

PROJECT DEVELOPER FORUM

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Subject **Progress on Decision 2/CMP.5 related to CDM**

Honourable Members of the CDM Executive Board,

The Project Developer Forum respectfully submits our initial thoughts and suggestions related to the advanced version of Decision -/CMP.6, Further guidance relating to the CDM.

We hope that these suggestions and comments, which come from our members -- the practitioners of CDM, can help members of the EB in your efforts to plan an appropriate 2011 work programme. PD Forum members are always available to provide further input in the highly challenging and nuanced area of the CDM.

Sincerely,



Leo S. Perkowski
Co Vice Chairman

Attachment:

1. Suggestions related to CMP.6 decisions on further guidance relating to the CDM

**Attachment 1
Suggestions related to CMP.6 decisions on further guidance relating to the CDM**

CMP.6 Guidance		Supportive suggestions to the EB
General: on training and programme of activities		
3	<p>EB was directed to make training and information materials available to stakeholders and admitted observer organization on “on ongoing improvements and changes to, inter alia, modalities, rules, guidelines and methodologies...through the existing stakeholder engagement process subject to the availability of resources and report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventh session.”</p>	<p>We have discussed in the past CDM Roundtable meetings sponsored by the UNFCCC, the issue of differentiated interpretations of guidance at the PP, DOE, and UNFCCC levels. The PD Forum feels that one key deliverable is training and clear explanations on the interpretation of guidance so that PPs, DOEs and the Secretariat look at a guidance document or a tool and interpret it in the same way. We suggest that such training be prioritized to begin with guidance that is most widely applied.</p> <p>The EB might wish to consider the example set by other certification / accreditation and standard setting organizations provide such interpretation and training as part of continuing professional development (CPD) and enable practitioners to maintain CPD logs as evidence that they are up to date. Some schemes also accredit course providers who then run approved courses for practitioners. Such an approach would fit well with the CDM, given the frequent changes to guidance and the scope of interpretation. Costs to the Secretariat would be minimal as course providers would pay for accreditation and attendees pay for registration. The Secretariat's own staff would also be expected to attend and pass courses and maintain CPD logs. This could be elaborated at http://cdm.unfccc.int/stakeholder/index.html.</p>
4	<p>EB is asked to reassess existing regulations related to PoAs in order to:</p> <p>b: Simplify application of PoAs to multiple methods and technology including to city-wide programmes while ensuring environmental integrity.</p>	<p>We welcome the intention to expand PoA to include multiple technologies (4b). However, our experience to date has shown that CDM methodologies, and in particular, the CDM Additionality Tool are best suited to single technologies and would prove difficult to apply in multi-technology scenarios. For example, the requirements for changing a project activity, post registration, are too restrictive when applied to a multi–technology PoA project. Equally, the Additionality Tool was designed for single technology projects. We suggest procedures at http://cdm.unfccc.int/Reference/Procedures/PoA_proc03.pdf be edited to allow for the top down development of multi–technology methodologies in a single PoA. PD Forum members welcome the opportunity to participate in this process.</p>

CMP.6 Guidance		Supportive suggestions to the EB
Governance		
11, 12	EB ensure that rulings on review of requests for registration and issuance contain explanations of the rationale for the decisions taken and that they include sources of information and this would be published.	We fully support this decision, as it would help DOEs and PPs better understand the issues surrounding a particular Request for Review. Currently, comments tend to be general in nature and ultimately this causes confusion. We recommend more time be placed on providing a clear description of the issue, with references, and save time by revising and eliminating multiple copies of the same request for review form. Currently many review issues come up in “waves”, without any changes in the relevant guidance; the rulings need to be consistent with historic decisions or new existing and applicable guidance. The routine of explaining may highlight that the (proposed) rulings are based on a change in the interpretation of guidance from the previous reading, which would need to be communicated before it may be applied. We suggest the following procedures be edited to be in line with the intent of this decision: http://cdm.unfccc.int/Reference/Procedures/reg_proc08.pdf and http://cdm.unfccc.int/Reference/Procedures/iss_proc10.pdf
14	The EB is also required to provide greater clarity on the timing and implications of new rules and decisions.	We welcome visibility on the timing of the release of new, or changes to existing rules and decisions. As we learned last year, the release of the proposed process on “DOE liability” set off a polemic debate amongst the stakeholders, most probably because its release was both a surprise and because of the timing (immediately following the HFC debacle). Further, providing stakeholders with a schedule of releases can help stakeholders plan work and avoid inadvertent application of the proposed guidance to projects already in the process of registration or issuance, i.e., grandfathering. It would be very helpful to users of the guidance if the implications summary includes a statement on how the new or changed rules and guidance will impact both new projects and projects currently requesting registration and issuance.
15	A call and reminder that there needs to be no retroactive application of decisions.	We recommend the EB clearly state when new or changed rules and decisions take effect and the scope of such guidance. We would also like to state that there should also not be retroactive application of a changed interpretation of existing guidance. While strict historic precedent may not be an appropriate argument within a learning by doing mechanism, a deviation from such precedent should still be explained before being applied.

CMP.6 Guidance		Supportive suggestions to the EB
16	Requests to the EB to examine their decision making process and if there any changes required to present these to the next CMP.	<p>We understand the EB makes decisions by consensus. However, at times, consensus may not be possible and a decision must be made. CMP6 made this perfectly clear in their decision to move ahead with the Cancun Agreements although at least one Party objected. For example, it is common knowledge that the EB received a CMP5 mandate to resolve the treatment of national policy issue. It is less clear, as much of the deliberation on this subject was closed, but it is widely believed that the lack of a decision was due to the lack of consensus among the EB members. We therefore recommend that majority voting be used by the EB when there is no consensus on decisions with regards to rule making, projects and/or methodologies. Page 39 at http://unfccc.int/resource/docs/2005/cmp1/eng/08a01.pdf#page=31 clearly states ¾ majorities is required.</p>
17	Requests the secretariat to increase the transparency of its work by publishing current, historic status of the processing of case-specific matters and methodologies including requests for clarification, deviation and revision and for changes in PDDs.	See above supportive suggestion related to para 14 of the CMP6 guidance.
18, 19, 20	Requests the SBI to make recommendations to CMP on appeals against EB decisions taking into account recommendations by the EB contained in Annex 2 to its annual report. There is a public input call on this too in para 19 by 28.3.11 – a summary of this would also go to SBI.	<p>We are pleased that the PDForum and other stakeholders were already engaged for comments in the past and submitted substantial comments in response to an earlier call for input on this topic. The previous call made between 26 March 2010 and 23 April 2010 resulted in the following inputs available at http://cdm.unfccc.int/public_inputs/2010/cmp5_para42_43/index.html. We suggest that a summary of this public input from 2010 could be provided and input on that could be given.</p>

CMP.6 Guidance		Supportive suggestions to the EB
21, 22	Requests the EB to enhance communications with PPs/stakeholders including through establishing modalities for direct communication between EB and PPs . Also in relation to individual projects	<p>We fully support this decision. Improved communication is a topic which PDF has raised in numerous communications to the EB and secretariat. We suggest that one of the ways to operationalize this in relation to individual projects would be to insert into the procedures for registration and issuance, instructions to the Secretariat to contact PPs and DOEs prior to rejecting a project at the completeness check stage, the reporting and information check stage, before issuing a negative recommendation on registration or issuance (ie before inviting the EB to trigger a review of the project) and before recommending the rejection of a project or request for issuance following a review.</p> <p>Similarly, in the submission of new methodologies and revisions and clarifications of existing methodologies, we believe that the introduction of procedures for direct communication between the Secretariat and PPs (and DOEs where appropriate) would lead to more efficient and timely outcomes.</p> <p>We welcome that there is already a stakeholder engagement unit called the "Organization and Stakeholder Development (OSD) unit". We also welcome that there is a general email address that unsolicited letters to the EB can be addressed to. There has sometimes been a lack of clarity on when the responses to the unsolicited EB letters are made or if, indeed, to what extent the EB letters have been acted upon. Therefore, in order to best operationalize the CMP request for the establishment of modalities for direct communication between the EB and stakeholders and PPs we suggest these new modalities could include a timeline of a response and explanation by the Secretariat/EB/Panels on how the communication has been acted upon.</p> <p>The PD Forum also welcomes the increased use of stakeholder consultation and calls for public input as a way to solicit the views of project participants and other stakeholders on important decisions. The PD Forum has regularly contributed to calls for public input in the past and considers this a key way to enhance communication between the EB, Secretariat and PPs. The sooner stakeholders are consulted in the development of new guidance, for example, the better.</p>
Accreditation		
25, 26	Requests the EB to take into consideration the views of PP/stakeholders and only then apply a procedure to address significant deficiencies in validation and verification reports. In developing such a procedure, the EB may review and amend previous rules with regard to suspension of DOEs so that DOEs are not suspended prior to the application of the above procedure.	<p>We welcome this ruling. In order to operationalize this, we recommend that prior to suspending a DOE the Secretariat could allow for the PPs to request the Secretariat to continue the registration or issuance process for on-going projects for which permission to continue working throughout any possible suspension is requested. In this way, the Secretariat could ensure that the suspension has a less significant impact upon PPs not associated with the action(s) under review.</p>

CMP.6 Guidance		Supportive suggestions to the EB
29	The EB is requested to monitor activities of DOEs including timelines for validation and verification.	<p>We welcome this ruling as this is necessary because the information on DOEs is sometimes not easily available and there are discrepancies between official and unofficial statistics which cannot always be explained. If time limits are to be imposed on validations in future then PPs need to know which DOEs are regularly operating within these timelines and the reasons for delay needs to be transparent. For example: whether or not the timelines for registration include the completeness check; and the impacts that new guidance, or a lack of guidance may have on PDDs which have started validation; delays around requests for clarification and the impact of retrospective application of new guidance.</p> <p>We suggest that a way to operationalize this ruling might be that the EB monitor activities of DOEs including timelines for validation and verification reporting back each EB meeting on this.</p>
30, 31, 32	SBSTA is requested to look at the issue of materiality with a view to recommend draft decision on this matter at the next CMP. Parties, intergovernmental organizations and admitted observer organizations are requested to provide their views on this matter by 28.3.11. The Secretariat is asked to compile these submissions into a technical paper for SBSTA.	<p>We are pleased that the PDForum and other stakeholders were already engaged for input between 17 September - 15 October 2010 on materiality. We provided our suggestions there. We would be extremely grateful if this earlier PDForum input be included in the technical paper submission to SBSTA on materiality by the Secretariat. (note, PDF can re-submit this paper if desired)</p>
Baseline and monitoring methodologies and additionality		
33, 34, 35, 36	The EB has prioritized the work on meths analysing use of meths and meths for underrepresented project activity types or regions. Requests the EB to reduce waiting time for consideration of new meths. There is a final comment to ensure environmental integrity of meths.	<p>We fully support these decisions. We suggest that the Secretariat produce a report for the EB on reduced waiting time for consideration of new meths as well as report back on continual progress at each EB meeting this year.</p> <p>The PD Forum suggests to the EB and Secretariat open a consultation process with relevant stakeholders, including, but not limited to technology providers and project developers from the concerned regions, to provide input to the prioritization process of methodologies. This will help to identify the needs, potential and barriers the concerned project activity types and regions are facing and help to find ways to address them in through new methodologies. See our similar suggestion on para 63 below. For example, it is critical that methodologies are developed for technologies and sectors for which business models can also be developed.</p>

CMP.6 Guidance		Supportive suggestions to the EB
37	Requests the EB at its highest priority to finalize guidance on the use of first-of-its-kind barrier and the assessment of common practice.	We understand no conclusion was reached on the Secretariat's suggestions on this guidance in 2010. We could suggest that the Secretariat convenes a workshop together with the EB and stakeholders on the topic of first-of-its-kind barrier and common practice guidance and invite stakeholders to come forward with their suggestions to consider alongside the Secretariat's suggestions to come to a conclusion. One suggestion is that these are two subjects are not bundled: first-of-its-kind is a very simple concept that can not cause much controversy; common practice may need more discussion. Also, this could be simplified for some project types, such as new renewable energy sources, while a more detailed assessment may be necessary in some industrial energy efficiency applications.
38, 39, 40	Recognizes that guidelines for automatic additionality were already introduced in 2010 for projects up to 5MW for renewable energy (RE) and up to 20GWh for energy efficiency (EE) projects. Added to this was an additional request to expand this automatic additionality to Type III projects which represent other activities aside from RE and EE projects but with a 20,000 tCO ₂ e per year size constraint. There was also a call to examine other approaches to demonstrate additionality.	We welcome this ruling to expand the automatic additionality to Type III projects. In order to operationalize this ruling, we suggest that the Type III 20,000 tCO ₂ e be added to the current procedures at http://cdm.unfccc.int/Reference/Guidclarif/ssc/methSSC_guid22_v01.pdf . On other approaches to additionality, PDForum suggests that the Secretariat invite stakeholders to provide proposals via Call for inputs and or by placing the topic on the agenda of forthcoming workshops and inviting proposals / presentations. For example, PD Forum considers that a positive list of technologies which are automatically considered additional in certain countries / regions could be a very practical means of promoting CDM in under-represented countries and sectors whilst still maintaining environmental integrity.
41	Call for the EB to develop procedures for use of nationally established grid emission factors (GEFs) as approved by host country DNA and to report back to CMP on this.	GEFs need to be appropriate for different countries. We, therefore, recommend that the EB sets out a process involving engagement between the EB and DNAs to clarify the use of GEFs in host countries. It can be assumed that DNAs would be determining the most appropriate GEF for their country with support from the EB. Several countries already effectively operate national GEFs, such as China and India, and the EB may choose to recognize and accept these approaches. It is inefficient that each project needs to go through the same validation for the same GEFs. It is proposed that, for example, once a GEF published by a DNA has been validated and the project registered, the GEF should become automatically accepted by DOEs and the EB.
42, 43	These paragraphs are to call for the eligibility of new technologies under SBSTA. This is basically to include CCS in CDM.	Limited action required by the EB or Secretariat on this

CMP.6 Guidance		Supportive suggestions to the EB
Standardized baselines		
<p>44, 45, 46, 47, 48, 49, 50, 51, 52</p>	<p>Standardized baselines are defined here as a baseline established for a Party or a group of Parties to facilitate the calculation of emission reduction and removals and/or the determination of additionality. They can be proposed by Parties, PPs, international industry organizations or admitted observer organizations through the host country's DNA to be applicable to new or existing meths to be considered by the EB.</p> <p>The EB is to develop standardized baselines in consultation with DNAs, prioritizing meths that are applicable to LDCs, SIDs, parties with 10 or less registered CDM activities and underrepresented project activity types or regions. There will also be a periodic review of the standardized baselines used in meths. Requests EB to look at resources to develop and establish standardized baselines and encourages Parties in Annex I and not included in Annex I that have the experience to provide capacity building to support standardized baseline development. There is also a call for a workshop on standardized baselines to be held prior to the 35th session of SBSTA. The EB is required to report to the next CMP on its work on standardized baselines.</p>	<p>We fully support this decision and the PDForum would like to be proactive on these rulings. We would suggest that the Secretariat and EB inform stakeholders of how and when we may contribute to the development of the guidelines and how we can submit our proposals for standardized baselines.</p> <p>We would recommend that the Secretariat organize a series of workshops that PPs and stakeholders are invited to as soon as possible and immediately open an interface through which stakeholders can submit their proposed standardized baselines.</p> <p>We recommend that new standardized baseline procedures and guidance include clarification that the periodic review of standardized baselines is not retroactively applied.</p> <p>We also suggest that the development of standardized baselines also require clarification on the treatment of national policies as this is intricately related with one potentially impacting the other. In some cases, standardized baselines may include automatic additionality.</p> <p>We would like to invite the EB to also consider the interface between standardized baselines and SBSTA's call for input on new mechanisms. We believe that it is important that these two work products are developed in parallel.</p>

CMP.6 Guidance		Supportive suggestions to the EB
Registration of CDM project activities and issuance of CERs		
56	<p>Requests the EB to revise the procedures for registration to ensure that the start date of the crediting period is when a complete request for registration is submitted by a DOE where the project has been automatically registered.</p>	<p>PF-Forum see two ways of implementing this request:</p> <p>1) The date of registration is backdated to the date when the last set of documentation was submitted by the DOE. Thus a failed completeness check, a failed reporting and information check or request for review requires new documentation and the date of registration is delayed. The difficulty with this approach is that it raises the significance of a failed check or a request for review and places additional importance on the Secretariat's decision making procedures, and the EB's actions in requesting reviews. We would like to point out that based on our considerable project experiences to date, the implementation of the completeness check, reporting and information check and review procedures is not always consistent and failing a check or raising a review does not necessarily indicate a low quality project. Completeness check failures and reviews often arise due to variable interpretation of guidance by PPs, DOE and the Secretariat; this does not make the project a low quality project. The differences in interpretation of guidance should be helped by steps taken under some of the current decisions from the CMP.</p> <p>2) The EB embraces the request from the CMP and revises the procedures for registration and issuance such that the date of registration (and earliest possible start of crediting period) for all projects starts at the point of the receipt of the payment of the registration fee or submission of request for registration documentation by the DOE, even in cases when projects are put under review because by virtue of their registration they have been accepted as legitimate project activities. This approach places the responsibility for the quality of documentation in the hands of the DOEs, who can be sanctioned accordingly for submitting poor quality documents, rather than punishing the PPs for inadequacies in DOE performance. PPs are still incentivized to submit good quality documentation because they still carry the risk of rejection until the project is ultimately registered.</p>

CMP.6 Guidance		Supportive suggestions to the EB
57, 58, 59, 60	<p>The EB is requested to take measures to enhance a common understanding between the secretariat and DOEs on issues raised in the completeness checks. The EB is requested that in the case of editorial errors that have no impact on the compliance with validation and verification requirements, there needs to be no incomplete decision here.</p> <p>A particular advancement is a ruling in para 60 urging that from the receipt of submission to the completeness check is 15 calendar days.</p>	<p>We greatly welcome these rulings. Here also is a chance for the Secretariat to take examples of previous issues and use them to educate / train DOEs and PPs on the kinds of common errors that could, and should be avoided. The Secretariat could use various approaches to continuously improve the quality of submissions by pointing out to DOEs and PPs where small errors have arisen; correcting them if necessary via the direct communication procedures or leaving them to be corrected during verification via a FAR, or at renewal of crediting period; if a given DOE / PP continues to make the same mistakes, the Secretariat can raise the issue more seriously; common errors can be reported to Stakeholders and all parties can then work to improve submissions. Such approaches are common in management systems that have a continuous improvement culture. The UNFCCC Secretariat could thus adopt a continuous improvement culture.</p> <p>We suggest that the request for registration and issuance procedures be updated so that it is clear that small editorial errors do not result in a ruling that project submissions are incomplete.</p> <p>We also suggest, that the 15 day timeline from time of submission to completeness check be added to these same procedures for registration and issuance. Projects should be automatically scheduled at a rate of 30 projects per week (using a recent rate), with the rate to be updated for available capacity and need in order to keep the waiting time below 15 days, based on the date of registration fee payment.</p>
Regional and subregional distribution and capacity-building		
63	<p>Requests the EB to accelerate the development of top-down meths that are applicable to underrepresented project activity types and regions including providing support to the development and application of national grid emission factors.</p>	<p>We strongly support the development of top-down methodologies. We recommend that as these top down methodologies and national grid emission factors need to be applicable on the ground, engagement with PPs at an early stage is essential. Our suggestion is that PPs and other stakeholders be invited to comment on the selection of meths/ project activity types for top down development and the GEF determination as well as the treatment of national policies.</p>
64, 66, 67, 68	<p>Refers to a new loan scheme for countries with less than 10 CDM projects registered. There is a request for interested entities to contribute to this loan scheme. And there is a call to operationalize this loan scheme through selecting an institution to implement the scheme. There is also a call for the EB to support the enhancement of the regional distribution of the CDM by intensifying provision of focused and targeted support to assist DNAs and PPs in underrepresented countries.</p>	<p>We welcome this ruling. PDForum has continued to ask the Secretariat to help them reach out to project developers and PPs in under-represented countries. The PDForum is sending an open letter inviting developers to join the Secretariat with a request that they circulate it to their database of project developers. Membership fees are minimal and the PDForum offers all members access to informed discussion and input on issues of relevance to the development of CDM projects. Specifically, the PD Forum has completed over 50 unsolicited submissions and responses to calls for input on all aspects of the CDM. Any <i>bona fide</i> project developer is welcome to join the Forum and participate in and learn from these discussions.</p>

CMP.6 Guidance		Supportive suggestions to the EB
69	Reiterates that the EB needs to further explore possibility that meths include a scenario in which future emission sources are projected to rise above current levels – i.e. suppressed demand.	We fully encourage this ruling as this is critical to the expansion of CDM into under-represented sectors and LDCs. We recommend this be included in the development of top-down meths in para 63 supportive suggestion point above.