

Inputs to 'Concept Note on Database on Cost and Efficiency of Technologies' by Technical Support Facility of Asian Development Bank

Technical Support Facility (TSF) of Asian Development Bank (ADB) thanks Executive Board (EB) of Clean Development Mechanism (CDM) for giving an opportunity to give our inputs on 'Concept Note on Database on Cost and Efficiency of Technologies'. We appreciate the efforts taken by EB to simplify CDM. Our inputs are as follows:

1. Para 10 of the concept note

Efficiency of Technologies: It will be difficult to know exact amount of energy output or know raw material consumption. This may be very much applicable to cooking (Priority sector). It may be good to define a standard test condition or output condition. Such as heating of 1 kg distilled water from 25 degree C to 90 degree C with certain dimension of a covered vessel. Similar conditions / product quality may have to be defined for other areas as well.

Investment cost and variable cost: There may be difficulty in deciding rated capacity (e.g. in case of cook stoves) which will pose difficulty in determining investment cost and operational cost baseline. In case of cook stoves one may want to account for the time spent by housewives in collection of wood as a big variable cost. Again definition of 'unit output' will be an essential part of the exercise.

2. In case of biomass based cook stoves renewable and non-renewable biomass will be an important parameter. It will be useful to define regions where biomass can be considered to be renewable positively or there is certainty that the biomass is non-renewable. Such area identification will be useful for the project developer in setting up baseline.
3. While looking at the standardization, one can also look for other data for standardization. For example in case of solid waste management projects, normal practice of solid waste dumping may be declared. Similarly disposal of waste water / sewerage may also be classified and defined for various countries / areas. Even if other data is not standardized, such broad technological baseline will help in reducing efforts towards setting up baselines when standardized baselines are not available.
4. The Concept Note suggests that cost of technologies will be calculated as "Levelized cost". Levelized Energy Cost, also known as Levelized Cost of Energy is the price at which electricity must be generated from a specific source to break even over the lifetime of the project and besides the investment cost, O&M cost and fuel cost also depends on the discount rate. The value of discount rate that is chosen can often 'weigh' the decision towards one option or another, so the basis for choosing the discount must clearly be carefully evaluated. For the LDCs and countries with less than 10 registered CDM projects (Target countries), the financial market is often not developed and choosing the appropriate value of the discount rate could be challenging and the chosen value is open for dispute. In view of this a proper research and evaluation of discount rates in the target countries must be conducted.

5. Choice of cement sector just because data is likely to be available is not justifiable. For the Target Countries, other sectors like renewable energy generation, drinking water, and waste management would be more relevant.
6. As far as work plan is concerned, ADB will be happy to provide support in this important area and collaborate with UNFCCC on next steps.

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