

Head and Members of the CDM Executive Board

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**Subject: Call for public input on "Issues included in the annotated agenda of the sixty-fourth meeting of the CDM Executive Board and its annexes"**

Honorable Members of the CDM Executive Board,

Dear Mr. Hession,

CDM Watch would like to thank the CDM Executive Board for the opportunity to comment on the annotated agenda to the 65<sup>th</sup> meeting of the CDM EB. Please find our comments on the subsequent pages.

Sincerely yours,



Anja Kollmuss

**Para 16: Report of the 53<sup>rd</sup> Meth Panel meeting → ADDENDUM (Version 01.1) Para 13 / Annex 11 of the 53<sup>rd</sup> Meth Panel report: *Guidance to the Meth Panel on how to process the proposed new methodology submission NM0355 N<sub>2</sub>O abatement from adipic acid production.***

The Meth Panel has asked for guidance on how to process the proposed new methodology submission NM0355 N<sub>2</sub>O abatement from adipic acid production.

The proposed methodology NM0355 for N<sub>2</sub>O abatement from new adipic acid production is considerably more conservative than the existing methodology AM0021 for decomposition of N<sub>2</sub>O from existing adipic acid production plants.

According to a study by the Stockholm Environment Institute from last year, the weak baseline requirements in AM0021 have led to significant leakage and the subsequent ban of this project type from the EU-ETS.

We urge the board to adopt stringent baseline figures as the ones proposed in NM0355 for all adipic acid projects - existing as well as new facilities.

Such changes should have immediate effect.

Link to the SEI adipic acid study: [http://sei-us.org/Publications\\_PDF/SEI-AdipicAcidLeakage-10.pdf](http://sei-us.org/Publications_PDF/SEI-AdipicAcidLeakage-10.pdf)

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**ADDENDUM Para 17 / Annex 13 of the 53<sup>rd</sup> Meth Panel report: *Recommendation by the Meth Panel to put the methodology ACM0013 on hold with immediate effect.***

We welcome that the Board will consider, in response to the request contained in paragraph 19 of the report of the sixty-second meeting of the Board, the recommendation by the Meth Panel to put the methodology ACM0013 on hold with immediate effect.

In addition to the Report on the analysis of issues concerning the methodology ACM0013 as contained in annex 13 of the report of the fifty-third meeting of the Meth Panel, we would like to bring to your attention a new study by the Stockholm Environment Institute that analysed ACM0013 and associate coal projects. The findings on over-crediting are very similar to the ones of the Methodology Panel, estimating the potential of over-crediting by up to a factor of four. This could result in an over-issuance over 300 million CERs, putting additionality issues aside. The SEI study also evaluated the additionality of coal power project and concluded that it is highly unlikely that any of the coal power projects in the current pipeline are additional.

We would like to request the Board to include the findings of this new research in its discussions at the upcoming Board meeting and strongly urge the Board to put methodology ACM0013 on hold with immediate effect.

The study and additional information be downloaded here:  
<http://sei-international.org/publications?pid=1974>

**ADDENDUM Para 12 / Annex 1 and 12 of the 53<sup>rd</sup> Meth Panel report: *Revision/amendment to AM0001: Incineration of HFC 23 Waste Streams.***

The proposed methodology revision for AM0001 contains innovative approaches to encourage the abatement of HFC-23 from non-CDM production lines. Although we welcome the careful design of the methodology, we do not think that the proposed waste generation rates of 1% and 1.2% are conservative enough to avoid unintended negative effects such as undermining the phase out of emissive HFC-22 under the Montreal Protocol.

We therefore urge the CDM Executive Board not to approve the revised methodology unless the waste rates are adjusted to 0.2% for crediting of HFC-23 destruction in CDM lines only and 0.3% for crediting of HFC-23 destruction in CDM lines and non-CDM lines.

Last year, CDM Watch submitted a request to clarify current crediting rules for HFC-23 abatement projects. This submission AM\_CLA\_0191 seeks to clarify how the waste generation rate should be calculated for HCFC-22 production plants where key components have been replaced or retrofitted. The introduction of more efficient production techniques would logically lead to the reduction of the baseline waste generation rate but the wording of the methodology is unclear on this point. The request was first discussed at the Methodologies Panel meeting from 25-29 October 2010. However, the Meth Panel did not adopt a specific recommendation to the Board. While a revised methodology will only apply to new crediting periods, such a clarification would already impact the current crediting period, and help safeguard the environmental integrity of this projects type.

We therefore urge you to put this clarification request CLA\_0191 on the agenda.

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**Para 31: *Requests for registration of projects for which a review was commenced.***

In light of the two new studies on ACM0013 (see above) and our own analysis of the project, we strongly urge to Board to reject project 4807 Energy Efficient Power Generation by Nabha Power Limited.

Comments on Validation, April 2011: <http://bit.ly/teR1lr>

Unsolicited Letter submitted in August 2011: <http://bit.ly/s6ZzCM>

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**Para 32: *Request for renewal of the crediting period for the 0003 HFC Decomposition Project in Ulsan.***

Given the shortcomings of the current version of AM0001, it would undermine the CDM's integrity to let projects continue to generate CERs under this version of the methodology. We therefore urge the board to reject the request for a renewal of the crediting period of project 0003 HFC Decomposition Project in Ulsan.

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**Para 38: CDM validation and verification standard (VVS), as contained in annex 7 to these annotations.**

We welcome a revision of the VVS. In line with the recent decision by the CDM Executive Board to improve stakeholder consultation rules and guidance, we strongly urge the CDM Executive Board to include necessary revisions when considering the draft VVS.

Particularly, the recommendations included in the report on sustainable development co-benefits and negative impacts of CDM project activities (as contained in para 50 of the annotated draft agenda ) should be followed. The Board should task the secretariat to amend the draft VVS to include:

- 1) Enhancements to CDM procedures for stakeholder involvement at both local global levels and outline a means to raise grievances during the lifecycle of a CDM project; including
  - a. How local stakeholders are to be informed regarding stakeholder consultation.
  - b. The number of stakeholder meetings that have to be conducted.
  - c. How DOEs should assess stakeholder consultations.
- 2) Revised applicable reporting and verification rules to monitor and verify claims made in the PDD or indicators, to ensure actual realization of the stated sustainability benefits of CDM projects.

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**Para 44 / Annex 13: Draft work programme on standardized baselines. The Board may also wish to consider launching a call for public inputs on the draft guidelines on quality assurance/quality control.**

The draft of the work program includes several suggestions that are not conservative enough:

10. For priority sectors the thresholds are established on an interim basis as: 70% for additionality (Xa, Ya) and 70% for baseline identification (Xb, Yb). For the remaining sectors the thresholds are established as: 80% for additionality (Xa, Ya) and 80% for baseline identification (Xb, Yb). These interim thresholds can be used for top-down as well as for bottom-up development of standardized baselines.

The interim thresholds for additionality and baseline setting are not conservative enough. Given the experience with AM0013 which had a more conservative threshold for the baseline (15%) and nevertheless lead to significant over calculation of CERs, the proposed interim thresholds should be set more stringently.

15. For a quick implementation of the guidelines, the most recent three years of data available at the time of submission of the standardized baselines for the development of the assessment report will be used for the determination of the data vintage. Also, three years will be defined as the frequency of update of all the relevant parameters used for the development of the standardized baselines.

This guideline is silent about a cut-off date beyond which data, even if it is the most recent available, must be considered too old. We strongly suggest the Board add such language. Also the validity of data vintage is closely connected to the speed with which technology improvements are made. In sectors where such transitions happen fast, data must be more recent. If step changes occur in the technology, even fairly recent data may not adequately reflect baseline trends. It is therefore vital that data vintage is set very conservatively and according to the situation of each sector.

We would welcome a call for public inputs on the draft guidelines on quality assurance/quality control.

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**Para 50/ Annex 5: Guidelines for the demonstration of additionality of microscale project activities**

We believe the current guidelines do not allow enough time for a thorough analysis and too few people are involved in the assessment, for example, only two members of the Small Scale Working Group (SSWG) evaluate proposed positive lists and they are given only 7 days to do so.

We urge the Board to require that the whole SSWG assess and approve proposed positive lists and that considerably more time is given to each step of the assessment.

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**Para 60 / Annex 17: The Board may wish to consider the report on sustainable development co-benefits and negative impacts of CDM projects activities.**

We very much welcome the report on sustainable development co-benefits and negative impacts of CDM projects activities. At this upcoming Board meeting para 13 (d) – “Do no harm” Safeguards - must be addressed with particular attention.

In addition to the need for stronger sustainability criteria, the CDM Executive Board must also show action regarding the human rights allegations as enshrined in the United Nations Charter, which is applicable to the UN, including its bodies. Also the Cancun Agreement (Decision 1/CP.16 paragraph 8) specifically state that Parties should in all climate change related actions fully respect human rights.

Moreover, Member States that have signed the UN Declaration of Human rights, agreed to the preamble that states that “Member States have pledged themselves to achieve, in co-operation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms and a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge. Therefore the general assembly proclaims this universal declaration of human rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.”

It can therefore be argued that the Board has an obligation to ensure that human rights are respected.

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**Para 62: The Board may wish to discuss the policy issue concerning the assessment of additionality, in particular investment analysis for large-scale project, and public sector investments decisions.**

We welcome the proposed discussions on these very important topics. We comment below on the potential changes that were raised at the last meeting. We especially welcome the suggestion that projects that require investments above US\$ [50] million are considered non-additional. Considerably shorter crediting periods (5 years maximum) may also be a good solution to acknowledge that CDM revenue may speed up the implementation of such large infrastructure projects. Changes to requirements of the investment additionality may not be sufficient to eliminate non-additional projects because it is very easy to manipulate e.g. the IRR analysis in a way that a project appear to be additional.



It is important to keep in mind that even if stringent changes are put in place, they will not affect projects that have already been registered. CDM Watch therefore advocates for an exclusion of large infrastructure projects that are clearly non-additional and often, as in the case of coal and hydro power projects, can have severe negative impacts on local populations.