
Under-resourced CDM governing bodies lead to requests for review being used to gather non-project specific information

CDM reform categories:

1. Need for reforms of the CDM Governing Institutions
2. Need for procedural improvements and provision of adequate resources

CDM reform sub-categories:

- 1.a Professionalise the CDM governing body(-ies)
- 2.e Misuse of the Request for Review process

Examples: Chinese wind tariff

- The Chinese government has paid tariffs in the range of 0.7 to 0.8 RMB/kWh for a handful of projects before 2004 (when the CDM arrived) and meanwhile has stabilized its feed-in tariffs at between 0.4 and 0.6 RMB/kWh, much higher than the price for fossil fuel (in the range of 0.26 RMB/kWh and higher even than the re-sell price (around 0.4 RMB/kWh). There was not more than 900 MW installed until June 2005 i.e. until the CDM arrived. Together with the CDM, China's feed-in tariff has catapulted the country to being number 2 wind producer worldwide with 23 000 MW installed, in just 4 years. The EB has now stalled all projects that would pass the benchmark had they received the highest ever attributed tariff in the region. The EB guidance (additionality tool) clearly states that the tariff at time of decision making to implement the project needs to be taken. Now the EB claims that – to protect environmental integrity – it needs to investigate into possibilities of gaming.

Impact:

- DOEs refuse to start validating similar projects e.g. small hydro in Sri Lanka or renewable energy in Philippines because these countries experiment today with feed-in tariff levels (every country does that, it is not easy to define a workable feed-in tariff level without experimenting) and could thus find themselves in a similar situation in a couple of years. That is where environmental integrity really is at risk.
- Some project developers stopped their projects in LDCs because – if a clearly additional project like wind can be stalled, anything can be stalled i.e. the rule of law is totally gone.

Improvement recommendation:

- Use the budget to professionalize the regulatory body i.e. 100% mandate for the whole EB and train the secretariat better so that they can investigate issues before they block all projects (even projects that did not go through a bidding process and projects who would not reach the benchmark even with the highest-ever attributed tariff).
 - Make it clear in the Copenhagen decision(s) that it is any country's prerogative to use the CDM to lower feed-in tariffs and/or to replace previous government subsidies for emission reducing projects/technologies provided it is confirmed by the host country that the money saved by this replacement is not spent on emission increasing projects/technologies.
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