



F-CDM-RtB

 <b>CDM: FORM FOR SUBMISSION OF “LETTER TO THE BOARD”</b> <b>(Version 01.1)</b> <i>(To be used only by the Project Participants and other Stakeholders for submitting Letter to the Board as per Modalities and Procedures for Direct Communication with Stakeholders)</i>	
Name of the stakeholder <sup>1</sup> submitting this form (individual/organisation):	Project Developer Forum Gareth Phillips (Chair)
Address and Contact details of the individual submitting this Letter:	Address: 100 New Bridge Street, London, EC4V 6JA Telephone number: +65 6578 9286 E-mail Address: <a href="mailto:gareth.phillips@pd-forum.net">gareth.phillips@pd-forum.net</a>
Title/Subject (give a short title or specify the subject of your submission)	Recommending changes to Annex 12 Guidelines for Common Practice
Please mention whether the Submitter of the Form is:	<input type="checkbox"/> Project participant <input checked="" type="checkbox"/> Other Stakeholder, please specify
Specify whether you want the Letter to be treated as confidential <sup>2</sup> :	<input type="checkbox"/> To be treated as confidential <input checked="" type="checkbox"/> To be publicly available (UNFCCC CDM web site)
<b>Purpose of the Letter to the Board:</b>	
Please use the space below to describe the purpose for submitting Letter to the Board. (Please tick only one of the four types in each submission )	
<input type="checkbox"/> <b>Type I:</b> <input type="checkbox"/> <b>Request Clarification</b> <input checked="" type="checkbox"/> <b>Revision of Existing Rules</b> <input type="checkbox"/> Standards. Please specify reference <input type="checkbox"/> Procedures. Please specify reference <input checked="" type="checkbox"/> Guidance. Please specify reference <a href="#">EB63 Annex 12</a> <input type="checkbox"/> Forms. Please specify reference <input type="checkbox"/> Others. Please specify reference	
<input type="checkbox"/> <b>Type II: Request for Introduction of New Rules</b>	
<input type="checkbox"/> <b>Type III: Provision of Information and Suggestions on Policy Issues</b>	
Please use the space below to describe in detail the issue that needs to be clarified/revised or on which the response is requested from the Board as highlighted above. In doing this please describe the exact reference source including the version (if any).	

<sup>1</sup> Note that DNAs and DOEs shall not use this form to submit letter to the Board.

<sup>2</sup> Note that the Board may decide to make this Letter and the Response publicly available



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**To** cdm-info@unfccc.int  
**From** gareth.phillips@pd-forum.net  
**Date** 09 October 2011  
**Subject** **Recommending changes to Annex 12 Guidelines for Common Practice**

Dear Chair,

We would like to take this opportunity to congratulate the EB with the genuine progress achieved on some of the issues during EB63, but in this letter we would like to raise our concern with the common practice guidelines that were adopted, where we have grave concerns. We have both procedural and substantive concerns and will propose some possible solutions.

First, we would like to raise two procedural concerns.

1. The EB requested inputs from stakeholders on the common practice from 18 July to 15 August, which was provided by stakeholders. Then, the annotated agenda for EB63 (annex 15) proposed text, to which further comments were invited, from 12 to 18 September, and inputs given. However, the final guidelines adopted bear no resemblance to the documents available in advance of the meeting. We believe this is both a failure to take seriously the inputs from stakeholders despite the good intentions of the Board, and the cause of the substantive problems below, as EB members did not have time to properly deal with the impact of the text.
2. Additionally, the new guidelines do not clarify the steps of the existing common practice analysis approach contained in the additionality tool and the combined tool, but instead introduce a completely new approach to determining additionality. This would need to be introduced as part of a change of the tool, and should be done after consultations only. When the change is introduced, it should come with a normal 8 month grace period. At this point in time, there are a large number of CDM projects undergoing validation which will need to apply this new guidance and, as discussed below, we believe this may have a serious, and as yet undefined impact upon potential CDM projects seeking registration before the end of 2012.

Secondly, we would like to raise several substantive concerns which we believe make these guidelines unworkable:

1. The new definitions are unclear. The “applicable geographical area” was one of the elements of the common practice in the additionality tool that needed to be clarified, but with the definition in the new guidelines it has become less clear and less workable than before. There seems to be little limit to the area that may have to be taken into account – and potentially this could expand to cover the whole of non-Annex I. The use of “measures” is confusing and does not seem to relate to the analysis. The definition of “different technologies” is counter intuitive – the definition of similar in the additionality tool is much clearer: “Projects are considered similar if they are in the same country/region and/or rely on a broadly similar technology, are of similar scale, and take place in a comparable environment with regards to regulatory framework, investment climate, access to technology, access to financing etc.”



2. In many countries the data for all these projects is simply not publicly available. Even where data is available for the larger projects, for projects near the small scale threshold it is highly unlikely that the data is available. In particular in the electricity sector, the number of projects could be very large. In LDCs the data most likely to be absent. The PD-Forum alluded to the low quality of data available and the low level of assurance that this provides, in our response to the call for inputs on Common Practice.
3. Footnote 4 suggests that registered CDM projects may in future come to be considered common practice. We believe this can never be the case, as such projects have been proven to be additional. Also, the additionality tool clearly excludes all CDM projects: "Other CDM project activities (registered project activities and project activities which have been published on the UNFCCC website for global stakeholder consultation as part of the validation process) are not to be included in this analysis". Given the length of time of the CDM process, we believe the guidance in the additionality tool is appropriate, while those in the new guidelines are not.
4. The calculation of F is leading to strange results. For example, we have done an analysis for a technology in one country where there are several 'islands' of common practice within a broader sea of additionality if you analyse capacities from 15MW upwards. In another country, where there is a restriction on the minimum size of thermal plants, the calculation creates a perverse result whereby smaller projects may be deemed to be common practice whilst those close to the minimum threshold for thermal plant may be proven to be additional. In large scale projects which deal with widespread distribution of small capacity equipment such as light bulbs or cook stoves, assessing the presence of installations +/- 50% across the country is entirely impractical.
5. The guidelines are presented in 5 steps and are incompatible with the additionality tool and the combined tool which describe 2 steps. The tools demand a completely different analysis of common practice. If the tool is followed, then the guidelines must be ignored; if the guidelines are followed, then this is incompatible with the requirements of the tool. Therefore, as tools sit higher in the document hierarchy, the guidelines would have to be ignored. However, DOEs will find it impossible to validate anything on the basis of these guidelines.

Finally, we could propose a potential resolution to the issue. We understand that the EB's intension with the common practice guidelines is to avoid technologies that already have a high penetration rate in their specific sector, with 20% set as the cut-off. It would be possible to simplify the common practice analysis by allowing the discussion of any similar options in sub-step 4b of the additionality tool to be restricted to the penetration rate of the specific technology of the proposed project activity: if more than 20% of all cement plants (excluding CDM projects) have waste heat recovery, and this comprises more than 3 plants, then this has become common practice; if more than 20% of the electricity output from all new power generating capacity built since the liberalisation of the market (or either of the last 5 years or 10 years) is combined cycle gas turbines (excluding CDM projects), and this comprises more than 3 plant, then this has become common practice. If more than 20% of households in a region utilise efficient biomass cook stoves, then this is considered common practice.

In addition, we refer the CDM EB back to the PD-Forum's submission on the call for inputs on Common practice and First of its kind, which presents a combined approach to these two topics which are in fact closely linked.

With kind regards,

**Gareth Phillips**  
Chair of the PD-Forum



Please use the space below to any mention any suggestions or information that you want to provide to the Board. In doing this please describe the exact reference source including the version (if any).

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If necessary, list attached files containing relevant information (if any)

- [replace this bracket with text, the field will expand automatically with size of text]

**Section below to be filled in by UNFCCC secretariat**

Date when the form was received at UNFCCC secretariat

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**History of document**

Version	Date	Nature of revision
01.1	09 August 2011	Editorial revision.
01	04 August 2011	Initial publication date.
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