

21/02/2011

To
CDM Executive Board
UNFCCC Secretariat
PO Box 260124
D-53153 Bonn, Germany

Subject: The Executive Board, at its [fifty-ninth meeting](#), agreed to open a call for public inputs on the "Call for public inputs on the "Guidelines for demonstrating additionality of renewable energy projects =<5 MW and energy efficiency projects with energy savings <=20 GWh per year" ([EB 54, annex 15](#)) to facilitate the work on the revision and broadening of these guidelines.

Dear Members of the CDM Executive Board

EVI welcomes the opportunity of providing inputs on the subject matter. We sincerely hope that Board finds these comments useful.

1. Expansion to Type III projects;

It is important to expand the above guidelines regarding additionality to Type III projects as this will bring numerous kinds of Type III projects under the ambit of simplified guidelines of additionality along with Type I and Type II projects. Investors' confidence in CDM plays a vital role in consideration of CDM during decision making and the subsequent implementation of additional projects. The fact that very few projects have been registered for most of the methodologies under Type III lowers the investors' confidence in getting CDM benefits for such projects. This impact is actually magnified for very small scale projects as CDM transactions costs are high in comparison to the expected CDM revenues. Therefore any failure may doubly hit the investors, which for the scale under discussion would normally be small investors. Further, there are numerous opportunities to reduce emission reductions by projects that fall under Type III as it covers wide spectrum of industries, processes, technologies and economic segments of society, which has largely been un-captured. In light of above, it is imperative to expand the above provisions of simplified additionality to Type III projects.

Regarding the criteria to be applied to identify additional Type III projects under the simplified additionality guidelines, it is suggested that the primary criterion (which is for Type I Capacity <5 MW, For Type II Energy Savings < 20 GWh per year) should be based upon achievable Emission Reductions for Type III projects. This is consistent (and hence justified) with the eligibility criterion applied for Type III small scale projects (which is Emission Reductions < 60k per year). Further, considering the wide range of methodologies applicable under Type III, it seems to be the only practical criterion. Also in

consistency with the criteria applied for type II and type III projects under the simplified guidelines being discussed¹, this limit can be set up as 20k CERs per annum.

Further, projects meeting the above criterion should be considered additional if any of the below conditions are satisfied:

- The geographic location of the project activity is in LDCs/SIDs or in a special underdeveloped zone of the host country.
- The project activity is implemented by or targeted for households/communities/SMEs.
- The project activity employs specific technologies/measures recommended by the host country DNA and approved by the Board to be additional in the region.
- The project activity employs specific technologies/measures which has low prevalence in the region.

2. Application to programme of activities (PoAs) and bundled projects;

The simplified additionality guidelines should be made applicable for programme of activities and bundled projects. In case of programme of activities, simplified additionality guidelines can be applied to each CPA and for bundled project the guidelines can be applied for the entire bundle as a whole.

3. Appropriateness of the unit thresholds (e.g.750 kW);

It seems inappropriate to have any unit thresholds considering that there is an upper limit on overall capacity. It shouldn't have any major impact on additionality, unless there is major shift in technology or economies of scale are involved. Putting this condition gives rise to unnecessary complexities which is exactly against the spirit of simplified additionality guidelines being discussed. PP should be allowed to have flexibility of choosing each unit (subsystem) capacity depending upon its requirements provided the upper limit of 5MW is met.

4. Definition of communities and primary technologies;

No comments.

5. Application of the criteria implied in paragraph 2 (d) of the referred guidelines ([EB 54, annex 15](#)) for the host country DNAs and the Board to determine specific renewable energy technologies to be additional in the host country.

According to the paragraph 2(d) of referred guidelines ([EB 54, annex 15](#)), a project activity with installed capacity less than 5 MW that employ renewable energy technology shall be considered additional if

¹ Guidelines for demonstrating additionality of renewable energy projects =<5 MW and energy efficiency projects with energy savings <=20 GWh per year. For Type I and Type II projects, the criteria presented has been 1/3rd of the corresponding limits for small scale project activities.

*“The project activity employs specific renewable energy technologies/**measures** recommended by the host country DNA and approved by the Board to be additional in the **host country** (conditions apply: The total installed capacity of technology/measure contributes less than or equal to 5% to national annual electricity generation”*

Before recommendation on the criteria to choose, we would like to bring up two aspects of the above guidance which are important and would have serious impact on its use in future projects –

Host country v/s Region:

The socio-economic and cultural environment can vary a lot in different parts of the same host country and hence there should be flexibility in considering region in place of host country for applying the guidelines.

Definition of measures:

It is recommended to have flexibility in terms of defining measures also based on segments. The segments would be based on investors’ profile (government/ public/ private/ communities/ households/ SMEs etc) and/or beneficiaries (households/communities/SMEs etc) for estimation of potential utilization in that segment. This is required as a specific technology might not have equally penetrated in all segments due to segment specific issues. For example, methane recovery from waste and subsequent biogas utilization might be a common practice in industries but biogas potential might be completely untapped in households/communities.

It is also important to allow flexibility in terms of defining specific renewable technology/measure for applying above criteria to different sub categories under a broader technology area. For example, within hydro sector there are various sub categories such as mini-hydel, small hydro, canal based etc. These different segments have different potential utilization and pose different risks and challenges and thus need to be treated separately.

Determination of specific renewable energy technology/ measure to be additional in the host country/ region can be done by applying following criterion:

Rather than considering total installed capacity of technology/measure contributes less than or equal to 5% to national annual electricity generation as prescribed in the current guidance, potential utilization in each of the technology/ measure within a host country/ region should become the guidance.

It is recommended that if the potential of specific technology/ measure in the host country/region is under-utilized (<50% of potential) then this would be considered additional.

The reasons for keeping a higher threshold based on utilization are twofold-

- i. The target shall be to have near total utilization of renewable energy potential thereby minimizing the ever increasing utilization of non-renewable sources of energy.
- ii. That in most countries, including India, mitigation of related barriers may not be guaranteed till the utilization reaches a substantial threshold. It has been conservatively kept at 50% assuming that further growth of the renewable energy technologies/measures would be propelled to higher levels of utilization as the technology reaches maturity and host country/region builds enough capacity to achieve the same.

The list of above identified renewable energy technologies/measures as recommended by Host Country DNA and determined using above criteria can be revisited after a number of years (for example, 5 years) for any adjustment. This will accelerate the deployment of renewable energy technologies/measures which forms the essence of Clean Development Mechanism and fight against Climate Change.

CDM Methodology Team

Carbon Advisory