

3 July 2011

The Chair 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 Sustainability Benefits

The Institute for Global Environmental Strategies (IGES)¹ Climate Change Group and Market Mechanism Group² welcomes the clean development mechanism (CDM) executive board's (EB) call for public inputs on how to include co-benefits and negative impacts in the documentation of CDM project activities and the role of the different actors and stakeholders in this process.

In responding to the call, we would like to submit our proposals on how co-benefits can be better recognized within the current system. Our proposals outlined below aim to raise the visibility of co-benefits in the CDM. We highly appreciate if our inputs would be considered during the preparation of an information note by the secretariat and taken into account by the Board in future meetings.

1. Revision of PDD Guidelines to better reflect the co-benefit effect from the proposed CDM project activity

The CDM-PDD is the most essential document that all the stakeholders (e.g. project participants (PPs), designated operation entity (DOE), designated national authority (DNA) and general public), involved during the CDM project cycle will refer to. For PPs, the CDM-PDD is the only document that they can describe how the proposed project could deliver co-benefits. Therefore, it is important that the CDM-PDD should be designed so as to provide opportunity for PPs to describe the co-benefits while not increasing the transaction costs.

In the current PDD format³, PPs can describe the contribution to sustainable development of host country in the section A.2. "Description of the (small-scale) project activity." Accordingly, the guidelines for completing

¹ IGES is serving as the Secretariat of the Asian Co-benefits Partnership (ACP), an informal and interactive platform designed to improve information sharing and stakeholder communication on co-benefits in Asia. The ACP and its partners have conducted a significant amount of work on co-benefits.

² IGES Market Mechanism Group has been implementing capacity building activity for promoting market mechanisms including CDM with funding from the Ministry of the Environment Japan.

³ CDM-PDD (Project Design Document form) version 3 and CDM-SSC-PDD (Project Design Document form for Small-Scale project activities) version 3

the CDM-PDD⁴ provide guidance as to how the section to be filled (Quoted from page 6 of the guidelines):

In our view, the guidance should be revised as follows to specifically recognize the co-benefits from the proposed CDM project activity.

Proposed revision in the PDD Guideline Ver.7 (Bold with underline indicates the revision)

A.2. Description of the project activity (Page 6)

- (1) The purpose of the project activity with a concise description (a couple of paragraphs) of:
- (a) The scenario existing prior to the start of the implementation of the project activity;
 - (b) The project scenario, including a summary of the scope of activities/measures that are being implemented within the proposed project activity;
 - (c) The baseline scenario, as identified in section “B.4 Description of how the baseline scenario is identified and description of the identified baseline scenario”.

If the baseline scenario is the same as the scenario existing prior to the start of implementation of the project activity, there is no need to repeat the description of the scenarios, but only to state that both are the same. **In the purpose of the project activity, co-benefits effect, if any, might/could preferably be taken into consideration.**

(2)

- (3) The view of the project participants on the contribution of the project activity to sustainable development, **especially through co-benefits effects** (max. one page)

A.4.3. Technology to be employed by the project activity: (Page 8-9)

The description of the scenarios may include, inter alia:

(a)

(b)

(c)

(d) The co-benefit effects through technological improvement as expressed in terms of its effect in some indicators (e.g. SO_x, NO_x, PM, among many others).

For the quantification of co-benefit effects from the CDM project activity, the “Manual for Quantitative Evaluation of the Co-Benefits Approach to Climate Change Projects” compiled by the Ministry of the Environment of Japan could provide as an example in this approach (http://www.env.go.jp/en/earth/cc/manual_qecba.pdf).

⁴ “Guidelines for Completing the Project Design Document (CDM-PDD) and the Proposed New Baseline and Monitoring Methodologies (CDM-NM)” version 7

It should be noted that the description and the mentioning of the co-benefit effects in the PDD should be a voluntary in nature in order not to increase the transaction cost in the CDM cycle. However, the description of co-benefits in the PDD will convey more information than the current one as to how and how much the project contributed in addition to the mitigation of GHGs (greenhouse gases).

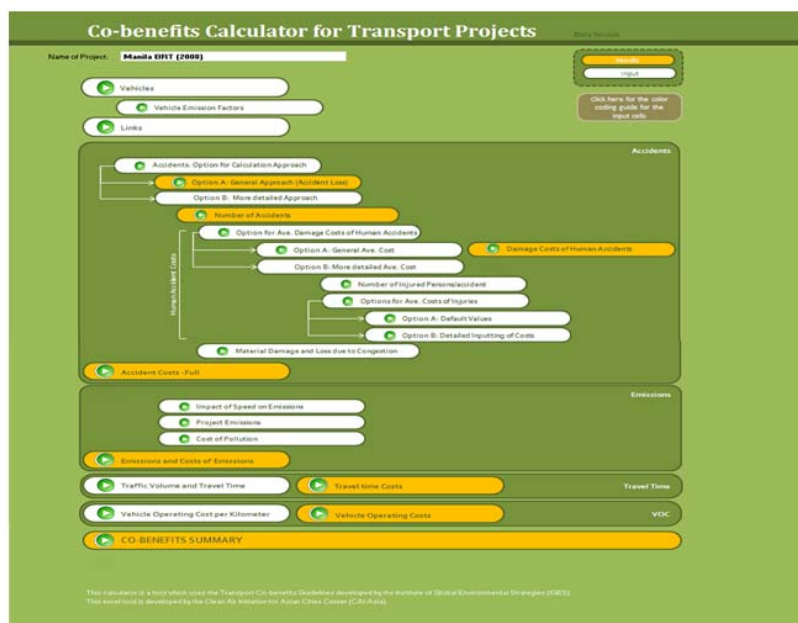
It should also be emphasized that the effective implementation of the revised PDD guidelines will require the development of sophisticated evaluation tool coupled with capacity building activities for the stakeholders involved. The following sections describe the example of such tools and suggestions on the capacity building initiatives.

2. Development and Dissemination of Co-benefits Evaluation Tool

Co-benefits enhance the overall desirability of CDM project activity. Some projects have huge local co-benefits—as is the case of the transportation sector—that could generate support from host country and strengthen implementation. However, recognition of co-benefits has been patchy and sporadic, partly because there is limited capacity to quantify co-benefits and “measurable impacts” often draw more attention. We therefore propose that tools to quantify co-benefits be made available to project developers, DNAs and DOEs.

Common metrics on how to quantify co-benefits will facilitate comparability among different CDM projects. Some organizations have started work on this and may share their resources. IGES, for example, has developed a guide to quantify transport co-benefits with spreadsheet based calculator to quantify air pollutants other than CO₂ (PM and NO_x), benefits from time savings, vehicle operating costs savings, and traffic safety (see Figure 1). Other tools could be tailored to the needs of other sectors.

Figure 1: Excel based co-benefits calculator for transport projects



3. Capacity Building Activity on Co-benefit CDM

3.1 Build Capacity through the DNA Forum

As suggested previously, a lack of capacity is a significant barrier to integrating co-benefits into the CDM. The DNA Forum offers a potentially important arena to build the needed capacity. We therefore propose that the DNA forum may host voluntary training programs for quantifying the co-benefits of CDM projects. Many co-benefits—such as reductions in air pollution and improvements in public health—can be estimated with the data gathered for measuring GHGs. And many countries have already developed good schemes for looking at a project activity’s sustainable development contribution. These proven techniques and lesson learned can be shared through the training program. The program could also emphasize south-south cooperation and support data compilation for analytical inputs that are more likely to be comparable in developing country contexts.

3.2 Launch a Co-benefits Showcase

Many CDM projects generate significant co-benefits but awareness of their sustainable development contribution remains low. The EB could help raise the profile of exemplary projects by creating a “co-benefits showcase.” The showcase would be located on the UNFCCC CDM website and would include *inter alia* an overview of the project, a guide to quantifying the project’s co-benefits, and potential options for scaling up

the project. A modest financial reward for being selected for the showcase would encourage project developers and the DNA to nominate projects for consideration. Emerging issues such as the co-benefits from short-lived climate forcers (i.e. black carbon and tropospheric ozone) may also be featured in the showcase. IGES, currently serving as the secretariat for the Asian Co-benefits Partnership, could help support such an initiative.

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