



UNSOLICITED COMMUNICATION

QUESTIONS FOR THE CALL FOR PUBLIC INPUTS ON THE USE OF THE FIRST-OF-ITSKIND BARRIER AND THE ASSESSMENT OF COMMON PRACTICE

I. First-of-its-kind

- a. How would you normally define prevailing practice and what influences the consideration of whether such prevailing practice constitutes a barrier?

Answer: The practices at the time of decision making are considered to be effective to deliver services or output similar to the proposed project activity.

There are number of risks/uncertainties involved in investing in a new practice which is not the case for the prevailing practice. These risks cannot be evaluated by technological or investment analysis. These risks may include the practice is so new that it is still under development, the regulations and policies are not in place etc. The prevailing practices which is risk free and have the ability to deliver same output stands as a barrier while making a decision to implement in a new practice.

- b. In light of the previous answer, in your understanding, is a "first of its kind" project always facing barriers due to prevailing practice?

Answer: If a project activity is "FOIK", it is clear that implementation of this specific technology is not yet "prevailing practice". There are number of risk/uncertainties involved in investing in a "non prevailing/new practice". Thus FOIK project always faces barrier due to prevailing practice.

- c. Consequently, is there a need for a FOIK concept in the additionality and combined tools or can the normal or further improved - investment analysis or barrier analysis test sufficiently or even better capture the additionality of a project?

Answer: There is a need for a FOIK concept in the additionality and combined tools. The objective of this concept should be to identify projects that are obviously additional based on their performance against other practices similar to the proposed activity providing same services/output. If FOIK test finds the project additional this should be the end of Additionality test.

- d. Is it sufficiently clear what constitutes a technology that is FOIK or is additional guidance required (e.g. geographical limitations, methodologies, industry and technology, other differentiating factors...)? How would one define this guidance?

Answer: The additional guidance on FOIK should include following:



1. The guidance should cover following aspects in assessing FOIK
 - a. A clear definition of “Technology” for which the FOIK analysis is being carried out.
 - b. A clear definition of “Similar activities and similar scale projects”.
 - c. A clear definition of “Geographical boundary” to be used for the assessment.
 - d. Parameters like “Regulatory framework” & “Investment climate” should be considered while assessing FOIK.
 2. An approach of performance analysis (preferably a micro level analysis) for both project activity and the prevailing practice while assessing “Technology” & “similar activities and similar scale projects”.
 3. Detail approach for assessment for different project categories (Renewable & Non-renewable).
 4. Technology specific approach on selection of benchmark/threshold on its penetration.
 5. The point of time when the FOIK assessment should be carried out.
 6. The inclusion/ exclusion of CDM projects or projects supported by other revenue source should be clearly described.
- e. Should there be technologies that are automatically deemed FOIK or technologies that are deemed never to be FOIK?

Answer: As discussed in the answer of question d), not only “Technology” is the criteria while indentifying FOIK project, the other issues need to be addressed in assessing whether a project activity is FOIK project. Rather than specifying “FOIK technology” or “not FOIK technology”, different approaches can be applied for FOIK assessment for different categories of projects (e.g. Renewable & Non-renewable). Category specific approach on selection of benchmark/threshold can be applied in assessing the FOIK project.

- f. Since FOIK is meant to reflect a barrier due to a very limited and quite unique application of a (new) technology, would it then be necessary to demonstrate how CDM helps to overcome this barrier?

Answer: As discussed above the FoIk project always faces barrier due to prevailing practice. The FoIk assessment should be formulated in such a way that it enables project participants to demonstrate the additionality in a simpler way. A FoIk project can be assumed additional without demonstrating how CDM helps to overcome this barrier.

- g. Should CDM projects (registered or under validation) continue to be excluded from the FOIK test in the long term? What would be a reasonable term?



Answer: In case of projects which have been implemented with CDM support, it would be difficult to make any judgment on whether these projects were doable even without these CDM assistance. Hence, it is only logical to compare the proposed project with only those projects which have neither received any CDM support. Hence CDM projects should be excluded from the FOIK test.

II. Common Practice (CP)

a. Is there a need for a CP concept in the additionality and combined tools or can the normal or further improved - investment and barrier analysis tests sufficiently capture the additionality of a project?

Answer: CP concept need not be made mandatory for the demonstration of additionality. Comprehensive guidelines for the demonstration of additionality in terms of “investment and barrier analysis” are already available – making the need for having further complimentary check of additionality redundant.

b. Should this concept be introduced early on in the assessment of additionality or should it continue to be implemented as a final stage of the assessment acting as a credibility check?

Answer: Since CP test cannot give a conclusion on the additionality test, keeping it before or after the “investment and barrier analysis” is irrelevant. Therefore, even if the CP test is kept early on result does not get affected.

c. Do you agree with the current approach to determine the CP of an activity?

Answer: The current approach is not clear enough for CP analysis. It can be noted that no guidance is available for the same. Refer below for further suggestions.

d. Is there a need to better define what constitutes a similar activity and the criteria used to identify essential distinctions (e.g. geographical scope, methodology, industry, technology, size, local circumstances, others criteria including the current criteria in the existing guidance)

Answer: We understand that there is a need for better definition of “Similar activity”. The guidance should provide clarity on the following criteria for distinctions:

1. A clear definition of “Technology” for which the CP analysis is being carried out.
2. A clear definition of “Similar activities and similar scale projects”. The project capacity range that should be covered for CP analysis needs to be specified.



3. A clear definition of “Geographical boundary” needs to be incorporated for the assessment.

e. Is there any other alternative approach to determine the CP of an activity? Should CDM projects (registered or under validation) continue to be excluded from the CP test in the long term? What would be a reasonable term?

Answer: The existing approach could be replaced by a “quantitative approach” for the CP analysis. It can be based on a standardized method to estimate benchmark/threshold of the penetration levels of technology.

In case of projects that are implemented or conceptualized with CDM support, it is only reasonable to assume (for CP analysis) that the projects would not be implemented without it. Hence CDM projects should be excluded from the CP test.

f. Should there be a list of activities that are exempt from the CP test?

Answer: As mentioned in the point (a.) above, CP test is not understood to be mandatory for the demonstration of additionality.

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