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Subject **Project Developer's comments on new PoA guidelines**

Dear EB members,

We noticed with great satisfaction that you discussed programmatic CDM in length during EB 45. After EB 46, we look forward to new guidance for programmatic CDM which will provide the much needed momentum for the development of programmes under the CDM.

The majority of the major issues which were raised as part of the call for public input seemed to be addressed in a very positive way. However, we must raise serious concerns on one issue and we would like to use this opportunity to provide further input for the upcoming discussion on this topic.

As part of the discussion on additionality, the Secretariat stated that:

- The start date of a CPA should be defined according to the definition of the start date in the glossary of terms (the earliest date at which either the implementation or construction or real action of a project activity begins, i.e. when the participant has committed to expenditures);
- The start date of a CPA cannot be before the date of registration of the PoA.

We fully agree with the general principle of additionality, which implies that a PoA must not be used as a mean to bundle together existing activities under an umbrella framework. Instead, a PoA should be the driving force behind the implementation of the CPAs. However if CPAs are only allowed to start after the registration of the PoA, we see the following problems for the practical implementation of programmes:

- Delays in the system discourage PoAs and CPAs being implemented
- Uncertainty over the "real case" CPA

Delays in the system discourage PoAs and CPAs being implemented

- The average time for registering a SSC CDM project is currently 13.5 months¹ (from when the project is submitted for validation until when the project is registered, excluding additional time needed for the PDD development and/or if a request for review occurs).
- For programmes, this timeline is likely to be even longer due to limited experience of both project participants and DOEs.

¹ Average time for SSC projects calculated using the UNEP/RISOE CDM pipeline Jan 09 (www.CDMpipeline.org)

Therefore the time between when the first investment in the programme occurs (completing the PDD, contracting a DOE, hiring staff etc.), when the first CPAs are allowed to start and when CERs are actually issued is likely to be several years². Not being able to start CPAs until the end of the long validation and registration process will hinder the rapid development of many programmes. The uncertainties associated with programmes are great and the high upfront costs, combined with a lack of guarantee for a return on investment, is highly likely to put-off many programme developers. This is especially relevant for large programmes with many stakeholders involved. It is simply unrealistic to assume that coordinating/managing (c/m) entities will be able to build up the infrastructure necessary to implement the programme swiftly without taking any real action on the activities (CPAs). A c/m entity will not be able to secure the needed support of stakeholders involved if the whole programme idea can only be presented as a promise for real action which will take place over two years later.

Uncertainty over the “real case” CPA

- The guidelines for registering PoAs require c/m entities to submit for validation a CPA based on a real case together with the PoA. If the above definition of the start date of a CPA is to be applied, the first CPA must be at an early stage of planning (e.g. before any expenditure are committed) but should be advanced enough to provide all the information required in the CPA-DD. It will be difficult to get the timing right for the first CPA, especially as the ultimate date of registration is unknown at the time of submitting the documents for validation and registration. If the validation and registration processes are lengthy, the implementation of this real case CPA can be halted artificially in order to wait until the date of registration.

Most PoAs currently under validation would face this problem as it is virtually impossible to have the start date of the CPA be after the programme registration because the CPA is a real case which already has started (prior to the registration of the programme). If the real case CPA is to be a real case, then aligning the timing of its implementation to that of an unknown registration date is impossible. .

Proposed solution

In our opinion, there is no impact on the integrity of the additionality concept if the requirements are amended to allow for CPAs with start dates later than the *start date* of the PoA, with both dates following the definitions of the glossary of terms for start date. This would be under the condition that the additionality of a programme is defined at a PoA level and criteria for inclusion of CPAs are clearly defined in the PoA-DD.

Programmes already have to demonstrate serious consideration of CDM before the start date for the overall programme. As a result, each CPA which is added after the start date of the PoA would be included in the CDM framework and not as a stand-alone project. Having very precise eligibility criteria for adding CPAs to a PoA will ensure that only CPAs which are a result of the overall umbrella framework (PoA) will be included. This principle is already embedded in the regulations and DOEs will check the eligibility criteria very thoroughly for each PoA. This approach would also be similar to traditional CDM projects: CDM has to be considered before the start date, but then the project can start construction and operation in parallel to the registration process.

² Using the experience from standard SSC projects a typical programme would look minimum at: 1 month for securing finance and CER rights contract, 2 month for preparing a PDD and hiring a DOE, 13.5 month for validation and registration, 6 month monitoring period, 6 month time lag between verification event and issuance. This totals to 28.5 month or **more than 2 years**.

We hope that during EB 46, the discussion on this crucial issue resumes³ and we are confident that it is possible to agree upon the above a solution which maintains the integrity of the additionality concept for programmatic CDM, but also takes into consideration the fundamental needs of programme developers thereby encouraging more PoAs.

Kind regards,



Martin Enderlin
Chairman

This letter is supported by:



³ Please see Annex 1 for the open question raised during EB 45.

Annex 1

At the end of the PoA discussion at EB 45, one EB member asked how the start date requirement would be applied for a real case. His question was:

“If a programme consists of introducing efficient light bulbs in a region, what happens if the c/m entity has already bought the light bulbs [start date of the CPA would be the day when the investment for the bulbs was decided upon] but is storing them in a warehouse waiting to be distributed after the registration of the PoA?”

According to the rules of programmatic CDM, the c/m entity would have to wait several months until the PoA is registered to order the light bulbs and to set up a distribution structure. This would slow down the programme considerably -- in fact it would probably drive most project developers away from developing a programme or into developing the programme in the voluntary carbon market.