

The Carbon Markets & Investors Association (CMIA) welcomes the move by the Executive Board (EB) of the Clean Development Mechanism (CDM) to improve the functioning of the CDM. However, there is an urgent need for the CDM EB to carefully assess the impact of the recently implemented 'registration and issuance' request process in light of concerns raised by the project developer community that these changes could result in further delays to the approval process.

Specifically, EB must clarify that where a project is submitted in compliance with EB rules at the date of submission, these rules will continue to apply to that submission throughout its approval process notwithstanding any rule changes that EB may apply after the application date.

The process is divided into three steps. The first step requires a DOE to submit the project related information and documents in compliance with the rules that are applicable at the time of the submission of the request (for issuance EB54 Annex 35 paragraph 6). The second step is an intermediate step during which the submission is pending and awaiting the completeness check or awaiting scheduling (for issuance Annex 35 paragraph 8 – this step currently takes an estimated 3 months). The third step is the actual completeness check. In step 3 when the Secretariat undertakes a completeness check, it reviews the submissions "in accordance with latest applicable version of the completeness checklist" (for issuance Annex 35 paragraph 9).

The reading of these new procedural rules implies that if the rules change while a project is awaiting scheduling during the second step, the completeness check will still be performed applying the latest version. This further implies that, in this case, a submission might fail the completeness check even if the submission was made in the correct form at the time of upload.

The EB has not clarified if this result was actually intended or whether the situation that rules change during the second step was not anticipated and, therefore, not clearly addressed in the procedures.

However, on the face of it, the rules read as such that a project could actually fail the completeness check simply because the rules were changed by the Secretariat or the EB during this waiting period in step 2. This could occur even if the submitting DOE or the project participant in such a CDM project had not been given an opportunity to respond to this rule change during this waiting period for which the EB or the Secretariat would be responsible.

For the above said reasons, the CMIA and its members believe that as a direct result of the implementation of the new CDM EB process in June 2010, and its retrospective application to projects which were submitted to the queuing process (when the old process was in force), that July is likely to see very little issuances. Issuance projections for future months are likely to be less than optimal.

Although issuances levels may increase at a later stage, the backlog and overall timelines for issuance remains a significant concern. Projects which fail at the 'completeness checking' stage or 'information and reporting checking' stage will go back to the start of the 'queuing for completeness checks' stage – which, given the current backlog, is taking, on average, 3.5 months. Projects currently can fail these checks without any justification as to why. Recent examples of failures include; spelling and punctuation errors which are irrelevant when considering a project's environmental integrity, additionality or emission reductions. Furthermore, many of the CDM projects originate in the developing world, where English, in most cases, is not the first language

Miles Austin, Director of CMIA commented, "It is good to see that the CDM EB are currently trying to improve the registration and issuance procedures given the current backlog of projects. However, it is likely that the changes which have been implemented will not improve the issue of efficiency and timely consideration of registration and issuance requests, instead we feel the new processes could have the opposite effect and add further delays to the already lengthy approvals process and based on what very well could be an editorial mistake."

These likely delays come at a time when the majority of CDM projects have already longer to register than was reasonably anticipated (especially as the 2012 cutoff date for the onset of the EU ETS Phase III is approaching). Further delays are likely to continue to reduce the viability of individual projects and erode investor confidence.

ENDS

Notes to Editors:

For further information, please contact: Miles Austin, miles.austin@cmia.net, +44 7889 344 642

About the CMIA:

The Carbon Markets & Investors Association (CMIA) is an international trade association representing close to 50 companies that finance, invest in, and provide enabling support to activities that reduce emissions. CMIA's membership accounts for an estimated 75 per cent of the global carbon market, valued at USD 130 billion in 2009. Solely representing organizations that provide services to and invest in the environmental sector, membership does not include any entities with compliance obligations under cap-and-trade schemes. This results in a unique advocacy platform with emphasis on the environmental integrity of market mechanisms and climate change policies.