

IGES CDM Capacity Building Programme in Cambodia

Submission of joint proposal regarding procedures for registration of CDM project activities in Least Developed Countries (LDCs)

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Dear Mr. Stehr,

Dear Mr. Sethi,

We are very pleased to submit this proposal to you regarding procedures for the registration of CDM project activities in Least Developed Countries (LDCs) and ask that it be considered at the 36th meeting of the CDM Executive Board. This proposal was jointly made by the CDM Programme of the Institute for Global Environmental Strategies (IGES) and the Cambodian Climate Change Office (CCCO) of the Ministry of Environment of the Royal Government of Cambodia.

IGES, in cooperation with CCCO of the Ministry of Environment of the Royal Government of Cambodia, has been conducting capacity building activities in Cambodia since 2003 in order to enhance capacity of relevant stakeholders including government officials and local project developers for the smooth implementation of these CDM project activities.

Taking into consideration the experiences of these capacity building activities in Cambodia, most projects in LDCs still face difficulties in overcoming financial barriers during the CDM registration process, which prevents CDM project activities being smoothly implemented in those countries. Even with the progress made in the implementation of the Nairobi Framework to catalyse CDM in Africa and the launch of the CDM Bazaar towards regional distribution of CDM project activities, those developments are not enough for local project developers in



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LDCs to decide whether to implement projects as CDM, particularly as they have to bear the additional advanced cost only for CDM.

We therefore propose additional preferential treatment for LDCs in the procedures for registration to enhance current initiatives by the CDM Executive Board as well as multi-cooperative activities by international organisations such as the Nairobi Framework.

We would be grateful if the CDM Executive Board considers our proposal at the next meeting.

Sincerely yours,

Institute for Global Environmental Strategies
CDM Programme / Climate Policy Project

Ministry of Environment of the Royal Government of Cambodia
Cambodia Climate Change Office

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Proposal regarding procedures for registration of CDM project activities in Least Developed Countries (LDCs)

1. Background

The Clean Development Mechanism (CDM) is the market-based mechanism to reduce anthropogenic greenhouse gas emissions while achieving sustainable development in the host country. Currently, there are only 9 projects from 7 LDCs which were registered under the CDM Executive Board out of 819 registered projects in total. The total estimated emission reductions until 2012 from those projects in LDCs accounts only 0.3% of total estimated emission reductions until 2012 from all registered projects (as of 18th October, 2007). Because of its market-basis, CDM projects tend to be occurred in the country where there is a high potential for cost-effective emission reduction as well as a low risk for its implementation. Even though Least Developed Countries (LDCs) are eligible for hosting the CDM, it is safe to say that they are not prioritised for project participants abroad due to high political, economic, social, or legal instabilities, which is not counted as credible to implement any CDM projects.

Decision 1/CMP.2 of COP/MOP2 stipulated the encouragement of further activities on regional distribution of CDM project activities such as CDM Bazaar, DNA Forums, and the Nairobi Framework to catalyse CDM in Africa as follow-ups of its decision of 7/CMP.1 (paragraph 33) at COP/MOP1. However, no significant progress has been made in terms of project realization as CDM, since those activities are not enough to help local developers to develop CDM projects by their own capacity. The Institute for Global Environmental Strategies (IGES), in cooperation with the Cambodian Climate Change Office (CCCO) of the Ministry of Environment of the Royal Government of Cambodia, has been conducting capacity building activities in Cambodia since 2003 in order to raise institutional and human capacity to realise implementing CDM projects. Accordingly, we have seen several cases which local developers faced difficulties to secure additional finance necessary for CDM registration and implementation even after they became knowledgeable for CDM with a help of our activities.

This paper, therefore, is to propose additional preferential treatment for LDCs in the CDM registration procedure, based upon our experiences of capacity building activities. Our proposal aims at enhancing current initiatives by the CDM Executive Board as well as multi-cooperative activities such as the Nairobi Framework to catalyse CDM.

2. Recommendations to the CDM Executive Board regarding procedures for registration of CDM project activities in LDCs

CDM project activities require additional costs to apply for CDM such as fees for registration, validation, verification, and even a consultant fee for preparing necessary documents for registration, in addition to the cost required for conventional project activities without a CDM component. In general, project developers in LDCs face difficulties in securing project costs in advance so that they have to enquire about the availability of bank loans or financial assistance from abroad. However, since projects activities in LDCs tend to be small and expected Certified Emission Reductions (CERs) are not large enough to attract such donors, they have to secure at least the advanced cost for CDM application by themselves even if they receive technically assistance for any CDM procedures through CDM capacity building activities such as the Nairobi Framework and IGES Capacity Building Programme, and other capacity building activities.

Therefore, advanced costs necessary for CDM application such as registration fee and validation fee are burdensome when the project participants in LDCs consider applying for CDM. In addition, more barriers associated with the implementation of projects exist in LDCs compared to other developing countries.

Table 1: Current registration fee of the CDM project activity

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| <ul style="list-style-type: none">• Share of proceeds to cover administrative expenses (SOP-Admin) of CDM is:<ul style="list-style-type: none">➢ USD 0.10 per certified emission reduction issued for the first 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year;➢ USD 0.20 per certified emission reduction issued for any amount in excess of 15,000 tonnes of CO₂ equivalent for which issuance is requested in a given calendar year.• The maximum registration fee payable based on this calculation shall be USD 350,000.• No registration fee has to be paid for CDM project activities with expected average annual emission reduction over the crediting period below 15,000 tCO₂ equivalent. |
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(Source: Annex 35: Additional guidance related to registration fee proposed Clean Development Mechanism project activities of the 23rd CDM Executive Board Meeting)

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In addition, the smaller project activities are, the smaller the return of benefits may be especially in LDCs. Therefore, the length of the period until registration is critical. In other words, the current procedures for registration which require 8 weeks (4 weeks for small-scale CDM) until registration is too long. If the project is put on review for registration, the project participants may have to consider cancellation of the plan of project implementation as CDM due to the increased risk of economic loss.

Taking into consideration such severe circumstances in LDCs, the current registration fee, which is applied equally for all developing countries, and the length of time to be registered under the current procedures for registration should be differentiated for CDM project activities in LDCs. As stated previously, impacts on the advanced cost for CDM application as well as delay of registration are different from country-to-country and most projects in LDCs cannot afford to cover the costs of CDM application in advance. Therefore, this paper addresses two proposals regarding the registration fee and length of the process for appraisal by Registration and Issuance Team (RIT) and submission from the secretariat to the CDM EB.

Proposal 1: Registration fee applicable only for the CDM project activities in LDCs

The registration fee shall be the share of proceeds to cover administrative expenses (SOP-Admin) applied to the expected average annual emission reduction for the project activity over its crediting period

- The registration fee is:
 - **USD 0.05** per t-CO₂ equivalent for **the first 15,000** t-CO₂ equivalent out of expected average annual emission reduction when the project activity is requested for a registration;
 - **USD 0.10** per t-CO₂ equivalent for any amount **in excess of 15,000** t-CO₂ equivalent out of expected average annual emission reduction when the project activity is requested for a registration.
- The maximum registration fee payable based on this calculation shall be USD 350,000, according to the current registration fee.
- No registration fee has to be paid for CDM project activities with expected average annual emission reduction over the crediting period below 15,000 t-CO₂ equivalent, according to the current registration fee.

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(Note)

- The share of proceeds to cover administrative expenses (SOP-Admin) shall be:
 - **USD 0.05/CER** issued for the **1st 15,000** t-CO₂ for which issuance is requested in a given calendar year;
 - **USD 0.10/CER** issued for any amount **in excess of 15,000** t-CO₂ for which issuance is requested in a given calendar year.
 - However, the registration fee shall be deducted from the SOP-Admin.
- CDM project activities in least developed countries shall be exempt from the share of proceeds to assist developing Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation (SOP-Adaptation).

The above registration fee shall be only applicable for LDCs. Project activities in other countries will continue to apply the same registration fee. A comparison of the registration fee between project activities in LDCs and other countries is as follows:

Table 2: Comparison of registration fee

Expected annual reduction	average emission (t-CO ₂)	Registration fee of project activities in LDCs (USD)	Registration fee of project activities in other countries (USD)
	10,000	-	-
	15,000	750	1,500
	30,000	2,250	4,500
	60,000	5,250	10,500
	100,000	9,250	18,500

Table 3 : Comparison of the SOP-Admin (first three years' issuance)

Expected annual CERs	SOP-Admin for project activities in LDCs (USD)				SOP-Admin for project activities in other countries (USD)			
	1 st Year	2 nd Year	3 rd Year	Total	1 st Year	2 nd Year	3 rd Year	Total
10,000	500	500	500	1,500	1,000	1,000	1,000	3,000
15,000	-	750	750	1,500	-	1,500	1,500	3,000
30,000	-	2,250	2,250	4,500	-	4,500	4,500	9,000
60,000	-	5,250	5,250	10,500	-	10,500	10,500	21,000
100,000	-	9,250	9,250	18,500	-	18,500	18,500	37,000

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Proposal 2 : Shortening of the period of procedure for registration (applicable only for CDM project activities in LDCs)

➤ Appraisal as well as request for a review of the proposed CDM project activity shall be done within **4 weeks (2 weeks for small-scale CDM project activity)**, which is applicable only for project activities in LDCs

<Note >

- The RIT member assigned to undertake the task shall prepare an appraisal using the form “F-CDM-REGappr” and submit it within **10 calendar days (8 days for small-scale CDM)** to the secretariat.
- The secretariat shall prepare a summary note of the request for registration and forward this, together with the appraisal, to the EB within **5 calendar days (3 days for small-scale CDM)**.
- A Party involved in the project activity or at least 3 members of the EB shall request a review of the proposed CDM project activity within **4 weeks (2 weeks for small-scale CDM)** after the date of receipt of the request of registration.

The above shortening of the procedures for registration shall be only applicable for LDCs. Project activities in other countries will continue to apply the same procedures for registration. The comparison of length for registration in LDCs and other countries is as follows:

Table 4: Comparison of the length of registration procedure

	1 st Day	10 Days	15 Days	20 Days	30 Days
CDM project activities in LDCs (large-scale)	Request for registration	Result of appraisal	Registration		
	Appraisal by RIT	Submission by the secretariat			
CDM project activities in other developing Parties (large-scale)	Request for registration	Appraisal by RIT		Result of appraisal	Registration
		Submission by the secretariat			

End