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To cdm-info@unfccc.int
From gareth.phillips@pd-forum.net
Date 25 March 2010
Page 1/2
Subject **Letter on revision to the guidelines on the assessment of investment analysis**

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Dear Mr. Hession and Honourable Members of the CDM Executive Board,

The Project Developers Forum (PDF) followed with great interest the open session discussions held at EB59 to consider the inputs received to EB's Call for Input on the revision of the assessment of investment analysis guidelines. The PDF welcomes the EB59's request to the Meth Panel to revise the guidelines for consideration at a future EB meeting.

The PDF notes that views similar to those expressed in its response to the call for input were echoed by many members of the EB. However, PDF members were seriously concerned to hear some EB members propose that certain arguments should be "disregarded" on the grounds that they were made by those involved in project development and who therefore would potentially benefit from insufficiently conservative additionality criteria. We hope that all inputs to the discussion on this and other topics will be considered on their merits. The PDF would like to emphasise that it is in the interests of all CDM stakeholders to preserve the mechanism's environmental integrity, and we take that challenge very seriously. In fact, we would like to take this opportunity to remind the EB that PDF was the first organisation in the CDM space to launch a Code of Conduct¹ and that all our members are signatories to this code.

The discussion at EB59 introduced the additional goal of simplifying investment analysis. While worthwhile, this is not part of the remit from decision 2/CMP5, para 24(a) which directed the EB to develop guidelines for the demonstration of barriers and of "standardized methods to calculate financial parameters." The PDF suggests that the objective of standardization as documented in the in the remit should remain the EB's primary focus.

It should be recognised that there is a trade off between simplification and conservativeness. In order to retain integrity, simple assessment methods require more conservative assumptions to be made. Conversely, a more complex assessment method removes the need for assumptions, conservative or otherwise. The default values for benchmark returns on investment proposed in the last version of the guidance are simple and are potentially useful where it is not practicable or cost effective to use more complex analysis. However, the default benchmarks are necessarily conservative. Their mandatory use will prevent the development of projects where the application of a more complex analysis could rigorously demonstrate that the project is additional. This would effectively work against the objectives of the Framework Convention.

¹ Available at http://www.pd-forum.net/files/PD-Forum,_Code_of_Conduct,_Final_090515.pdf

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Page 2/2
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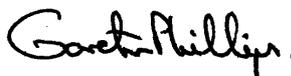
Simplification should not be interpreted as requiring small quantities of data or small processing efforts. Successful guidance will achieve simplification by making the choice of analysis method easier, even if the methods available for use are, in themselves, complex.

In summary we suggest guidance should be relevant to actual investment decisions used by practitioners and should aim to reduce uncertainty arising from inconsistent interpretation by PPs, DOEs and the EB. The guidance should, at a minimum, contain the following elements:

- Conformance criteria for application of methods for investment analysis and sources of data ;
- Positive list of methods for investment analysis and sources of data that may be used without further justification;
- Default benchmark values for return on investment that have been transparently derived and which can optionally be used without further justification when it is not practicable or cost effective to use a more complex method.

We hope that this summary of our views is useful and look forward to contributing further to the development and improvement of the CDM.

Yours sincerely,



Gareth Phillips
Chairperson