

20 May 2013

Mr. Peer Stiansen
Chair of the CDM Executive Board
Members of the CDM Executive Board
UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D 53153 Bonn
Germany

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

C-Quest Capital Malaysia Limited (CQC) would like to thank the CDM Executive Board (CDM EB) for the publication of the annotated agenda for the 73rd Meeting of the CDM EB and the opportunity to comment on it.

We are encouraged by the recognition of issues contained in Annex 10 "*Concept note on revision of the PoA related standard, guidelines, and procedures*" and agree with most of the action points and proposals contained in it. CQC is extensively involved in developing PoAs – both as a participant as well as a Coordinating and Managing Entity (CME). It has 8 PoAs registered and in development in Asia, Africa, and Latin America. Based on our experience with PoAs, CQC would like to provide detailed inputs on one item of the annotated agenda, Annex 10, as outlined below. We hope you will consider these inputs in the spirit of being constructive.

Issue

We want to refer to Annex 10 of the Annotated Agenda, section 3.2. Issue 2: Synchronized issuance request for CPAs of a PoA. Based on CQC's direct experience, it is our view that the current rules regarding verification (prescribing that all CPAs under a PoA must be brought under a single monitoring plan for a particular monitoring period / request for issuance) have major adverse effects as we have attempted to explain below.

- Because of a single, common timeline defining all CPAs and their verification, a delay caused by any one CPA implementer has the ability to stop the entire lot of CPAs from accruing CERs or seeking issuance. Resulting in CPAs that have been implemented and have CER accrual enough to seek issuance are unable to proceed for verification; thus forcing implementers to step out from further implementation. More gravely, buyers and investors of the mature CPAs that were proceeding on time and per schedule run the risk of default due to affected timelines caused by the slow pace of others.
- A deviation from the monitoring plan or the methodology or a request for a post registration change caused due to any one particular CPA risks putting on hold the whole verification process, derailing envisaged timelines of issuance and in turn risking defaults to investors and CER buyers.

- This “synchronized issuance” has other implications too. For small, often dispersed projects such as cook-stoves, CFLs or LEDs, where implementation continues for a few months, CER calculations are based on monitoring surveys. Not all CPAs are implemented at the same time. After distribution is completed, it takes several weeks to complete the monitoring survey, which means that in practicality it is challenging to bring the same CPA into a common verification schedule.
- Further, and perhaps inadvertently so, the “synchronized issuance” requirement brings additional transaction costs to implementers. CPAs that are not mature in terms of CER accumulation still need to be brought under the same umbrella of matured CPAs in order for the PoA to proceed for verification. For example, even if a particular CPA has seen only 1 month of CER accumulation, it is forced to be included in the verification lot and has to undergo assessment by the DOE who in turn still charges for this exercise, whereas this particular CPA will yield or not CERs for the respective monitoring period.

Inputs

Based on the above observations we provide the following inputs.

1. Individual CPA investors should be allowed to “decouple” CPAs. In other words, CPAs of a particular investor, or CPAs that are mature and ready for verification should be allowed to seek verification and issuance and not have to wait for the delayed CPAs. Recognizing that if each CPA were allowed to seek issuance on its own it would increase workload on the EB by orders of magnitude, we suggest that the EB consider, say for example 3 permitted Requests for Issuance per monitoring period. Such parsing could be based on their geographies, volumes or homogeneity.
2. As a consequence, we also request a review of clause 39 of Annex 38, EB 55 which states that “A DOE shall not request issuance of CERs for a PoA within three months of the previous request for issuance” as such language would otherwise be contradictory to the above rule change (i.e. contradictory to decoupling) and become a barrier to enabling three or more issuance requests.

On the concern that the secretariat has on excess issuance, we submit that in the event of excess issuance, the current procedure under discussion for all CDM project activities for significant deficiencies in validation and verification reports would be applied.

As more PoAs begin to mature and seek issuance, more precedence is created, and if successful more investors will invest in PoAs. It is therefore timely to make revisions where required, and as early as possible so that oncoming PoAs are not affected by the same problems.

We thank you for the opportunity to provide comments on the annotated agenda and annexes and would be happy to discuss them with you further if required.

Kind regards,



Ken Newcombe
Director