



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

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Mr. Martin Enderlin
Chairman
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Sent by e-mail to: martin.enderlin@pd-forum.net

Re.: EB 55 decisions on E+/E- policy guidance and Chinese Tariffs for Renewable Energy Projects

Dear Mr. Enderlin,

Thank you for your letter dated 27 August 2010, which has been made available to the Board.

On behalf of the Chair of the Board, please accept my apologies for the delayed response.

I acknowledge your disappointment on the decision made by the Board not to consolidate its guidance on the treatment of national and sectoral policies. The Board is aware of potential perverse incentives that the guidance on E+/E- policies could create and therefore was unable to establish appropriate additional guidance that could balance the different needs in diverse national and sectoral contexts. As you mentioned, at EB 55 the Board agreed that possible impact of national and sectoral policies in the demonstration and assessment of additionality shall be assessed on a case by case basis. The Board reported back on this issue to CMP.6, which did not provide further guidance.

With regard to the highest tariffs applied by the EB¹, it is not possible to exclude certain tariffs from the list until the Board agrees on a policy. The highest tariffs are based on projects that received either a national/local tariff notification by Chinese authorities or a power purchase agreement and therefore such projects are considered commercially valid by the Board.

In addition, as per the information note issued at EB 53 (Annex 32), in the context of the specific requests for review and under review cases referred on the agenda of EB53, the Board was not satisfied that the validating DOE had adequately conducted the analysis to determine the suitability of the tariff, as higher tariffs have been observed for similar projects in the same region. The Board therefore expected the validating DOEs to assess the suitability of the tariffs in these cases by:

(a) Determining whether there have been any changes in the policies which impact the tariff applicable to the project activity, after 11 December 1997 or after 11 November 2001;

¹ Information note on the highest tariffs applied by the EB in its decisions on registration of projects in the People's Republic of China (<http://cdm.unfccc.int/Reference/Notes/index.html>).



(b) Quantitatively assess for each policy change the impact of the policy change on the comparative advantage of less carbon intensive sources of electricity; and/or

(c) In addition if the lower tariff cannot be fully attributed to policy changes in (b) above, the DOE is expected to explain the differences in tariffs in a quantitative manner with reference to other factors.

Following the above mentioned rationale, the Board explained in paragraph 66 of its fifty-fifth meeting report, at which it asked for corrections to the project participant and the designated operational entity with the purpose of registering a project activity, that it considers the project activity additional as with the application of the calculated reference tariff, validated by the DOE, the project IRR does not cross the benchmark.

The Board appreciates the information provided in your letter and in the previous ones², which will be considered by the Board in its future work on this matter. I also encourage you to continue submitting such valuable inputs.

Yours sincerely,

Danièle Violetti
Secretary to the CDM Executive Board

² Unsolicited letters to EB: “Chinese Tariffs for Hydropower Projects” by the PD Forum (dated 11 July 2010) and “Chinese Tariffs for Wind Power Projects” jointly by Global Wind Energy Council and the PD Forum (dated 11 July 2010).