

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

Mr. Rajesh Kumar Sethi, Chair of the CDM Executive Board

Mr. Lex de Jonge, Vice-Chair of the CDM Executive Board

c/o UNFCCC Secretariat

P.O. Box 260124

D-53153 Bonn, Germany

E-mail: cdm-info@unfccc.int, secretariat@unfccc.int

Fax: +49-228-815-1999

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Dear Mr. Sethi,

Mr. de Jonge,

We are very pleased to submit this proposal to you regarding procedures for a review of the registration of CDM project activities in Least Developed Countries (LDCs) and request that it be considered at the 44th meeting of the CDM Executive Board. This proposal was jointly made by the Market Mechanism Project 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 are vulnerable to any decisions made by the CDM EB during the CDM registration process, since delays of registration force the project owners to bear the additional cost. Even with the progress made in the implementation of the Nairobi Framework as well as abolishment of registration fee and share of proceeds at issuance for CDM project activities in LDCs, those developments are not enough for local project developers in LDCs to decide

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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 project activities in LDCs regarding the procedures for review of registration in order to enhance current initiatives by the CDM Executive Board.

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

Sincerely yours,

Institute for Global Environmental Strategies
Market Mechanism Project / Climate Change Area

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

All communications can be addressed to the following:

IGES
Keisuke Iyadomi
Researcher, Market Mechanism Project
Climate Change Area
Institute for Global Environmental Strategies
2108-11 Kamiyamaguchi
Hayama, Kanagawa, Japan 240-0115
Tel: +81-46-855-3822
Fax: +81-46-855-3809
E-mail: iyadomi@iges.or.jp

MOE-C
Sum Thy
Chief of Climate Change Office
Department of Planning and Legal Affairs
Ministry of Environment of the Royal
Government of Cambodia
#48, Samdech Preah, Sihanouk Blvd,
Tonle Bassac, Chamkar Mon
Phnom Penh, Kingdom of Cambodia
Tel/Fax: +855-23-218-370
E-mail: cceap@online.com.kh

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

1. Background

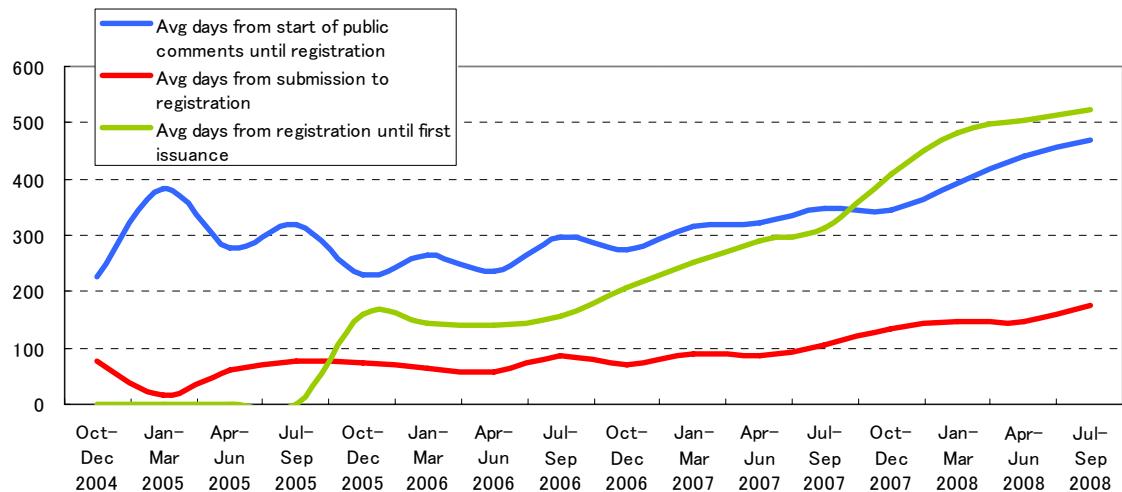
The current CDM market is dominated by projects implemented by a limited number of developing countries such as China and India, in terms of number of registrations as well as the volume of issued Certified Emission Reductions (CERs). LDCs do not fully benefit from this emerging CDM market. While the CDM Executive Board (CDM EB) has undertaken preferential treatment for LDCs such as abolishment of the registration fee and a share of proceeds at issuance only for projects in LDCs, unfortunately these measures have not dramatically changed the current situation. The Institute for Global Environmental Strategies (IGES), in cooperation with the Cambodian Climate Change Office (CCCO), Ministry of Environment of Cambodia, submitted the joint proposal regarding procedures and time schedule for registration of CDM projects in LDCs in November 2007. In this paper, IGES, in cooperation with the Government of Cambodia, will again make a proposal to the CDM EB on reforming the current rules and procedures in order to promote CDM projects in LDCs.

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

Since there are few project developers who can afford to self finance a project in general, a project mostly relies on whether it can secure a loan from the bank or acquire international financial assistance. In addition, the size of CDM projects is relatively small with very limited volume of expected CERs, which does not make developing CDM projects in LDCs financially attractive. Since financial return from such small projects is not guaranteed, a major problem is time lost waiting until the project gets surplus of revenue before implementation. Currently, days taken until registration and acquisition of the first issued CERs are getting longer (Graph 1). One of the reasons for this tendency is the increase in requests for reviews of registration and conducting of reviews before registration (Table 1). As explained before, small CDM projects in LDCs are majorly affected by such delays of registration and issuance, which, in the worst cases, may force the project developer to give up the CDM process for implementing

project.

Graph 1: Average days until registration and first issuance (as of 18 Sep 2008)



(IGES CDM Project Database, as of 18 September 2008)

Table 1: Difference of days for registration among registered projects

Average Days	No requests for reviews nor undertaken reviews	Requested reviews	Undertaken reviews
Average days from the date of starting public comments until registration	302 Days	386 Days	481 Days

(IGES CDM Project Database, as of 18 September 2008)

In conclusion, long days due to requests for registration or conducting reviews should be shortened in order to minimise the time loss for CDM registration so that such vulnerable projects in LDCs can be better promoted. Therefore, this paper proposes preferential treatment for the procedures for reviews of registration, which is addressed by the Annex 20 of the 38th CDM EB meeting; Revision to the clarification to facilitate the implementation of the procedures for review as referred to in Paragraph 41 of the modalities and procedures for a Clean Development Mechanism (Annex III to Decision 4/CMP.1). The proposed treatment is only applicable for projects in LDCs.

3. Proposal: Shortening procedures for review of registration (only applicable for CDM project activities in LDCs)

- When the CDM EB receives the comments from the DOE and project participants (PPs) **one week before the first date of the next CDM EB meeting**, the CDM EB will include prior consideration of this review in the agenda of the next meeting.

<Current rule>

As soon as the Party involved or 3 EB members request a review of a proposed project activity, the following actions shall be taken:

- (a) The consideration of a review of the proposed project activity shall be included in the proposed agenda of the next meeting (if a project is requested for review **3 weeks before** the first day of a EB meeting) or a subsequent EB meeting;
- (b) The EB notifies the DOE/PPs that a review has been requested, and informs about the date and venue of the next and subsequent EB meetings at which the request for review will be considered. Stakeholders interested in the review process also be given opportunity to attend the EB meeting;
 - The DOE/PPs, when being notified of the request for review, shall be invited to submit comments to the EB on issues raised. The deadline for submitting such comments shall be **within 2 weeks from** the notification.
 - In case a project is requested for review **within 1 week prior** to the deadline for circulation of the proposed agenda, there is a different treatment.
- (c) The DOE/PPs each provide a contact person for the review process;
- (d) The proposed project activity will be marked as being “under review” on the UNFCCC CDM web site and a notification will be sent through the News facility.

<New rule>

As soon as the Party involved or 3 EB members request a review of a proposed project activity, the following actions shall be taken:

- (a) **Whenever** the Party involved or 3 EB members request a review of a proposed project activity, prior consideration of a review of the proposed project activity can be included in the proposed agenda of the next meeting if the condition of (b) is satisfied;
- (b) The EB notifies the DOE/PPs that a review has been requested, and informs about the date and venue of the next and subsequent EB meetings at which the request for

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review will be considered. Stakeholders interested in the review process also be given opportunity to attend the EB meeting;

- ▷ The DOE/PPs, when being notified of the request for review, shall be invited to submit comments to the EB on issues raised. The deadline for submitting such comments shall be **1 week before** the start date of the next EB meeting.
- (c) The DOE/PPs each provide a contact person for the review process;
- (d) The proposed project activity will be marked as being “under review” on the UNFCCC CDM web site and a notification be sent through the News facility.

<The reasons for the change>

- To avoid any delays when considering reviews due to the timing of the notification or delays of the administrative process
- 2 weeks from notification to submit the comments shall only be a tentative deadline. Some notifications to a proposed project activity can be done in far less than 2 weeks. Therefore, rigid deadlines to DOE/PPs should be removed, which makes the process from notification to the submission of comments more timely and efficient.

End