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To cdm-info@unfccc.int
From martin.enderlin@pd-forum.net
Date 3 May 2010
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Subject **Deferral of requests for review and review cases**

CHAIRMAN

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Dear Mr. Mahlung,
Honourable Members of the CDM Executive Board,

We would like to draw your attention to a matter, which has raised concern among the members of the Project Developer Forum (PD Forum). It regards the Board's decision at its last meeting to prioritise the processing of request for registration/issuance over the processing of review cases, by deferring review cases from EB54 to EB55 and limiting the number of requests for review that will be considered at EB54 to a maximum of 30 requests (para. 77 and 78 of EB report 53).

77. In the context of further streamlining the registration and issuance process the Board took note of the current delays in the processing of requests for registration and requests for issuance and requested the secretariat to prioritize the processing of new submissions including those which are in the stage of completeness check.

78. To facilitate this, the Board agreed to give lower priority to processing review cases to allow faster processing of new submissions and to ensure timely processing of registration and issuance cases which are in full compliance with CDM requirements. Specifically the Board agreed, as interim measures, to apply the following deviation to the review procedures as mandated by Decision 2/CMP.5:

- (a) To defer the consideration of cases placed under review at this meeting to the fifty-fifth meeting of the Board and to provide for a longer period of 3 weeks for the DOE and project participant to address the issues raised by the Board;
- (b) To consider a maximum of 30 request for review cases for registration and issuance at fifty-fourth meeting of the Board.

The PD Forum welcomes the Board's recognition of the completeness check being a major bottle neck in the registration and issuance process, and in particular its decision of including the completeness check process in its review of the registration and issuance procedures.

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It is our understanding that the measures are of interim nature and will not be applied after EB55. Continuing these measures would have far-reaching implications, which we will elaborate on below.

While acknowledging that the Board's intention behind this decision is to deal with the considerable backlog of requests for registration/issuance at the stage of completeness check the PD Forum wishes to highlight that the proposed measures are not a solution to the underlying problem. The root cause of the problem, the lack of staff within the Secretariat, has been acknowledged by the Board and should be addressed as key priority. Since 2008 the Secretariat is maintaining unfilled CDM positions of 26% and 36% in 2008 and 2009 respectively (para. 105, EB annual report to CMP.4 & para. 130, EB annual report to CMP.5), a circumstance that is not expected to change in 2010 unless drastic measures are taken to enhance the recruitment process.

Deferring review cases and limiting the number of request for review to be dealt with at EB54 will only mean that those will have to be addressed at a later stage, which without addressing the EB's excessive number of requests for reviews will cause an even greater backlog at a later stage. While the number of incoming request for registration/issuance is expected to increase further. On 13 November 2009 the PD Forum had provided the Board with an estimate of the expected number of request for issuance submitted per month in 2010¹. The data for the relevant period are replicated in the table below:

Period	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Average number of requests per month for 10 companies who provided data	39	31	36	77
Average number of requests per month , extrapolated for the whole CDM pipeline	171	136	155	335

This table shows that in 2010 the number of request for issuance will increase over time and be well above the limitation of 40 requests for issuance per month, which are to be processed within the 20-day period set by the Board. Furthermore, since the numbers of both requests for review and review cases continues to be very high, there is no end foreseeable to these delays.

The backlog will need to be addressed through sustainable provisions and not by a one-time measure or postponement of dealing with the problem.

The prioritisation will obviously come at the expense of projects being placed under review or requested to be reviewed. In case these measures will be applied beyond EB55 the PD Forum anticipates severe consequences in terms of the emission reduction volumes these projects will be able to generate as the start of the crediting periods will be delayed substantially, partly due to the decreasing frequency of EB meetings. So as to keep the effect of delays on the overall performance of projects at a minimum the PD Forum suggests to the Board to backdate the crediting period of reviewed but registered projects to the date the request for registration period had ended – the additional two-month delay introduced on this ad-hoc basis is not compatible with good governance of a market mechanism.

In order to be better able to anticipate the consequences of the prioritisation and when the backlog can be expected to be resolved the PD Forum would like seek clarification on a number of issues and asks the Board and Secretariat to report at EB54 on the following:

¹ For explanation of how the data was obtained, please refer to the PD Forum letter to the CDM Executive Board on 13 November 2009, to be found at <http://www.pd-forum.net/files/442c9d626d925856862dd3022d99f404.pdf>

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- a) Staffing process of the Secretariat
 - i) The 2009 CDM MAP attributes the lower-than-budgeted expenditure on staff costs to “unexpected difficulties in recruiting staff and external experts“ (para19); The 2010 CDM MAP also mentions „unexpected difficulties in recruiting staff and some turnover of staff“ as the cause of Secretariat’s understaffing. What measures have been implemented to date, and what additional measures will be implemented in Q2 and Q3 2010 to adjust hiring procedures accordingly, and ensure a long-term solution to the chronic lack of human resources within the Registration and Issuance Unit?
- b) Interim measures of deferring review cases and requests for review (para. 77 & 78)
 - i) What rational was the maximum limit of 30 requests for review for consideration at EB54 based on?
 - ii) Have the interim measures, i.e. has the postponement of review cases and limitation of requests for review, helped to overcome the bottleneck in the completeness check process? If yes, to what extent?
- c) Review of registration and issuance procedures incl. completeness check process
 - i) What other short-term and long-term measures has the EB identified to address the backlog?
 - ii) Has the Secretariat already implemented any such measures, e.g. assignment of staff to completeness checks, changes to internal processes?
 - iii) When does the EB expect to approve the reviewed procedures, i.e. when will they come into effect?

The PD Forum expects the EB and the Secretariat to fill the open positions without delay and encourages the Board to endorse as interim measures a process of hiring temporary staff to deal with peak caseload, a measure which has been outlined in the 2010 MAP but should be applied more commonly, rather than putting caps on cases to be processed.

We hope that you find the above comments useful and will be able to address these concerns in an open session at EB54.

Yours Truly,



Martin Enderlin
Chair of the PD Forum