

## CDM Highlights 49

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Monthly newsletter of the GTZ Climate Protection Programme, written by Perspectives GmbH and GTZ. Please send questions, comments or newsworthy items to [climate@gtz.de](mailto:climate@gtz.de)

### Editorial

Dear reader!

The long-awaited EB decision on programmatic CDM opens an exciting new playground for CDM projects with high sustainability benefits. This is important as media are increasingly criticizing the CDM for neither achieving additionality nor delivering sustainable development. A public backlash against the CDM could jeopardize its very existence at a time when the future of climate policy looks increasingly bright, as shown by the G 8 summit. In this context, the latest EB's rejection of cement blending projects because of not fulfilling additional criteria is a step into the right direction.

Anja Wucke, GTZ and Axel Michaelowa, Perspectives

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### UNFCCC, EB and its panels

The EB met from 20-22 June, taking the following decisions:

- A Programme of Activities (PoA) can be coordinated by any private or public entity and can entail any measure that is not related to implementation of a mandatory and enforced policy. This coordinator is responsible for development of a programme design document (POADD) which defines eligibility criteria, especially regarding additionality determination, for projects (so-called CDM programme activities, or CPAs) that want to participate in the PoA. Moreover, procedures for avoidance of double counting have to be included. The POADD has to include a project design document for one CPA (so-called CPADD). A PoA is restricted to one baseline methodology but can encompass several host countries. Stakeholder comments and environmental impact assessments can be done on the PoA level. The key innovation of the PoA is that only a subset of CPAs need to be verified according to a sampling procedure defined in the POADD. However, the PoA coordinator has to collect and archive monitoring reports from all CPAs. He is also responsible for the distribution of CERs. Once a PoA has been registered, CPAs can be added through a DOE without having to be registered by the EB. The CPAs can choose their crediting period, which starts from the date of their inclusion. All crediting periods automatically end at the end of the PoA duration which can be up to 28 years. At any time after inclusion of a CPA, it can be challenged by one EB member. The EB then decides whether the CPA should be excluded. The DOE that verified the PoA has to provide CERs to cover all CERs issued for the excluded CPA. This liability is very tough, given that a challenge could come many years after the inclusion of a CPA. Subsequently, a DOE reviews the entire PoA and checks whether other CPAs should be excluded as well. A cumbersome rule is that a PoA has to be revalidated every time its baseline methodology is revised. Given the high frequency of baseline revisions, this will lead to an enormous workload for PoA coordinators, validators and the EB. While PoAs can immediately use existing large-scale methodologies, small-scale methodologies have first to be revised by the EB before being applicable. This means that the first PoAs will be large scale.
- Approval of three large and one small-scale methodologies (coal or oil-gas switch in existing power plants, high-tech fuel use to improve power plant efficiency, biogas feeding into pipelines; avoidance of HFC emissions in rigid Poly Urethane Foam (PUF) manufacturing as small-scale). 12 methodologies were rejected (1 hydropower, 4 energy efficiency in industry, 2 gas recovery, 1 CMM, 1 agriculture, 1 transport, 1 biodiesel, 1 forestry).
- The consolidated waste heat recovery methodology (see last issues) was finally approved; it will be widely applicable.
- While the Meth Panel had proposed to approve a consolidated methodology for greenfield supercritical power plants, the EB sent it back to the Meth Panel as it could not decide on the scope of the baseline sample.

- The applicability of ACM 1 (landfill gas) and AM 25 (composting) was considerably broadened, while for AM 9 (gas flaring reduction) the verifier has been tasked to check whether the original oil production forecast has actually materialized.
- The methodology submission process has been improved considerably, allowing now for direct communication between the Meth Panel and the methodology developer throughout the process.
- Lloyds Register (LRQA) was accredited for validation of energy projects
- Colombian ICONTEC got the accreditation for verification of energy projects. It is the first developing country DOE accredited for verification and also the first DOE accredited for verification, but not for validation.
- 6 of the 8 projects under review were rejected. 4 are cement blending projects (2 from Brazil, 2 from India) with a total CER volume of 2.9 million, all of which according to the EB were lacking additivity. 2 energy efficiency projects from India were rejected for surpassing the threshold of small-scale bundles and applying a wrong methodology.
- 10 projects were placed under review (among which 5 biopower plants, 2 early start methane recovery projects from Thailand and the large gas flaring reduction in Equatorial Guinea. The additivity of several of those projects is questioned, while the latter one apparently has started before 2000.

### Designated National Authorities

- In a reaction to the note on the Brazilian baseline electricity grid emission factors in the last issue, the Brazilian DNA would like to clarify the status of the data available at <http://www.mct.gov.br/index.php/content/view/50954.html>: "We first established a Working Group composed of technical people from the National Operator of the Electric System (ONS), the Ministry of Mines and Energy and the Ministry of Science and Technology (MCT). We then adapted the methodology ACM0002 (see <http://www.mct.gov.br/index.php/content/view/50965.html>) for our system and made the figures available at the MCT website. We held a meeting with project developers, well-known Brazilian experts and technical people from the Working Group to explain what was done and to gather first impressions from the main project developer companies in Brazil. We have recently sent a letter to the CDM Executive Board formally requesting their comments, and our next step, after consolidating the work, is to submit it formally to the Brazilian DNA in order to have it officially adopted through a DNA Resolution. In the meantime, we are receiving manifestation from project developers with specific concerns about the application of methodology ACM0002. We have requested that they submit formal letters explaining the reasons for their concerns to have it formally considered by the Working Group and appropriately answered. In summary, we are taking steps in the process that eventually will lead to the adoption of the emission factors by the Brazilian DNA. However, we are going through this process carefully, in order not to disturb the regular submissions of CDM projects activities at this moment."
- The DNA host country approval hitlist stands at
  - India: 615 projects (+16).
  - China: 524 projects (+72). The new approvals include 44 hydro, 15 waste heat recovery, 7 wind, 4 CMM, 1 nitric acid and landfill gas project. Total annual CER volume is estimated at 15 million per year of which 4.9 million come from three waste gas power plants in steel mills and 1 million from the nitric acid plant.
  - Mexico: 169 projects (+9), including 6 cow waste methane and 1 cement blending and landfill gas project each with 0.6 million CERs per year
  - Brazil: 154 projects (+14), including hydro and agricultural waste methane capture
  - Indonesia: 20 projects (+6), including biopower, energy efficiency, biomass fuel for cement, gas flaring reduction and methane recovery from wastewater,
  - South Africa: 18 projects, with an annual CER volume of 3 million
- The DNA investor country approval hitlist stands at
  - UK: 331 projects (+0).
  - Japan: 173 projects (+38), with an annual CER volume of 81 million (+30 million)
  - Spain: 51 projects (+0)
  - Germany: 29 projects (+0)

Please note that large projects may be approved by more than one investor country!

## Project developers

- Large new projects in the pipeline are
  - Waste heat recovery from coking plant (China, 4.6 million CERs by 2012)
  - Large bundle of pig waste methane capture (Chile, 3.6 million CERs by 2012)
  - Three composting projects in palm oil mills (Malaysia, 3.2 million CERs each by 2012)
- Swiss bank Credit Suisse has bought 10% of EcoSecurities for 44 million Euro
- Austria has asked South Pole Carbon Asset Management to provide 2 million CERs from projects in sub-Saharan Africa.
- Indian company Mokshda is planning to submit introduction of efficient stoves for cremation of human corpses as a CDM project. The stove reduces wood consumption by over 60%. However, the non-renewable biomass issue has to be resolved before the project can become CDMable.
- The Delhi municipal administration is identifying a CDM pipeline with projects as diverse as introduction of a metro railway, landfill gas collection and buildings energy efficiency

## Incentives for CDM investment

- After many years of interministerial squabbling, Russia has defined its JI guidelines. The process is heavy and involves many different ministries and agencies. The Ministry of Economic Development and Trade plays a key role. Letters of approval can be withdrawn if reporting is not done properly. While the rules are definitely much more cumbersome than those of a typical DNA, it is clear that Russia is now becoming a serious competitor to the CDM
- The G 8 summit declaration calls for an "improved and strengthened" CDM. It also states that "major economies that use the most energy and generate the majority of greenhouse gas emissions agree on a detailed contribution for a new global framework by the end of 2008 which would contribute to a global agreement under the UNFCCC by 2009". Brazil, China, India, Mexico and South Africa stressed "the crucial role of economic incentives, in particular by carbon markets, for the necessary investments in climate friendly technologies at large scale". As expected, none of these countries is currently willing to take on emissions targets
- The EU commission reduced the Finnish allocation plan by 5% and reduced its CER import threshold from 12 to 10%. During the month, the price for 2008 EU allowances fell from 25 to 20.5 Euro.
- German parliament increased the CER import threshold from 20 to 22%.
- Norway has announced unilateral emission targets of -10% for 2012, -30% for 2020 and -100% for 2050. For the time until 2012, the Norwegian government plans to buy 40-55 million CERs and ERUs, which would make it one of the larger buyers.
- Portugal has reduced its CER acquisition plans by 12.5 million to 16.5 million.
- UNDP's hitherto MDG facility has contracted Fortis Bank to buy 15 million CERs expected from its project pipeline.
- Naoki Matsuo, highly respected Japanese baseline methodology specialist, is developing a carbon fund called "PEAR" focusing on CER acquisition from projects with high sustainability benefits, aiming at Japanese company investors and the voluntary offset market.

## Web news and downloads of the month

- IETA has released a report on CDM project risks and financing options:  
[www.ieta.org/ieta/www/pages/getfile.php?docID=2424](http://www.ieta.org/ieta/www/pages/getfile.php?docID=2424)
- There has been an intense media debate on additionality and sustainability benefits of the CDM. Download articles in the "Guardian" at [www.guardian.co.uk/frontpage/story/0,,2093837,00.html](http://www.guardian.co.uk/frontpage/story/0,,2093837,00.html) and <http://environment.guardian.co.uk/climatechange/story/0,,2093815,00.html>, "Le Monde" (French) at [www.lemonde.fr/web/article/0,1-0@2-3244,36-920043,0.html](http://www.lemonde.fr/web/article/0,1-0@2-3244,36-920043,0.html), "Tagesanzeiger" (German) at <http://tages-anzeiger.ch/dyn/news/print/ausland/758571.html> and the comment by IETA on the Guardian article at [www.ieta.org/ieta/www/pages/getfile.php?docID=2408](http://www.ieta.org/ieta/www/pages/getfile.php?docID=2408). The article on additionality of Indian projects is available at [http://medias.lemonde.fr/mmpub/edt/doc/20070608/920594\\_additionality\\_determination\\_of\\_indian\\_cdm\\_projects.pdf](http://medias.lemonde.fr/mmpub/edt/doc/20070608/920594_additionality_determination_of_indian_cdm_projects.pdf)
- A concise and nicely illustrated guidebook on CDM forestry projects is available at <http://www.proyectoforma.com/Documentos/GuidebooktoMarketsandCommercializationofCDMforestryProjects.pdf>. For Spanish readers, the site <http://www.proyectoforma.com/> offers a wealth of forestry CDM related material.
- A WWF report on the EU CER import thresholds and their effect on the global carbon market can be downloaded at [http://assets.panda.org/downloads/emission\\_impossible\\_\\_final\\_.pdf](http://assets.panda.org/downloads/emission_impossible__final_.pdf)

- A database of coal mine methane projects around the world is available at: <http://www2.ergweb.com/cmm/projects/projectlist.aspx?sortField=country&sortOrder=A>
- An update of the draft UNFCCC catalogue of CDM rules can be accessed at <http://test.cdmis.net/catalogue-test>. It has been somewhat improved compared to the initial version.

### **GTZ CDM capacity development**

- A 3 day workshop to create awareness on CDM in Benin took in place in April in Abomey and was organised by the Ministry of Environment and support by GTZ. The Canadian consulting company Econoler International gave technical expertise to the participants.
- The Ministry of Sustainable Development and Environment with support by GTZ organised training in Tunisia in cooperation with Climatefocus on negotiation of emission reduction purchase agreements in French. The contract model developed in cooperation with more than 30 legal experts and CDM experts most coming from developing countries. It has the aim to better balance between sellers interests and buyers interests than existing contract models as they were mainly developed by experts in developed countries. It is available in different languages under: [www.cerspa.com](http://www.cerspa.com). A CERSPA template in French is under preparation and will be included soon in the homepage.
- The GTZ publication on "Capacity Development for the Clean Development Mechanism - Lessons Learned in Ghana, India, Indonesia, South Africa and Tunisia" is now available under [en-climate-cdm-capacity-development.pdf](#), A french version is under preparation.

### **Other news**

- IETA is hosting regional carbon fora in Latin America (September 5-7) and Singapore (November 6-7). For registration information see <http://www.ieta.org/ieta/www/pages/index.php>
- A Latin American Carbon Forum is taking place in Peru in 5-7 September 2007 <http://www.laticarbon.com/2007/index.htm>
- The Chilean Economic Development Agency, CORFO, holds its Second International Renewable Energy and CDM Investment Meeting in Santiago, November 14 - 16, 2007

### **Country of the month: Mongolia**

Mongolia offers a non-negligible potential of energy efficiency improvement due to its legacy of socialist industries. Its electricity is mainly generated from coal. Repeatedly, industrial boiler refurbishment and improved coal stoves have been mentioned as CDM project options. Mongolian officials have focused on cooperation with Japan at an early stage. From 1999-2003, the Japanese Hyogo Environmental Advancement Association ran two activities to promote CDM forestry in Mongolia. In 2003, the Economic Research Institute for North-East Asia did a study on small-scale CDM. The Mongolian DNA was notified in January 2005. The German company Prokon Nord developed a small-scale CDM project replacing five 1.5 MW boilers that was registered in July 2006, whereas two hydro projects developed by Mitsubishi UFJ achieved registration in March 2007. With a total of 0.4 million CERs by 2012, all these projects are very small. The only (semi-)local project developer is Green Energy, set up by a Mongolian expert and China-based Caspervandertak Consulting in 2004. There is no Mongolian project in the validation pipeline, which shows that there remain important barriers to CDM in the country.

### **Number of the month**

2.2 billion: CER volume projected by submitted and registered projects by end 2012

### **CDM counter (as of June 25, 2007)**

- Pending large-scale baseline methodologies: 35
  - of which forestry: 5
- Approved and published large-scale baseline methodologies: 62 (including 11 consolidated ones)
  - of which forestry: 7

- Approved and published small-scale baseline methodologies: 23
- Notified DNAs: 119 (96 host countries, 23 buyer countries)
- Companies applying to become operational entity: 20
- Accredited operational entities: 18
  - Of which 7 for verification
- Projects currently open for public comments on PDD: 125
- Projects that are undergoing and have undergone the public comment period: 1538
  - Of which 132 have officially applied for registration
  - for 28 of which a request for review has been launched
  - Of which 17 have to make corrections
  - Of which 10 are undergoing review
  - Of which 20 have been rejected
  - Of which 4 have officially been withdrawn
- Expected CERs until 2012 from those projects: 1228 million
  - Of which 141 million from those that officially applied for registration
  - Of which 11.8 million from projects with request for review and corrections requested
  - Of which 6.3 million from those undergoing review
  - Of which 12.4 million from rejected ones
- Registered projects: 715
  - expecting 966 million CERs by 2012
- Host countries: 43
- Buyer countries: 14
- Issued CERs: 62.2 million
- CER price: 5-6 Euro for medium-risk forwards, 7-10 Euro for low-risk forwards, 9-13 Euro for registered projects, 13-16 Euro for issued CERs or 65-70% of EU 2008 allowance price

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## Imprint

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