Call for public inputs – Template for inputs	Recommendations for possible changes to the modalities and procedures of the CDM

Name of submitter: Centre for Global Environmental Research (CGER), TERI

Affiliated organization of the submitter (if any): The Energy and Resources Institute (TERI), India

Contact email of submitter: Nimisha.pandey@teri.res.in; ritika.tewari@teri.res.in

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Issue No.	**Issue to be addressed** **(including need for change)**	**Proposed change** **(including proposed text, if applicable)**
1.	Enhancing and monitoring sustainable development (SD) benefits from CDM projects	Monitoring and verification of SD can happen at the DNA level to enhance DNA's engagement and ownership in the process and also avoid significant increase in transaction costs (involved national/local authorities may be aware of the local circumstances and better equipped). If the DNAs wishes and in the absence of existing capacity of DNAs, able local institutional structures, and/or services of DOEs can be availed to perform monitoring.[1]
2.	Official language for communication Many a times, having English as the only language for CDM related correspondence at the EB level limits/impedes the entry of projects from non-English speaking nations/regions, especially those grappling with capacity related issues.	More than one language should be allowed for documentation/reporting modalities of CDM to enhance the regional and sectoral coverage of CDM, for instance, many project types are specific (most feasible) to certain regions (e.g. LULUCF, A/R projects from Africa). [2]

[1] Also reflected in TERI (2012) for CDM Policy Dialogue, UNFCCC
[2] Based on research findings of an ongoing TERI study on CDM in Africa

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3.	Limited number of applicable methodologies to cover range of available mitigation options Lack of funds and capacity amongst the project developers has resulted in limited availability of suitable methodologies for many potential project types/sectors leading to loss of huge mitigation opportunities, e.g. cement, power transmission and distribution sectors, etc.	An International Methodology Development Fund should be created to support development of new/customization of existing methodologies to cover the available range of mitigation options across sectors through provision of funds and technical support. The 'Methodology Fund' could be funded through contributions from Annex I or usage of accumulated CDM reserves. [3] The process of methodology development should be disentangled from project identification and approval. The new methodologies should not essentially ride on a project. In the first stage a draft methodology can be approved which can be revised and reviewed when backed by a project to check its validity and soundness. Development of *suo moto* methodologies (which do not ride on projects) would act as a barrier removal for potential managing entities of POAs to enter this space. In addition, technical and financial assistance from multilateral sources would also alleviate the burden of first-mover costs involved in methodology development. Thus this would also promote uptake of POAs.

[3] Also reflected in FICCI Climate Change Task Force Report (II) 2009-2010

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4.	Additionality clause The additionality clause many a times leads to rejection of genuine mitigation projects or significantly adds to the transaction costs and time delays. This is so because assessment/perception of risks and rewards is a subjective process both at the project developers and approving authorities' ends.	In the larger interest of emission reductions, the requirement of financial additionality for CDM projects should be eliminated. Further, for certain project types like renewable energy, afforestation, etc. which have intrinsic carbon additionality, the requirement of environmental additionality should also be abolished.

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5.	Modalities and requirements for approval of CDM projects The approval processes and authorities in CDM are often criticized for causing cost and time overlays and elimination of genuine mitigation projects.	A pre-screening/screening mechanism to minimize incidences of review/revision/rejections and thereby time and cost overlays and loss of CERs should be developed. The screening mechanism could range from a type of checklist to say a positive list of project types (eg. small scale renewable energy projects, afforestation, etc.) to enable fast-track approval of projects at various stages (checklists for project developers, DOEs, EB, etc.) Prototyping of projects to enable fast-tracking of project approval- similar projects (under similar environmental conditions, using same technology, same methodology, similar socio-economic settings, similar scale, etc.) should be cleared on fast track mode and should not be required to go through the process of validation.[4] Avoidance of duplication of validation process- After a project has been thoroughly screened and reviewed by DOEs at the validation stage, it is again reviewed at the EB level. At this stage there are chances of the project being sent for a second review Moreover, the role of RITs in the CDM process virtually results in a duplication of the validation process undertaken by DOEs. Thus on the one hand this indicates a lack of faith in the validator's role and on the other hand it results in time overruns in the CDM cycle. In order to address this issue, the project developers have recommended that the checks and balances undertaken at the EB level should be beyond what has been already performed by the DOEs. Further, citing of precedents (registered projects operating under similar conditions) in PDDs should be allowed to enable fast-track approval of projects.

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6.	Format of Project Design Document (PDD) CDM has suffered criticisms from the research community on the obscurity in terms of the sustainable development benefits provided of the projects. This can be partially attributed to the vague documentation requirements in the PDD at present. These leave ample room for ambiguity for the information provided by project developers, especially for the sustainable development and technology transfer benefits provided by a project. This limits the scope for an accurate analysis of benefits provided by projects in the mechanism.	Revision of PDD format to ensure explicit documentation/reporting of[5]: - Potential sustainable development benefits (including technology transfer) from the projects, e.g. number of employment generated, area afforested, etc. - Investing parties (domestic/foreign)/ Transfer of funds Citing of precedents (registered projects operating under similar conditions) in PDDs should be allowed to enable fast-track approval of projects. [6]
7.	Stakeholder engagement One of the key objectives of CDM is to enhance the quality of life of the local stakeholders and minimize the possible negative impacts from the project activity. Therefore, the project developers should undertake all efforts to inform the local community about the project and its impacts and thereby factor in their concerns and expectations while designing and implementing the project activity.	For effective and transparent local community participation, use of vernacular language should be made mandatory during the local stakeholder consultation process and all the proceedings should be video-record not only as evidence but also for retrospective use by the project developers.

[4] Also reflected in FICCI Climate Change Task Force Report (II) 2009-2010
[5] Also reflected in TERI 2012 for CDM Policy Dialogue, UNFCCC
[6] Based on TERI's involvement with stakeholder consultations and research for CDM Policy Dialogue, UNFCCC, 2012

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8.	Designated Operational Entities (DOEs) For large scale projects, as per the current modalities of CDM, the same DOE cannot undertake both the validation and verification processes for a project. Experience suggests that this can lead to some issues – - Firstly employing two DOEs adds to the costs of the projects. - Secondly, employing separate DOEs could lead to difference in interpretation of project related issues leading to delays and loss of CERs. Further, this can also defeat the very purpose of ensuring transparency and objectivity in the project approval process by having two different DOEs at two stages as DOEs might have mutually competitive interests. - Thirdly, it discourages a DOE to go for validation of a project as it is a one-time activity in a project cycle in contrast to verification which is a recurring activity (before every issuance). Moreover, many a times, the more competent DOEs move to verification, affecting the service quality at the validation stage. Another important issue impeding the CDM projects is the limited number of DOEs which not only adds to the transaction costs and time delays but also leads to compromises on the quality of the projects. This further aggravates the issue of rejections/repeated reviews at the EB level. Further, in many instances, the DOEs are unable to comprehend the issues and constraints facing the projects being implemented in the host countries resulting in the failure of many prospective projects.	Using the services of the same DOE for both validation and verification in the case of large scale projects. Empanelment of sector experts at the country level to address the issue of limited availability of service providers, especially the DOEs.

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9.	Scope of emission reduction options using current methodologies The current CDM methodologies are unable to cover the potential mitigation opportunities owing to limited availability/applicability of methodologies.	Instead of operating under a suite of methodologies that limit the scope of potential GHG reduction interventions, the CDM should allow for all possible mitigation routes/activities under a particular set of conditions (say an industrial unit, etc.) and thus not be a purely project driven activity governed one or two methodology/ies. [7] In order to simplify the process of monitoring and verification of CDM projects, there could be a gate-to-gate assessment in pre and project scenarios. In this regard, the Perform Achieve and Trade (PAT) mechanism (to promote energy efficiency in industrial units) being implemented by India should be studied. [8] This would allow the project proponent to undertake all possible actions to reduce emissions without being limited by availability/applicability of methodologies.

[7] Broadly based TERI's on research experience on CDM and PAT mechanism
[8] Broadly based TERI's on research experience on CDM and PAT mechanism