CDM Capacity & Project Development in UNEP RISOE Centre

Latin American Carbon Forum

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Quito, Ecuador
March 22-24, 2006
Implementing three CDM Capacity & Project Development Projects:

3. CDM Capacity & Project Development in Thailand.
1. Capacity Development for CDM (CD4CDM) Project

- A U$12.5 million project funded by the Netherlands Government.
- Started activities in mid-2002.
- Project being implemented in 12 developing countries:
  - Ecuador, Bolivia, Guatemala, Egypt, Morocco, Ghana, Mozambique, Ivory Coast, Uganda, Philippines, Cambodia, and Vietnam.
- Four countries completed activities 2005 & eight in 2006.
- Currently preparing to add nine new countries, extending project life mid-2008.
- Project not involved in procurement of GHG emissions reductions from target countries.
Project Objectives

- Create enabling business environment for creation of CDM investment opportunities through:
  - Develop local institutional & human capacity for CDM project preparation, appraisal, approval, financing & implementation.
  - Support operationalization of Designated National Authorities (DNAs):
    - Establish a Project Approval Procedure.
    - Establish national CDM web site.
    - Propose a SD criteria.
    - Provide infrastructural support.
    - Participation in Carbonexpo.
  - Create a pipeline of CDM projects (PINs/PDDs).
  - Promote host country as CDM destination: Organize national/regional CDM investment forums.
Project Implementation Strategy

- URC together with Regional Centres & in-country project teams jointly implement project activities based on a country-specific Work Plan.

- CB target groups:
  - DNA staff
  - Investment authority
  - Rural electrification agency
  - Renewable energy agency
  - Local consultants
  - Financial intermediaries
  - Industries with CDM potential.
Workshops adopt a targeted, hands-on, participatory approach (case studies, small working groups with sectoral focus, e.g.:

- Small hydro working group.
- Methane management working group.
- N2O working group.

Through workshops, local experts assigned to produce a pipeline of CDM project PINs & PDDs.
CDM CB Guidebooks

- URC & consultants developed training manuals & guidebooks used in capacity building workshops:
  - CDM Legal Issues Guidebook.
  - Sustainable Development Impacts Guidebook.
  - Institutional Strategy to Promote the CDM in Peru.
  - CDM Information and Guidebook.
  - CDM Wind Projects Guidebook.
  - PDD Pitfalls Guidebook.
  - CDM Baseline Methodologies Guidebook.

- All downloadable from project web site [cd4cdm.org].

- Recently launched a Working Paper Series.
Developing CB Tools:
PDD Pitfalls Guidebook example

- Motivation:
  - Project developers facing extended time periods for project validation:
    - Quality of PDDs submitted.
    - Missing supportive documentation submitted with PDDs for validation.
    - Commonalities in misinterpreting EB guidance.
    - Challenges are persistent in different regions in CD4CDM countries.
CD4CDM targeted CB approach to the problem:

- Identified DNV as DOE with most experience in validation (50% market share, +300 projects).
- Accumulated in-house knowledge of the common pitfalls.
- URC-DNV collaborated to document this knowledge and disseminate it as a capacity development tool.
Validation: Involves Complex Project Management

- Operating and purchase agreements
- EIA, Construction & Operating License
- Letters of Approval
- Start PDD writing
- Publication of draft PDD for 30 days
- Validation
- Start production of CERs
- Project Implemented
- Training personnel performed, monitor. equipmt. installed
- Monitoring and project management procedures implemented
Shortening Time Period for Validation Process

Phase 1: Desk Review
- Project Developer
  - Submit Documentation
  - DOE
    - Preliminary check
      - Identify risks associated with assumptions made and data sources used

Phase 2: Interviews
- List of issues to be discussed during follow-up interviews
  - Interviews with relevant stakeholders
  - Phase 3 Draft Report
    - Customized draft validation report
      - Approval from host country
        - Host country and Annex I country can request review for 8 weeks

Phase 4: Final Report
- Phase 3 Draft Report
  - DOE
    - Preliminary check
      - Identify risks associated with assumptions made and data sources used
    - Stakeholders
      - Stakeholder comment period of 30 days
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<td><strong>Over 100 types of pitfalls identified, then combined into 20 major ones</strong></td>
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<td>1. Small-scale selected for a large scale project.</td>
<td>11. Baseline information not sufficiently supported by evidence</td>
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<td>2. Project participants not identified clearly.</td>
<td>12. Major risks to the baseline &amp; project activity not identified/described.</td>
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<td>3. EIA evidence &amp;/or construction/operating permits/approvals not provided.</td>
<td>13. Lack of logic and consistency in the PDD.</td>
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<td>4. Letter of Approval insufficient or delayed.</td>
<td>14. The project boundaries not defined clearly.</td>
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<td>5. No written confirmation on avoidance of ODA funding.</td>
<td>15. Project &amp;/or crediting start date unclear.</td>
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<td>6. Modalities of communication with EB on CERs allocation unclear or insufficient.</td>
<td>16. Deviations from monitoring meth not justified.</td>
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<td>7. Insufficient description of technology.</td>
<td>17. Monitoring and project management procedure not defined.</td>
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<td>8. Non-compliance with applicability conditions for baseline meth.</td>
<td>18. Deviation from selected calculation meth not justified sufficiently.</td>
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<td>10. Baseline information not sufficiently supported by evidence</td>
<td>20. Insufficient information on the stakeholder consultation process.</td>
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CDM Market Analysis

- Jorgen Fenhann (URC) designed an analysis of the global portfolio of CDM projects.

- Offers an in-depth view of how CDM market is evolving.

- The CDM EB and other bodies use the analysis to monitor market evolution.
Overview of the Analysis

- A breakdown of 600+ projects based on:
  - Technology used in the project
  - Type of GHG mitigated through the project
  - Project scale (full- vs. small-scale)
  - Geographic location
  - Amount of emissions reductions till 2012
  - Time span between validation and project registration
  - DOE doing the project validation
  - Project developer
  - *Installed capacity in power generation soon to be added.*

- Updated on a regular basis & downloadable from cd4cdm web site.
Welcome

The Clean Development Mechanism (CDM) proposed under article 12 of the Kyoto Protocol is an important potential instrument to promote foreign investment in GHG emission reduction options while simultaneously addressing the issue of sustainable development.

With the international framework for the CDM presently under development, many complex legal, financial and technical issues still require further discussion. Under these circumstances, most developing countries with limited institutional capacity will face a significant challenge in taking a pro-active approach to participate as equal and reliable partners in CDM when it becomes operational.

Reflecting the needs of developing countries, UNEP is implementing a 4-year project on Capacity Development for the CDM with funding from the government of the Netherlands.

Overall Objective

- To generate in participating developing countries a broad understanding of the opportunities offered by the CDM, and
- To develop the necessary institutional and human capabilities to formulate and implement projects under the CDM.
- To help ensure the early success and efficacy of the CDM through creating national capacity to implement the CDM in 12 developing countries.

Upcoming event:
CDM Investment Forum, North Africa and Middle East, 22-24 Sept. 2004

Download registration form for above event

CDM Investment Forum, North Africa and Middle East Networking Event 25 Sept. - Registration Form

Ecuador Training Workshop - Reforestation and Bioenergy, Tabacundo, 1-5 March 2004

CDM Information and Guidebook
(2nd edition)

Legal Issues Guidebook to the Clean Development Mechanism

CDM Sustainable Development Impacts

Institutional Strategy to Promote the Clean Development Mechanism in Peru
2. Using Carbon Finance for Sustainable Energy in Africa (CF-SEA)

- $1 million project funded by UN Foundation & World Bank.
- Jointly implemented by UNEP RISOE Centre & World Bank’s Community Development Carbon Fund (CDCF).
- Dual-Objective (Two parallel tracks):
  - Build capacities of local stakeholders (DNA, experts, banks, etc.).
  - Structure CDM projects for CDCF’s procurement of ERs.
- Focus on Sub-Sahara Africa (bypassed by CDM market).
- Project countries: Mali, Cameroon, Ghana, Mozambique, & Zambia.
3. CDM Capacity Building in Thailand

- Danida-funded, one year project.

- Private sector is ahead of government in engagement in CDM activities:
  - Delays in issuing letters of approval by DNA.

- Objective is to provide institutional strengthening to government entities related to CDM project cycle in the country, e.g.:
  - DNA project review & approval process streamlined.

- Address government misconceptions towards KP and CDM:
  - Series of high-level half-day executive workshops.
  - Study tours for 14 senior government officials to DNAs in S. Korean and China.
Project Identification & Preparation

National Approval (LoA by DNA)

Validation & Registration

Project Financing & Contracting/ERPA

Project Monitoring

Verification & Certification

Issuance of CERs

- CB for local consultants (incl. sectoral-focused workshops).
- CDM Guidebooks (Baseline Meth & General CDM, etc.).
- Formulation of national CDM project portfolios.
- Work on Programmatic CDM under preparation.

- Set up an operational DNA.
- Advise on Sustainable Development Criteria (Guidebook on SD Impacts)
- Design a timely & transparent approval procedure.
- DNV-UNEP PDD Pitfalls Guidebook (soon a Spanish & French versions).

- CB for local financial intermediaries.
- Organize CDM Investment Forums (Asia, MENA, LA)
- Support participation in Carbonexpo.
- Design a national CDM web site promoting projects.
- Prepare a CDM Country Investors’ Guide.
- CB for local lawyers + Legal Issues Guidebook.
- New CDM financing document under preparation.
- New legal commentary web portal under preparation.
- New document on Monitoring & Verification under preparation.
CB Success Indicators

- Key contribution is reduction in transaction cost for project developer/host country:
  - Number of days DNA will review & approve a CDM project.
  - Local consultants capable of preparing good quality PIN/PDD.
  - Local financial institutions have good understanding of CDM, possibly willing to provide underlying project financing.
  - Validation/Verification processes conducted in a timely manner.
  - Number of signed Emission Reduction Purchase Agreements (ERPAs).
Lessons Learned

- CB Effectiveness: Ensure the right people are receiving the right training (job descriptions, institutional mandate).

- Appreciate differentiated CB needs among target groups (policymakers vs. consultants vs. bankers).

- Hands-on, small, sector-specific workshops most effective (e.g. landfill workshops, fuel-switching workshops, etc.).

- Priority in using local consultants, then regional, then international.

- Encourage national ownership of CB efforts, & secure some in-kind contribution.

- Design/adopt country-specific CB building work plans.
Thank You.