

PROJECT DEVELOPER FORUM

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To CDM <CDM@environment-agency.gov.uk>
From Project Developer Forum

Date 19 November 2018
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Subject **Response to the UK Government's Technical Notice under a so-called 'No-deal Brexit' (12/Oct), specifically addressing 'carbon registry access':**

Dear UK DNA Team,

This letter is written by The Project Developer Forum (PD Forum) in response to the recent publication of the UK Government's Technical Notice ['Meeting climate requirements if there's no Brexit deal'](#). We would like to specifically address the topic of continued registry access post 30th March 2019, and express our deep concerns on this matter. In summary,

- **No solution is not a solution** – we express deep concern that the UK government has offered no actual solution under a no-deal Brexit for continued registry access, placing the entire burden on business to identify solutions.
- **25% of all registered CDM projects hold Letter-of-Approvals issued by the UK** – by recommending entities consider to open accounts and obtain LOA's in other countries, the Government ultimately risks undermining the UK's current *and future* status as a global hub for climate finance and markets.
- **Out of time - pick an option and communicate** – as alluded to in the technical note, consideration of alternatives has been undertaken, undoubtedly with pro's and con's for each. We call on the government to pick an approach which permits continued registry access, (even if as a temporary/transitional solution) under a no-deal Brexit scenario, *AND* finally to communicate plans with stakeholders.

What we know:

- The government has had two years since the autumn of 2016 to understand the risks, develop alternatives, engage with industry and ensure no lapse in service.
- The Technical Notice posted on the 12th of October 2018, with just over 5 months to go until 30th of March, identifies **'in a 'no deal' scenario the UK will not have guaranteed access to the Consolidated System of European Registries which also includes the UK's Kyoto Protocol National Registry. Loss of access would affect the UK's ability to provide routine and essential administrative support to account holders.**
- While the government is 'considering contingency measures for this scenario', the technical note proposes entities trading in Certified Emission Reductions and Emission Reduction Units to **'consider opening an account in another country's registry'** for this purpose; that CDM project developers should **'consider the information in this notice carefully'** before approaching the UK's Designated National Authority *for new letters of approval*; and those holding a letter of approval

from the UK Designated National Authority **may want to consider whether to reapply for a letter of approval from a different Designated National Authority and the timescales for securing this**

- While the UK Government's participation in the EU-ETS is a subject of domestic choice regardless of how Brexit unfolds, **the government has an ongoing obligation** to maintain a **Designated National Authority** and provide registry services for Kyoto units.
- The technical notice essentially describes an unquantified period of potential shortfall in the government's maintenance of this obligation, without any clear solution provided.

Impacts of 'no-solution-solution':

The situation described in the Technical Note is deeply concerning to us, as practitioners. With less than 5 months to go before the planned exit date, despite the UK's commitment to future climate policy, there is still no actual solution offered to ensure the UK's climate change registry is available.

Restriction in access undermines the ability of industry to conduct business, maintain obligations and carry out investment with certainty. The UK is the Annex I Party to about 2,500 CDM projects, (by far the largest number of any Annex I Parties), representing approximately half of all issued volumes of CERs.

If registry access ceases, assets held in accounts, including units eligible for use, and critical information regarding historic retirements, become inaccessible. Furthermore, CDM projects with a UK LOA wishing to request issuance, become stranded, with associated implications for project counterparts globally, and likely the mechanism as a whole.

Implementing 'alternatives' is not a practically viable option for most. For example, the Irish registry is restricted to entities with an Irish presence. Therefore, even if possible to set up a 'new entity' it may be very difficult and costly to open such alternative accounts in the short term, with no certainty over access to historical data (necessary for audit), or obtain LoAs in the timeframe required to ensure business continuity.

The UK's government's historic position as a global leader and hub for climate markets and investment is undisputed. Such uncertainty however risks not only tarnishing the UK's image, but also in practical terms the ability of businesses operating here to engage in new market opportunities expected in response to the Paris Agreement, and under emerging sectoral schemes, such as CORSIA.

What we recommend:

We believe the government's contingency options may include:

- (1) EU Registry access – to agree to terms with the EU on continued access for a defined period, in the event of a no-deal Brexit;
- (2) To work with a non-EU Kyoto country to facilitate access via their registry system;
- (3) To build a new system / dust-off the original system the UK had previously;
- (4) Some hybrid approach / including manually facilitating account access;

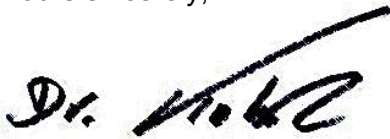
At this time with less than 5 months to go, a solution (even if interim) that can provide continued access to assets, rights and information, is preferable to no solution.

Therefore, we believe that it is imperative that the UK government take a proactive approach by selecting from the choices available *and* engage with relevant stakeholders to communicate any existing plans underway, *before* businesses engage costs to move operations elsewhere.

This recommended approach is critical not only for continued access and certainty UK businesses, but also to maintain the UK's reputation and position amongst the global community as a leader in climate finance.

We would be happy to further discuss this with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dr. Kolmetz', with a long, sweeping horizontal stroke above the name.

Dr. Sven Kolmetz

Chairman

The Project Developer Forum (PD Forum) is a collaborative association and collective voice of companies and practitioners that are developing and financing greenhouse gas (GHG) emission reduction projects worldwide. Our members work on a global scale and evaluate opportunities to deploy climate financing and carbon market instruments to accelerate investments for GHG mitigation and sustainable development.