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From leo.perkowski@pd-forum.net
Date 6 August 2010
Page 1/4
Subject **Registration and Issuance Processes – Six-Week Report Card**

Dear Mr. Mahlung,

Honourable Members of the CDM Executive Board,

The Project Developer Forum welcomes the work carried out by the Executive Board and the Secretariat to address the CMP Decision 2/CMP.5 to improve registration and issuance procedures. However, the PD Forum notes, with mounting concern, that the reality faced by CDM project developers is one of significant increases in registration and issuance timelines and a backlog of projects. Thus, the introduction of the new procedures has not necessarily improved the efficiency of the operation of the mechanism, but, in our view, has made it even worse.

We realize that only six weeks have elapsed since the introduction of the processes, and some might say that it is too soon to pass judgment on the new system. Our response to that assertion is that the short term trend has not been favourable, and mid-course corrections are needed now, before the trend worsens, and the situation becomes insurmountable.

Adding to our concern is the EB Chair's comment at EB55 related to being "surprised" to hear about problems with the process. This apparent disconnect from operational realities is extremely disheartening, as stakeholders had high hopes that these new processes would solve issues that have plagued the system over the past several years. The PD Forum and other organizations have submitted several unsolicited letters on this subject. However, perhaps it is not so surprising to hear the Chair's reaction given recent Secretariat comments in the press over the past few weeks remarking about how much better the new process is functioning. In our view, being on the receiving end, nothing could be further from the truth.

And it is in this regard that we provide feedback on three major areas of concern:

1) Queuing Time Increases

We observe that the overall time-lag between submissions for registration or issuance and the final decision takes even longer with the new procedure than with the old procedure. The previous process for registration and issuance comprised an approximate three and a half month queue, during which the completeness check (CC) and other reviews took place, followed by the four/eight-week request for registration posting period (15-day request for issuance posting period). Under the previous procedures, it took approximately four to five months to complete the registration process and a bit less for the issuance process.

Date 6 August 2010
Page 2/4
Subject **Registration and Issuance Processes – Six-Week Report Card**

The new process, which became effective on June 21st, still has the three and a half month queue period, but activity does not begin until the request is out of the queue, at which time it undergoes a process of up to 30 days for completeness checks and information reporting, plus a fixed 28 day request for registration/issuance posting period. Hence, the best case scenario now takes about five and a half months, which is longer than the process under the previous procedures.

Although the current process is actually longer, we understand that it is open to improvements, as theoretically, the entire 30-day period for CC at registration or issuance may not be required, and certainly, the upfront queuing time will be reduced as resources become more proficient and able to process an increased number of cases.

However, we have observed that since the introduction of the new procedures, the number of projects in the queue awaiting action is actually increasing rather than decreasing. Yes, completeness and information and reporting checks are being accomplished within their specified 7 and 23-day timelines, but the reporting to date has been on projects that were already in the queue for at least 100 days, presumably being reviewed, prior to the new processes becoming effective.

Since the introduction of the new procedures, the total number of projects in the registration completeness check queue, for example, has increased by more than 10%. The current backlog of 250 (issuance) and 350 (registration) projects will in no way be reduced, but, in fact, will continue to grow unless the number of projects entering the queue (from either source) is reduced or the processing rate significantly increases. The current trend does not suggest this happening any time soon.

2) Incomplete Messages for Immaterial Issues and Erroneous Analysis

PD Forum members are fully committed to make every effort to submit quality documentation that meets established guidance. However, members feel that many minor issues are raised that are based on guidance not yet in effect or have absolutely no impact on project implementation or project environmental integrity. Even worse, issues that are “non-issues” are raised, and issues are raised that are outside the documented scope of the completeness and information and reporting checks.

For example, many projects have been found incomplete because the geographic coordinates were not included in the project view page. However, coordinates are already included in PDDs and validation reports and this requirement is purely a duplication of information of such little significance that it is not even presented on the public project page.

Further, projects should not be penalized with an additional three month delay in the queue based on mistaken analysis. For example, several projects were found incomplete when documents were deemed to be missing, while, in fact, the information was presented and available in the documents submitted. In one case, information was presumed to have not been submitted, when, in fact, it was included as part of a single-file, multi-tab spreadsheet. The DOE was aware of this, as they reviewed and analyzed the documents, but the package was nevertheless rejected and returned to the beginning of the queue – a loss of three months and additional work for the DOE and the PP.

Such minor, immaterial, and mistaken issues simply clog up the queue even further, making additional work for all stakeholders, while, at the same time, frustrating further investment in the CDM. As we are observing, this severely affects operational efficiency of the mechanism and, hence, the ability of the CDM to deliver emission reductions and sustainable development in the host countries.

Adding insult to injury, projects found incomplete, with even the most minor issue, are now returned to the start of the queue, which is increasing due to the number of new submissions¹. This, in effect, almost doubles the time to get a project registered or CERs issued. In these adverse economic times, a delay of

¹ See submission “Current timelines for requests for issuance and resource requirement” made by the PD Forum on 1st of July, <http://www.pd-forum.net/files/46920787713c2a8e03a2afefff85a6a6.pdf> .

Date 6 August 2010
Page 3/4
Subject **Registration and Issuance Processes – Six-Week Report Card**

several months of revenue can cause what was considered a sustainable project to go bankrupt.

3) Retroactive Application of New Rules

FCCC/KP/CMP/2008/11/Add.1, Paragraph 14 states: “**Further requests the Executive Board to adhere to the principle that any decision, guidance, tool and rule shall not be applied retroactively.**” We believe this to apply to projects that are already submitted to UNFCCC or are within the grace period, since neither project participants nor DOEs can alter or add to their submissions to accommodate new rules after joining the queue.

The PD Forum notes with disappointment, that the new procedures were introduced with little or no consideration for the several hundred projects already in the queue for as much as three or more months. Since the new rules took effect immediately and were applied retroactively to all projects in the request for registration/issuance queue on June 21st, many projects that were already evaluated and with corrective actions underway had to restart the process. The subsequent submissions of corrected documents that occurred under the new procedure were treated like first time submissions and returned to the three-month long queue, even though they were days from being posted. Thus, some requests for issuances will take up to six months simply to be posted.

Additionally, many projects submitted during the three months prior to adoption of the new procedures were deemed complete, when checked against the requirements in force at the time of upload. Yet, when the projects were reviewed by the secretariat after June 21st, they were found to be incomplete, based on the application of the new policy or requirements applied with immediate effect.

An example of the retroactive application of guidance is the Monitoring Report template. The template was approved during EB54 in May 2010, long after many of the projects requested registration/issuance. The template is not required for use until September. Yet our members have already received incompleteness messages based on the new template requirements.

Recommendations

The PD Forum would urge the Board to consider the following recommendations:

1. General Procedure

- a. Reconsider the new procedures in light of the fact that, instead of providing more efficient solutions to processing requests for registration and issuance, as requested by CMP.5, they are having the opposite effect and imposing additional delays on the already lengthy process.
- b. Explore options to automate the completeness check, for example, where information must be inserted in the project view page by the DOE, or documents must be uploaded.
- c. Consider employing an independent outsourcing company, which would be held accountable for meeting timelines, to carry out (some of) the checks.
- d. Include this topic in DOE workshops and training and create a mandatory course/test that all DOE auditors must take and pass prior to being allowed to evaluate or submit projects.
- e. When errors are made during the secretariat review, include the ability for DOEs to point out these errors to the secretariat and to resolve the issue quickly and without causing the PPs to suffer unwarranted delays by having their requests returned to the start of the queue.
- f. Consider allowing a [7] day grace period in which project proponents can submit the incomplete or erroneous information in order to complete the completeness check. Only if no or insufficient information is submitted within the period, should the registration/issuance request sent back to the start of the completeness check queue and again treated as a new submission.

2. Scope and Execution of the Checks

Date 6 August 2010
Page 4/4
Subject **Registration and Issuance Processes – Six-Week Report Card**

- a. Reduce the immaterial “incompleteness” messages that neither help the environmental integrity of the CDM, nor have any impact on the implementation of projects, beyond causing delays to registration and issuance and creating work for all stakeholders.
 - b. Clarify the scope of “completeness check” vs. “reporting and information check”, clearly defining the criteria checked by each of them. Assure that the effective check remains within the defined scope. This would eliminate redundancies and would speed up the Completeness Check. The option of merging the two checks should be discussed. If items 1b or 1d above were to be implemented, the DOEs could perform the CC.
 - c. Refrain from retroactively applying rules and interpretations, as instructed by the CMP, since doing this automatically creates “non-compliance” by many projects, as they cannot comply with rules and interpretation that do not exist at the time they submit their documents to the EB.
3. Embed Lessons Learned
- a. Publish on the website a database of the reasons for incompleteness messages, which would help the learning process for all DOEs and PPs involved. In the current process, incomplete projects simply disappear from the listing, without providing any learning opportunities provided to stakeholders not involved in those projects.
 - b. Publish DOE ratings, including those for non-compliance during the 2-stage completeness checks (paragraphs 17, 18 in 2/CMP.5). This may act as an incentive for the DOEs to identify any incompleteness issues – the current procedures purely penalise the PPs, by introducing massive delays, while, it can be argued that, the majority of the issues identified are related to DOE performance.
4. Structure of the Queues
- a. To reduce duplication of work, bring back the separate queues for new submissions and re-submissions after an incompleteness message.

We are available to provide further comments or clarifications at any time during your consideration of the above comments and recommendations. Please feel free to contact us at any time.

Kind regards,



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