Experiences in AR-CDM project validation


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1. Introduction to TÜV SÜD
2. Brief summary on the UNFCCC setting for AR projects
3. Key procedural steps in validation
4. Experiences in validation of AR-CDM projects
What TÜV SÜD Does

Consulting  Testing  Certification  Training

on behalf of industry, trade and commerce, public institutions and private individuals.

- 11,000 employees,
- aprox € 1,168 million in sales
- aprox. 75 % in Germany, 25% abroad
- 600 sites*

www.tuev-sued.com

* = data as of 2006
TÜV SÜD Industry Service

• The experts of the TÜV SÜD Industry Service branch have decades of experience across almost all fields of technology.

• Services ranging from industrial safety to cost and risk management, and from occupational health and safety to environmental protection.

Carbon Management Service (CMS)

• The team of Carbon Management Service (CMS) consists of >20 professionals in the HQ in Munich.

• Worldwide >40 auditors active for CMS. A key asset of CMS is the high level of technical expertise present in-house.

• Services provided by CMS are presented in the next slide:
Project validation and verification of climate change projects according to the requirements of:

1. Project based mechanisms of the Kyoto Protocol
   - CDM - afforestations
   - JI – forest management, conservation, etc.
2. Other emerging emissions trading regimes
   - Chicago Climate Exchange
3. Voluntary schemes.
   - VER+ (see netinform.de)
   - Climate, Community and Biodiversity Alliance (CCBA, climate-standards.org)
2. The setting for AR CDM projects
The CDM rules are clear and the logistics work. Since the Kyoto entered (2/05) into force CDM activities run high.

One AR-CDM project activity registered, several under validation.

US and Australia state initiatives include forests

Miles to go….

Reduced deforestation / degradation (REDD) - the new/old issue runs high on the political agenda for upcoming negotiations.

EU-Emissions Trading Scheme does not include forests (CDM/JI linkage directive).
“Felt” expectation levels on forestry and CDM

Expectations on forestry in CDM

REDD

Kyoto

Def.

Bonn

Marrakech

Kyoto

TÜV SÜD Industrie Service GmbH
The stage for AR-CDM

- Modalities and procedures for validation, registration, verification, issuance have been defined.
- Final definition of PROJECT DESIGN DOCUMENT and procedures on METHODOLOGIES for baseline and monitoring.
- Operational answers exist to:
  - Additionality
  - Permanence: temp. CER (tCER), long term CER (ICER)
  - Crediting period: 20 years (+2 x); 30 years,
  - Forest definition: Crown 10-30%, Area 0,05-1 ha, Height 2-5 m
  - Eligibility of lands / forest free since 1990.
<table>
<thead>
<tr>
<th>Meth. (LS)</th>
<th>Methodology Title</th>
<th>Country of initial project case</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR-AM0001</td>
<td>Reforestation of degraded land - Ver 2</td>
<td>China (Guangxi)</td>
</tr>
<tr>
<td>AR-AM0002</td>
<td>Restoration of degraded lands through afforestation/reforestation</td>
<td>Moldova</td>
</tr>
<tr>
<td>AR-AM0003</td>
<td>Afforestation and reforestation of degraded land through tree planting, assisted natural regeneration and control of animal grazing - Ver 2</td>
<td>Albania</td>
</tr>
<tr>
<td>AR-AM0004</td>
<td>Reforestation or afforestation of land currently under agricultural use</td>
<td>Honduras (Pico Bonito)</td>
</tr>
<tr>
<td>AR-AM0005</td>
<td>Afforestation and reforestation project activities implemented for industrial and/or commercial uses</td>
<td>Brazil (Plantar)</td>
</tr>
<tr>
<td>AR-AM0006</td>
<td>Afforestation/Reforestation with Trees Supported by Shrubs on Degraded Land</td>
<td>China (Ahoan)</td>
</tr>
<tr>
<td>AR-AM0007</td>
<td>Afforestation and Reforestation of Land Currently Under Agricultural or Pastoral Use</td>
<td>Ecuador (Choco Manabi)</td>
</tr>
<tr>
<td>AR-AM0008</td>
<td>Afforestation or reforestation on degraded land for sustainable wood production</td>
<td>Madagascar</td>
</tr>
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</table>
Further Large scale methodologies:
• Several methodologies still to be processed
• EB has noted need for Consolidates AR Methodologies!

Small scale methodologies:

<table>
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<th>Methodology Title</th>
<th>Country of initial project case</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR-AMS0001</td>
<td>Revised simplified baseline and monitoring methodologies for selected small-scale afforestation and reforestation project activities under the clean development mechanism</td>
<td>N/a (grassland / cropland)</td>
</tr>
</tbody>
</table>

• Cap at 8 kilotonnes $\text{CO}_2\text{e}$ p.a
• Aspect on eligibility of lands and additionality included to SSC methodology

• The new option:
  **Programme of Activities (PoA)**, combined with CDM Programme Activity Document (CPA), using approved methodologies.
Additionality tool

Tool for the demonstration and assessment of additionality for AR CDM project activities

Step 0: Starting date
Step 1: Definition of alternatives to the activity (within legal framework)
Step 2: Investment Analysis - or -
Step 3: Barrier Analysis
Step 4: Impact of CDM Registration
The eligibility tool – (currently still on hold)

- Demonstrate land use at project start: under forest threshold, no potential to surpass threshold, not temp. unstocked.
- Demonstrate land historic land use – showing that this also applies on 31 Dec 1989 (reforestation) or that the area was under forest threshold >50 years (afforest)
- Information to be used: Imagery, maps, ground surveys, or Participatory Rural Appraisal (PRA)
3. Procedural steps in validation of AR-CDM projects
The project cycle

1. Project development → PDD

2. Validation
   • Registration

3. Project implementation, incl. monitoring

4. • Verification
   • Certification
   • Issuance

5. Carbon Merchandising

climate change project
**Validation**

„Validation is the process of independent evaluation of a project activity by a designated operational entity against requirements of the CDM …”

- Pre-condition for registration of project activity
- Inclusion of the “global stakeholder process (GSP)”

**Verification**

“Verification is the periodic independent review and ex post determination by the DOE of the monitored reductions… during the verification period. Certification is the written assurance…”

- Pre-condition for issuance of CER’s
- Assessment of conformity with approved monitoring plan
The validation process in detail

1. Develop Project Documentation
2. Validator Selection
3. Validation Contract Establishment
4. Validation Team Selection
5. Baseline & Monitoring Methodology Check
6. Document Review
7. Background Investigations
8. Follow-up Interviews
9. Final Validation Report and Opinion
10. Resolution of Corrective Action Requests
11. EB Approval of Methodologies
12. Public Stakeholder Comment Process (30 days) AR: 45
13. Draft Validation Report
14. EB Registration of project
4. Experiences in the validation of AR-CDM projects
General impressions

✓ Up to now, high quality projects with mutual benefits (ecologic and social – e.g. promoted by BioCf / WB)
✓ Increased number of appr. methodologies facilitate AR-CDM

Experiences:
1. no approved methodology available → time and work load for new meth. submission underestimated
2. project developer / participant underestimates AR-CDM requirements – idea and the local access but insufficient CDM capacities
3. too small amount of tCERs/lCERs in order to make project feasible

Recommendations:
- pre-validation to make sure that the project qualifies for CDM → avoidance of pot. unnecessary development costs
- capacity building for project developers, combined with PDD support by experienced consultants
- define minimum size of project based on sound initial economic analysis
Validation procedures

Experiences:

- too ambitious timetable → imperfect PDDs submitted, resulting in delayed validation process.
- larger number of draft-PDD versions (though only one PDD revision part of reg. validation contract)
- Time req. more than expected (3-9 months, although in best case only 8 weeks)

Recommendations:

- Extended information and transparency on the process provided by DOE
- Further information can be obtained in the Validation and Verification Manual (VVM).
Project description

Experiences / expectations:

- Description of the current land-use system / status quo (e.g. within different strata) needs to be complete.

- The description of the project activities (equipment / silvicultural approach) to be applied needs to be detailed.

- The boundary / discrete sites need to be clearly defined.

- The management structure of the project and the corresponding responsibilities needs to be clearly described.

- Risk management procedures for unintended developments affecting the projects’ success and the generation of carbon credits need to be defined.
Experiences / expectations:

- **Baseline study** is carried out without final definition of methodology to be applied.

- **Reasoning** and **background data** for all assumptions should be given, e.g. in regard to alternatives in baseline discussion.

- In the additionality discussion, a focus on the **barriers** seems to be more frequent.

Recommendations:

- **Stick tightly to framework documents** (methodology, eligibility and additionality tool, step wise approach) – completion should occur according to project setting.
Experiences / expectations:
- The common approach are calculations based on Excel spreadsheets.
- Structuring of tables partially challenging for auditor. Advantage of traceable calculations.
- Sources of parameters need to be provided.
- Secondary data is increasingly also requested by UNFCCC.

Recommendations:
- Use of a standardized tool that reflect the structure and options of the methodology applied (e.g. as under development by L. Pedroni).
Experiences / expectations:
- Formal requirements are complied with incorporation of parameters and monitoring frequencies to the PDD as indicated in the methodology
- Monitoring Plan – to large extend standardized documents.
- Validation requirements are complied with – risks remain that monitoring difficulties occur during implementation, which might result in reduced CER delivery.

Recommendations:
- Ensure for sound management structures that are aware of the importance of monitoring requirements.
Experiences / expectations:
- The project should be presented not only to local authorities but the actual local stakeholders.
- Appropriate media should be used.
- In order to take potential comments into account, the stakeholder process should start with early project design.

Recommendations:
- Consider stakeholder participation as a key to success, throughout entire project planning.
**Experiences:**

- Stakeholders contribute rarely to the global stakeholder process.
- Only accredited observer organisations / environmental NGOs make use of commenting opportunity.
- Most comments given are negative.
- TÜV SÜD welcomes all comments and takes them for its conclusion into account.

**Recommendations:**

- Constructive contributions by NGOs and stakeholders
Experiences:
- Time demand for this formal requirement largely underestimated.
- DNA in the host country unfamiliar with AR-CDM
- no English version of the LoA available
- different approach in host countries (e.g. partially draft validation report required)

Recommendations:
- delivery of an draft validation report to DNA
- early contact advisable for project developers!
Considerations for project developers

- try to work with approved methodologies. Analyze the aspect of LS vs. SSC.

- elaborate PDD with care, quality vs. volume – focus on baseline, additionality and monitoring – clear chronology for project design

- convince with straight forward reasoning and quality background data

- consider to combine CDM validation e.g. with CCBA / FSC to improve project attractiveness.

- TÜV SÜD - your service provider for pre-validation, validation, and verification of AR-CDM project!
Thank you very much for your attention.

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