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From	gareth.phillips@pd-forum.net
Date	19 March 2012
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Subject	**"Meet the beneficiaries of the CDM" follow up and the exclusion of non-LDC projects from the EU-ETS**

Dear Mr Leinen and Mr Liese,

The Project Developer Forum (PDF) would like to thank you and your colleagues for your presence and interest at the "Meet the beneficiaries of the CDM" event organised by IETA and the UNFCCC Secretariat at the European Parliament on 1 March. Many of the organisations present are also members of the PDF and were grateful for the opportunity to show case the real benefits that CDM projects are having around the world.

A specific point of interest to our members was the fact that MEPs had not fully appreciated just how restrictive the list of Least Developed Countries is. According to the official definition of LDCs from the UN, only 48 countries are actually designated LDCs. The list of LDC is annexed to this letter. This is an extremely limited grouping of countries that represents only 2% of global emissions and as a result there are only very minimal opportunities to abate greenhouse gas emissions. Many of the poorer countries where the EU is providing development support (such as Honduras) are not considered to be 'Least Developed Countries' by the UN and therefore, new CDM projects in these countries will be excluded from the EU-ETS after the end of this year.

From an investor's perspective the appeal of the CDM in LDCs is very limited, especially given the extremely low CER price currently prevailing. LDCs represent particularly challenging environments to do business in and as mentioned above, release a small amount of GHG emissions. As a result, only 1% of the current CDM pipeline of projects is located in LDCs.

The PDF sees the implementation of qualitative restrictions to exclude non-LDC developing countries as a significant issue which will have a devastating impact on global climate change mitigation efforts. Private investment in mitigation in Non-Annex 1 countries is all but stopping. The Directive's restrictions with regards to non LDCs will halt almost all new climate change mitigation efforts in developing countries. As a result of the CDM, various stakeholder groups (the UNFCCC, third party validators, consultants, developers, financiers, etc.) have amassed 15 years of experience in developing GHG mitigation projects and quantifying emission reductions. This will all be jeopardised if there is no longer an incentive to invest in CDM projects. More broadly, there will be a negative impact on the appetite for these groups to get involved in any new market mechanisms designed in the future.

We understand that you may share some of our concerns about the impact that the qualitative restrictions are having on investment in climate change mitigation activities and hope that you will take this issue further with the European Commission. The PDF would be willing to support this process in any way that we can and to share solutions with both MEPs and the European Commission as to how the list of host countries could be widened beyond LDCs. Reversing the qualitative restrictions entirely may be difficult, but the EU could implement generic or even automatic “bilateral” agreements to allow CERs from new projects in non-LDC countries that meet certain criteria (e.g. related to the Copenhagen Agreement pledges that the country has made and ratified, or a country’s participation in climate change mitigation activities which use other mechanisms e.g. New Market Mechanisms, NAMAs, etc.)

The PDF currently feels that the CDM and the carbon market as a whole is on a knife edge and time is of the essence. It is surely right and proper that the EU as one of the leading advocates of climate change mitigation activities leads the way in trying to find common ground to address the concerns of developing countries, in a way that continues to help to reinforce Europe’s Climate Change policy objectives. We are all hopeful that Europe can correct the current supply-demand imbalance that persists in the EU-ETS so that the price of carbon gives a real incentive to invest in low carbon technologies. We are also hopeful that the EU can find a way of removing the restrictions on new projects gaining access to this market so that the CDM can continue to incentivise low carbon technologies in developing countries.

We thank you for taking the time to read this letter and would welcome the opportunity to talk to you further about continuing to develop an ongoing dialogue about the impending qualitative restrictions regarding LDCs.

Kind regards,

Gareth Phillips.

Gareth Phillips
Chair, Project Developer Forum

Annex: List of LDCs

Africa (33 countries)
Angola
Benin
Burkina Faso
Burundi
Central African Republic
Chad
Comoros
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea-Bissau
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Rwanda
São Tomé and Príncipe
Senegal
Sierra Leone
Somalia
Sudan
Togo
Tanzania
Uganda
Zambia

Asia-Pacific (14 countries)
Afghanistan
Bangladesh
Bhutan
Cambodia
East Timor
Kiribati
Laos
Myanmar
Nepal
Samoa
Solomon Islands
Tuvalu
Vanuatu
Yemen

Americas (1)
Haiti

Source: UN-OHRLLS (http://www.unohrlls.org/en/ldc/25/)