

# Regulatory obstacles and proposed solutions for PoAs

How to make PoAs work and alternative concepts for PoAs

**3<sup>rd</sup> CDM Roundtable – 10<sup>th</sup> April, Bangkok**



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- 1. Introduction: Why are PoAs so important for the future of CDM?**
- 2. What are the barriers in the current rules?**
- 3. What are the rules that are not existing or are missing and should be there?**
- 4. What are the possible alternative concepts for a PoA?**

## For more information

- UNFCCC Secretariat's "SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES" – Annex 07 EB 60 Agenda  
<http://cdm.unfccc.int/Meetings/MeetingInfo/DB/AGMVUQ5YSJ41X93/view>
- PD Forum submission to call for public inputs on PoAs  
[http://cdm.unfccc.int/public\\_inputs/2011/poa/cfi/2PISVCQ0Q6INE86PQ78WR37GEHT4O4](http://cdm.unfccc.int/public_inputs/2011/poa/cfi/2PISVCQ0Q6INE86PQ78WR37GEHT4O4)

# Opportunity 1: Extend CDM to micro-activities

PROJECT  
DEVELOPER  
FORUM

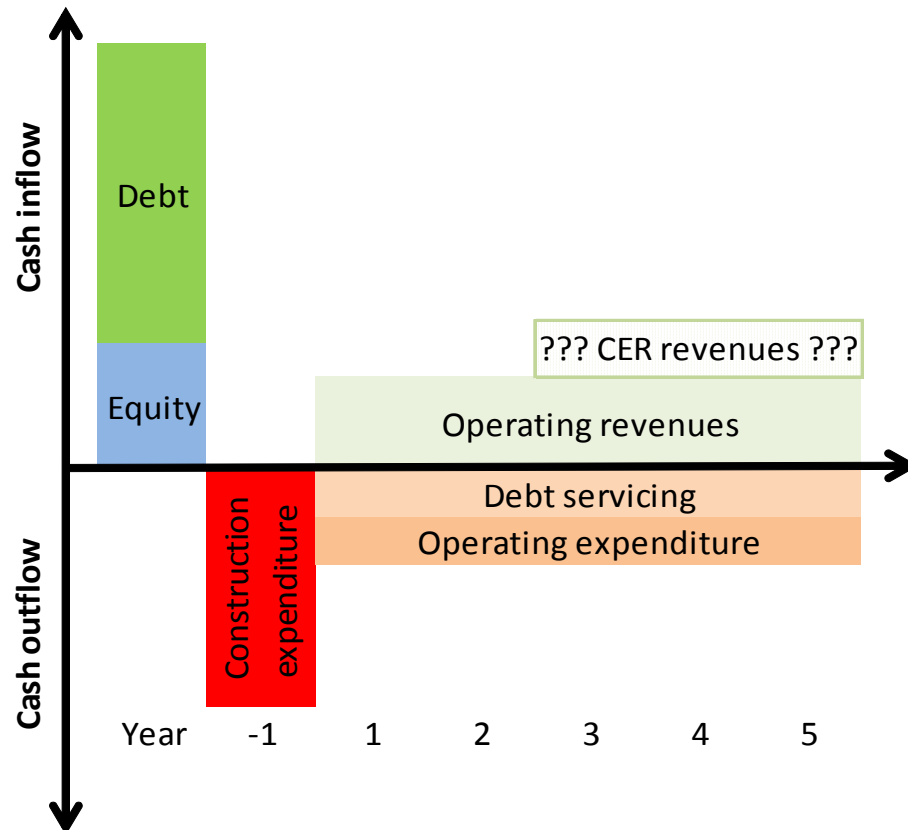
- PoAs are ideal for CFLs, solar water heaters, cook stoves, household biogas, distributed energy, etc.
- Registered PoAs can generate recurring revenues to reduce need for working capital
- ⇒ Over 50% of PoAs in validation cover household sector (<<1% for stand-alone CDM projects)
- ⇒ To date only modest private sector activity in this segment



# Opportunity 2: Provide upfront finance under a PoA

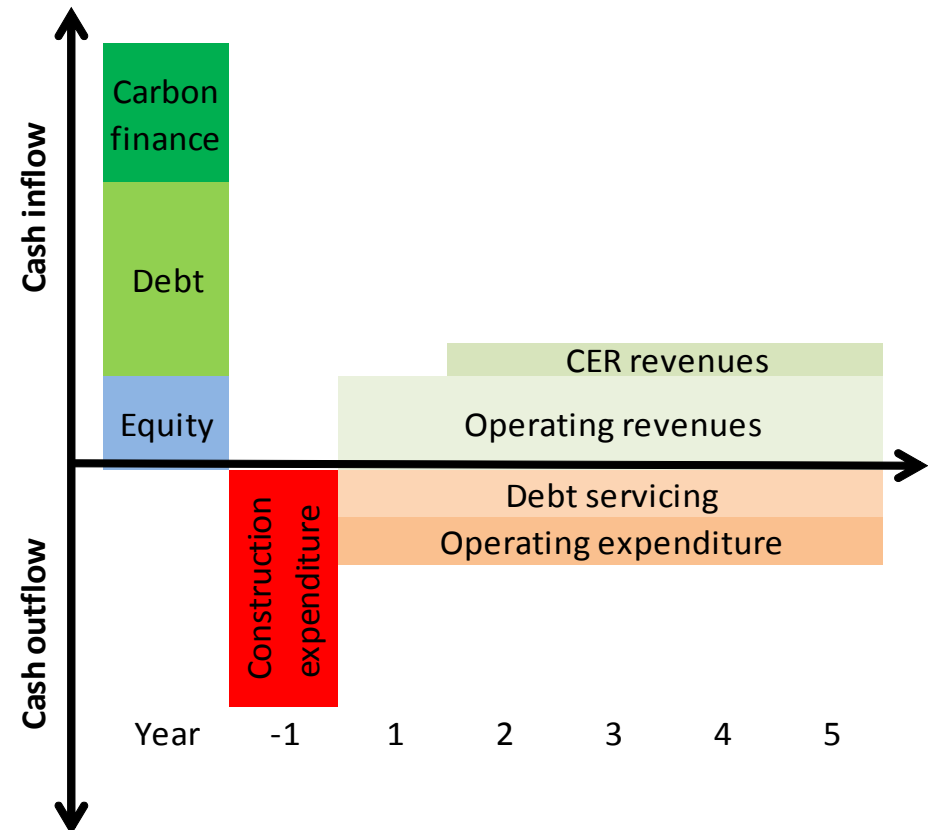
## Stand-alone RE projects

- 3 years until CDM revenues materialize (registration + 1<sup>st</sup> verification)
- Perceived high registration risk
- ⇒ CERs are not bankable at financial closure



## Under registered RE PoA

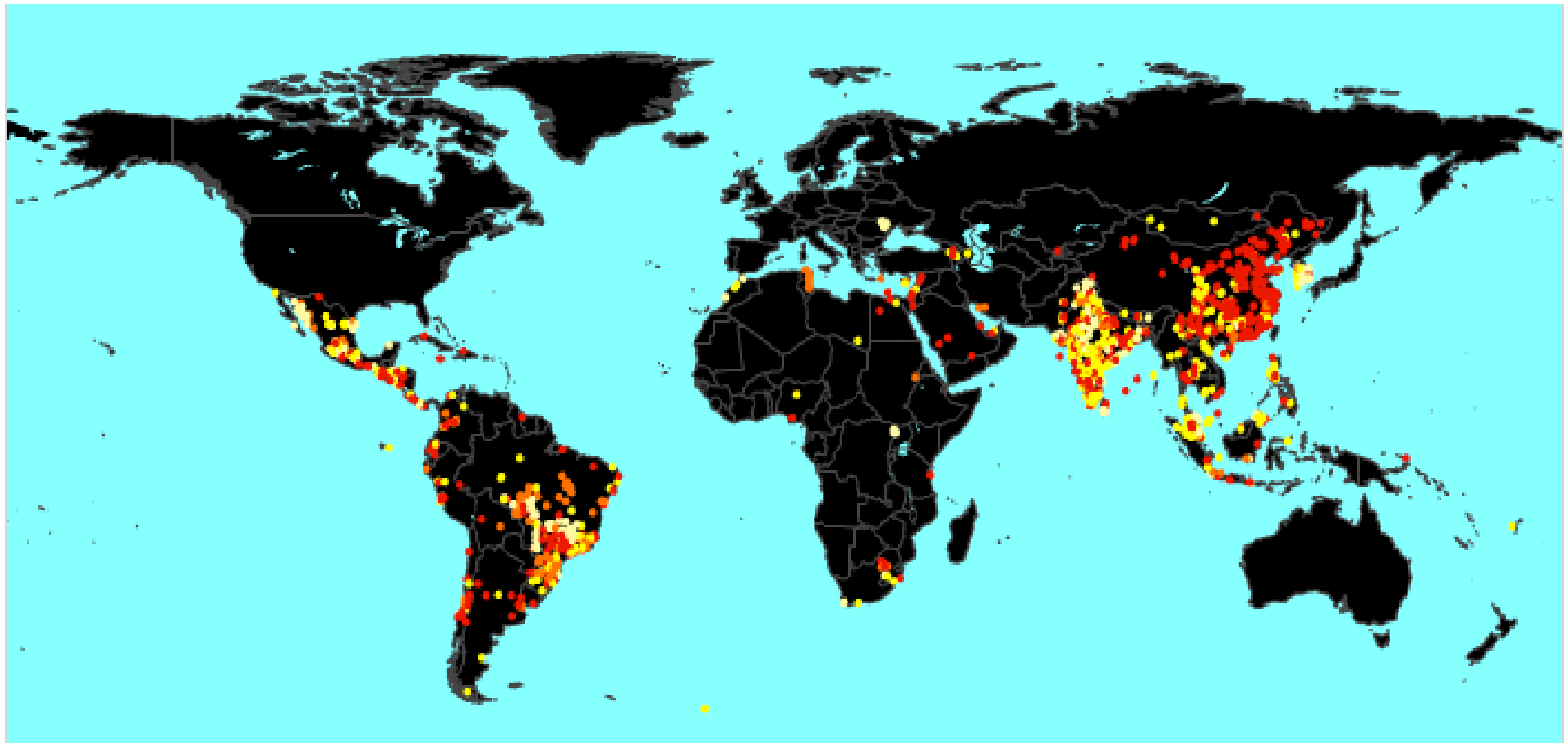
- ~15 months until CDM revenues materialize (inclusion + 1<sup>st</sup> verification)
- Low inclusion risk
- ⇒ CERs become bankable at financial closure



# Opportunity 3: Improve regional representation of CDM

PROJECT  
DEVELOPER  
FORUM

- Lower transactions costs & bankable CDM revenues
- Regional PoAs



# Opportuntiy 4:

## Step towards NAMAs & stand. approaches

PROJECT  
DEVELOPER  
FORUM

PoAs establish operational features of NAMA, e.g.

- Project identification & inclusion
- Program finance
- Carbon incentives for individual sites
- Monitoring, reporting verification (MRV)

Implications for Governments:

- ⇒ Identify national development / GHG mitigation priorities that can be implemented through PoAs
- ⇒ Promote PoAs to learn how to address NAMA challenges
- ⇒ Experiment with implementation models (public, private or PPPs)

# Yet, on current trends the PoA will not deliver on its potential

- The fact that 72 PoAs are in validation and 8 are registered underscore's the CDM community's desire to see the programmatic modality work
- However, many PoAs are funded through public grants, so 80 PoAs is far from representing a breakthrough of the PoA concept
- ***Only 1 PoA has managed inclusion of CPAs so far!  
No PoA has issued CERs to date.***
- Private CDM developers experience
  - very high costs and long delays
  - complex rules and uncertainty about how they will be applied – exacerbated by range of views on PoAs among EB members
  - major outstanding regulatory issues including uncertainty about how to deal with additionality and E+/E- under PoAs
  - lack of awareness of PoAs among DNAs
- The PoA modality will not deliver on its potential without visible regulatory support and improvement



## 2. What are the barriers in the current rules?

### 1. DOE liability and definition of an erroneous CPA inclusion (1/2)

The current rules governing the liability for erroneous inclusion — and by implication the entire PoA modality — are inoperable because of three interrelated reasons:

- (Potentially) Subjective assessment of eligibility criteria
- Trigger that can evolve over time
- Unquantifiable liabilities

See also paragraphs 15. , 16. and 19. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

## 2. What are the barriers in the current rules?

### 1. DOE liability and definition of an erroneous CPA inclusion (2/2)

Suggestion of change to the “PROCEDURES FOR REVIEW OF ERRONEOUS INCLUSION OF A CPA (Version 02)”:

*“Paragraph 9.*

*The Board shall decide whether to initiate a review of the inclusion of the CPA and shall decide whether to exclude the CPA from the PoA with immediate effect, if it determines that the CPA does not meet the eligibility criteria specified in PoA DD and was erroneously included with significant deficiencies related to fraud, malfeasance, or incompetence by Project Participants or the DOE into the PoA. Changes to general CDM guidelines or PoA rules, which could have an impact on the assessment of the PoA eligibility criteria as defined in the PoA DD and become effective after the date of inclusion of a CPA, shall not lead to a retroactive determination by the Board of an erroneous inclusion. “*

## 2. What are the barriers in the current rules?

### 2. Application of “VSSC *additionality guidelines*” under PoA

We consider it important that the application of this Guidelines for PoA should be made explicit

See also paragraph 9. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

#### **Small-Scale Working Group – Meeting report / recommendations to the Executive Board**

Annex 12

The Board also considered the applicability of these guidelines to project activities under a programme of activities (PoAs) and requested the secretariat to prepare an information note indicating options for application of the guidelines to PoAs to be considered by the Board at a future meeting.

## 2. What are the barriers in the current rules?

### 3. Applicability of existing documents for PoAs

In order to enhance flexibility and further simplification of PoA rules as compared to normal CDM project activities, we suggest that all the approved baseline and monitoring methodologies, standards, guidelines, clarifications and tools can be used for PoAs, unless explicitly excluded

See also paragraph 29. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

## 2. What are the barriers in the current rules?

### 4. Debundling under PoAs

Consistency between stand-alone CDM projects and PoAs by including the 2-year exemption clause in the rules governing the latter

See also paragraph 23. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

### **3. What are the rules that are not existing or are missing and should be there?**

#### **5. Absence of sampling guidelines**

Without this rule, economy of scale can only be realized at validation/registration time, however not at verification

See also paragraph 30. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

### **3. What are the rules that are not existing or are missing and should be there?**

#### **6. General PoA additionality criteria**

The PDF welcomes the new provision that allows the retesting of the additionality at CPA level by the mean of a financial analysis

However it is not clear whether this approach is compatible with PoAs supporting measures/technologies that have a low level of standardization (hydropower plants, energy efficiency measures in buildings, biogas projects, etc.) and for which the outcome of the financial analysis depends on many parameters.

In this case the PPs should still have the opportunity to perform a full financial analysis of the CPA on the basis of a predefined excel sheet (tailor-made for the PoA and taking into account the type of industry and the host country) validated by the DOE and used consistently for all CPAs

## PoAs “Wish-list ”

1. DOE liability and definition of an erroneous CPA inclusion
2. Application of “*VSSC additionality guidelines*”
3. Applicability of existing documents to be applied for PoAs
4. Debundling under PoAs
5. Sampling guidelines
6. General PoA additionality criteria
7. Start date of PoAs



## 4. What are the possible alternative concepts for a PoA?

- No need for completely new concepts or alternatives to PoAs. Focus on improvement of existing guidelines and further development, especially in the context of post 2012 carbon markets
- An increasing number of PoA will fall under NAMA in developing countries: how do they co-exist and interact?

### **Key topics:**

- **Defining the CDM EB agenda to regulate interaction between PoA and NAMA: i.e. explore JI track 1 style simplifications for PoA located within NAMA**
- **Defining the AWG LCA agenda to regulate interaction between PoA and NAMA: i.e. use CDM baseline setting procedure to facilitate a common approach for NAMA BAU setting**

Source: TRADING CARBON, March 2011



**If you want a NAMA tomorrow,  
you need a PoA today**

# Step towards NAMAs

PoAs establish operational features of NAMA, e.g.

- Project identification & inclusion
- Program finance
- Carbon incentives for individual sites
- Monitoring, reporting verification (MRV)

Implications for Governments:

- Identify national development / GHG mitigation priorities that can be implemented through PoAs
- Promote PoAs to learn how to address NAMA challenges
- Experiment with implementation models (public, private or PPPs)

We recommend to the CDM EB:

*Examine and provide* PoA rules and guidance that regulate the interaction between a PoA approach and NAMAs in developing countries that serve a similar purpose

## 4. What are the possible alternative concepts for a PoA?

There is great potential for scaling-up mitigation actions when addressing some key PoA design issues within the framework of a NAMA

### Key technical issues:

- **Additionality:** the additionality of an activity would be related and could be derived from the NAMA target. The host country has defined its emission target through the NAMA target and emission reductions that are surplus to this target could be deemed additional
- **Standardized baselines and benchmarks:** a NAMA implementing country could define and use standardized baselines and benchmarks to allocate and enforce the contribution of individual entities (or sub-sectors) to NAMA target compliance

## 4. What are the possible alternative concepts for a PoA?

- **Leakage:** by introducing mandatory GHG reporting requirements on the NAMA level, many sources of project-level leakage could be captured and controlled, thus easing the monitoring burden on the project level.
- **De-centralization of work-load and enforcement:** by shifting the authority for baseline setting, additionality testing and overall NAMA compliance enforcement to national authorities in developing countries, the work load on the CDM EB would be greatly relieved and allow it to focus on high level issues while capacitating and strengthening the authority of national authorities in scaling-up of mitigation actions.

See also paragraph 25. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

# **ANNEX – Further topics for the improvement of PoAs**

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7. Clear guidance for validation requirements for the inclusion of CPAs into the PoA
8. International PoAs
9. Further guidance to DNAs with regards to host country approval of PoAs
10. Start date of a CDM programme activity
11. Definition of PoA start date

### **3. What are the rules that are not existing or are missing and should be there?**

#### **7. Absence of clear guidance for validation requirements for the inclusion of CPAs into the PoA**

We suggest that the secretariat or the SSC WG group should compile a positive list of PoA activities (such as cook stoves or CFLs) for which a check box/desk top validation by the DOE for the inclusion into the PoA is sufficient

See also paragraph 26. and 27. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

#### **8. Further guidance to DNAs with regards to host country approval of PoAs**

We encourage the EB and Secretariat to provide information as well as more guidance and/or best practice examples to DNAs with regards to the benefits of PoAs as ideal tools to help roll out programmes across countries and how best to facilitate and approve PoAs at DNA level

See also paragraph 14. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60



## 2. What are the barriers in the current rules?

### 9. International PoAs

The development of international PoAs offers therefore great potential for small countries and LDCs where project activity density might be very low. However it is still unclear how international PoAs could be set-up and especially if the regional scope of PoAs could be extended after registration of the PoA

We suggest that the inclusion of new countries should be possible any time during the duration of the PoA

See also paragraph 13. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60

## 2. What are the barriers in the current rules?

### 10. Start date of a CDM programme activity

Allow CPAs to be included in a PoA if either the global stakeholder consultation of the CDM-PoA-DD has started or the PoA has already been publicly announced

If a PoA desires to include CPAs that have a project start date prior to validation start, the list of these CPAs should be indicated in the PoA-DD at time of submission of the PoA for validation

### 3. What are the rules that are not existing or are missing and should be there?

#### 11. Definition of PoA start date

Proposed clearer definition of the PoA starting date in the “GLOSSARY OF CDM TERMS (Version 05)”, as follows:

#### ***Starting date of a Programme of Activity (PoA – All types)***

*The starting date of a Programme of Activity is the earliest date at which either PoA has been first published for global stakeholder consultation, or publicly announced in the form of notifications to the UNFCCC Secretariat and/or the host country’s DNA.*

See also paragraph 8. and 11. from “SUMMARY OF THE PUBLIC CALL FOR INPUTS ON PROGRAMME OF ACTIVITIES” – Annex 07 EB 60