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The Secretariat  
United Nations Framework Convention on Climate Change  
BONN, GERMANY

Dear Sir or Madam

Subject                      Call for Public Inputs  
                                    Best Practices for Demonstrating Additionality

This is in reference to the call of the Secretariat for calls.

I have the following suggestions.

**1.      Additionality Issues.**

There are two broad issues in this area

- i)      Initial projects suffer from the requirement that the project investment did not consider CDM benefits.
- ii)     Old Technologies which are environmentally friendlier from the GHG impact analysis perspective need support to combat the competition from the later and more prevalent solutions which have a large Global Warming Potential.
  
- i)      New Technology/Renewable projects being rejected since the CDM benefits

One of the additionality criteria for the UNFCCC registration is that the investment decision should have the element of the prior consideration of the CDM registration. If projects in the rejection list are examined – this is well evident.

Some Wind and Hydel projects from India have been rejected on this count. And subsequent projects which followed these have been registered. The first mover advantage that should normally flow in implementing renewable energy projects has been lost to them.

The initial renewable energy projects in India faced more significant risks than the same projects face today and India was a slow starter in the renewable energy business – however invariably the pioneers have been rejected, because the CDM benefits were not considered in the initial analysis. All subsequent projects of similar nature have been registered, since the paper

work was managed better. Hence the critical decision for registration has been on paper work, rather than on the project itself.

The pioneers have not necessarily taken the CDM benefits into consideration in the decision process in almost all new technology ventures. CDM can become another source of revenue to support the project in significant number of pioneering cases where emission reduction is a consequence of the project.

There have always been pioneers who have had sustainability as a focus for development. Charity is an age old example, where people and businesses have promoted sustainability without the additional support that could be forthcoming from other sources. Does this mean that these well deserving projects should be denied the benefits of CDM registration purely because of the lack of knowledge or consideration at the decision making stage. Followers learn from failures of others – have reduced risks in implementing the projects and get the benefits, which the pioneer is denied.

Now of course a healthy decision is being seen that all such projects are being registered with the CDM benefits being from date of registration and not retroactive.

A key issue is the one related to locational spread of the technology measurement. UNFCCC should bring clarity on the subject.

- ii) Old Technologies which are environmentally friendlier from the GHG impact analysis perspective need support to combat the competition from the later and more prevalent solutions which have a large Global Warming Potential.

Another important aspect of the project implementation has been that the economics. Economics is the science of allocating scarce resources. Hence until a resource becomes scarce, there is no economic value. The argument is evident from the basis of the Kyoto Protocol.

The environmental programmes world over have been focused on the local impact assessment, including the assessments for World Bank financing. The impact on the transnational or trans-jurisdictions environment has been introduced only after the negative social impacts have been realized and have started having an economic impact.

Illustratively, in the refrigeration industry, Ammonia as a refrigerant in the vapour compression technology has been replaced by freons over 60 years ago – purely on the local impact environment issues to begin with. The local environmental impact prevailed over the international impact as also certain technological conveniences.

It is submitted that older technologies having a lower GHG emission within the local environmental compliance should be permitted for registration, despite the fact that it may have more than 30% market share. Only when it becomes the dominant market – say over 75% should such projects be refused registration on account of BAU.

**2. Investment Analysis as per standard accounting practices**

The investment analysis done is probably not being conducted on standardized accounting formats prevalent. Illustratively, Project # 986 the charge of depreciation while arriving at the IRR is not as per standard accounting norms.

If a certification is obtained from a Certified Accountant, the certificate should mention that the investment analysis has been done as per prevailing accounting standards, and the analysis is the same that has been accepted for the financing by the financing banks/agencies.

**3. PDDs for Validation placed on the websites of DOEs should be along with the Appendices.**

At present PDDs of projects under validation are placed on the UNFCCC website as also on the websites of the respective DOEs.

At this juncture the appendices to the PDDs are not placed, whereas these are available to the public only after request for registration is received.

Thus the public is not in a position to react considering the full facts of the case. Illustratively Project No. 986 the charge of depreciation is not as per standard accounting practices. The public is unable to comment on such projects in the absence of complete information at the stage of comments from public during the validation process.

Sincerely yours

A handwritten signature in blue ink on a document. The signature is stylized and appears to be 'Kanwal Jit Singh'. The background shows some faint text and lines from the document.

Kanwal Jit Singh