of the start date of the CPA. This will then allow projects to indicate their intention to develop the project as a CDM project and get started with the implementation of the project before starting validation.

Additionality

The current lack of transparency, consistency and clarity in the rules for proving the additionality of PoAs and CPAs is posing a major barrier and risk factor in the development of a PoA. It is Carbon Africa's opinion that the speed with which this issue can be sorted will be instrumental for the short-term success of the PoA as a concept. Given the substantial potential for PoAs in Africa, Carbon Africa would like to urge the EB to prioritize the finalization of the guidelines for the demonstration of additionality and for the definition of eligibility criteria.

One way of speeding up the process would be to allow the application of the simplified guidelines for the demonstration of additionality (EB 54, Annex 15) to PoAs. This will already substantially facilitate the development of a number of PoAs in Africa. Another key consideration is to allow the project developer to take a decision on whether to prove additionality at the PoA level or at the CPA level (or both if applicable). Currently, the guidelines are ambiguous with respect to the level at which additionality should be demonstrated and this is creating considerable uncertainty among project developers.

Multi-country PoAs

The current guidelines allow for the physical boundary of a PoA to extend to more than one country, however, a number of further rules, procedures and guidelines will need to be put in place in order to fully benefit from this opportunity.

Firstly, the current guidelines require the CME to obtain, before the registration of the PoA, the Letters of Approval from all the Host Countries involved. This could become a daunting task, especially when dealing with Host Countries that don't have clear approval procedures.

Furthermore, most DNAs understandably require a final PDD to be presented before a Letter of Approval can be issued. However, at the time of validating the PoA, the project will not necessarily have a CPA-DD ready for each country. For example, when developing a five-country PoA, one might have a specific CPA-DD for a project in one country but not yet for the projects in other countries (which presumably will be added/included at a later date). Therefore, Carbon Africa would like to propose that a procedure is developed to add Host Countries over time. This will save time when developing the PoA and will also make the approval procedure by Host Countries easier.

Secondly, further clarity needs to be provide on how the registration fee will be calculated in the case of a multi-country PoA that includes both LDCs and non-LDCs. EB 33 has stated that “the registration fee for a PoA is based on the total expected annual emission reductions of the CPA(s) that will be submitted together with the request for registration of the PoA”. EB 54, Annex 29, further states that “No registration fee must be paid for proposed project activities hosted in least developed countries”. This creates a situation where one could have the first CPA in an LDC and subsequently develop CPAs in a non-LDC and as such avoid paying the registration fee. The same issue arise when dealing with countries with less than 10 registered project activities. In order to avoid surprises at a later stage, further guidance is required on how the registration fees will be charged in the case of multi-country PoAs. A similar issue also arises in terms of the deduction of the Adaptation Share of Proceeds and in terms of the payment of the issuance fee.

Statistically sound verification techniques and methods

The current PoA guidelines allow for the CME to propose statistically sound sampling methods and procedures to be used by DOEs for verification of the amount of reductions of anthropogenic emissions by sources or removals by sinks of greenhouse gases achieved by CPAs under the PoA. The option to use sampling methods for verification is particularly interesting in cases where a PoA consists of a large number of CPAs. However, to fully benefit from this rule, it will be important for the EB to develop the guidelines for determining sound verification techniques and methods as suggested in footnote 2 of EB 55 Annex 38.