



Industrie Service

CDM JCW Bonn 12 March 2011
Module 1.2 „existing barriers within the current PoA rules”
An analysis from a DOEs perspective.“



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- **current status**
- **the liability dilemma**
- **additionality in the context of PoA**
- **other issues**

- **EB 47** provided the issuance of new guidelines for PoA, paras 70 – 73 of the meeting report and Annexes 29, 30, 31 and 32 hereto.
- However some open issues and obstacles remain, inter alia:
 - level and form of additionality demonstration,
 - sampling at validation and verification stage,
 - baseline scenarios in heterogeneous countries
 - liability of DOEs for erroneous CPA inclusion.
- Intensive discussions on additionality at **EB 51, 52** etc.
- **EB 55** provided updates of the PoA procedures and the erroneous inclusion procedures, inter alia
 - procedures for C/ME change
 - change of scope of CPA inclusion
 - definition of erroneous inclusion
- intensive discussions on additionality at **EB 55, 56**, however no specification up to **EB 59**



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- CDM is working and it is a success story!
- However sometimes it is being criticized by project developers for being too complex, lengthy and inflated with high transaction costs
- At the same time sometimes environmental integrity is challenged by NGOs or media
- Hence Programme of Activities must address both issues

The liability dilemma II



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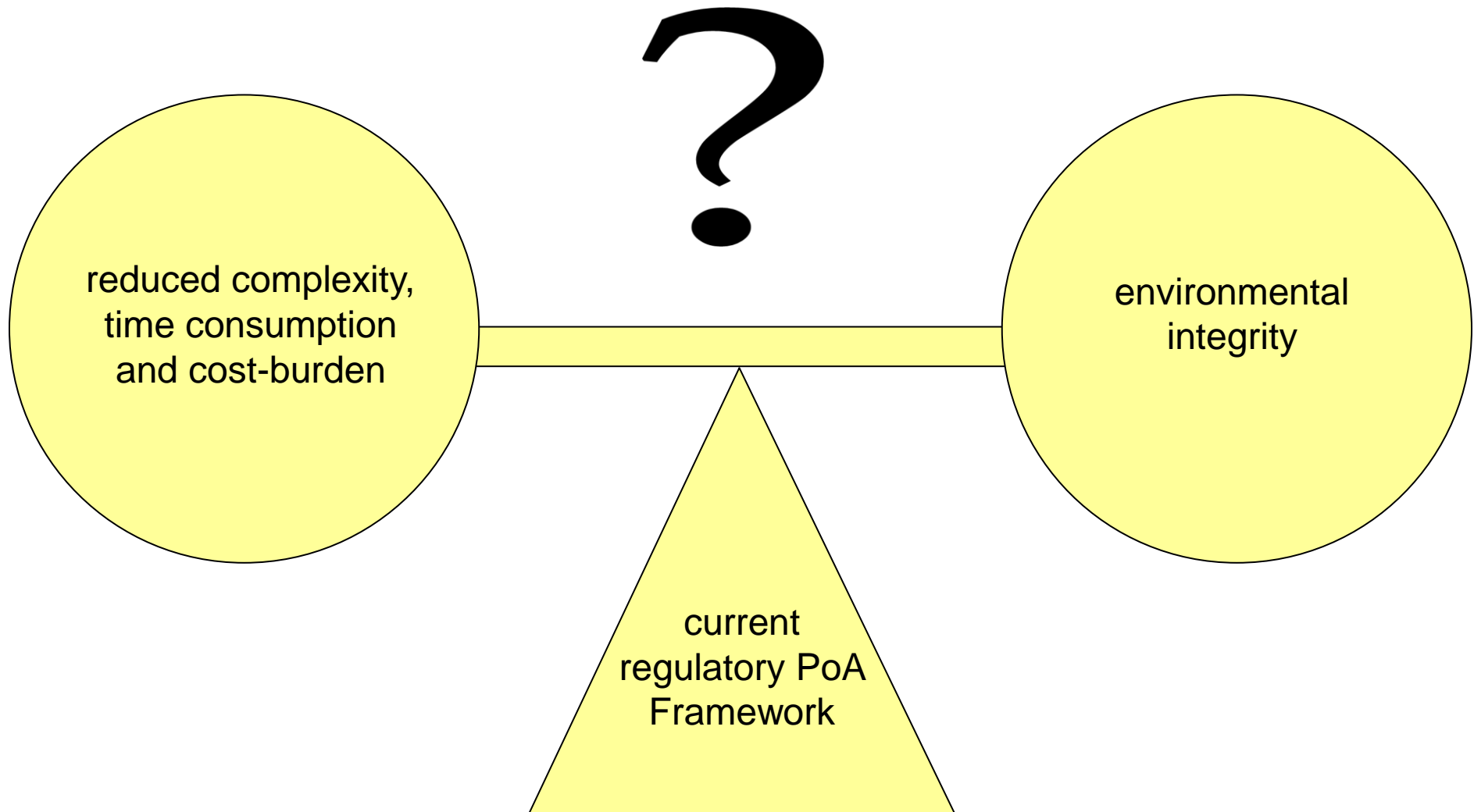
reduced complexity,
time consumption
and cost-burden

environmental
integrity

The liability dilemma II



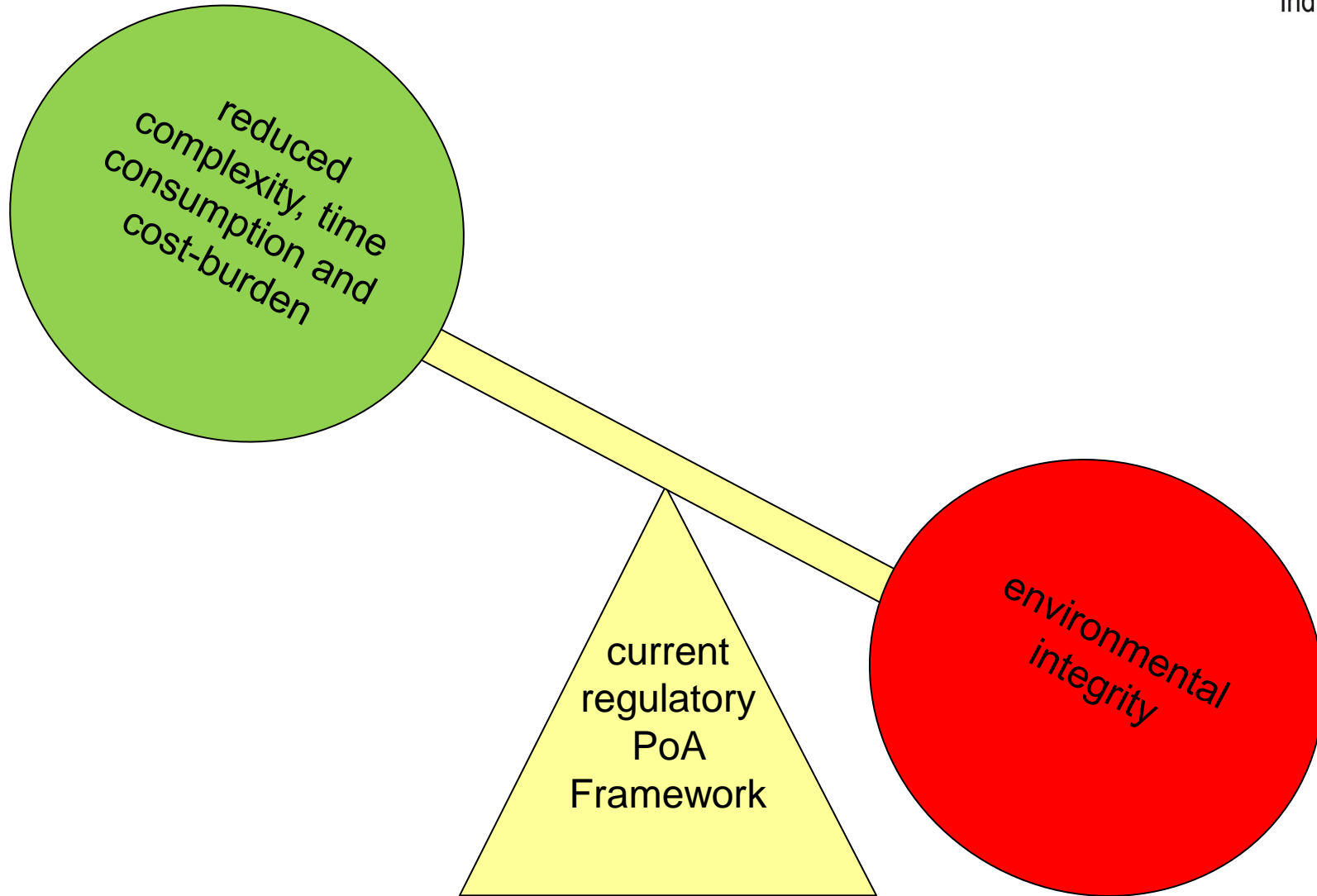
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The liability dilemma III



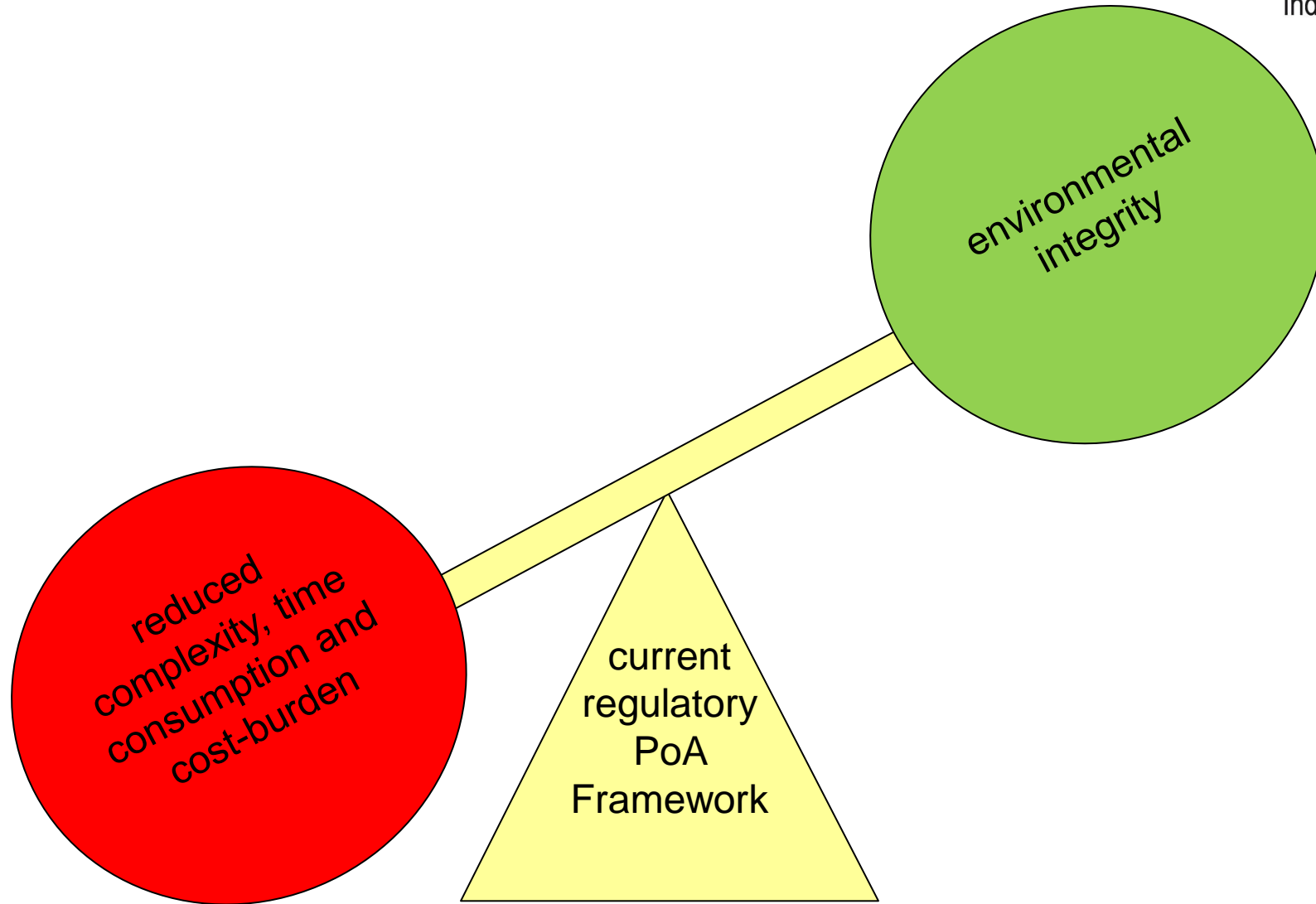
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The liability dilemma III



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The liability dilemma IV



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- lack of symmetry: responsibility vs. control of information
- if one entity bears full liability it needs room for managing its risk => thorough assessment => full validation
- contradicting claims: a slim, quick and cheap inclusion (lower transaction costs!) vs. environmental integrity

➤ Pre-EB 55:

- para 20: „The DOE shall scrutinize the information in the CPA-DD against the (...) PoA“, and
- confirm „consistency/integrity“
- => desk review

➤ Post-EB 55:

- para 24: „The DOE shall scrutinize **the CPA and** the CPA-DD against the (...) PoA“, and
- confirm that „...the CPA meets the requirements of the PoA...“.
- „erroneous inclusion (...) means that the CPA does not meet the eligibility criteria“
- => **full validation**

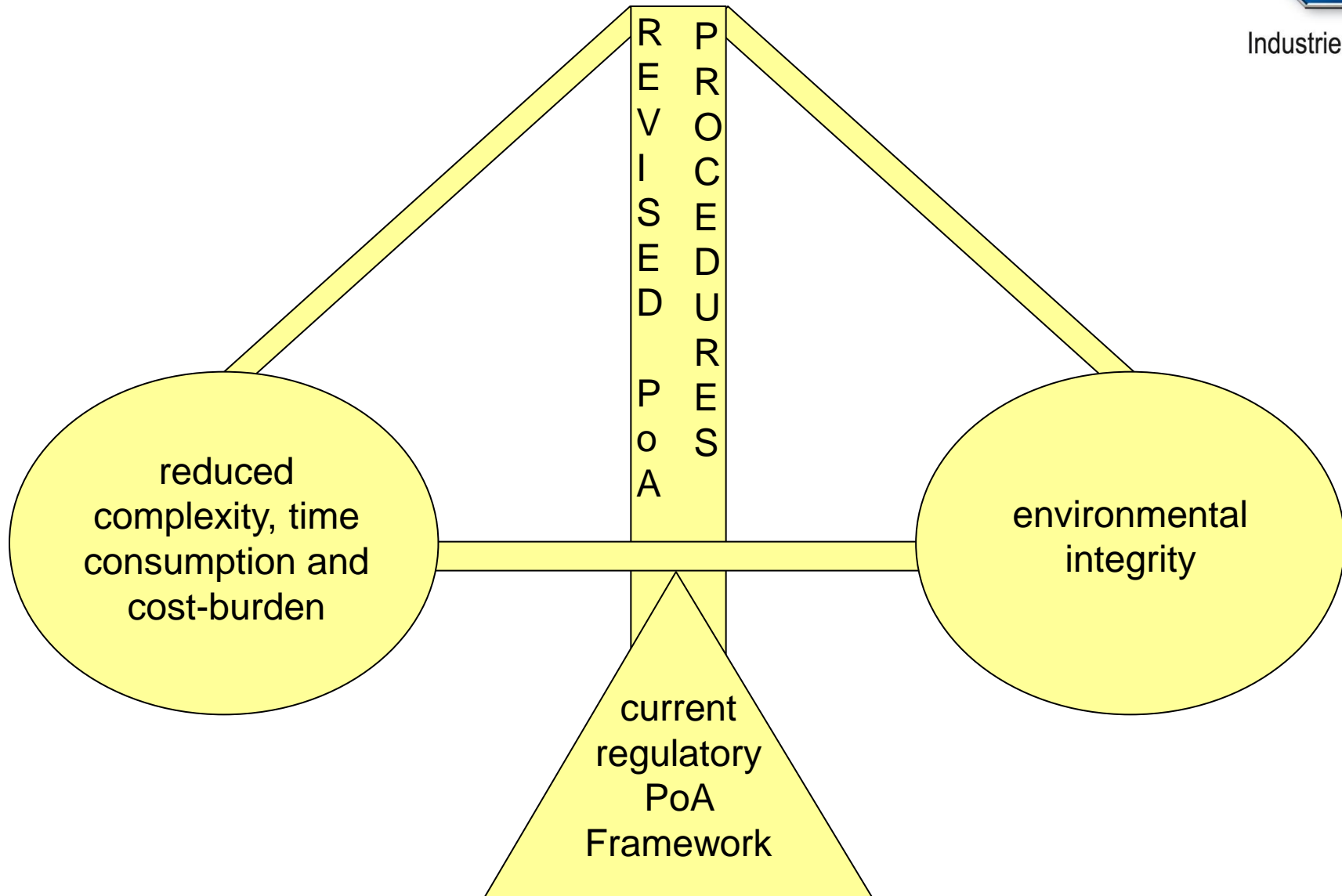
- potential ways out of the liability dilemma:
 - EB should provide clear definition of the assessment scope for CPA inclusions
 - unless gross negligence is involved in the CPA inclusion by a DOE, liability should be taken away from the DOE and be taken over by the entity that (i) controls the information regarding the CPA and (ii) is the owner / receiver of the CERs

- see for example: CPA/VPA/JPA liability in JI or GS-VER

The liability dilemma VII



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- Level and form of additionality demonstration, EB 47, para 73 of the meeting report:
 - The Board, noting that in the context of PoA that additionality is to be demonstrated either at the PoA level or at CPA level, requested the secretariat to prepare a guideline (...) to be considered at a future meeting.
 - Was to be adressed at EB 51, 52, ... 56, ...
 - How to capture additionality through eligibility criteria (see: PoA-Procedures B.4 (e)(g), B.5 (e)(i), C.12 (a)(b))?
- Current discussion at UNFCCC secretariat and EB:
 - demonstration of Additionality on PoA level
 - CPAs only have to demonstrate that they are a consequence of the PoA

- Sounds good? Making sure that any CPA would not have been realized *in the absence* of the PoA reminds us of
 - para 43 of the CDM Modalities and Procedures:
 - „A CDM project is *additional* if GHG (...) are reduced below those that would have occurred in the absence of the registered project activity“
- For DOEs to prove the counterfactual in the context of CPA inclusions is likely to be as complex, tricky, cumbersome *and risky* as the prove of additionality in normal CDM projects
- Yet again: consequence => full validation of each CPA, including additionality assessment

➤ Potential ways out:

- EB should address nature and level of addtionality demonstration for CPAs in the PoA section of the very Baseline Methodologies
- Default additionality alleviations (e.g. renwables in LDC – EB54)
- Clearly define scope of expected DOE assessment in the context of pre-inclusion assessments with regards to additionality of CPAs



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➤ Sampling at validation stage

- According to CDM M&P and VVM (in particular paras 67 and 85) DOEs must confirm the correct and conservative identification of the Baseline
- Validation report must state *how* the DOE ensures that the PPs present the Baseline in a verifiable manner
- Particular relevance for PoA with a multitude of subsystems. In the context of various project categories on-site visits are crucial for baseline confirmation. What would be considered statistically sound?
- EB Sampling guidelines (EB 50)
- Specific guidance in the context of PoAs needed

the end



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Thank you very much for your attention!

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