

 CDM: FORM FOR SUBMISSION OF A "LETTER TO THE BOARD" (Version 01.2)	
<p>This form should be used only by project participants and other stakeholders for submitting a "Letter to the Board" in accordance with the latest version of the <i>Modalities and procedures for direct communication with stakeholders</i></p>	
<i>Name of the stakeholder¹ submitting this form (individual/organization):</i>	Beijing Rural Well-Off Economy & Technology Development Center(Guonong for short)
<i>Address and contact details of the individual submitting this form:</i>	Address: Room#902, Jiayou Building, No.25 South Road of Landianchang, Haidian District, Beijing P.R.China 100097 Telephone number: +86-(0)10-88400876 E-mail address: guononginfo@gmail.com
<i>Title/Subject (give a short title or specify the subject of your submission)</i>	Request for special treatment of registration fees for rural household biogas CDMs
<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)
<i>Please choose any of the type(s) below³ to describe the purpose of this submission.</i>	
<p><input checked="" type="checkbox"/> Type I:</p> <p style="padding-left: 40px;"> <input type="checkbox"/> Request for clarification <input checked="" type="checkbox"/> Revision of existing rules </p> <p style="padding-left: 80px;"> <input type="checkbox"/> Standards. Please specify reference <input checked="" type="checkbox"/> Procedures. Please specify reference Appendix 1 of Clean Development Mechanism Project Cycle Procedure, CDM-EB-A342-PROC <input type="checkbox"/> Guidance. Please specify reference <input type="checkbox"/> Forms. Please specify reference <input checked="" type="checkbox"/> Others. Please specify reference Concept Note_Share of Proceeds for administration_adjustment analysis, CDM-EB74-AA-A11 </p> <p><input type="checkbox"/> Type II: Request for Introduction of new rules</p> <p><input type="checkbox"/> Type III: Provision of information and suggestions on policy issues</p>	
<i>Please describe in detail the issue on which you request a response from the Board, including the exact reference source and version (if applicable).</i>	

¹ DNAs and DOEs shall use the respective DNA/DOE forms for communication with the Board.

² As per the applicable modalities and procedures, the Board may make its response publicly available.

³ Latest CDM regulatory documents and information are available at: <http://cdm.unfccc.int/Reference/index.html> .

We are writing on behalf of a consortium of POs and stakeholders to explore possibilities of granting us special treatment to the registration fees for our CDM projects to be developed.

Guonong is a CDM developer dedicated to the large-scale development and management of China's rural household biogas digesters. As such, Guonong is authorized by the Chinese DNA (i.e. NDRC) to represent project participants to handle all the transactional matters pertaining to the developmental processes. So far, Guonong has successfully registered 20 small-scale CDM projects and a PoA, with their respective registration numbers tabulated in the Annex1.

However, we are confronted with onerous burden of registration fees moving . Up till now, Guonong has lined up more than 250 rural household biogas CDM projects in our developmental pipeline, which are distributed in several geographic clusters across the country. Each of our projects involves 14000 households, with 42,000 tCO₂e annual emissions reduction potential on average. If taking a conservative estimate by assuming a typical rural household size of 4, all of our projects combined may involve as many as 13,000,000 rural population.

In accordance with the relevant EB provisions (namely, Appendix 1 of the Project Cycle Procedure, CDM-EB65-A32PROC), USD6,900 registration fee will be needed to register each CDM project. In this light, a total of USD1,725,000 will be payable by Guonong to bring our 250 projects to successful registration. This will amount to an astronomically high and financially prohibitive sum if we intend to develop all of our projects unilaterally and in parallel. Such an exorbitant amount (to the tune of RMB1,725,000 equivalent (cf. Endnote 1) is certainly unbearable for poor farmers as our de facto POs, who are mostly located in the impoverished localities of China.

Given the current carbon market situation, CER prices and trading volume, we strongly feel that the current fee level will dampen their enthusiasm for project participation, thus threatening to hamper the promotion and implementation of rural household biogas CDM projects in China.

In the meantime, we have noticed a report coming out of the EB74 meeting, namely Concept Note Share of proceeds for administration - adjustment analysis (CDM-EB74-AA-A11) ; the report states that "as can be seen from the above analysis, the impact of a reduction or waiver of registration fees in terms of reducing costs for CDM developers , i.e. the benefits for project developers would not be significant in relation to other costs. On the other hand, the impact on CDM revenue would be more substantial." We respectfully disagree with the above finding, feeling that it falls out of line with the changing reality of CDM development where many DOEs have recently lowered service charges to accommodate to the depressed carbon market. This has reduced the proportion of validation and verification costs as percentage of the total developmental costs.

To our best knowledge, the prevailing rate for validating a distributed rural household biogas CDM project has been reduced from Euro25,000-30,000 (equivalent to RMB 207,337.5 - 248,805) in 2012 to the current level of Euro 10,000 - 12,500 (RMB 82,935 –103,668.75). Consequently, registration fees (share of proceeds administration) have risen to assume the lion share of the total development costs, thus constituting the major barrier for CDM project development going ahead. To add to the POs' financial woes, the majority of CDM projects will not be able to generate any real carbon revenue for the foreseeable future given the sagging carbon price. Therefore, contrary to the finding of the aforementioned EB report, nowadays adjustment of registration fees will make a notable difference to the financial prospect for most projects, especially so for distributed rural household biogas projects, each containing an average of more than 10 million poor rural households.

Endnote1:

(Currency exchange rate cited above is based on the conversion rate published by the Bank of China on September 29, 2013, where USD1 = RMB6.1495, EURO1 = 8.2935RMB. Refer to Annex 2 for the screen shot of the conversion rates.

Please provide any specific suggestions or further information which would address the issue raised in the previous section, including the exact reference source and version (if applicable).

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We shall stress that the significance of smoothly developing and successfully registering this type of projects in China to the global response to climate change can never be underestimated. We so argue not only because such projects can better help farmers solve their daily livelihood hardships, provide financial incentives for farmers to participate in GHG mitigation, but also because these projects play a critical role in helping repair and improve rural ecological environment, and enhance the prospect of local sustainable development in Chinese countryside. Rural household biogas CDM projects achieve those goals mainly through changes they help bring about to peasants' habits of energy consumption, which will also ease the energy shortage in their daily life. The main beneficiaries are rural households in the most impoverished localities, while the project size and annual emission reduction are typically small; therefore the unit cost of GHG mitigation is a bigger concern for successfully implementing this type of projects. On another hand, given the negligible percentage of such type of projects in the universe of registered projects (0.4% in terms of number and 0.14% in terms of estimated annual emission reductions, cf. Endnote 2), we guess taking exception with our type of projects will not cause chain actions among subsequent, dissimilar projects to be submitted.

Based on the foregoing, we request and sincerely hope that EB could seriously consider our appeal to waive or reduce registration fees to be levied on our projects, or otherwise to put off their collection date till after the date of CER issuance.

End Notes2:

(As of September 29, 2013, EB registered 7566 projects, with a total estimated annual emission reductions of 945,939,816 CO₂e; in comparison, there are only 30 registered projects of our type, with a total estimated annual reduction of 1,316,415 CO₂e)

If necessary, list attached files containing relevant information (if any)

- Annex1: the project list containing registered SSC CDM projects and POA by us
- Annex2: the screen shot of exchange rate from Bank of China on the date writing the appeal dated Sep.29, 2013

Section below to be filled in by UNFCCC secretariat

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History of document

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