

To whom it may concern,

I read with interest, Annex 6 - Concept note on the possible improvements in the demonstration of additionality. I would like to make a few points to this note, based on my experience as a CDM consultant and policy advisor in China, India, South America and Africa.

1. I strongly support the introduction of positive additionality lists (I refer also to annex 12). Positive lists give clarity for investors, meaning the CDM finance is more valuable, as it becomes a secure form of finance, as well as reducing transaction costs. I hope these lists will be expanded in the future.
2. Moreover there are clearly projects, such as hydropower in China that can now be considered common practice, and should be put on negative lists. This would provide clarity for project developers, and minimise the number of false negatives. Financial analysis is too easy to game, particularly in countries where fraud is not adequately punished. I recommend the secretariat publish such a negative list as soon as possible.
3. The key issue in China, India, Brazil and several other countries today is fraud related to investment costs and O&M costs, which has become the standard practice for 'gaming' renewable energy CDM projects. Tariffs have now been set by the EB (in China at least), and operating hours can be assessed ex-post, but investment contracts are too easy to fake. I therefore call on the EB to:
 - a. Introduce significant deficiencies measures immediately, to provide adequate punishment for those project developers who game the system. Bans from carrying out any form of CDM activity must be imposed on individuals, and the names of those committing fraud published. At the moment the punishments for fraud for project participants are too weak.
 - b. Commission third party reports on how much investment is actually required in different geographies. This should inform DOEs and the EB of the real situation on the ground (e.g. it is an open secret that investment costs for wind are lower than those stated in current PDDs).
4. A review of E- should be made, and a suggestion to the COP/MOP made to abandon this concept. Given the middle-income status of China, Brazil, South Korea and Mexico, it is clear these countries should take on some burden in introducing E- projects

Ian Zhang

Former CDM consultant

Independent Climate Change Advisor

Beijing, China

ianzhangcarbon@gmail.com