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To cdm-info@unfccc.int
From leo.perkowski@pd-forum.net
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Dear Mr. Mahlung,

Honourable Members of the CDM Executive Board,

The members of the PD-Forum are very pleased to see the Executive Board pro-actively addressing CMP5 recommendations to improve timelines and effectiveness of administration of the CDM. In particular we strongly support the decision to delegate 'project by project' decisions, allowing the EB to focus on policy issues, management and leadership to the market, that is, their executive role.

We also wish to convey to the Vice Chair our appreciation for his having made a special effort to reach out to stakeholders ensuring all were aware of this most important Call for Input. This action is again another example of the Board's intent to meet the spirit of the CMP5's request for enhanced communications and mutual respect with CDM stakeholders.

Regarding the proposed improvements, the PD-Forum would like to provide constructive inputs of both a general and specific nature for each proposed draft document. In our analysis of these documents, we prepared comparative drawings and timeline graphs and have attached them for your review and consideration.

Comments and recommendations:

1. General overall comments on the four draft procedures

- a. The completeness check is part of the request for registration/issuance process. As such fixed timelines applying to the duration of completeness check must be added to the request for registration and request for issuance processes. Anything less would render these processes meaningless. As noted below completeness checks make up a significant portion of the timeline.
- b. As with the findings of the technical review performed by **McKinsey & Company**, we feel that the Secretariat and DOEs must perform, and be responsible for their respective roles in the registration and issuance process and those roles must be clearly and absolutely defined in these processes.
 - i We feel completeness checks by the secretariat should be restricted to a quantitative check of the physical presence of the required documents.
 - ii As an administrative task, a dedicated team might be established, separate from Registration and Issuance Team (RIT), to do completeness check work. A properly designed work flow process could reduce time it takes to perform the

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- completeness check activity from the 70 plus days it currently takes to within a few working days of submission.
- iii The DOEs must be responsible for the qualitative nature of the submitted documents. Otherwise, the already burdensome and unattractive registration and issuance processes will spiral out of control with the addition of more time and resources to do the job.
 - c. During any review of registration or issuance, it is critical that stakeholders as well as the secretariat have a complete understanding of the scope of the review and the associated issues and concerns. As such, we strongly suggest that within three days of the review notification, the secretariat convene a conference call between the stakeholders. This would make great strides in resolving many small issues that currently clog up the current request for review process as well as better prepare the DOE/PP to clarify the issues raised, hence saving time and resources at all levels, PP, DOE, and UNFCCC.
 - d. With respect to the recommended procedures – while definite timelines contemplated are a good step, the length of the periods for review, clarification, analysis, etc. are longer than the current effective lengths. We performed an analysis between the current and proposed issuance review procedures and found no efficiencies. Worse, we in fact found the proposed procedure can take up to 70 extra days on over 63% of the request for issuances. See Attachment 1 and 2.
 - e. There is no language in either of the review procedures allowing the DOE/PP to appeal the secretariat's recommendation. Therefore we have added language to paragraphs 18, 19, and 20 of both procedures to, at a minimum, give the DOE/PP the option to provide direct input to the EB when they consider a recommendation to reject a registration or issuance.
 - f. In order to improve transparency in the clarification and decision making process, the following project specific anonymous documents should be made available to PP/DOE for all reviews at registration and issuance:
 - i Summary Note prepared by the secretariat
 - ii The secretariat's initial assessment of the by PP/DOE clarifications to a request for review
 - iii Final assessment of the responses from and further communication with the PP/DOE during the review
 - iv RIT independent assessment with detailed reasons for recommendation for rejection of registration/issuance
 - g. We also note that in both the current and proposed procedures the final outcome of a Request for Review must always be decided at an EB meeting. This is particularly disappointing as the EB has only scheduled 6 meetings for 2010 (one less than 2009 and 2 less than 2008) which is in part the reason why a review under the proposed procedures can add up to 70 additional days to the process. In order to make the process more efficient, free up the agenda during the EB meetings, and maintain environmental integrity, the review procedures should allow electronic voting when both of the following conditions are met:
 - i where the PP/DOE clarifications are sufficient for the secretariat to recommend registration or issuance (with or without corrections)
 - ii and the independent assessment concurs with the secretariat's recommendation to register/issue (with or without corrections).

Of course the EB should maintain the prerogative to review any case during the EB meeting but this should be an exception rather than the rule when the two defined conditions are met.

2. Draft Procedures for Requests for Registration of a Proposed CDM Project Activity

- a. General:
 - i The VVM is a powerful tool to ensure environmental integrity and it is well accepted by members of the PD-Forum. However, the VVM has also been perceived as an unfair and unpredictable backdoor method to introduce new criteria and requirements to existing registered projects. We suggest that the VVM version in place at the time of public consultation be used to validate a

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- project, rather than the most current version of the document. The precedent has already been set with methodology versions.
- ii We suggest that the process allows that once a project has been approved for registration, the date of registration can be back-dated to the date that the PP paid the registration fee. This would maintain maximum incentive for developing emission reduction projects and would remove some investment uncertainty from the process.
- iii The completeness check process should be integrated to the request for registration procedure and should be bound by a fixed timeline in the same way that review timelines have been proposed.

b. Specific:

- i Para 5: Replace "...in the latest version of the CDM VVM..." with "...in the version of the CDM VVM in place at the time of submission for public consultation."
- ii Para 7: PP shall pay the fee and provide proof of payment (not DOE)
- iii Para 9: To maintain the chronological approach within the documents we suggest this paragraph be moved to follow paragraph 6.
- iv Para 10. We suggest the following sentence be added: *"If the secretariat determines that the submission is not complete they will notify the DOE/PP. If the DOE/PP is not notified of any incompleteness within 15 days of receipt of the required documents and payment, the submission will automatically deemed to be complete and therefore published."*
- v Para 14: We fully support reducing the public consultation periods and other process efficiencies. However, we suggest that the date of registration be changed to the date on which the registration payment had been received.

3. Draft Procedure for Review for requests for registration

a. General:

- i We are supportive that the new review of registration/issuance procedures eliminates the step where the EB determines if a review is warranted and, upon determination that it is, leads the review process with two EB members. As we stated in our opening paragraph, we support the delegation of operational issues so the EB can provide more executive oversight.
- ii The current process also allows for communication between the secretariat and DOE/PP but rarely, if ever, is it used. Such communication must be institutionalized.
- iii On most review cases, the PP submits to the DOE both clarifications and the corrected documentation, e.g., PDD, spreadsheets, etc. Even so, when the EB decision to register (pending corrections) is released, weeks may go by until the documentation is acknowledged and the registration is final. We feel the DOE should have an option to notify the secretariat and EB when corrected documentation is attached. This can easily shorten the cycle by weeks.
- iv The process should make reference to the forthcoming process for appealing EB decisions, according to the decision taken at CMP5.
- v *The Guidelines for the consideration of request for review and review* (EB49 Annex 21) should of course be updated to reflect the new process once it is finalized.

b. Specific

- i Para 1 and 2: Para 65 of the CDM Modalities & Procedures speaks to Requests for Review at Issuance. As the scope of this document includes requests for review at registration, we suggest any reference to Para 65 be eliminated to avoid confusion.

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- ii Section B appears to be a chronological listing of the steps needed to be taken to request a review. That being the case, we suggest Para 9 be inserted following Para 6 and it as well as the subsequent paragraphs be numbered accordingly.
- iii Para 6: It should be clarified that a review should be requested in line with the 'Guidelines for the consideration of request for review and review cases', suitably updated to be appropriate to the new process, eliminating reference to request for review.
- iv Para 9(a): We suggest the text be modified to "Include a *completed* CDM project activity registration review form (F-CDM-RR) using the latest form adopted by the CDM EB." As the review process is not envisaged to be a common practice, perhaps the addition of the link to the form may be helpful:
http://cdm.unfccc.int/Reference/PDDs_Forms/Registration/index.html
- v Para 9(b) To fulfil CMP 5 decision on CDM, Para 7 b) to provide the whole reasoning, what rule is deemed breached, by what potential fact, we suggest the wording of the sentence be changed to:

"When completing the form, provide the proposed scope of the review, specific reasons for the request for review, cite the rule or guidance that has been breached and provide any supporting documentation."

The form F-CDM-RR may have to be edited to include the scope and rule citations.

- vi Para 10(b) An anonymous version of the registration review form(s) shall be made publicly available and the Summary Note (prepared by the secretariat during the request for registration period) shall be made available to the PP/DOE associated with the project.
- vii Para 10(c) Along with the DOE/PPs the secretariat should identify a contact person for the review. Further, at times issues raised during the request for review are of a highly technical nature and require more than two weeks to address. Therefore we recommend the following sentence be added to paragraph 10(c):

For concerns of a highly technical nature or when the scope of the review is ambiguous, the DOE may, with project participant agreement, request an extension to provide the initial response to the issues identified in the request for review. Such requests shall be addressed to the secretariat and replies to extension requests shall be given to the DOE/PP within two working days.

- viii Para 12: The last sentence should read: "...no later than three weeks after receipt of the PP/DOE response." The five week period is based on two weeks for the PP/DOE and 3 weeks to analyze the response. Simply because a PP/DOE is allowed 2 weeks to prepare a response does not mean it will always be needed. Therefore, the secretariat's 3 week review period should begin upon receipt of the DOE/PP response, not a fixed schedule based on the original notification date. Further, if an entire PDD and supporting documents can be reviewed in 28/21 days, are three weeks required to clarify one or two specific issue(s)?
- ix Para 12: If after a review of the clarifications provided by the PP/DOE the Secretariat informs the PP and DOE that there are no further issues, the PP and DOE should also be informed that the EB will perform an electronic vote on secretariat's recommendation within 14 days or, in the case where the secretariat recommends the registration be rejected, the EB meeting at which their case will be considered. This will help to remove uncertainty.
- x Para 18: The DOE/PP should be notified of the final recommendation and assessment and provided a copy of the final assessment and RIT assessment

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for review, especially in cases where it is recommended to reject the registration. As such, an additional Section should be included as follows:

E. Final DOE/PP Input

Para XX. If so desired, the DOE/PP may provide written input to the EB for consideration. This input shall be submitted to the secretariat no later than 3 working days after receipt of the final recommendation and assessment.

- xi Para 19: This paragraph should include the option for the DOE/PP to comment as follows:

Para 19. Each recommendation input shall be placed on the agenda of the Board meeting for which the RIT assessment and DOE/PP input has been received in advance of the circulation of the proposed agenda.

- xii Para 20: The EB should in the case of 20(b), request corrections or 20(c) reject the project registration, provide detailed reasoning of its decision to the DOE/PP. The request for corrections should be limited to only items that have a material impact on the issuance, e.g., CER calculations, gross misrepresentations, etc. Further, in the case where the EB disagrees with the secretariat's recommendation, a fourth option must be included: 20(d) "return the package to the secretariat for further consideration." The EB would take this action when there is a conflict or if DOE/PP information was not appropriately considered. Timelines for this further consideration should be included in the procedure.
- xiii Para 23: Three weeks to confirm changes were made as ruled seems excessive. Most changes are already made by the DOE/PP prior to the EB meeting as part of the initial response which the secretariat had already reviewed. Five working days should be sufficient to perform this task.
- xiv Para 26: We believe in all cases where registration is rejected, a teleconference between the secretariat, DOE, and PPs, must be scheduled and take place.
- xv Para 27: Needs to be defined better: What does it mean to "repeatedly fail to comply?" What costs are associated with the review and how much are they?

4. Draft Procedures for Requests for Issuance of Certified Emission Reductions

a. General

- i As noted in the timeline below, the overall period from request for issuance through issuance without a request for review will be extended by 6 days. Of course even 6 additional days is not good for any PP or for that matter DOE.
- ii As stated above, the VVM is a powerful tool to ensure environmental integrity and it is well accepted by members of the PD Forum. However, the VVM has also been perceived as an unfair and unpredictable backdoor method to introduce new criteria and requirements to existing registered projects. We suggest that the VVM version in place at the time of project registration be used to verify a project, rather than the most current version of the document. The precedent has already been set with methodology versions.
- iii As noted in the overall comments, as part of the request for issuance process, the completeness check must also have fixed timelines. The completeness check as currently executed and managed to exceed 60 days representing over 50% of the timeline on requests for issuance and over 35% of the timeline when reviews of requests for issuance are requested.

b. Specific

- i Para 5: Replace "...in the latest version of the CDM VVM..." with "...in the version of the CDM VVM in place at the time of registration."

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- ii Para 8. We suggest the following sentence be added:

“If the secretariat determines that the submission is not complete they will notify the DOE/PP. If the secretariat does not notify the DOE/PP of any incompleteness within 15 days of receipt of the required documents and payment, the submission will automatically deemed to be complete and therefore published.”

- iii Para 12: It has not been well explained either during the EB meeting or through other communication why the period in which the Parties and/or EB members can request a review has been extended to 21 days. If the number of open comment days can be reduced by 50% (8 weeks to 28 days) for requests for registration, why do parties and the EB need more time at issuance? The goal is to make the process more efficient not make it longer. This change makes the process longer. If efficiencies could be found in other areas, for example the reducing the time for completeness checks, then adding one extra week to the process might be acceptable.

- iv This procedure should have instructions for when issuance fee payment is due (registration fee balance depleted), and how it will be processed by PP, DOE, UNFCCC. The process should also provide the PP the opportunity to prepay issuance fee payments, in order to speed up the issuance process. We recommend the following paragraphs be added to the procedure:

Para 15(a). If the registration fee (prepaid issuance fee) has been depleted or is insufficient, then the secretariat will send the PP a unique reference number for the issuance and the issuance fee due, calculated in accordance with the latest guidelines adopted by the Executive Board.

Para 15(b). If the prepaid fee exceeds the amount issued or if there is no issuance, the secretariat will save the surplus for the next issuance or will refund the issuance fee to PPs.

Para 16. Upon receipt of the issuance fee, the secretariat will send the PP forwarding instructions related to the issuance.

5. Draft Procedure for Review for Requests for Issuance

- a. General
 - i Referring to the spreadsheet below, we found that depending on when the request for issuance is submitted, the proposed issuance processes can add an additional eight weeks to the request for issuance and request for review of the request for issuance timeline.
 - ii Under the current process, most requests for review do not go into “full” review as they are decided at the 1st EB meeting following the request. Under the proposed process, if the analyst responsible for the review does not reach a assessment decision after the first round of clarification, a decision to issue-pending corrections, for example, could take as much as 15 weeks longer (if the full period of time allotted were to be exhausted at each step). As the volume of requests for issuance increases, the full amount of time will most likely be used, unless a corresponding increase in resources occurs in parallel. To date, that hasn’t happened.

- b. Specific:
 - i Para 1: In order to avoid confusion, we recommend references be limited to the subject matter contained within the proposed document. Para 41 of the Modalities & Procedures, for example, is related to registration review of large

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- scale projects and decision 4/CMP.1, annex II, Para 24 is related to registration review of small scale projects.
- ii Section B appears to be a chronological listing of the steps needed to be taken to request a review. That being the case, we suggest Para 9 be inserted following Para 6 and it as well as the subsequent paragraphs be numbered accordingly.
 - iii Para 6: It should be clarified that a review should be requested in line with the 'Guidelines for the consideration of request for review and review cases'
 - iv Para 9(a): We suggest the text be modified to "Include a *completed* CDM project activity issuance review form (F-CDM-IR) using the latest form adopted by the CDM EB." As the review process is not envisaged to be a common practice, perhaps the addition of the link to the form may be helpful once the referenced document is created and posted on the website:
http://cdm.unfccc.int/Reference/PDDs_Forms/Issuance/index.html
 - v Para 9(b). To fulfil CMP 5 decision on CDM, Para 7 b) to provide the whole reasoning, what rule is deemed breached, by what potential fact, we suggest the wording of the sentence be changed to:

"When completing the form, provide the proposed scope of the review, specific reasons for the request for review, cite the rule or guidance that has been breached and provide any supporting documentation."

- The form F-CDM-RR may have to be edited to include the scope and rule citations.
- vi Para 10(b) An anonymous version of the issuance review form(s) and Summary Note (prepared during the request for issuance open period) shall be made available to the PP/DOE associated with the project.
 - vii Para 10(c) Along with the DOE/PPs the secretariat should identify a contact person for the review. Further, at times issues raised during the request for review are of a highly technical nature and require more than two weeks to address. Therefore we recommend the following sentence be added to paragraph 10 (c):

For concerns of a highly technical nature or when the scope of the review is ambiguous, the DOE may, with project participant agreement, request an extension to provide the initial response to the issues identified in the request for review. Such requests shall be addressed to the secretariat and replies to extension requests shall be given to the DOE/PP within two working days.

- viii Para 12: The last sentence should read: "...no later than three weeks after receipt of the PP/DOE response." The five week period is based on two weeks for the PP/DOE and 3 weeks to analyze the response. Simply because a PP/DOE is allowed 2 weeks to prepare a response does not mean it will always be needed. Therefore, the secretariat's 3 week review period should begin upon receipt of the DOE/PP response, not a fixed schedule based on the original notification date. Further, if an entire PDD and supporting documents can be reviewed in 28/21 days, are three weeks required to clarify one or two specific issue(s)?
- ix Para 12: If after a review of the clarifications provided by the PP/DOE the Secretariat informs the PP and DOE that there are no further issues, the PP and DOE should also be informed that the EB will perform an electronic vote on secretariat's recommendation within 14 days or, in the case where the secretariat recommends the registration be rejected, the EB meeting at which their case will be considered.
- x Para 18: The DOE/PP should be notified of the final recommendation and assessment and provided a copy of the final assessment and the RIT

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assessment for review, especially in cases where it is recommended to reject the issuance. As such, an additional Section should be included as follows:

E. Final DOE/PP Input

Para XX. If so desired, the DOE/PP may provide written input to the EB for consideration. This input shall be submitted to the secretariat no later than 3 days after receipt of the final recommendation and assessment.

- xi Para 19: This paragraph should include the option for the DOE/PP to comment as follows:

Para 19. Each recommendation shall be placed on the agenda of the Board meeting for which the RIT assessment and DOE/PP input has been received in advance of the circulation of the proposed agenda.

- xii Para 20: there is still a reference to the Project Assessment Committee, a body which has been removed from the draft procedure.
- xiii Para 20: The EB should in the case of 20(b), request corrections or 20(c) reject the project issuance, provide detailed reasoning of its decision to the DOE/PP. The request for corrections should be limited to only items that have a material impact on the issuance, e.g., CER calculations, gross misrepresentations, etc. Further, in the case where the EB disagrees with the secretariat's recommendation, a fourth option must be included: 20(d) "return the package to the secretariat for further consideration." The EB would take this action when there is a conflict or if DOE/PP information was not appropriately considered. Timelines for this further consideration should be included in the procedure.
- xiv Para 23: Three weeks to confirm changes were made as ruled seems excessive. Most changes are already made by the DOE/PP prior to the EB meeting as part of the initial response which the secretariat had already reviewed. Five working days should be sufficient to perform this task.
- xv Para 27: We believe in all cases where issuances are rejected, a teleconference between the secretariat, DOE, and PPs, must be scheduled and take place.
- xvi Para 28: Needs to be defined better: What does it mean to "repeatedly fail to comply?" What costs are associated with the review and how much are they?

Again, thank you for the opportunity to comment on the draft procedures. We are available to provide further comments or clarifications at any time during your deliberations. Please feel free to contact us at any time.

Kind regards,

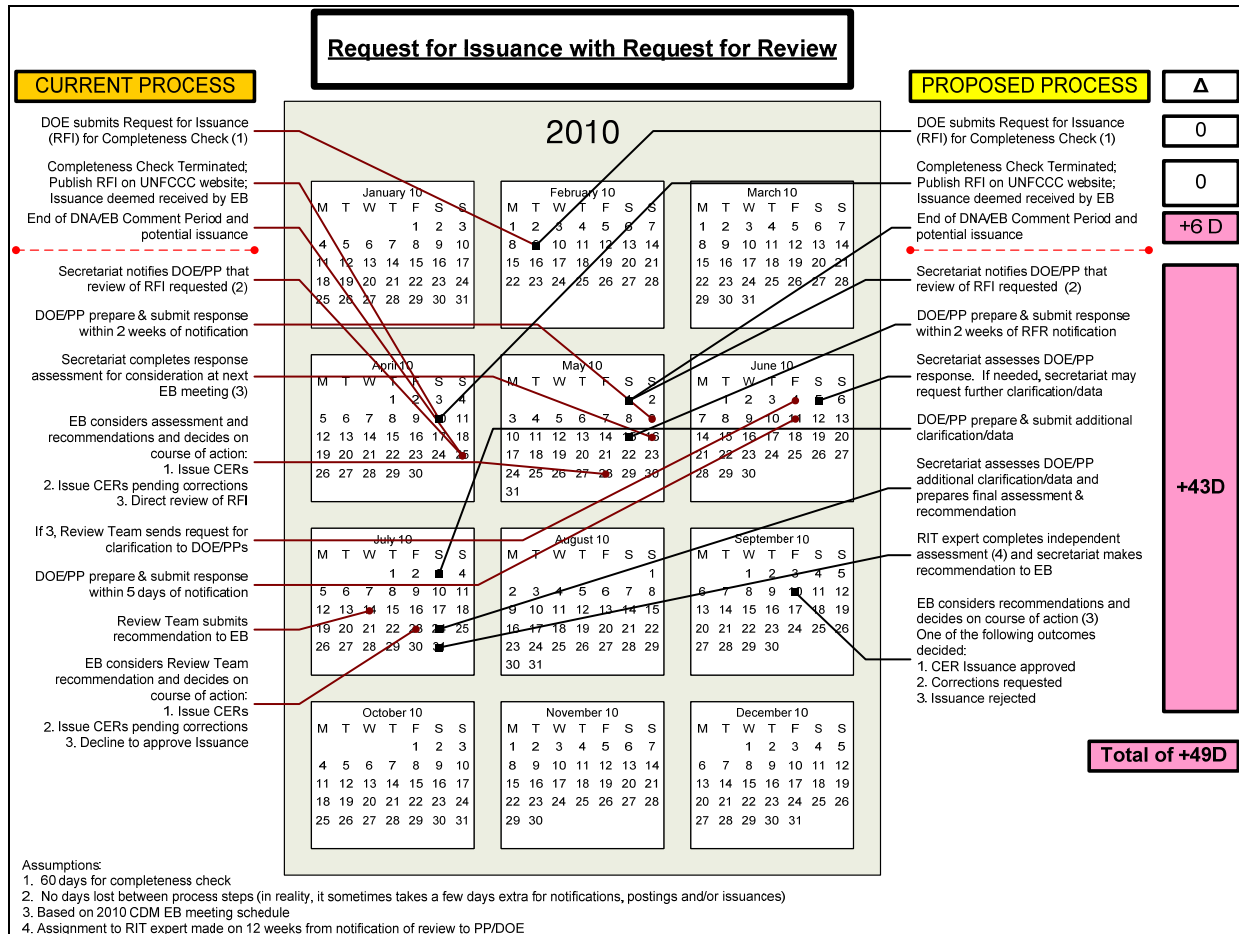


Leo S. Perkowski
Co-vice Chairman, Project Developer Forum

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Attachment 1.

Issuance timeline comparison between current and proposed process (with and without review).



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Attachment 2.
Issuance timeline analysis work table.

	RFI	CC	End Comment Period - RFR initiated	DOE/PP response deadline	Secretariat assessment	Next EB meeting	EB decides to review	Review Team requests further clarification	DOE/PP response deadline	Secretariat assessment & recommendation	Review Team response assessment	Independent assessment	Next EB meeting	Final Decision	Delta
Current timeline			15	14	7		Y or N	7	7		1 W < EB				
Proposed timeline		60	21	14	21			Y or N	28	21		7			
EB Meeting Start Dates	8-Feb	22-Mar	24-May	19-Jul	20-Sep	22-Nov	31-Jan	All start dates per EB52 except 31-1-2011 which is assumed							
EB meeting submission cutoff (3W)	18-Jan	1-Mar	3-May	28-Jun	30-Aug	1-Nov	10-Jan	Deadline for adding a RFR to the EB agenda (Current)							
EB meeting submission cutoff (2W)	25-Jan	8-Mar	10-May	5-Jul	6-Sep	8-Nov	17-Jan	EB Meeting Cutoff Date (Current and Proposed)							
EB meeting submission cutoff (1W)	1-Feb	15-Mar	17-May	12-Jul	13-Sep	15-Nov	24-Jan	Review Team recommendation to EB (Current)							
Current Proposed	15-Feb	16-Apr	1-May 7-May	15-May 21-May	22-May 11-Jun	24-May	N							26-May 21-Jul	56
Using the above timelines for the current and proposed process,															
We looked at the resulting timeline for any particular submittal of a request for issuance, with no review (current) and no further clarifications (proposed) requested, and found:															
In	0	cases, a request for issuance submitted on a particular day would result in							>0	days removed from the process, or			0.00%	of the cases	
In	94	cases, a request for issuance submitted on a particular day would result in							0	additional days added to the process, or			36.43%	of the cases	
In	0	cases, a request for issuance submitted on a particular day would result in							40-49	additional days added to the process, or			0.00%	of the cases	
In	41	cases, a request for issuance submitted on a particular day would result in							50-59	additional days added to the process, or			15.89%	of the cases	
In	82	cases, a request for issuance submitted on a particular day would result in							60-69	additional days added to the process, or			31.78%	of the cases	
In	41	cases, a request for issuance submitted on a particular day would result in							70+	additional days added to the process, or			15.89%	of the cases	
We also looked at the resulting timeline for any particular submittal of a request for issuance, with a review (current) or further clarifications (proposed) requested, and found:															
In	0	cases, a request for issuance submitted on a particular day would result in							>0	days removed from the process, or			0.00%	of the cases	
In	121	cases, a request for issuance submitted on a particular day would result in							0	additional days added to the process, or			57.89%	of the cases	
In	0	cases, a request for issuance submitted on a particular day would result in							40-49	additional days added to the process, or			0.00%	of the cases	
In	0	cases, a request for issuance submitted on a particular day would result in							50-59	additional days added to the process, or			0.00%	of the cases	
In	61	cases, a request for issuance submitted on a particular day would result in							60-69	additional days added to the process, or			29.19%	of the cases	
In	27	cases, a request for issuance submitted on a particular day would result in							70+	additional days added to the process, or			12.92%	of the cases	