



FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat
CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat

Date: 21 April 2010
Reference: DV/CB/EW/nmw-
51-27
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Mr. Leo S. Perkowski
Vice Chairman
Project Developer Forum

Sent by e-mail to: leo.perkowski@pd-forum.net

Re.: Chinese wind and E+/E- policy

Dear Mr. Perkowski,

Thank you for your letter dated 13 November 2009, which has been made available to the Board.

On behalf of the Chair of the Board, I write to inform you that the Board is responsible for supervising and ensuring the integrity of the CDM under the direction of the Parties to the Kyoto Protocol. The Board thus is charged with ensuring that project participants have adequately demonstrated the additionality of proposed project activities before they are registered under the CDM. Equally important is the requirement that the implementation of the CDM does not create national and/or sectoral policies that are counter productive to the objectives of the Kyoto Protocol.¹ For this purpose, at its twenty-second meeting, the Board published clarifications on the consideration of national and/or sectoral policies under the CDM (report of EB 22, annex 3).

These clarifications differentiate national and/or sectoral policies which give comparative advantage to more emissions-intensive activities (so called "E+ policies") and policies which give comparative advantage to less emissions intensive policies (so called "E- policies"). The Board's clarifications are designed to discourage Parties from implementing E+ policies and not to discourage Parties from implementing E- policies. The date of 11 November 2001 is, of course, relevant to the consideration of E- policies because it is the date of adoption of the CDM modalities and procedures by the Conference of the Parties.²

¹ See e.g. decision 3/CMP.1, annex, paragraph (45) (e); and decision 3/CMP.1, annex, appendix B, paragraph (2) (b) (iii).

² See decision 17/CP.7.



Three key parameters, of course, that affect the financial returns of a wind-power project activity are its tariff, its total investment cost, and any applicable national and/or sectoral policies. The Board succinctly explained its concerns in paragraph 48 of its forty-ninth meeting report, at which it asked each project participant (PP) and designated operational entity (DOE) for a response:

“The Board has remaining concerns related to the suitability of the applied tariff as a means of assessing additionality. These concerns are:

- (a) Whether the higher tariff previously available could be considered an E- policy as it has not been demonstrated to be the result of a national or sectoral policy implemented after 11 November 2001; and
- (b) That the tariff is lower than tariffs previously issued for similar projects in the same region, and this lower tariff may result in the reduction in the incentives for investment in renewable energy which may create a comparative advantage for more emissions intensive technology. It should be noted that the Board did not consider that it had been proven that the reduction in tariff was solely related to the reduction in investment costs.”

The Board appreciates your interest in this important matter and the information provided in your letter. Please keep in mind, however, that each PP is required to include in its project design document, *inter alia*, an assessment of the additionality of the proposed project activity and an assessment of how national and/or sectoral policies have been taken into account.³ Please further keep in mind that it is the DOE contracted by the PP that bears the obligation of validating each proposed project activity.⁴

Finally, the Board notes the important contributions that wind-power project activities can make in the reduction of greenhouse gas emission by non-Annex I Parties and to the achievement and ultimate objective of the Convention. The Board has and will continue to register proposed wind-power project activities under the CDM that DOEs have adequately validated and which are in compliance with the requirements established by the Parties to the Kyoto Protocol and the Board, including those related to additionality.

Yours sincerely,

Daniele Violetti
Secretary to the CDM Executive Board

³ See decision 3/CMP.1, annex, appendix B, paragraphs (2) (b) (iiii) and (2) (d).

⁴ See decision 3/CMP.1, annex, paragraph 27.