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To cdm-info@unfccc.int
From gareth.phillips@pd-forum.net
Date 19 May 2013
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Subject **Call for input on "Issues included in the annotated agenda of the seventy third meeting of the CDM Executive Board and its annexes"**

CHAIRPERSON:
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Honorable Members of the CDM Executive Board,

The Project Developer Forum (PD Forum) welcomes the publication of the annotated agenda for EB73 and the progress that it reflects. We would like to provide input on the following items as outlined below:

Annotated Agenda Para. 7- the PD Forum welcomes the creation of the EB Finance Committee and believes that this body will enhance the transparency surrounding the use of financial resources by the EB and Secretariat. In line with this increased transparency, we hope that the Terms of Reference and other regular updates from the Committee are publicly available via the UNFCCC website.

Annex 1 - Workplan of the CDM Executive Board for 2013 (209 KB)

Annex 2 - Concept note on the work related to governance matters of CDM panels, working groups and appointed experts (269 KB)

Annex 2, para 8 – the PD Forum supports the review of the structure of the existing panels and working groups, particularly in line with the decrease in workload expected until a revival in the CDM market takes place. We hope that such a review of structure will focus on efficient use of resources while ensuring that responses are timely and thorough. To this end, we notice that the proposed workplan and timeline for this work does not include any opportunity for stakeholder engagement. The PD Forum membership has had significant experience of interacting with many of the panels and working groups and as such we would welcome the opportunity to give our feedback on the existing structures, areas for possible improvements and our comments on proposed new structures.

Annex 3 - Draft standard: CDM accreditation standard (742 KB)

Annex 4 - Concept note on uncertainties of measurements in large-scale methodologies

We are very pleased to see progress on this issue which PD Forum has been highlighting for some time, and will significantly improve the credibility of the CDM monitoring and verification process. Given its significance we would request that the first draft of the guidance be subjected to a call for input. Furthermore we have some specific comments as follows:

Para 8: Where methodologies contain specific requirements on how to address uncertainties, these would apply instead of the requirements of the standard. We would propose that this defeats the purpose of having a standard and that all methods should be revised to allow the implementation of the standard. It is the inconsistent application of meter specific uncertainty specifications that calls for the adoption of a standard. Whilst the overall objective of the standard

is to optimize uncertainty management, conflicts will arise where individual meters have meth specific guidance such that PPs will not be able to allocate resources to most important instruments in the monitoring system.

Para 9: The standard should provide flexibility in optimizing measurement instrumentation based on cost-benefit considerations. This will not be possible for a significant number meths if paragraph 8 above remains.

Para 10: The standard should be applied to new CDM projects and projects seeking the renewal of the crediting period. Given the all round benefits of this approach – greater integrity, better quality monitoring systems, optimization of monitoring effort etc, we would propose that PPs be allow to opt to adopt this standard at any time before the renewal of the crediting period. This would also enable projects with a one-off 10 year crediting period to benefit from this approach and it will enhance technology transfer and training in uncertainty management in such circumstances.

The example given in Appendix 2 represents the uncertainty calculation of a correlated product function. The example does not reflect the objectives of the standard because it does not take into consideration the significance of each of the sources. The correct uncertainty calucation needs to consider both the uncertainty of the meters involved in determining emissions from a particular source AND the significance of that source in the overall emission calculation. The guidance as presented does not address the second part of this requirement and as such, it will not allow PPs to optimize measurement instrumentation. Put very simply, for example, if one set of meters measures 99% of the project emissions and another measures 1%, then the metering effort and resources shouldbe allocated to the larger portion. The example in appendix 2 doesnot relfect this approach.

In addition, we would note that there is no reference to ISO/IEC guidance on uncertainty measurment and particularly ISO5168 which is referenced in AM0009v2. There are number of important principles in this guidance which shouldbe referenced.

We would also like to draw to your attention the PD Forum's recommendations to SBI on the review of the CDM M&P as follows:

- Revise all methodologies to include a single uncertainty threshold which the monitoring plan must not exceed. Remove references to arbitrary uncertainty criteria for specific metering devices.
- Revise existing methodologies to determine the best estimate of emission reductions generated and then apply a transparent and reasonable adjustment factor as a basis for the issuance of a conservative volume of CERs. The Conservativeness factor shall be determined in a transparent manner following guiding principles defined by the Board such that conservative factors are not compounded within methodologies but rather are defined consistently and accounted for in a transparent manner, and that conservativeness is spread fairly across all methodologies according to rational principles. This shall allow transparently disclosing, quantifying and documenting the unaccredited net mitigation result of CDM projects.
- Annually, the Secretariat shall calculate the number of ERs which have not been issued as CERs (or retired in a separate conservativeness account) due to the application of the conservativeness factor and this shall be reported to the Parties.
- In the event that significant deficiencies are identified in the activities for DOEs, any over-issuance of CERs will be offset against the total Conservativeness factor for the period(s) in question. The offset will be transparently calculated and reported to the Parties.

Annex 5 - Concept note on further revision of the standardized baseline regulatory framework (162 KB)

Annex 6 - Draft guideline: Determination of for baseline and additionality thresholds for standardized baselines using the performance-penetration approach (1197 KB)

PD Forum thanks the secretariat for the preparation of this guidance which shows how the baseline segments are selected. In step 3 (b) we would like to question why the trend line is forced to connect the two points at the extreme ends of the segment? This gives these specific data points significantly greater influence on the outcome and in the event that one or both are inaccurate, it can have a misleading impact. We would ask if the Secretariat has considered simply fitting a line which minimizes the sum of the squares of the deviations and either measuring the percentage range above and below that or setting a r^2 threshold for the selection of segment.

Annex 7 - Concept note on the work programme on implementation of standardized baselines of afforestation and reforestation standardized baselines guideline (59 KB)

Annex 8 - Draft standardized baseline: "Grid emission factor for the Southern African power pool" (184 KB)

Para 28: The PD Forum applauds the development of the SAPP and hopes that the EB can adopt this version. We firmly believe that a standardised GEF for the region will go a long way to facilitate the development of projects in the region by reducing transaction costs for project developers.

Annex 9 - Draft standardized baseline: "Fuel switch, technology switch and methane destruction in the charcoal sector" (1101 KB)

Annex 10 - Concept note on revision of the PoA related standard, guidelines, and procedures (230 KB)

As described in paragraph 13 of Annex 10, the current rules require for all CPAs of a PoA to be included in the monitoring plan and in the request for issuance for a specific monitoring period. At the 7th Round Table stakeholders, members of the PD Forum provided feedback on the hurdles the current verification procedures for CPAs represent. We are glad to see that those comments have been included in paragraph 15:

"this poses a major barrier for a PoA to secure issuance of CERs; if the monitoring report of even one of the CPAs is delayed the entire verification process is affected, resulting in potential losses for all CPA implementers and their respective investors, in turn resulting in substantial counterparty risks on an investor or buyer interested in contracting a particular CPA. Stakeholders also note that synchronization of the CPA verification may be challenging in some instances, for example, in compact fluorescent lamp (CFL) installation projects, where monitoring surveys are required to signify commissioning of the CPA. The surveys would be feasible only when all the CFLs are distributed. However, a CPA may be included even before all the CFLs are distributed. In practice, therefore, it is challenging to carry out monitoring surveys at the same point in time for an annual PoA verification (including all CPAs)."

Annex 10 presents to the Board the stakeholders' request and solution to the above by allowing multiple issuance requests for the same monitoring period, but it also notes that this might be difficult due to the manual system to handle PoA registration and issuance currently in place, which might turn into potential erroneous or excess issuance of CERs.

Recommendation

The PoAs that are currently under verification or ready to start the process are, in most cases, to comply with contracts executed in the past at prices higher the current market. If those verifications cannot progress due to the reasons noted in Annex 10 - paragraph 15 (as quoted above) the Seller (i.e. project developers) will be on default and as consequence the contract will

be terminated. This will highly impact in the ability of projects developers to finance additional CPAs. Therefore, the PD Forum would like to ask the Board to contemplate the following recommendations:

- Allow three requests for issuance / monitoring reports for the same monitoring period.
- For the first two requests for issuance / monitoring periods, lift provision of not requesting issuance within 90 days of the previous request.

Direct the Secretariat to develop an internal process, under the current manual system, to handle multiple issuance requests for the same monitoring period. As the Secretariat is developing a web-based workflow for registration and issuance for PoAs this requirement can be taken into account. Also mentioned in Annex 10 is the possibility of erroneous or excess issuance. The PD Forum believes that the Procedure for Addressing Significant Deficiencies in Validation, Verification or Certification Reports currently under discussion would cover these situations..

Annex 11 - Concept note on development and implementation of a work programme for further standardization in the demonstration of additionality (154 KB)

Para 31: The PD Forum strongly supports the work of the EB and Secretariat in their work on further standardisation of the assessment of additionality. We believe that a rigorous, less subjective approach will go a long way to addressing some of the concerns of stakeholders and make the CDM more 'fit for purpose' in a post-2012 world.

We have the following more specific comments:

- Revised/new large-scale methodologies for dispersed units: we agree that the principles adopted for small scale methodologies should also be applied to large scale methodologies. However, we question how much such methodologies would be used as we believe most projects of this type would be implemented through a POA framework using small scale methodologies. For example, there is still only one project registered using AM0046.
- Positive lists of technologies - the PD Forum strongly supports the development of positive lists. We suggest that such lists are developed in consultation with DNAs, project developers and other key stakeholders in the region or country concerned and/ or based on measurable data e.g. technology penetration rates. In this way, the justification for and transparency around inclusion of a particular technology type on the list is straightforward.

Para 41: The PD Forum believes that the choice of time period for conducting the investment analysis is the choice of project participants. As is currently in the guidance, if the investment analysis period is less than the lifetime of the project, the fair value of the project activity assets is included at the end of the assessment period. We believe that this guidance is sufficient and that linking investment analysis period to the choice of crediting period is not necessary or helpful.

Para 52: The PD Forum would like to draw the EB's attention to our submission on this issue, available here: <http://www.pd-forum.net/files/c5511e7a0cf371cbe8528a91cb7e226d.pdf>.

Annex 12 - Concept note on monitoring guidelines for situations where project participants do not follow the requirements of methodologies (61 KB)

We note the proposals to simplify the procedures for situations where monitoring guidelines have not been followed. The PD Forum's proposals for the introduction of materiality into the CDM focussed on ways of determining whether such deviations were of any significance; we proposed that in situations where the impact upon emission calculations was below the proposed materiality thresholds, DOEs would be empowered to accept alternative approaches such as interpolation between data points and corroboration from other observations and readings. The Board might like to review some of our earlier submissions, for example <http://www.pd-forum.net/files/214c33a6ccdd9b91748c0534c1e75856.pdf>, <http://www.pd-forum.net/files/a5ee45e2ef91a20dd88df17bc656f72c.pdf>. The PD Forum proposes that applying such concepts, perhaps under a different name if necessary, would be a cost effective means of

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Subject **Call for input on "Issues included in the annotated agenda of the sixty-ninth meeting of the CDM Executive Board and its annexes"**

PROJECT DEVELOPER FORUM

addressing insignificant deviations from the monitoring plan or monitoring methodology.

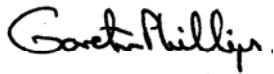
Annex 13 - Draft procedure: Development, revision clarification and update of standardized baselines (459 KB)

Annex 14 - Draft procedure: CDM accreditation procedure (697 KB)

Annex 15 - Documents on performance monitoring of DOEs (2390 KB)

We thank you for the opportunity to provide our comments on the annotated agenda and annexes and would be very happy to discuss them with you further,

Kind regards,



Gareth Phillips
Chair, Project Developer Forum