

Simplified Methodology benefits meant for SSC segment are nullified, subjecting genuine projects to face rejections, just based on technical misinterpretations in the name of 'Rule Based Mechanism'.

Submission by: INSWAREB, Visakhapatnam, India – Observer to COP, on 11<sup>th</sup> July 2013.

Some of the SSC activities are silent contributors to emission abatement, but lacking opportunity to get registered as CDM project as well as to stake their claims for ER revenue. Those activities which are fortunate to get 'Bundlers' or 'Aggregators' tend to knock the doors of CDM owing to the provisions available for SSC segment. Bundling program articulated by CDM-EB vide SSC-WG 3 Annex 2, duly reiterated by EB 21 Annex 21, is laudable in facilitating small scale units to claim for their Emission Reductions. Consistency of EB's commitment in upholding the objective and scope of bundling is evident while the above provisions were endorsed by EB 66 Annex 21.

Object of allowing 1% threshold to tiny activity in order to facilitate their assessment as Independent Sub-system (EB 54 Annex 13, clause B.3) is commendable. But, by this meager threshold of 1%, the scope is confined only to very tiny-activity such as using CFL bulb, ignoring to rope in large unleashed potential existing with various SSC project activities.

Auto-additionality is one of the thoughtful procedures in support of SSC bundles. Such innovative procedures need to be promoted to extend fair justice to SSC units.

### **Rule-based Mechanism**

Despite EB's commitment for greater efficiency, transparency, discretion of DOE and improved objectivity and clarity, the proactive approaches of EB are sometimes nullified by EB-Panels and RIT, in the name of 'Rule Based Mechanism,' for not exercising rationality while invoking such rules.

The spirit of simplified SSC mechanism is to bring down validation time and minimize transaction costs through rapid processing norms. But this vital objective is missing right from DOE up to RIT and Panels. Certain rules and procedures framed at EB are to put a check on counterfactual claims and/or preventing claim of undue benefits by project activities. For example, applying the provisions of Debundling Assessment, while validating SSC bundles, is a lopsided approach rejecting rightful privilege to genuinely constituted independent production units, merely on technical misinterpretation. To set right this malady and to draw a dividing line between qualification of bundles and applicability of debundling assessment, a chart is enclosed (annex 1) for the kind perusal of EB.

Consistency in the policies are many a times put at stake; for example, to overcome the malady of applying Debundling Assessment for genuine SSC activity on the pretext of rule based mechanism, the relief given to Type I projects vide EB 54, Annex 13, para 4 and 4(a) is not made applicable to SSC activity in other Types. No tangible reason is available for this discrimination between Type to Type.

The proactive object of CDM-EB in encouraging SSC-segment appeared to have been not sufficiently mulled by DOEs, RIT and EB-Panels and, it appears that they have been not guided suitably in ensuring to extend benefits of simplified methodology to SSC segment. They are resorting to protective mechanism rather than proactive mechanism, vetoing the very purpose for which the SSC segment is created by CDM-EB.

Validation and Verification tools are same for SSC and large scale activity, with minor exceptions, deviating from the object of simplified approach, and unmindful of ground realities under which SSC units are operated. For example calibration of power meters insisted under VVS makes sense for large scale activity, but proves insignificant to many activities in SSC segment owing to the meager quantities of power consumed. Even 100% error would deflect the ER earning by just a couple of tons, which the project entities do not bother to lose if it ensures simplification. But, for the sake of fastidious data, the rigors to which the small scale entrepreneurs are subjected in procuring calibration certificate, which is not in practice as per local rules, and the amount of corruption that it breeds for such uncalled for procurement, is the point for review.

Roles and responsibilities of the EB-Panels and DOEs need to be clarified or redefined in order to enforce them to think and work on 'rationale based mechanism' also rather than purely on 'rule based mechanism'.

### **CDM MAP 2011**

The CDM Management Plan 2011 (EB 59), whose objective is "clarification, consolidation and enhancement of consistencies of all the existing regulatory decisions of the Board that relate to validation and verification of project activities". This plan seems to have been not grounded fully, if the inconsistencies in rules and decisions are any indication, keeping considerable appeals to EB at abeyance without response. The five specific objectives identified by the Board vide D para 8 are far from putting to practice unless the present CDM set up is toned up. For example, while the Objective seeks to remove unnecessary complexities, in reality the complexities of CDM mechanism are unnecessarily increasing day by day with new tools, standards, and versions complicating the job for both PPs and DOEs without achieving any additional mileage. The PPs and DOEs are driven from pillar to post under this 'complex-complexities' of CDM mechanisms.

An accountable technical body has to be constituted to address the objectives of CDM MAP 2011, who should overview to harmonize the performance of RIT and Panels with the objectives of EB, if necessary with veto powers in the interest of achieving such harmony.

The constitution of SSC WG (EB 60 Annex 24) is a laudable approach. But the repetitive way clarifications are provided to the requests of PPs, regardless of new dimensions that PPs seek, gives room to think that the issues are not reviewed at SSC WG in new perspective. It is desirable that issues raised by PP, other than those discussed during project validation, be reviewed by new set of members, in order to have the reviews and decisions in new perspective. Otherwise the decisions of RIT and Panels are liable to percolate in SSC WG decisions, vetoing the very purpose for which the SSC WG is constituted.

The 'Ethical Conduct' upheld by EB (EB 65-A04-STAN Clause 5.2) seeking DOEs to use their discretion throughout VV process appeared to have not been entertained by RIT or concerned EB Panels during validation and/or verification, by which DOEs are embroiled and desisted, forcing ultimately the genuine project activities to lose their base as CDM. Vetting of some of the rejected projects by a third party would prove how the 'Objectives' of VVS vide EB 65-A04 are jeopardized.

### **Issues Raised by the World Bank**

In addition to the above, we also endorse by and large many issues raised by the note submitted by the World Bank dated 25<sup>th</sup> March 2013, for their commonality to SSC segment, with particular reference to the following:

- The CDM has the potential to contribute to the delivery of results-based climate finance to developing countries if it can adapt to a finance logic besides an offsetting logic.
- Besides repositioning there is need to update the 2007 CDM modalities and procedures. As a result of moving forward, the CDM of today no longer reflects the CDM described in the original M&P. The revised M&P needs to reflect the expanded scope of the CDM via programmatic and standardisation approaches.
- Address the problem of data limitations that is common in several developing countries. Provisions need to be made for the use of higher aggregate data in standardised baselines for a period of time until improvements to data quality are implemented by host countries.
- Roles and responsibilities of the EB, Panels and DOEs need to be clarified to enable the EB to function as the strategic and policy making body.

- The additionality concept must be revised, which is controversial since the early days of the Mechanism.
- Guidance on Materiality is essential to improve the efficiency of validation and verification.

Agenda and objectives of EB are emerging out of sublime thought process but they are defeated badly when it comes to the question of implementation. This note brings out only a few issues but a lot need to be done to harmonise objectives with working mechanisms.

## Determining qualifications of SSC-Bundles for Registration

