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Washington DC, December 6, 2006

Dear Mr. Miguez,
Dear Mr. Stehr,
Honorable Members of the CDM Executive Board,

It is with great interest that we have reviewed the "draft guidance on registration of project activities under a programme of activities as a single CDM project activity", Annex 3 of the proposed agenda for EB28. We attach our comments for your consideration as input to your deliberations.

Within the World Bank's Carbon Finance Unit, we strongly support the COP/MOP1 decision to include "programs of activities" in the CDM, as it holds the potential to open the door to the implementation of projects that can help meet the sustainable development priorities of developing countries, which have been under-represented in the CDM relative, e.g. through programs promoting energy efficiency. Based on our operational experience with program-like projects, this decision and the Executive Board's guidance is the key to getting those projects off the ground.

We were encouraged by the draft guidance considered at EB27, as we considered its definition of programs of activities very much in line with the

COP/MOP's intention of including programs in the CDM. This draft seemed to be a good basis for discussion. However, the Draft Guidance prepared for the consideration of the EB at its 28th meeting raises significant concerns, as we fear that it could undermine the intent and the purpose of including programs of activities under the CDM.

In line with our submission in response to the public call for inputs on the definition of policies and programs of activities of June 15, 2006, we believe that the decision that is needed would essentially be a clear definition of programs of activities. Within that definition, all rules and modalities of the CDM including the use of approved methodologies would apply to programs of activities. While clarity on the definition is essential and urgent to implement the COP/MOP 1 decision, it is our view that additional technical guidance for programs of activities and modifications of the CDM project cycle are not required, nor necessary.

We therefore suggest not approving the draft guidance as presented in Annex 3 of the proposed agenda for EB28 but to instead only provide a definition of programs of activities, and to reiterate that all CDM modalities and procedures apply to programs.

Yours sincerely,

(Johannes Heister)
Team Leader
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EB 28 Proposed Agenda – Annotations – Annex 3:
**“Draft guidance on registration of project activities under a programme of activities
as a single CDM project activity”**

Comments by the World Bank for consideration by the CDM EB at its 28th meeting
December 6, 2006

Definition and eligibility of programs of activities

We are particularly concerned about the implications of the proposed definition which is (unjustifiably) overly restrictive and would effectively close the door to desirable CDM programs of activities:

- (1) The definition of programs of activities in the draft guidance gives the impression that only programs implementing a national policy are eligible (e.g. paragraphs 1 and 11f (a)). Presumably this is unintentional, given that there does not seem to be any rationale to exclude other types of programs. We would thus recommend that incentive schemes or other voluntary programs implemented by the public sector, by private companies, NGOs or others be explicitly mentioned in the definition of a program of activities.
- (2) The draft guidance limits programs to only those that can use one single approved methodology (paragraph 6). We fail to see the rationale for such a restriction, as it does not exist for bundles, and most already registered program-like projects are currently using several approved methodologies.

Methodological rules/modalities of the project cycle

Based on our operational experience, our assessment of the proposed technical modalities in the draft guidance is that they are unsuited for programs of activities and that they are not compatible with important program types, in particular programs covering micro activities like efficient light bulbs or household appliances. They are in particular incompatible with programs implementing national policies/regulations most often used as examples in the draft guidance. The basic idea of the program approach is to allow a continuous inflow of program activities under a validated and registered program of activities. The classic example is a program to increase market penetration of efficient light bulbs. In particular for such programs of micro activities (e.g. 300,000 bulbs) it is unrealistic and inappropriate to request:

- the exact name, location, start date and end date for each program activity (e.g. owner names and addresses of 300,000 households),
- a contract with the program coordinator signed by the two parties for each program activity,
- demonstration of eligibility and additionality for each program activity,
- validation by a DOE for each program activity when it is added to the program,
- monitoring of each program activity.

Most programs cannot comply with these requirements, and we do not see any rationale or necessity for imposing them in order to assure that a program and all its program activities fully comply with the CDM rules and modalities.

Programs of activities should be required to follow the same project cycle as other CDM projects activities, that is:

- (3) The demonstration of eligibility and additionality for the program and all of its program activities is done in the PDD based on approved methodologies and validated by a DOE. This approach is similar to that taken for CDM bundles.
- (4) The number of program activities and the corresponding project activity level (e.g. hours of operation of efficient light bulbs) is identified and monitored *ex post* within the monitoring reports. Typically this could be done through sampling. This *ex-post* assessment is not different from other CDM project activities: In a hydropower project, the project activity level (generated hydropower) is determined *ex post* in the monitoring reports (see ACM0002). In a landfill gas project, sampling is an approved procedure to determine the project activity level *ex post* in the monitoring reports (measuring the methane content of captured landfill gas, see ACM0001).
- (5) As in all CDM project activities double counting of emission reductions is prevented by keeping track of registered CDM projects, i.e. a project cannot be registered if it overlaps with an already registered CDM project. The CDM project cycle includes host country approval, Annex I country approval, validation report and final registration as important steps that allow excluding any possibility of double counting.

Therefore, we believe that there is no need for any modification of the project cycle for programs of activities, and there is no need for any additional documents and forms. Like bundles, programs can simply be established by using the standard PDD forms on the basis of approved methodologies. To better illustrate this, we provide below an example of how this could work.

Example: Program increasing the market share of efficient light bulbs

In a program targeting to increase the market share of efficient light bulbs in a host country by offering efficient light bulbs at a discounted price:

- (i) The PDD would state what type of bulbs qualifies for the program (definition of the project activity/eligibility) and what the baseline (based on an approved methodology) would be. It would furthermore be demonstrated that the program itself is additional and that all program activities increasing the market share of the bulbs above 5% (if this is the baseline) are additional. In both cases additionality could be demonstrated by a financial or barrier analysis.
- (ii) The number of light bulbs installed under the program and their hours of operation would be determined in the annual monitoring reports as the difference in what can be observed through sampling after project implementation at a 95% confidence level and the baseline.
- (iii) Through the registration process and based on the host country approval, Annex I country approval and the validation report and based on its track keeping of all registered CDM project activities, the Executive Board of the CDM would not register any CDM project activity overlapping with the light bulb program after its registration date. Similarly, it would not register the light bulb program if a CDM project activity was registered prior to it and were overlapping with it.