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*Sent by e-mail to: nbhanumathidas@co2credits.biz,
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Re.: EB is not concerned about its decisions which are going at a tangent to its commitment of “improving the objectivity, clarity and broadening applicability, and/or ensuring environmental integrity of CDM rules (EB 62, Annex 15, clause 10 (b)).

Dear Dr Bhanumathidas

On behalf of the Chair of the CDM Executive Board (the Board), I would like to thank you for letter of 5 November 2013 communicating your concerns on the treatment of your policy recommendations. Your letter has been made available to the Board. In addition to that, I would also like to thank you for your previous letter of 15 October 2013. Your concerns on the treatment of your submission SSC_680 as well as your request to provide additional clarifications and reconsider the recommendation and decision related to this submission are noted.

I would like, on behalf of the Board, to provide the following clarifications requested in your letter.

As you may be aware, CDM rules need to strike a difficult balance between multiple criteria such as broad applicability conditions, simplicity, transparency, predictability, consistency, conservativeness and environmental integrity. Under any regulatory system, including the CDM, proposed changes in rules need to be assessed based on their merit, taking into account their full potential impact. Therefore changes proposed for the benefit of one participant alone cannot constitute the sole basis for evaluating adjustments in regulations. In this context, I would also like to point out that the current “Guidelines on assessment of debundling for SSC project activities” have been applied successfully in the CDM for many projects across a broad range of project types over the years.



The submission contained in letter 2012-198-S to the Board, received on 20 December 2012, requested raising the threshold, below which independent subsystems/measures are exempt from the de-bundling assessment, from its current 1% to 6%. As you correctly point out, this submission was not deferred to the Small Scale Working Group (SSC WG) or the Board, due to the following reasons:

- a) The basis for the proposal appears to be only to benefit the proponent's project. A transparent and robust justification with data sources as to why this precise threshold should be selected and applied for the whole CDM regulatory framework was not provided;
- b) The proposed threshold is not consistent with other thresholds in CDM rules, such as those in the Guideline "Demonstrating additionality of microscale project activities";
- c) The justification as to why the threshold would be applicable across geographical regions and project categories was not provided;
- d) The conservativeness of the proposed threshold was not demonstrated;
- e) The current guideline with its threshold of 1% has been successfully applied across many project types;
- f) The proposed change in the threshold seems to present major risks, as many common types of small-scale CDM projects consist of subunits generating emission reductions in the range of 2000 to 3000 tonnes per year.

With regard to the difference between bundling and debundling, I would like to clarify that these concepts are used for different purposes. To reduce the complexity of dispersed projects, project participants can choose to bundle several components for one or more project cycle stages. In this case, the bundle is assessed as a single submission. Debundling, on the other hand, refers to a practice of separating large-scale project activities into smaller separate parts. The objective of assessing the occurrence of debundling is to prevent a large-scale project activity from using the simplified modalities and procedures for small-scale CDM project activities¹.

Your concern as to the repeated mention of the definition of project participant was also noted. As you rightly point out, the assessment of the occurrence of debundling is performed on project participants with an exemption for those whose subunits do not exceed the 1% threshold of the respective small-scale project type. In this context, I would like to highlight that the current CDM rules recognize project participants solely on the basis of the involvement of entities in CDM projects. The CDM does not currently consider the ownership structure of units at which activities are being implemented.

On behalf of the Board I would also like to reiterate that while decisions from the Board are final, stakeholders are not prevented from resubmitting their requests. Over the years many stakeholders have successfully resubmitted (i) request for registration of projects and (ii) request for revisions of methodologies, tools or even regulatory documents. In doing so, submitters are invited to provide adequate justification and documentation. For resubmitting request for projects registration, stakeholders should apply appropriate revisions to demonstrate compliance with CDM requirements for validation and registration. For resubmitting policy proposals, submitters should demonstrate that the proposed amendments achieve the overall objectives of the mechanism as detailed in the CDM Modalities and Procedures.



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From your letter dated 15 October 2013, I understand that you consider that the assessment given to your proposal SSC_680, does not match the scope of amendments you had intended to trigger. Therefore you may wish to further elaborate and resubmit your proposal for exempting “*independently owned small scale units from the debundling assessment*”, highlighting that no change in the definition of project participant is sought. In order to ensure an adequate consideration of your proposal, I would like to encourage you to provide concrete options for validating the independent ownership of the small scale units.

On a final note, please allow me to reiterate that small-scale projects can use any of the four criteria listed in paragraph 2 of the “Guidelines on assessment of debundling for SSC project activities” to demonstrate their eligibility to use the simplified modalities and procedures for small-scale CDM project activities.

Yours sincerely,

Andrew Howard

P.P. Secretary to the CDM Executive Board