

Head and Members of the CDM Executive Board  
Mr. Duan Maosheng  
Chairman  
UNFCCC Secretariat  
Martin-Luther-King-Strasse 8  
D 53153 Bonn  
Germany

**Project Developer Forum Ltd.**  
100 New Bridge Street  
UK London EC4V 6JA

Europe: +44 20 7121 6100  
Asia: +65 6578 9286  
office@pd-forum.net  
www.pd-forum.net

CHAIRPERSON:  
Gareth Phillips  
[gareth.phillips@pd-forum.net](mailto:gareth.phillips@pd-forum.net)

CO VICE CHAIRPERSONS:  
Sven Kolmetz  
[sven.kolmetz@pd-forum.net](mailto:sven.kolmetz@pd-forum.net)  
Rachel Child  
[Rachel.child@pd-forum.net](mailto:Rachel.child@pd-forum.net)

**To** cdm-info@unfccc.int  
**From** [rachel.child@pd-forum.net](mailto:rachel.child@pd-forum.net)  
**Date** 8 July 2012  
**Page** 1/11  
**Subject** **Call for input on "Issues included in the annotated agenda of the sixty-eighth meeting of the CDM Executive Board and its annexes"**

Honorable Members of the CDM Executive Board,  
Dear Mr. Duan,

We welcome the publication of the annotated agenda for EB68 and would like to provide input on a number of items on the annotated agenda, as outlined below.

## **2. Governance and Management Matters**

The PD-Forum recognizes the significant improvements in the length of time taken for completeness checks (CC) performed by the UNFCCC Secretariat throughout the past months<sup>1</sup>:

- The average timeline from submission to request for **registration** is 46 days, slightly above the Secretariat's CC target of 45 days<sup>2</sup>. Nonetheless, there has been an improvement from an average of over 53 days in 2011, to just under 44 days in the second quarter of 2012.
- The average timeline from submission to request for issuance is 44 days, below the target.

Nonetheless, the performance has been uneven across the period:

- 51 % of the files submitted for **registration** took more than 50 days to exit the CC process and a peak of 62 days was reached in November 2011. Although the timelines have improved, in the second quarter of 2012, 45% of the projects missed the aggregate registration target timeline of 73 days<sup>3</sup> and 66% missed at least one CC deadline<sup>4</sup>. Indeed, since the start of back-dated registration, only 27% of registered projects (excluding those which received a request for review) have been registered within the 73 days target.

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<sup>1</sup> November 2011 to April 2012.

<sup>2</sup> Completeness Check timelines CMP6 (6 weeks): Commencement of Completeness Check / Awaiting Scheduling (15 days) + Completeness Check (7 days) + Information and Reporting Check (23 days)

<sup>3</sup> Aggregate registration timeline (10 weeks): Commencement of Completeness Check / Awaiting Scheduling (15 days) + Completeness Check (7 days) + Information and Reporting Check (23 days) + Review period (28 days).

<sup>4</sup> These values represent an improvement with respect to 2011 when 88% of the projects missed the aggregate registration target timeline and 93% missed at least one of the CC deadline.

- 21 % of the files of the files submitted for **issuance** took more than 50 days to in the CC process.

The PD-Forum stresses the need to improve the processing rate and to adapt it to the number of files entering the pipeline. In May, the number of files processed was well below the number of files submitted for both registration and issuance. Therefore, the number of files in queue for completeness check is increasing since end of April. This problem is particularly acute in the registration pipeline where the average backlog in 2012 (239 files) is already much higher than the one in 2011 (205 files). We would like to further raise your attention to the forecasted timelines for 2012:

- If the average weekly submissions for **registration** and the processing rate stay at the level of the first five months of 2012; the total CC timeline will reach 60 days at the end of the year. Nonetheless, based on our estimates<sup>5</sup>, a significant increase in submissions for registration can be expected in the second half of 2012 and this could bring the CC timeline to 38 weeks by the end of the year. This forecast is alarming considering the tight schedule to register projects by the end of 2012 to ensure the eligibility of credits into the EU ETS. In addition, it can put projects in a deadlock situation if they receive an incompleteness note or a request for review in the last months of the year.
- If the average weekly submissions for **issuance** are in line with UNFCCC predictions<sup>6</sup>, the total CC timeline will reach 8 weeks at the end of the year (compared to the 6 week target). On the contrary, in the case the rate of submissions reached between April and June 2012 remains constant, the processing time could reach 9 weeks. Furthermore, if as happened in 2011, an increase in submissions takes place in the second half of this year<sup>7</sup>, the CC process length could increase exponentially.

To counteract these alarming tendencies, the PD Forum encourages the Secretariat to implement proactive measures to make sure timelines do not deteriorate in the second half of 2012 and remain stable at target levels. The use of external consultants should be organized to maintain the stability of the CC timelines during registration and issuance.

In addition, the PD Forum would like to have more long-term visibility on the projected number of projects entering the pipeline. The PD Forum therefore encourages the public availability of the data referred to in para 18/ annex 3 of the annotated agenda.

#### ***Para 8 of the annotated agenda***

With regard to enhanced support to the global carbon market, we would like to recommend that the EB allows non-Annex I Parties to operate registries linked to the CDM Registry (via the ITL), if those registries comply with the requirements (of course, excluding the requirements linked to the Annex I assigned amounts).

#### ***Para 9 of the annotated agenda***

The PD Forum would like to re-iterate its support for a sampling approach for assessing requests for registration and issuance but would like to re-emphasise our suggestion that a random sampling approach is more appropriate than a risk-based approach. We feel that a risk-based approach, unless transparent and understood by all parties involved, leaves the Secretariat and EB open to suggestions

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<sup>5</sup> Please see attached presentation for the complete forecast and its underlying assumptions.

<sup>6</sup> UNFCCC forecast of 2,100 requests to be submitted in 2012 (EB66)

<sup>7</sup> Please see attached presentation for the complete forecast and its underlying assumptions.

of abuse and unfair focus on projects submitted by particular DOEs, project developers or from particular countries.

***Para 15/ Annex 2 (Concept note on the management of the regulatory framework)***

With regards to the management of the regulatory framework we would like to highlight two issues:

- Firstly, the coming deadline of 30 September 2012 for projects using the VVM track is highly undesirable for all parties as has been communicated on several occasions previously. At the Joint Workshop in March, it was made very clear by the majority of speakers (including RIT members and DOEs) that this deadline was not going to work. Given the increasing delays in the system (e.g. for LOA issuance and for scheduling of completeness checks) and the fact that less than the normally required 8 months grace period was given, we would encourage the EB to look again at this deadline and suggest that it is extended to 31 January 2013. This request becomes even more reasonable given the continuing problems with the UNFCCC CDM website where DOEs recently faced weeks of delays with uploading submissions and PPs could not access important documents, guidelines and regulations.
- Secondly, the management plan seems to suggest more new procedural documents being drafted and implemented with an effective date again less than the regular 8 months grace period. This is, in our view, unacceptable, and the PD Forum suggests that this should be re-assessed and the minimum 8 months grace period adhered to.

***Para 19/ Annex 4 (Concept note on voluntary cancellation in the CDM registry)***

The PD Forum supports the creation of accounts which will facilitate voluntary cancellation of units and the Secretariat's offer of establishing an information exchange system.

***Para 60 of the annotated agenda***

With regards to decisions on projects for which a review has been requested, we would like to repeat our request that if and when projects are rejected, the reasons for this rejection are made public immediately. A decision cannot be made without a sufficiently founded reason, therefore, the reason must be available and agreed at the meeting where this decision is made. Any delay in the publication of the rejection reason is, in our view, unjustified.

Furthermore, the PD Forum would like to reiterate the desire by project developers and DOEs to have the possibility of direct interaction with the secretariat, RIT members and potentially EB members prior to a final rejection of projects. We strongly believe that direct communication between project developers and/or DOEs and UNFCCC representatives could prevent misunderstandings or information gaps that might lead to rejections.

Comparison with other similar (i.e. where there are severe consequences of negative decisions by the administrator) regulatory mechanisms shows that most comparable procedures contain the possibility or even requirement for direct oral interaction prior to a decision. Initial positive experience with direct communication during completeness checks further supports our claim for more direct oral and on-the-record communication during the assessment of submissions.

***Para 66/ Annex 5 (Concept note on the cost and efficiency of technologies)***

The PD Forum understands that a Database and software are planned to assist countries to apply standardised baselines for i) cement; ii) steel making using arc furnace route; iii) cook stoves; iv)renewable energy. The PD Forum questions the need for the Secretariat to design the framework of

the database and develop the algorithm software. We understand that the software is to calculate the efficiency of technologies and associated levelized costs (costs / unit output) and would highlight the fact that such calculations already exist in software/models such as MESAP and MARKAL.

The PD Forum would also like to understand if there will be the possibility to update the database based on real project experience even if national or regional data exists i.e. where it differs to manufacturing data (e.g. if technology is used beyond lifetime in prospects and efficiency is lower due to low maintenance practice etc).

**Para 67/ Annex 6 (Concept note on the possible improvements in the demonstration of additionality)**

The PD Forum is keen to discuss possible improvements in the demonstration of additionality. In our view, the current process is complex, even for straightforward project types; too expensive for small scale projects and prohibitive for certain new/little used project types. We also acknowledge that the perception of the CDM additionality assessment needs to be improved, hence the development of this document.

We understand that an expert meeting was held on 14 May 2012, which the members of the PD Forum were not invited to attend. We would suggest that without the expertise of the practitioners, those that have to apply the concept in real life in developing countries across all continents, the usefulness of this workshop is questionable.

While we have not had sufficient time to analyse the content of this document in detail, we would like to offer the following comments, based on our 'real-life' experience:

- In general, the process of proving additionality on the basis of financial analysis is becoming increasingly complex and whilst we understand that it is essential to ensure that the CDM retains its environmental integrity, increasing the complexity of analysis may not necessarily provide this. Expanding the rules may simply make it harder and harder for DOEs to reach an objective conclusion and recommendation.
- Para 25: suggests that with regards to input values for the investment analysis, project developers '*may choose values from a wide range of justifiable assumptions in order to make a proposed project appear additional*'. This suggestion is dangerously wrong. The reality is that where any value is not completely fixed, only the most conservative assumption is ever accepted by the DOE. Every single input value needs to be justified as appropriate and shown to be within a reasonable range for similar projects; if a value falls outside this range, even if it is justified for the project specific situation, the DOE is unlikely to accept it. In some situations, so many more-conservative assumptions have to be made that the assessment no longer bears much relation to the reality faced by the project developer.
- Para 26: seems to make suggestions which are already being applied as a minimum by DOEs, and if they were not would lead to incompleteness and review.
- Para 27: seems to lead towards a double validation process, first validating the project ex-ante and then revalidating ex-post on the basis of actual values, with any significant deviation needing to be approved by the Board. This could lead to the situation where projects exceeding the budgets are rewarded with registration, while projects that have found some savings during implementation penalised. Indeed, the requirement to use conservative input values in the assessment is always likely to lead to significant deviations from the estimate.

These suggestions would cause significant additional burdens on the Board, on DOEs and project developers, further increasing the transaction costs in the CDM, and increasing the risks

associated with the mechanisms – indeed even cancelling the little certainty achieved from registration.

The PD Forum believes that additionality should continue be assessed at the time of investment decision. It is impossible for an investor to know the key variables at investment decision time (e.g. the future price of feedstock, future trends in electricity tariffs, hours of downtime). These values are predicted with best available information at the time. For new technologies, which the CDM is designed to help, these future variables are even more difficult to predict and may vary even more between ex-ante expectations and real ex-post values. Thus the DOE should validate the input values based on the best available information that the investor has at the point of investment decision coupled with their professional expertise and experience.

Moreover, if a reassessment of additionality is needed during verification, the EB and DOE must consider all the most recent input values in the financial analysis. For example total investment may have been lower than expected due to smaller expected capacity, but this would in turn lead to lower than expected revenues, meaning the project remains unattractive without CDM finance. All input values need therefore to be reviewed if additionality is to be assessed ex-post.

- Para 31a: this recommendation to add different benchmarks to different project types within the same sector, leads to reduced clarity for DOEs and PPs. The current benchmarks are often set by national governments (long before CDM was introduced), and are already quite conservative. For example in China (and indeed throughout the world), the cost of capital for project developers is often far higher than the often-used 10% benchmark.
- We suggest that the discussion of the role CDM finance plays in the investment decision making process in section 4 is naive. The fact is project financiers are far more sophisticated in how they can use revenues from CERs than the guidance suggests. The PD Forum has numerous real-life accounts of even a small monetary contribution making a big impact.

The visualization of the CDM's contribution in monetary terms is but one of the many dimensions; even though the additional financial contribution to a large infrastructure project might appear small, the mere fact of the project being recognized by the UN, let alone the prospect of foreign currency contribution cannot be underestimated just because it is difficult to express its value in numerical terms. We refer also to the PD Forum's comments on financial additionality in our submission on the annotated agenda to EB66, page 7.

- We welcome the discussion on E+/E- guidance which has been poorly understood from the outset.
- The section on innovative approaches is disappointing in its level of ambition. Much more could be done around technology penetration, which could be used as a basis for demonstrating additionality for a wide range of technologies in developing countries.
- We note that the existing plans to develop domestic emission trading schemes in a significant number of countries and especially in China, as well as qualitative criteria expressed in the EU ETS, may well have a significant influence on the kinds of projects which are developed under the CDM in the future. Effort on developing more robust additionality tests should take these long term indicators into consideration.

The time available to us to look at this document (along with all the other annexes of this annotated agenda) is insufficient to draft a thorough critique. We trust therefore that the EB will refrain from discussing this issue in their meeting until a proper consultation has taken place. We would assume this should wait until the report from the CDM Policy Dialogue has also been published, as this subject will no doubt be discussed in some detail by the Dialogue.

***Para 69/ Annex 8 (Draft guidelines on the application of materiality in verifications)***

The PD Forum feels that the guidelines are helpful in that they will allow DOEs to better design their audit programmes and operate more effectively. However, it is disappointing that the scope of the guidelines is restricted to the detection of material errors and does not include the correction of errors. The guidelines require that all errors are corrected whilst in our original input, the PD Forum highlighted that there are many, often immaterial errors, which cannot be corrected in accordance with the monitoring plan, for example, when meters have failed for short periods of time and when there is no back-up procedure. Verifying these kinds of errors is time consuming and often the result is to zero out any emission reductions associated with the period of operation, despite the fact that there is ample evidence that the project was otherwise operating correctly. This point is highlighted in paras 15 and 16 where the Secretariat explains that further guidance may be required.

In requiring all material and immaterial errors to be corrected, the guidance in the end will have almost no impact upon the verification process. The PD Forum had proposed that uncorrectable errors which in aggregate were below the materiality threshold could be replaced by estimates of data drawn, for example, from readings before and after an event and approved via the application of the auditor's professional judgment.

The guidelines in para 25 states "The DOE should also document how materiality was applied in determining whether a detected error, omission or misstatement is material or immaterial either individually or in aggregate." In fact, this requirement is redundant since there is no distinction between the treatment of a material or an immaterial error. If both need to be corrected then the scope of materiality as applied to the verification process is only of use for the DOE determining the audit plan.

The PD Forum hopes that the scope of the materiality assessment can be extended as suggested in paras 15 and 16 and will continue to work with the Secretariat to achieve this goal, which will be of significant benefit to project developers.

We would also like to raise the following specific comments:

- Paragraph 16 of the Cover Note: The PD Forum would like to underline the importance of providing further guidance on how to assess deviations from registered monitoring plans and of revising the PS and the VVS to include specific guidelines for the consideration of materiality in those cases. We would welcome the publication of a specific calendar for the consideration of these changes. We would like to draw your attention to our submission to EB65 concerning the inclusion of materiality in the Project Standard as a starting point for further discussions. Further, we would like to draw your attention to the UK Department for Energy and Climate Change's EU Emissions Trading System Guidance on Annual Verification for emissions from stationary installations emitted before 1 January 2013 Version 6 February 2012 section 4.5 which addresses materiality and explains how verifiers can use the materiality thresholds to address immaterial errors, omissions or misstatements.
- Paragraph 10 of the Draft Guidelines: We would like to suggest avoiding the ambiguity of the reference "tonnes of carbon dioxide equivalent per year". The "year" can be interpreted in different ways: last calendar year, latest past 12 months before the beginning of the monitoring period, latest past 12 months before the end of the monitoring period. We suggest using the "12 months prior to the end of the monitoring period"
- During the last CDM roundtable in Bonn it was discussed and clarified by the secretariat that the drafted materiality standard currently cannot be used in case of temporary deviations. Hence, we would like to suggest extending appendix 1 of the VVS to temporary deviations that are clearly immaterial, defined as being below the materiality thresholds.

For example, it is required sometimes in the monitoring plan to cross-check meter readings with sales receipts. Especially at the beginning and the end of the monitoring period, it may happen that the meter reading date and the start/end date of the monitoring period do not match and a cross-check is not possible. In these cases it should be possible to waive the cross-check as the meter records are sufficient evidence and the few days missed are immaterial for the overall emission reductions.

***Para 76 of the annotated agenda***

The PD Forum has previously highlighted<sup>8</sup> the difficulty that project developers are facing in applying paragraph 47 of the "Tool for the demonstration and assessment of additionality" where project participants are required to identify all plants that have a capacity of  $\pm 50\%$  of the capacity of the proposed project activity and that have started commercial operation before the start date of the project. In many countries this data is simply not publicly available. The solution proposed therefore will not help if the data does not exist or is not publicly available. We suggest that the EB consider if it is sufficient to resolve the inequation  $F < 20\% = 1 - N_{diff} / N_{all}$  without having to provide the complete list of  $N_{all} / N_{diff}$ .

***Para 78/ Annex 10 of the annotated agenda (Concept note on the uncertainty of measurements in baseline and monitoring methodologies)***

The PD Forum understands that CMP7 requested that uncertainties in measurements in baselines and monitoring methodologies should be addressed and we offer the following recommendations to the concept note:

- Application of thresholds for adjusting emission reductions is recommended (see Para22)
- Examples of simpler approaches for calculating the adjustment required for aggregated emission reduction calculations (i.e. methods that are not as complex/expensive as Monte Carlo Analysis) and that are acceptable to the EB are included (See para 21).
- It would be helpful if the relevant paragraphs when referring to VVM or VVS are included in the document.
- Finally we question why the grace period reduced to 6 months for the change to the PS/VVS rather than the 8 month grace period that is generally applied.

***Para 83 (c) and (d) and para 86 of the annotated agenda***

In order to assist small scale projects, the reference to the available country-specific default values for fNRB in AMS-I.E and AMS-II.G should also include SSC 37 Annex 14 in the absence of a DNA value, as the value is likely to be more conservative than the DNA opinion of the correct value.

***Para 87/ Annex 12 (Draft guidelines on the demonstration of additionality of small-scale project activities)***

The guidelines were discussed during the 4th CDM roundtable in Bonn where the PD Forum pointed out that the thresholds potentially give perverse incentives to build decentralized units to meet the limits while more centralized units would be much more cost-effective and efficient, while still additional.

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<sup>8</sup> See for example our submission to the EB on 5 April 2012

Hence, the guidelines would be much more helpful if there wasn't any threshold but only the technology to be included into the list.

We also suggest that it is appropriate to define additionality based on a criteria that takes into account the relative size of the units included and if the service is provided to households communities or SMEs. (para 6a). Also, the current rural electrification rate in a country would be a suitable indicator for barriers and a good proxy for the demonstration of additionality. We recommend starting with 10% and considering changing to 20% at later date (see para 6b).

Finally, we would re-iterate our view presented in our response to the call for input on the definition of Special Underdeveloped Zones i.e.that data deficiencies at the sub-national level in many developing countries make the approach currently suggested by the SSC WG and EB to be impractical. While data may be available in some advanced developing countries, experience of PD Forum members shows that the data sets recommended by the SSC WG will be almost impossible to acquire at the sub national-level in many developing countries.

If project developers were to be put into a position where they are tasked with collecting these statistics on the sub-national level, they would face unaffordable new costs in terms of time and resources. Since the SUZ concept was introduced to facilitate the project additionality assessment, a new definition with high data requirements complicates rather than simplifies the modalities for microscale CDM projects, paradoxically increasing overall transaction costs.

***Para 99/ Annex 18 (Concept note on the withdrawal and suspension of letters of approval)***

The concept note provides a very useful overview of the legal aspects around the suspension or withdrawal of a Letter of Approval. PD Forum would like to add two more dimensions to the concept note:

- The note has not commented on the impact of the potential withdraw LoAs on the CDM in general. Private sector investors have successfully invested USD billions in CDM projects because they have been assured that CERs, which represent an essential source of additional income and offset a very wide variety of risks to the individual investment, can be delivered offshore without interference of the host government. They have been lead to believe this to be the case by, amongst other things, the CDM EB's own condition that LoA are non-conditional. As part of the development of a CDM project, obtaining the host country LoA is very often the trigger for financial commitment. In the event that a Non-Annex 1 Party is allowed to withdraw an LoA, all certainty behind the access to an essential revenue stream is removed. As a result, CDM projects will no longer be bankable. Revenues from CERs will henceforth be conditional on meeting undefined requirements. The impact of this event on private sector financing of CDM needs to be evaluated as part of this discussion.
- The process of withdrawing an LoA has very distinct parallels with other topics under discussion including appeals against decision of the CDM EB and the treatment of significant deficiencies. Activities which contravene national legislation should be addressed within the normal legal channels of the host country and these for example, may result in the suspension of a permit to operate. Activities which relate to the sustainable development benefits which CDM projects propose to deliver should be addressed via a transparent and fact based appeals process which, in PD Forum's opinion, should be encompassed within the broader process of appeals under the CDM.

The PD Forum therefore recommends that further discussion should take place to understand the full implications of withdrawal of LoAs to all parties before steps are put in place. We suggest that unilateral decisions should be discouraged and decisions should be made through an independent panel, similar to the panel which we recommend for handling appeals against decisions by the CDM EB.



In particular, decisions relating to LoAs should include provisions for suspension and clear requirements for re-instatement; long notice periods and clear opportunities for project developers and Host Parties to reach at mutually acceptable agreements.

***Para 100 / Annex 19 (Concept note: draft recommendations in relation to draft procedure for addressing significant deficiencies in a past validation, verification and certification reports)***

The PD Forum would like to make the following comments on the concept note:

The concept note reflects the fact that the views of project developers have **not** been taken into consideration in this process. PPs are likely to be directly affected in a number of ways which have been highlighted in our presentations on this topic at the round tables and in our written submission to the annotated agenda to EB64.

The existing draft procedures go far beyond the mandate given to the EB by the CMP in that they also penalize project developers indiscriminately. PPs should not be penalized in any way for the erroneous actions of DOEs. If PPs have acted fraudulently during the validation or verification process, then it is up to the DOEs to take action through the contract for the provision of services. If DOEs have acted improperly, this is a matter between them and the CDM EB. Interruption to the further issuance of CERs from the project which happens to be the subject of the DOE's mistake is not warranted.

We remain concerned that significant financial penalties will not have the desired results as many DOEs will simply go out of business rather than pay for the purchase of significant numbers of CERs. Some DOEs are already shifting the legal basis of their accreditation to entities which can be kept at arm's length and closed without significant consequences. In this event not only is it hard-won DOE capacity that is lost, but the stated objectives of the procedure itself will also fail.

Limiting the penalty to an absolute number of CERs does not limit the exposure of the DOEs because the price is variable, therefore if a cap is to be set, it should be a financial value. That said, any action which results in an increase of DOE fees for validation or verification is to be resisted. The CDM is already under significant price pressure and increased verification costs will only act to reduce the number of verification, stressing PP and DOE cash flows even further. Further an increase in DOE fees will have a disproportionate effect on projects in LDCs and other regions that are currently under-represented in the CDM and small and microscale projects.

Building up a fund of CERs may provide a means of addressing some of the identified issues but the PD Forum strongly resists any concept of PPs being required to surrender additional allowances or pay additional fees in addition to the SOP Admin fees and the contribution to the adaptation fund. As we have previously suggested, we would once again suggest that the Secretariat look at the known conservative elements of the CDM including the grid emission factors, the flaring tool and default factors in some of the industrial gas projects as a source of un-issued CERs which currently stand to the credit of the mechanism. In the event that any new funds are to be collected, they shall be applied to projects submitted for registration after the date at which the procedure is adopted and not applied retrospectively to existing registered projects.

The concept note does not make reference to the expected frequency with which the procedure would be enacted. Prior discussions had talked about use of the measures as a rare event.

The PD Forum wishes to stress once again that we would like to see the process of the assessment of significant deficiencies, which are appeals against positive decisions by the CDM EB, incorporated into a wider appeal process and not cordoned off in a separate procedure. The process of assessing significant deficiencies should have the same standards of independence and legal standing as other appeals processes, namely: a single, fair, transparent and fact-based appeals procedure; where decisions by the appeals panel form persuasive and binding precedents for future decisions of the appeals panel and EB respectively; with the requisite checks and balances to ensure that the system is

not abused; that costs of successful and unsuccessful appeals are fairly apportioned; which covers the decisions by the CDM EB; which is carried out by an Independent Appeals Panel made up of external experts and Secretariat staff as appropriate; and which ensures a form of direct communication through which the directly affected stakeholders can interact with the appeals panel.

***Para 103/ Annex 21 (Concept note on improving Programme of Activities Standards and Guidelines)***

The PD Forum welcomes the efforts made to improve the standards and guidelines of PoAs. We would like to underline the importance of taking forward the proposals made by the stakeholders under Inputs 2, 3, 4 and 6 and look forward to comment on the concept note to be published by the Board at its sixty-ninth meeting.

Furthermore, we would like to suggest one further improvement of the Project Cycle Procedure with regard to post registration changes of registered Programme of Activities. Para 131 of the Project Cycle Procedure (EB 66 / Annex 66) states:

*For CDM PoAs, with regard to the changes referred to in paragraph 130 (b) (iv) above, only changes to the programme boundary to expand geographical coverage or to include additional host Parties shall be allowed. In this case, the coordinating/managing entity shall update the eligibility criteria for inclusion of CPAs in the PoA to reflect the change, and include them in new versions of PoA-DD and generic CPA-DD, to be validated by the DOE and approved by the Board in accordance with paragraph 132 below.*

In light of the positive list included in the Draft Guidelines on the Demonstration of Additionality of Small Scale Project Activities (Para 2 / Annex 12), the PD Forum believes that this paragraph should be updated to extend the possibilities of a post registration change of a registered Programme of Activity to include the application of this guideline into the demonstration of additionality for future CPAs.

***Para 104 / Annex 22 (Draft voluntary tool for highlighting sustainable development co-benefits of CDM project activities and programmes of activities)***

A project's contribution to sustainable development is a sovereign decision of the host Party and is confirmed in the LOA. While it is interesting to have a better overview of CDM projects' specific contributions, this is fraught with difficulties as discussed in previous submissions and at the last CDM roundtable. The implementation of a voluntary tool as proposed is almost guaranteed to lead in time to mandatory implementation and required validation, which infringes on the host country's sovereignty and is undesirable from a cost perspective.

Our experience with, for example, WCD assessments for CDM projects is that costs are significant for large scale projects, and would be prohibitive for any smaller projects, in particular due to the additional engagement of stakeholders. Already the language of the tool talks of "valid SD declarations" (para 7), which suggests – unless the validity is confirmed by the host Party – an infringement of sovereignty and a degree of validation. As SD is often a matter of expert judgement, rather than correct or not, it is questionable how a declaration can be "valid" without a full validation.

Projects already have the possibility of greater SD reporting on a voluntary basis by following the Gold Standard or other standards, which obtain a potential premium over 'normal' CDM, and we believe such 'premium' route is and should remain the preferred way for implementation.

Other possibilities, suggested at the workshop, avoiding the (likely significant) cost of following the SD Tool, include for example the publication of the project's EIA or SEIA (not necessarily translated into English) on the CDM website and/or any standard environmental reporting required under national regulation.

Date  
Page  
Subject

8 July 2012  
11/11  
**Call for input on "Issues included in the annotated  
agenda of the sixty-eighth meeting of the CDM Executive  
Board and its annexes"**

# PROJECT DEVELOPER FORUM

**Finally**, the PD Forum would like to draw the Board's attention to our submission of 23 April 2012 requesting clarification on the Executive Board's plans to implement "Decision 4/CMP.7, Greenhouse gases, sectors and source categories, common metrics to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks, and other methodological issues". We would also request details of the timeline for implementing this decision and would propose adoption of the new GWPs from 01/01/2013 for newly registered projects and from the end of the first crediting period for already registered projects.

We thank you for the opportunity to provide our comments on the annotated agenda and annexes and would be very happy to discuss them with you further,

Kind regards,



Rachel Child  
Co Vice Chair, Project Developer Forum