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From gareth.phillips@pd-forum.net
Date 13th February 2015
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Subject **Call for input on "Issues included in the annotated agenda of the eighty second meeting of the CDM Executive Board and its annexes"**

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Honorable Members of the CDM Executive Board,

The Project Developer Forum (PD Forum) would like to express our welcome to incoming members of the Board and offer our support to the EB in what will be another testing year for the CDM. We welcome the publication of the annotated agenda for EB82 and would like to provide input on items on the annotated agenda, as detailed below.

Annex 2: Concept note: Simplification of the project submission, registration and issuance processes and further opportunities for streamlining of the CDM

We are supportive of measures to simplify and streamline the CDM and while we also note that these alone will not lead to an increase in project activity, we acknowledge that streamlining the CDM infrastructure will make it more attractive for use in other fields such as results based finance.

Para 6: We would also like to highlight the lack of predictability – arising from inconsistent interpretation or application of modalities and procedures.

Para 9a): Related to the above point, subsequent rejection of an automatically additional activity will significantly undermine investors' confidence in the process and therefore requirements for compliance with the modalities and procedures must be clearly defined so that PPs can invest with in pre-registered activities with a reasonable level of confidence. The lack of an appeals process will also hamper the uptake of this option.

Para 9c) we refer the EB to the PD Forum's previous submissions on materiality where we proposed that missing data responsible for determining less than X% of issued CERs (where X is the materiality threshold) could be accepted by DOEs via other means of verification. This would save DOEs and PPs from spending large amounts of time proving small amounts of data and would not have a material impact upon the final recommendation.

Para 9e) We remain cautious of changes which would reduce the level of expertise and competency amongst DOEs and would rather see reductions in the costs of maintaining accreditation for existing DOEs who can still provide services on a regional basis. If these costs are not addressed, the CDM will continue to be at risk of losing further DOEs and resulting validation and verification capacity.

Annex 3: Identification of key performance indicators

We note the extensive list of parameters which are reported to the Board. We believe that the lack of information on the number of active projects in the CDM is a major weakness in the system and one which leads to the presentation of a misleading picture of the scale and scope of the CDM. We would ask the Board to consider ways in which a better understanding of the status of projects

could be obtained. For example, it might be possible to identify the time which has passed since there has been any communication between PPs and the Secretariat and, based on some transparent assumptions, conclude that the longer the silence, the more likely it is that a project has ceased to be operational under the CDM.

Annex 4: Increased support for stranded projects

PD Forum would like to express severe reservations over the objectives and methodology for this project. Whilst we agree that a better understanding of stranded and vulnerable projects might assist certain buyers in the market, we question whether the Secretariat and Board are the right organisations to undertake these activities. The Board has in the past claimed to be agnostic about the projects it registers and the CERs it issues. We interpret this project as the regulator stepping in to deliberately express views as to the nature and status of projects. In doing so, they may access information which is not in the public domain and which if published may, inadvertently, have a negative impact upon the credit rating or public perception of projects and project developers. For example, if the Board classes a project or a technology as "stranded" owners of certain assets are likely to see valuations fall. Rating of assets is a service which should be undertaken by totally independent bodies and not by regulators. Therefore we strongly recommend that the Board does not proceed with this project and leaves the provision of rating services to the private sector, assuming there is sufficient demand.

Annex 11: Development of new methodologies to broaden the applicability of the CDM

The PD Forum was among a number of stakeholders who attended a two day workshop on the future of the CDM on 9th September 2014. Broadening the scope of the CDM was one of the topics discussed. Forestry and landuse was mentioned as an area where the CDM has failed to make significant in-roads and whilst it was noted that the CDM does not currently need significant increases in supply of CERs, there are potential markets, particularly in North America, where forestry and landuse based credits are popular. There was support for the inclusion of these kinds of projects, perhaps through changing the accounting principles to do away with ICERs and tCERs and replacing them with a more transactable instrument, on the basis that failure to include them would create opportunities for other offset mechanisms to compete with the CDM.

As active representatives of the private sector in the CDM, we would also like to highlight that some of the areas selected for methodology development have failed to gain significant traction in the CDM to date not because of methodological challenges but because of a range of other challenges *inter alia* real or perceived risks; the difficulty of financing projects under traditional CDM style arrangements; the relative magnitude of CDM benefits compared to capital costs; and the difficulty of proving additionality. We would propose that the EB also checks with private sector investors and asset owners to confirm whether they are willing to develop and invest in CDM projects even if they are presented with methodologies. For example external CDM developers find energy efficiency projects difficult to finance because once equipment has been installed, the investor has very little ability to enforce contractual terms and recovering equipment becomes expensive or impossible. Meanwhile the asset owners, who could make the investments, may not be motivated or interested in CDM projects and may have other uses for capital.

It may also be more appropriate to see some of the technologies listed developed under NAMAs where donors pay for a wider range of more easily verified outcomes with the knowledge that the host country is benefiting from mitigation.

Annex 12: Simplification of methodologies including digitization to reduce transaction costs

The PD Forum welcomes efforts to simplify methodologies and reduce transaction costs. We note that the project details a very ambitious work programme and we would like to express our concern that the large number of calls for public input will stretch the resources of stakeholder groups such as the PD Forum, particularly if there are multiple calls at one time and in consideration of the workload associated with the run up to CoP 21 in Paris.

Annex 13: Revision of modalities and procedures for direct communication with stakeholders

PD Forum welcomes the proposed improvements in the procedures for direct communication with stakeholders, in particular the use of deadlines for responses to be received from both the Secretariat and the Board.

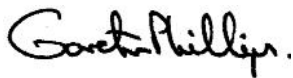
We note the potential for increased use of Calls for Input and consultation workshops under the proposed new procedure. While we welcome increased interaction with stakeholders, as outlined above, we urge the Board to ensure that this does not place an undue burden on stakeholder groups such as the PD Forum. We also suggest the use of web-based technology to enable virtual workshops as well as physical ones to reduce demands on time, funds as well as being a more climate friendly option. Finally, making provision to assist stakeholders in attending certain meetings would help to increase engagement.

Annex 16: Amendments to CDM project standard, validation and verification standard and project cycle procedure based on CMP 10 decisions

Appendix 3, Para 329: PD Forum can see no justification for not refunding any outstanding registration fee, less a modest administration fee. The registration fee is an advance payment of the issuance fee and if there has been no issuance then the fee should be refunded. Refunding the issuance fee will encourage projects which never issued CERs, or only issued a fraction of their expected annual CERs, to come forward and de-register which in turn will improve the relevance of the CDM project pipeline. Without such an incentive, there is no motivation for project developers to utilize this procedure and the Secretariat will be required to maintain the capacity to honour requests for issuance until the crediting period of the project expires or the host country withdraws the letter of approval.

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