

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

Dear Sir/Madam,

### Re: Call for Public Inputs on Programme of Activities (PoA)

IGES Market Mechanism Group would like to welcome efforts made by the CDM executive board (EB) to improve the current Programme of Activities (PoA). In responding to the call for public inputs in PoA, please let us submit our inputs as a proposal for a new provision in the PoA rules. We highly appreciate if our proposal would be taken as a point of discussion for a workshop to be organized by the UNFCCC Secretariat, involving CDM stakeholders, in the near future.

#### Energy Efficiency is the Most Popular PoA Type

According to IGES CDM Programme of Activities (PoA) Database as of 12 February, 2011<sup>1</sup>, the most popular PoA type is an energy efficiency type, representing 40% of the total PoA in the pipeline. This trend is most prominent in Africa compared to the other regions except Middle East.

Figure 1: Registered PoAs and Those under Validation

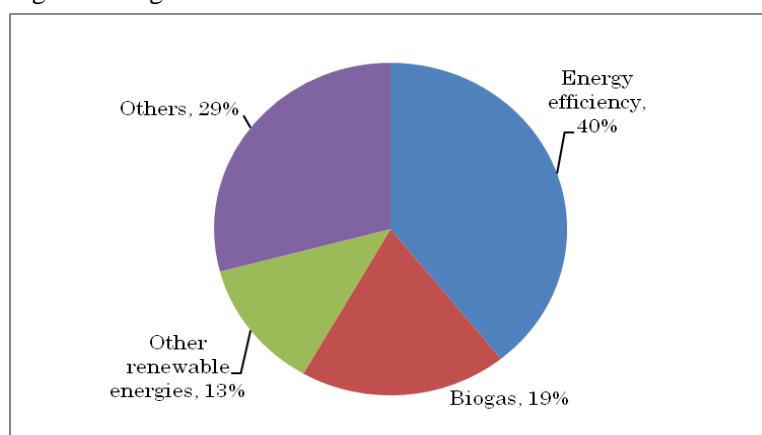


Table 1: The Rate of Energy Efficiency PoAs by Region

Region	Num. of EE PoAs	Total PoA in the region	EE rate for Total PoA
Middle East	1	1	100%
Africa	9	17	53%
Latin America	5	13	38%
Asia	16	47	34%
<b>Total/Average</b>	<b>31</b>	<b>78</b>	<b>40%</b>

<sup>1</sup> [http://www.iges.or.jp/en/cdm/report\\_cdm.html#poa](http://www.iges.or.jp/en/cdm/report_cdm.html#poa)

The ultimate objective of the PoA is to promote small-scale CDM projects and to provide more opportunities for countries and/or regions where their high potential on those projects has been under-represented in the current system, such as least developed countries (LDCs), small island developing states (SIDS) and African countries. As per the modalities and procedures under the CDM, the PoA is flexible on the number of projects to be included in a registered programme compared to the conventional bundled CDM. 91% of PoA are under the small-scale category and the rate of registration of energy efficiency PoAs is the top (43%) of all the types. Then, it is assumed that the PoA scheme may have an advantage to promote energy efficiency projects in the household sector.

So far, however, no energy efficiency PoA has been registered in Africa where more than half of their total PoAs fall under the energy efficiency category. Hence, the current PoA rules have room to improve the registration rate of PoAs in countries and/or regions with comparatively fewer CDM projects, such as energy efficiency PoAs at households in Africa.

### **Investment Barrier Analysis Dominates in PoA Additionality Demonstration**

According to our analysis, almost 80% of PoAs adopt barrier analysis for their additionality demonstration at the PoA level. The ranking of popular barrier categories are:

- 1) Investment (or financial) barriers (56 PoAs);
- 2) Technological barriers (48 PoAs);
- 3) Barriers due to prevailing practice (40 PoAs); and
- 4) Institutional (or other) barriers (22 PoAs).

Therefore, we identified that the investment (or financial) barriers as the biggest barriers for the PoA in general. In details, 95% (19 out of total 20) PoAs in African countries and LDCs in other regions mention investment barriers in their PoA-DDs and, in particular, 100% energy efficiency PoAs at the household level in those countries (10 PoAs) use investment analysis with other barriers.

### **Proposal: Exemption of Additionality Demonstration for Small-scale Energy Efficiency PoAs at the Household Level in LDCs, SIDS and African Countries**

It is reasonable to consider there exist investment barriers in small-scale energy efficiency PoAs at the household level. For example, half of the energy efficiency PoAs at households in African countries and LDCs in other regions pointed out, in their PoA-DDs, that no private capital is available in their countries because the perceived risk would be too high. Also, many of the PoAs mention the income of targeted end users is not big enough to afford the new equipments and some of those PoAs describe this barrier with no availability of private capital. This situation causes hesitation in investment for this type of PoAs and the vicious cycle makes the coordinating/managing entities difficult to finance their PoAs.

In addition to such investment barriers, it is uncertain that local people can become accustomed to highly-technological energy efficiency equipments because switching from conventional cook stoves to latest energy efficient ones, or replacing traditional kerosene lumps with CFLs or LEDs sometimes force people to change their lifestyles. Even if they accept their new lifestyles, the problem whether they can use the new equipments properly still remains.

It is clear that small-scale energy efficiency PoAs at the household level have above barriers. Hence, we would like to propose to exempt additionality demonstration of small-scale energy efficiency PoAs at

the household level. Additionality of the PoA in this context would be relatively straightforward and the similar decision has been already made as the guidelines for demonstrating additionality for specific SSC project activities (annex 15 of the 54<sup>th</sup> executive board meeting report).

Additionality demonstration is critical for PoA registration but it has not clearly defined in the current PoA rules. This will not only force extra time and efforts but also discourage PoA development in the under-represented countries and/or regions in the medium and long terms. We believe, however, the proposed exemption rule for energy efficiency PoAs at the household level will accelerate development and registration of PoAs in LDCs, SIDS and African countries.

Sincerely yours,

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