PROJECT
DEVELOPER
FORUM

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From	gareth.phillips@pd-forum.net
Date	11 November 2012
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Subject	**Call for input on "Issues included in the annotated agenda of the seventieth meeting of the CDM Executive Board and its annexes"**

Honorable Members of the CDM Executive Board,
Dear Mr. Duan,

Thank you for the opportunity to comment on the annotated agenda to EB 70. The Project Developer Forum would like to make the following observations:

As a general comment we would like to commend the new document format and content which in our opinion provides greater clarity.

Regarding the stepped up volume of cases being dealt with, this is good progress but comes too late for many projects. PD Forum has repeatedly raised our concerns about the backlog and DOE's projections have proven to be quite accurate; progress on PoA is disappointingly slow. We would like to remind the EB of our submission dated 25/09/2012 offering 2 options for reducing the impact of delays on the registration of projects in light of the EU deadline of 31/12/2012[1].

Annex 1: Concept note on the recommendations of the CDM Policy Dialogue
The PD Forum welcomes the recommendatison from the CDM Policy Dialogue and Secretariat's analysis as detailed in the Proposed CDM- MAP 2013-2014. The PD Forum notes that the analysis suggests that some items have been addressed already and we urge the EB and Secretariat to continue to work on all of the recommendations that are within their scope in the coming two years.

Annex 2: Draft CDM two-year business plan and management plan 2013–2014
The PD Forum is pleased to note the realistic assessment of the threats to the future of the CDM presented in section 2; the Vision of the Board in Section 2; and the Strategic objections in Section 4. The PD Forum supports these objectives and looks forward to close collaboration with the CDM EB as it works to achieve these objectives. PD Forum members have, in past, contributed significantly to the development of the CDM and we wish to highlight that as long as market conditions allow us to continue, we will endeavour to remain an active stakeholder.

[1] We note that this letter is not yet available on the stakeholder submissions page (http://cdm.unfccc.int/stakeholder/submissions/index.html), so direct EB members to our website where the letter can be perused (http://pd-forum.net/files/32b3c936a94d9d5a43351bc1276518c0.pdf).

We note the assumptions and risks in section 6, and their mitigants and whilst we agree with most of them, we urge the Board to review these periodically in order to detect any changes in key assumptions wich may require redirection of the Board's efforts.
Para 17 proposes that rates of issuance will continue as per 2012. This may not be the view of project developers on the basis that low CER prices require projects to reduce their budgets and one of the main ways of doing that is to reduce the frequency of verification. In addition, there are concerns that the lack of procedures and insurance to address the issue of significant deficiencies, if approved by the CMP, will also result in fewer verifications being contracted in 2013.
Para 39 notes that "Perhaps its [the CDM's] greatest contribution to date, however, has been helping countries and stakeholders gain valuable experience with innovative climate solutions through hands-on practical action." We would not dispute this outcome however we would like to highlight that this benefit is not something for which investors receive recognition – financial or otherwise. If Parties wish to continue to benefit from the CDM in this way, then we urge them to take steps to secure its future.
Para 40: We strongly agree that the negative image of the CDM is out of date and we wish to work with the CDM EB and the Secretariat to expunge this view.
Table 8. We believe resources could be better allocated to reflect the recommendations of the CDM policy dialogue.For example, as noted in Appendix 1, engagement with carbon market players (workstream 199) is extremely important to respond to the findings of the CDM policy dialogue. Indeed six of the recommendations of the CDM policy dialogue, according to appendix 1, will be managed solely through the workstream 199. However only 9.5 work months for one individual in two years are allocated to this activity.
Given the massive drop off in request for registrations expected, and the above mentioned fall in verifications in 2013-2014, we feel that more resources could be allocated to activities like 199, and others which promote the CDM as a mitigation tool. Whilst we appreciate that the board will reflect on activities during the MAP, we believe there is enough evidence now to suggest that fewer resources can be allocated to routine activities, and more to respond to the 'call for action' of the CDM policy dialogue.

Annex 9 - Regulatory documents and concept note relating to standardized baselines

Section 5- Concept note on the impact of updating standardized baselines on CDM project activities

We support the secretariat's recommendation that updated standardised baselines (SSB) shall impact new project activities only, and that the version of the SSB to be used for the registration of CDM project activities shall be the approved version available at the time of uploading the document for stakeholder consultation (GSP). Moreover the decision to not reassess additionality in the first crediting period is logical and in line with the principle that additionality should be assessed at investment decision time (paragraph 16, a, b and f).

However we strongly disagree that the version of SSB to be used for the calculation of emission reduction should be the approved version available on the day when the first monitoring period of the project activity ends. According to paragraph 14 this decision is based on the 'safe assumption' that the implementation of project activities from upload for global stakeholder consultation to end of first monitoring period is 2 years, and therefore that the end of the first monitoring period can "safely capture the alternative technologies available to project participants at the time of investment decision" (paragraph 16, c, and d).

From our decade-long experience long with CDM this two year CDM cycle assumption is wrong. Firstly, there is typically 6-18 months between investment decision, and the finishing of the PDD for GSP[2]. Secondly, average time from GSP to registration between 2009 and 2012 was 1.5 years[3]. Moreover if we exclude relatively simple technologies of wind and hydropower, the figure is almost 2 years. From

[2] Project participants will not invest in hiring a PDD consultant or additional staff to write documentation until they are sure they will invest in the project.
[3] UNEP Risoe

registration date to end of first monitoring period the average time is 2.2 years[4]. The average time schedule between investment decision and end of first monitoring period would be 4-5 years, Moreover, SSBs are a new, relatively complex concept, and are likely to take even longer in validation and verification than well-established methodologies.

After 5 years the standardised baseline may well have changed considerably[5].The risk that new technologies have emerged, which will change the standardised baseline after 5+ years is high. However the original investment decision was based on revenues from emission reductions achieved based on the previous standardised baseline. With an update to the SSB at the end of the first monitoring period, baseline emisssions could reduce to zero. This will greatly increase the discount investors put on CDM finance. In addition revising SSB 5 years after investment decision is conceptually incorrect as the project would not have been built without the promise of carbon finance; the baseline emissions would therefore have been 'locked-in', regardless of future trends that later changed the SSB.

In addition the cost of collecting data from a given industry to establish baseline emissions is extremely high (it essentially involves collecting data from all plants in a geography) and forcing project participants to recalculate baselines will further increase transaction costs for the project significantly. The basis for this calculation would then have to be independently verified by a DOE, increasing costs even further.

In short, the SSB for baseline emissions calculation should be the SSB at investment decision time, or at latest GSP date, not at the end of monitoring period, which could be 5+ years after investment decision.

Annex 10: Revision of regulatory documents due to introduction or changes to provisions related to PoA

The following text, cosigned by the PoA Working Group, is also being submitted via a letter to EB but will miss the deadline for consideration at EB70:

The Project Developer Forum (PD Forum) welcomes the efforts of the EB and the secretariat in developing the recent guidelines and the 'Standard for demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities' which has immensely facilitated the project developer's (and DOEs) in development of multiple methodologies/multiple technologies PoAs.

The PD Forum would like to express their concerns on the further guidelines provided by the CDM EB during EB 69 with regards to validation of PoAs involving multiple methodologies and technologies. We understand this will be further discussed in EB 70 and we are also submitted these comments via the call for input on the annotated agenda to EB 70.

As per paragraph 93 b of EB 69 report,
(b) Component project activity design documents (CPA-DDs): The Board agreed that one actual case CPA-DD for every technology/measure included in the PoA design document (PoA-DD) is required at the time of registration of the PoA-DD; similar requirements would apply when combinations of methodologies are applied in component project activities (CPAs);

In practice it is very difficult to have a real case for each technology/measure at the time of PoA registration beause developing each real case requires significant resources. On the other hand, listing them in a registered the PoA DD provides PPs with greater certainty that a number of activities can be developed and will be eligible for CERs, giving them time to raise finances for further development work. As per our assessment the above guideline would have negative impact on multiple

[4] UNEP Risoe
[5] As an illustrative example, China had installed wind capacity of 2.6GW in 2006, but 63GW by 2011.

technologies/measures PoA development, especially in countries where the transaction cost is very high (Please refer table below for list of some of the PoA that may be impacted by such a decision). Also considering that the current PoA procedures/guidelines/standards[6] deal with various issues associated with multiple technologies/measures /methodology in great detail at the time of validation, the above requirement may be unwanted.

From EB 69 – Proposed agenda annotations, Annex 17, it is understood that one of the reasons for suggesting the above requirement is to 'ensure consistency with the requirements specified in revised methodologies'. While not denying the fact that consistency of the requirements as specified in revised methodology is very important and has been dealt with to an extent in the 'Standard for demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities', the PD Forum feels there can be other alternative approaches by which this problem can be dealt with.

We note that Annex 10 the annotated agenda for EB70 it is proposed that a grace period is allowed for the submission of specific CPA-DDs for other technology/measures or methodologies or combinations thereof planned under the PoA at a later stage. Clearly we would favour a grace period of two years or longer, to give PPs time to develop these activities. The current depressed market conditions mean that PPs are unlikely to be able to complete the development CPA-DDs in good time and a shorter grace period could curtail the potential of PoA activities.

The proposed guidance does not cover the steps to be taken in the event that a CPA-DD for a particular technology/measure or methodology is not submitted within the required grace period and we would propose that in this event, the technology/measure or methodology is subsequently excluded from the PoA-DD.

We hope that the EB will consider the potential negative impacts the above recommendation may have on PoA development, especially in LDC/SIDS. Should there be any questions regarding our comments, please do not hesitate to contact me through the contact details provided above.

List of some of the multiple technology/measure PoA's currently under validation that may be impacted with the new guidelines

Project Title	Host Country	Methodology
Standard Bank Renewable Energy Programme	Ghana	ACM0002 ver. 12
Tanzania Renewable Energy Programme	United Republic of Tanzania	AMS-I.F. ver. 2 AMS-I.D. ver. 17
East Africa Renewable Energy Programme (EA-REP)	Kenya Rwanda Uganda	AMS-I.D. ver. 17
Sustainable Promotion of East African Renewables (SPEAR)	Burundi Kenya Sudan Uganda	ACM0002 ver. 13 AMS-I.D. ver. 17

[6] Guidelines for the consideration of interactive effects for the application of multiple CDM methodologies for a programme of activities / Standard for demonstration of additionality, development of eligibility criteria and application of multiple methodologies for programme of activities / Approval of the application of multiple methodologies to a programme of activities

Small-Scale Renewable Electricity Advancement Programme	United Arab Emirates; Albania; Bahrain; Egypt; Jordan; Kuwait; Lebanon; Libya; Morocco; Mauritius; Oman; Pakistan; Qatar; Saudi Arabia; Tunisia	AMS-I.F. ver. 2 AMS-I.D. ver. 17
Programme of Activities (PoA) for Sustainable Renewable Energy Power Generation in Papua New Guinea (PNG)	Papua New Guinea	AMS-I.F. ver. 2 AMS-I.D. ver. 17 AMS-I.A. ver. 14
Regional Biogas PoA	Malaysia Papua New Guinea Solomon Islands	AMS-III.H. ver. 16 AMS-I.C. ver. 19 AMS-I.F. ver. 2 AMS-I.D. ver. 17 AMS-I.A. ver. 14
PoA for small scale renewable energy development in Egypt	Egypt	AMS-I.F. ver. 2 AMS-I.D. ver. 17 AMS-I.A. ver. 15

Annex 11 Additionality Tool
Para 57 – no longer needed to include “unless first of its kind” because then you never get to this step.
Para 58 – The PD Forum requests that the tool be revised to incorporate the guidelines and not to reference the guidelines, on the grounds that the differences in the grace periods of tools and guidelines lead to periods when the the tool refers to guidelines which are no longer current, or the guidelines refer to a change in the tool which have not been implemented. This is a recurrent problem.

Annex 13 Standardised baseline for Southern Africa.
PD Forum is pleased to note the publication of this standardized baseline.

Annex 20. Sustainable development co-benefits description for CDM project activities and programmes of activities.
PD Forum would like to propose that DNA’s are asked to select, from options, the questions and monitoring requirements which they consider to be appropriate to their definition of sustainable development. DNAs would then be requested to put the host-country specific version of the tool on their website for application by projects from the country. PD Forum believes that this would be consistent with the Policy Dialogue recommendations.

Also, given the Meth Panel 58 report just published and being used as input, the discussion from Patrick on grace periods for methodologies may be appropriate for this letter …

MP58 Annex 19 – Guidelines on investment analysis
This clarification says “If project participants choose a renewal of crediting period, it is implicit that the life time of the CDM project activity is more than 20 years, and in this case the assessment of investment analysis shall be conducted for at least 20 years and, if applicable, include the fair value of the project activity assets at the end of the assessment period.” PD Forum does not agree that the implicit lifetime of the project is more than 20 years. PPs choose seven years renewable three times because they do not want to choose the one * 10 year crediting period. It does not mean the project will last 20 years or more. PPs should state and justify the expected lifetime of the project and perform the financial analysis accordingly.

PROJECT DEVELOPER FORUM

As always, the PD Forum remains at your disposal to expand or elaborate on any of these topics and we look forward to further collaboration and input in the future.

Yours sincerely,

Gareth Phillips

Gareth Phillips
Chairman, Project Developer Forum