

Call for public inputs – Template for inputs

Document: “Concept note on impact of update of standardized baselines on CDM projects”

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#	Para No./ Annex / Figure / Table	Line Number	Type of input ge = general te = technical ed = editorial	Comment (including justification for change)	Proposed change (including proposed text)	Assessment of comment (to be completed by UNFCCC secretariat)

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	Paragraph 8-17		Ge/te	<p>The concept note provides two options related to whether standardised baselines that change after three years to reflect changes in technology usage, should impact already registered projects or not.</p> <p>Based on our experience with CDM projects, we have identified two related reasons why option 2 - that the updated standardised baseline will impact new projects only - is the better option.</p> <ul style="list-style-type: none"> • Firstly, the fundamental aim of carbon finance is provide an income stream to encourage projects that are would not take place without such revenues. By allowing baselines to be redefined after only three years, carbon finance revenue streams become much more unstable, making the project less attractive for investors. If, for example, a project developer or bank believes there is a risk the carbon finance revenues will become zero after 3 years, they will heavily discount the revenues from carbon finance, reducing the potential for CDM to drive new project types. • Secondly, at investment decision time, a project developer will typically choose between different technology project types. If they opt for the more carbon intensive technology, rather than going for the more efficient technology, due to lack of support from carbon finance, the more emissions intensive technology will be ‘locked-in’ for the project’s lifetime. This is the baseline. Even if more efficient technologies become common practice after three years, the baseline remains the more carbon intensive, as the investment decision has already been made, and the emissions trajectory is ‘locked-in’. 	Suggestion to adopt Option 2.	

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	Para 9		Ge/te	<p>The concept note, also notes in paragraph 9 that option 1 is in line with existing rules as “<i>there are registered renewable energy projects using [the] option for ex-post update of grid emission factor</i>” . . It should be noted that</p> <p>1) Very few projects use the ex-post update of grid emission factors, precisely because of the inherent risk for the carbon revenues.</p> <p>2) An ex-post calculation of emission factors for renewable project is likely to have a relatively small impact (<+-10%) on carbon revenues. By contrast, a change in the standardised baseline mid-way through the first crediting period could reduce carbon revenues to zero, making carbon revenues using standardised baselines much more unstable for investors. .</p> <p>3) At the renewal of crediting period, the baseline is updated anyway, meaning that after 7 years, this baseline update will occur anyway. An update midway through the crediting period means future CER revenues would become even more unstable.</p>		
	Para 12		Ge/te	The version of standardised baseline applicable to a registered CDM project has been linked to the version available at the time of submission of first monitoring report. Given the frequency of update of standardised baseline (interim as 3 years), if the verification is scheduled after the updating then discrepancy could creep in.	The version of standardised baseline should be the one available at the time of registration.	
	Overall		Ge	We look forward to a continuing dialogue on this subject and thank you once more for the opportunity to respond to your input.		

