




F-CDM-RtB

 CDM: FORM FOR SUBMISSION OF “LETTER TO THE BOARD” (Version 01.1) <i>(To be used only by the Project Participants and other Stakeholders for submitting Letter to the Board as per Modalities and Procedures for Direct Communication with Stakeholders)</i>	
<i>Name of the stakeholder¹ submitting this form (individual/organisation):</i>	Project Developer Forum [Redacted]
<i>Address and Contact details of the individual submitting this Letter:</i>	Address: 100 New Bridge Street, London, EC4V 6JA Telephone number: +65 6578 9286 E-mail Address: Gareth.Phillips@pd-forum.net
<i>Title/Subject (give a short title or specify the subject of your submission)</i>	Comment on conditional letters of approval
<i>Please mention whether the Submitter of the Form is:</i>	<input checked="" type="checkbox"/> Project participant <input type="checkbox"/> Other Stakeholder, please specify
<i>Specify whether you want the Letter to be treated as confidential²:</i>	<input type="checkbox"/> To be treated as confidential <input checked="" type="checkbox"/> To be publicly available (UNFCCC CDM web site)
Purpose of the Letter to the Board:	
Please use the space below to describe the purpose for submitting Letter to the Board. (Please tick only one of the four types in each submission)	
<input type="checkbox"/> Type I: <input type="checkbox"/> Request Clarification <input type="checkbox"/> Revision of Existing Rules <input type="checkbox"/> Standards. Please specify reference <input type="checkbox"/> Procedures. Please specify reference <input type="checkbox"/> Guidance. Please specify reference <input type="checkbox"/> Forms. Please specify reference <input checked="" type="checkbox"/> Others. Please specify reference Further Guidance relating to CDM from CMP7	
<input type="checkbox"/> Type II: Request for Introduction of New Rules	
<input type="checkbox"/> Type III: Provision of Information and Suggestions on Policy Issues	
Please use the space below to describe in detail the issue that needs to be clarified/revise or on which the response is requested from the Board as highlighted above. In doing this please describe the exact reference source including the version (if any).	
PROJECT DEVELOPER FORUM	

¹ Note that DNAs and DOEs shall not use this form to submit letter to the Board.

² Note that the Board may decide to make this Letter and the Response publicly available



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Date		CHAIRMAN: Gareth Phillips t: +65 65789286 e: office@pd-forum.net
Subject		

Dear Mr Hession,

Members of the CDM Executive Board,

The PD-Forum is writing to express our concern about the request from CMP to the CDM EB to assess the implications of the withdrawal or suspension of letters of approval. We wish to highlight several serious concerns and make a suggestion as to how some of the issues raised might be taken into account.

We wish to highlight that the Letter of Approval is an absolutely essential element of the CDM process, indeed it could be described as the jewel in the crown of the CDM. Through the LoA process, investors gain certainty that CERs, which are essentially a sovereign asset, once issued can be transferred offshore and sold without interference by the host country. As investors in projects, Project Developers rely on the LoA to ensure that they can receive the CERs which make the project feasible. If the LoA becomes conditional, it means that future revenues from the CERs become conditional. That simple fact undermines the basis for investment in the CDM. In short, making LoAs conditional could effectively stop any further investment via the CDM.

Project Developers understand that in view of the Durban Platform, some host countries may wish to proceed with domestic emission trading schemes. We support such initiatives however we wish to highlight that in many projects, investments have been made on the basis of USD or EUR investments. Forcing PPs to sell ERs into a domestic scheme in a local currency, rather than continuing to sell CERs into an international market, may introduce very significant currency related risks.

Consequently, Project Developers rely on the definition in the glossary of terms which states that LoAs are unconditional and it is our strong recommendation that definition is not changed.

However, we do understand that host countries are concerned about how they ensure that CDM projects deliver on sustainable development benefits and / or social and environmental performance. Many CDM projects are inherently beneficial and if the project is operating, then many of the expected benefits must be being delivered – for example, renewable energy is a major contribution to sustainable development and if a renewable energy project is producing CERs then it must be producing the energy; likewise employment, training, technology transfer tend to go hand in hand with the successful generation of CERs. Therefore not all projects necessarily need to be scrutinized. We offer the following suggestion as to how this can be achieved:

- 1) We believe that the best approach is for the Host and Non-host parties issuing LoAs to require certain



commitments from PPs under a contract which can be enforced through their own legal systems. For example, the UK LoA application process states that fraudulent applications are subject to a criminal liability. In the case of sustainable development benefits or environmental and social performance, host parties could state that operating permits are conditional on meeting certain standards and DOEs could be asked to report on those standards of performance at verification.

- 2) To facilitate this process, PPs could voluntarily adopt enhanced social and environmental reporting standards which could be verified by DOEs. This process would be similar to that employed under the Gold Standard and would provide a transparent means of assessing whether a project has met its expected contribution.

Without prejudice, we wish to note the following observations about any process which makes the letters conditional:

- 1) If such a process is required, it should be one of negative control, such that a DNA needs to raise the issue if they object rather than the PP being required to obtain approval for each issuance. If individual approvals were required in advance of a request for issuance, it would be likely to add significant delays to the issuance process and it would likely add significant transaction costs.
- 2) Any process must be transparent with objective, publicly available criteria as to when an LoA may be suspended and re-instated or withdrawn.
- 3) There will need to be an appeals process whereby a PP can appeal against a decision to suspend or withdraw an LoA.
- 4) Any such procedure can only be applied to LoAs issued after the procedure has been adopted and must not be applied retrospectively to existing LoAs.

Finally we wish to take this opportunity to raise the issue of LoAs for PoAs. Some Parties are having difficulty issuing LoAs because of the open ended nature of the PoA and as a result, are asking PPs to submit applications for LoAs for each CPA. This is adding significant transaction burdens to the process and undermining the whole point of the PoA model. We would be grateful if the CDM EB would consider providing guidance on this matter.

With best wishes

Gareth Phillips

Chairman, Project Developer Forum

Please use the space below to any mention any suggestions or information that you want to provide to the Board. In doing this please describe the exact reference source including the version (if any).

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If necessary, list attached files containing relevant information (if any)	<ul style="list-style-type: none"> [replace this bracket with text, the field will expand automatically with size of text]
Section below to be filled in by UNFCCC secretariat	
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History of document

Version	Date	Nature of revision
01.1	09 August 2011	Editorial revision.
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