

CDM Highlights 63

September 2008

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

Editorial

Dear reader!

India has become the second country to approve more than 1000 CDM projects. The Gold Standard has issued a set of new procedures that take into account the rule changes in the CDM world. The large theoretical potential for CDM in Africa has been highlighted by the World Bank but removing the barriers is remaining a huge challenge.

Anja Wucke, GTZ and Axel Michaelowa, Perspectives

UNFCCC, EB and its panels

- The UNFCCC negotiations in Accra on Aug.21-27 developed a concise paper for the Kyoto Mechanisms that is to be the basis for submissions that will be compiled in a negotiation text for the COP in Poznan. Interesting elements are:
 - Possible inclusion of nuclear power projects
 - Sectoral CDM based on projects
 - Sectoral crediting under no-lose targets, i.e. the host country will not be punished if it does not reach the target. The name for such credits would be VERs.
 - Policy CDM, with policies called “nationally appropriate mitigation actions (NAMAs)”. Methodologies would be established by the COP, not the EB.
 - Standardized baselines defined by the EB
 - Positive or negative lists of project types for automatic additionality determination
 - Differentiation of host countries regarding CDM eligibility, possibly related to specific project types
 - Increased small-scale project threshold, waiver of additionality determination and grants for payment of validation / verification fees for projects in LDCs and small island states.
 - Preferential registration for projects with high sustainability benefits
 - Discounting or increasing CERs for certain project types
 - Automatic continuation of CDM projects in case of the host country becoming eligible for JI

Designated National Authorities

- The DNA host country approval hitlist stands at
 - China: 1443 projects (+55). The new approvals include 28 hydro, 7 waste heat recovery, 5 landfill gas, 3 biomass power and N₂O reduction from nitric acid, 2 ultra-supercritical coal power plants and 1 coal mining methane, fuel switch and waste incineration project each. Total annual CER volume is estimated at 5.5 million per year, with 1.1 million coming from the ultra-supercritical coal power plants
 - India: 1013 projects (+46), estimating a total pre-2012 CER volume of 0.5 billion
 - Mexico: 189 projects (+0).
 - Brazil: 189 projects (+4)
 - Indonesia: 63 projects (+0)
 - Philippines: 55 projects (+0).
 - Vietnam: 44 projects. Projects include 35 hydro, 3 landfill gas, 2 each for wastewater and bio-power and 1 each for gas flaring reduction and energy efficiency. The Vietnamese government levies a tax of 1.5 or 2% of CERs depending on the project type.

- Thailand: 38 projects. 36 projects are using agricultural wastes for energy generation and have an annual CER potential of 2.2 million CERs. 1 project addresses N₂O in nitric acid production (0.2 million CERs p.a.) and one is composting waste (0.4 million CERs p.a.)
 - Colombia: 30 projects (+2). New projects include a landfill gas project and reforestation, with an annual CER potential of 0.8 million.
 - Peru: 24 projects (+0)
 - Israel: 19 projects (-3). Apparently, some letters of endorsement had earlier been reported as letters of approval.
 - Argentina: 19 projects (+0)
 - South Africa: 19 projects (+0)
 - The DNA investor country approval hitlist suffers from the summer lull and stands at
 - UK: 816 projects (+81). Annual CER volume is estimated at 209 million (+ 8 million). The UK DNA has approved the first hydro project above 20 MW, which did an external audit of the compliance with World Commission on Dams criteria.
 - Japan: 334 projects (+18). Annual CER volume is estimated at 116 million (+ 2.6 million)
 - Sweden: 124 projects (+0).
 - Germany: 93 projects (+16) – 8 composting, 5 hydro, 2 biomass power and one wind power projects have been added
 - Spain: 72 projects (+0).
- Please note that large projects may be approved by more than one investor country!

Project developers

- 113 projects have been submitted in August. Large new projects in the pipeline are
 - Three hydro projects with 180, 150 and 120 MW (China, 2.6, 2.4 and 2.1 million CERs by 2012)
 - 360 MW gas power plant (China, 2.2 million CERs by 2012)
- Project developer Trading Emissions wrote off 3% of its estimated CERs, but kept its portfolio constant at 57 million through acquisition of new projects.
- The Chilean government has given up to develop a programme for distribution of 1.5 million compact fluorescent lamps under the CDM and is now trying to sell VERs on the voluntary market
- The two London-based lobby groups Carbon Markets Association and International Carbon Investors and Services have merged into the Carbon Markets and Investors Association (CMIA). Its membership reaches over 60.
- Auctioning of issued CERs becomes fashionable
 - Camco auctioned 5.8 million CERs to compliance buyers. The auction drew 3-4 times more demand than could be fulfilled.
 - The City of Sao Paulo is auctioning a second tranche of 0.7 million of its landfill gas CERs through the Brazilian stock exchange

Incentives for CDM investment

- A price cap of less than 11 Euro has been recommended by Australian government advisor Garnaut. This price would not provide any incentive for CER imports at current CER world market prices.
- The EU Parliament has developed a second round of proposals regarding CER import thresholds for post-2012. It would link the import quota to the degree of reductions from the 2008-2012 allocation and suggests that 25% of this reduction could be covered by CER imports, which would mean 470 million CERs for the period 2013-2020. The proposal would not depend on any international agreement.
- Investment banks Merrill Lynch and Societe Generale have reduced their pre-2013 CER issuance forecasts to 1.7 billion.
- Sindicatum Carbon Capital has raised 200 million Euros for a new carbon fund, of which 25% come from Dubai's state fund Istithmar and the rest from US sources. The fund was scheduled to reach 400 million Euros but uptake has been slower than expected.
- Environmental Finance has published a study on carbon funds, stating that they have reached the number of 80 and that total budget has reached 9 billion. Budget increase within the last 12 months has reached 63%.
- The Gold Standard Foundation has updated its rules. Key new elements are
 - Projects are eligible only up to two years after their start date.
 - Rejected CDM projects can apply for Gold Standard VERs (!)

- Project contribution to sustainable development has to be monitored
- Dow Jones has – somewhat belatedly - launched a CER price index
- The Shanghai United Assets and Equity Exchange has started trading of CERs
- The Japanese government is subsidizing CDM projects with high sustainability benefits with up to 2 million Euro each to cover up to half of the capital cost of the investment. Overall funding available reaches 10 million Euro
- KfW has issued a tender for the acquisition of 100,000 Gold Standard CERs to be issued in 2009, 2010 and 2011 with a minimum volume per project of 20,000 CERs p.a. The tender will be closed on 22 September 2008

Web news and downloads of the month

- The World Bank has published a study on CDM potential in Africa. It is based on 3200 potential projects. Download at <http://carbonfinance.org/Router.cfm?Page=DocLib&CatalogID=42652>
- The Gold Standard has launched a new version of its rules, which can be downloaded at <http://www.cdmgoldstandard.org/materials.php>. The main changes are explained in a document that can be downloaded at http://www.ecofys.com/com/publications/documents/GSV2_Upgrade_20080731_2.0.pdf
- URC has published a report on the cost-effectiveness of CDM projects, download at <http://cd4cdm.org/Publications/CostEffectivenessProjectsCDMPipeline.pdf>
- URC is now publishing an analysis of the sub-national distribution of CDM projects. See www.cdmpipeline.org
- The German Ministry for the Environment has launched a CDM networking tool and project database for Latin America. It includes a CDM project database, member profiles of attractive CDM actors like project developers, investors, technology suppliers, consultants and CER-buyers as well as host country profiles with key information on the national CDM environment. See www.cdm-cooperation.de
- A summary report on the African Carbon Forum is available at <http://www.iisd.ca/africa/pdf/arc1501e.pdf>
- By the end of August, 159 buyers (+8) from 29 countries (+1), 194 (+10) sellers from 49 countries (+2) and 425 service providers (+19) from 54 countries (+1) had listings on CDM Bazaar. India leads the list of service providers with 94 entries, followed by China with 44, UK with 41, US with 39 and Brazil with 25. 29 projects (+1) have been posted by sellers.

GTZ CDM capacity development

- Beside organising the sponsorship of representatives of African institutions at the first African Carbon Forum that took place in Senegal, GTZ presented its experience of supporting the preparation of a programmatic CDM project for solar warm water heaters in Tunisia during a panel discussion.

Other news

- The Federation of Indian Chambers of Commerce and Industry holds the India Carbon Market Conclave 2008 in New Delhi on October 14-16, 2008. See the conclave website www.ficci.com/icmc2008 for details and online registration

Country of the month: Senegal

Senegal has been one of the most active countries in Sub-Saharan Africa with regards to the CDM. Already in the late 1990s, the secretary of state in the Ministry of Environment organized two CDM workshops in Dakar. Senegal set up its DNA in February 2005 at the Direction de l'Environnement et des Etablissements Classés. A Senegalese (Cheikh Sylla) was member of the CDM EB until 2007 and Massamba Thiouye, a Senegalese consultant, is member of the Meth Panel and the Accreditation Panels; In January 2007, a MoU on CDM project development was agreed with France. Despite this political support and a large number of capacity building exercises, Senegal's CDM project pipeline has only developed slowly; it currently contains 21 projects and only one project (a landfill with an annual CER volume of 0.8 million) has been published for validation. There is some local capacity with the organization ENDA having acquired know-how for CDM project development and Massamba Thiouye

planning to set up a CDM consultancy. The World Bank's CDCF recently signed an ERPA for 120,000 CERs from a programme to distribute 1.5 million compact fluorescent lamps to rural households. GTZ is planning to embark on a CDM programme distributing energy-efficient stoves.

Number of the month

- 1013: Indian CDM project approvals.

CDM counter (as of August 31, 2008)

- Pending large-scale baseline methodologies: 39
 - of which forestry: 0
- Pending small-scale baseline methodologies: 10
- Approved and published large-scale baseline methodologies: 76 (including 15 consolidated ones)
 - of which forestry: 10 (including 1 consolidated one)
- Approved and published small-scale baseline methodologies: 35
- Notified DNAs: 132 (105 host countries, 27 buyer countries)
- Companies applying to become operational entity: 25
- Accredited operational entities: 18
 - Of which 7 for verification
- Projects currently open for public comments on PDD: 113
 - Of which 0 are PoAs
- Projects that are undergoing and have undergone the public comment period: 2757
 - Of which 48 have officially applied for registration
 - for 67 of which a request for review has been launched
 - Of which 62 have to make corrections
 - Of which 23 are undergoing review
 - Of which 70 have been rejected
 - Of which 471 have been submitted for public comments more than once
 - Of which 20 have officially been withdrawn
 - Of which 4 are PoAs
- Expected CERs until 2012 from those projects: 1469 million
 - Of which 32.1 million from those that officially applied for registration
 - Of which 75.0 million from projects with request for review and corrections requested
 - Of which 25.2 million from those undergoing review
 - Of which 46.1 million from rejected ones
 - Of which 5.8 million from withdrawn ones
- Registered projects: 1152
 - expecting 1328 million CERs by 2012
 - Of which 0 are PoAs
 - Host countries: 50
 - Buyer countries: 20
- Issued CERs: 183 million
 - Projects with issued CERs: 391
- CER price: 3-7 Euro for post-2012 vintages, 8-12 Euro for medium-risk forwards, 11-14 Euro for low-risk forwards, 13-16 Euro for registered projects, 17-18 Euro for issued CERs, 17.3 Euro Dec. 2008 future price on Nord Pool exchange

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