



## CDM: Recommendation Form for Small Scale Methodologies (version 01)

*(To be used for presenting questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories)*

<b>Date of SSC WG meeting:</b>	10–12 November 2008, SSC WG 18
<b>Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):</b>	Clarification regarding secondary market effects and free-ridership in AMS-II.J
<b>Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.</b>	AMS-II.J
<b>Name of the authors of the query:</b>	Jeffrey N Smith Institution: Global Climate Strategies, LLC jeffs@globalclimatestrategies.com

### **Summary of the query:**

Please use the space below to summarize the query related to SSC methodologies/categories SSC Modalities and Procedures provide recommendation/analysis of the SSC WG.

Original text from PP:

Methodology Paragraph 8 section (ii) states:

“The project activity must be designed to limit undesired secondary market effects (e.g. leakage) and free riders:

(ii) By direct installation, charging at least a minimal price<sup>4</sup> for efficient lighting equipment and restricting the number of lamps per household distributed through the project activity;”

In addition, based on the report from 17<sup>th</sup> meeting of the Small Scale Working Group on 01-03 September 2008 paragraph 36 states:

“In response to submission SSC\_217, SSC\_218 and SSC\_220, the SSC WG provided clarifications on the application of AMS-II.J. It further agreed to continue to consider the revision of project design requirements under AMS-II.J as defined in paragraph 8 of the methodology, to clarify the intention of the design requirements<sup>4</sup> and provide further examples versus what is currently indicated. This may involve eliminating certain indicated project design elements such as requiring “charging at least a minimal price for efficient lighting equipment”.”

We seek to provide an example; much like SSC\_217 from the World Bank, in order to render a program design that addresses the concern of secondary market effects and free riders.

Example:

A. Project developer develops a program whereby CFL bulbs are distributed to individuals and families at or below the poverty line; such as recent immigrant communities, the elderly, and special needs families (i.e. demographics that clearly demonstrate financial additionality).

B. Project Developer administers the *ex ante* survey as specified.

C. Project Developer works to administer the exchange of IB's to CFL's with activities such as:

- Door-to-door interaction
- Community meetings
- Communications that bring the participants to a central office in order to participate in the program.

We agree with the method's paragraph 8 section (i) concerning the need for an exchange of an IB with a CFL; and section (ii) regarding the limits per household. In the specific ruling provided by clarification request SSC\_217; charging a minimal price to reduce free ridership is effective in this example. However, there is a clarification requested in an example where the target participants are the neediest parts of our populations. We can clearly demonstrate financial additionality through:

- The Distribution Entities and their existing mission targeting low income populations;
- Through *ex post* surveys and DOE verification

For the lowest income population sets; we find that if we have to charge for bulbs, it substantially slows the implementation of the program. Many potential participants will be simply unable to bear the cost of the exchange. Part of the reason for doing a project like this is to provide an educational benefit in a population group that has not been shown the benefits of this technology in reducing electricity use. The electricity cost savings achieved from the project actions will make a substantial difference in the monthly budget of our target participants. We reduce free ridership and leakage by educating the participants that the electrical savings they receive are much greater than any small sum they may realize by attempting to market the CFLs on a secondary market.

#### **Recommendation by the SSC WG:**

Please use the space below to provide amendments/change (in your expert view, if necessary).

Please refer to paragraph 8 of the meeting report of the SSC WG 18  
([http://cdm.unfccc.int/Panels/ssc\\_wg](http://cdm.unfccc.int/Panels/ssc_wg)).

#### **Answer to authors of query by the SSC WG:**

Please use the space below to provide answer to the authors of the above query

The small-scale working group of the CDM Executive Board would like to thank the author for the submission.

In response to the submission, the SSC WG agreed to recommend a revision of AMS-II.J as contained in annex 5 of SSC WG 18 report. The proposed revisions clarify the project design requirements, consideration of electricity T&D losses in the baseline, frequency of *ex post* surveys, and estimation of cross-effects of lighting and heating.



Signature of SSC WG Chair .....

(Ulrika Raab)

Date: 12/11/2008



Signature of SSC WG Vice-Chair .....

(Kamel Djemouai)

Date: 12/11/2008

**Information to be completed by the secretariat**

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