

CDM Highlights 75

September 2009

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!

The CER prices are climbing slowly but steadily. CFL projects and programmes are flourishing due to the new simplified baseline methodology. Even the financial health of CDM project developers is improving, with the first one posting profits.

Anja Wucke, GTZ and Axel Michaelowa, Perspectives

UNFCCC, EB and its panels

- The one-week Bonn negotiation session in August did not bring any news regarding the mechanisms section of the negotiation text.

Designated National Authorities

- Grenada and Tajikistan have notified their DNAs
- The DNA approval hitlist stands at
 - China: 2174 projects (+46). The new approvals include 19 wind, 9 hydro, 7 waste heat recovery, 2 biogas, industrial energy efficiency and coal mine methane and 1 biomass power, biofuel, landfill gas, waste incineration and efficient stoves project each. Total annual CER volume is estimated at 6.3 million.
 - India: 1423 projects (+27).
 - Brazil: 211 projects (+0)
 - Mexico has not updated its list for more than a year and thus will not be listed any more.
 - Vietnam: 98 projects (+1). 1 hydro plant estimates an annual CER volume of 0.05 million. Validation of hydropower projects is encountering trouble as the licence to use surface water can be acquired only after the land use right and the reservoir operation process approval have been issued. This only happens after the starting date of the project. The DNA has thus allowed project developers to delay the licence for six months.
 - Indonesia: 90 projects (+0).
 - Thailand: 86 projects (+4). The new projects include 3 landfill gas and one biopower project. Annual CER volume is estimated at 0.7 million.
 - Philippines: 64 projects (+0).
 - Colombia: 39 projects (+0)
 - Peru: 34 projects (+0)
 - Israel: 30 projects (+0)
 - Argentina: 26 projects (+2), one biopower and industrial energy efficiency project.

Project developers and consultants

- The submission of new projects fell to 101. 2 large new projects entered the pipeline
 - Energy efficiency in steel mill (India, 3.3 million CERs by 2012)
 - Hydro plant 180 MW (Indonesia, 2.4 million CERs by 2012)
- A countrywide PoA for CFL distribution in India has been published for comments. Moreover, 10 CFL projects were submitted for validation in India, all of which use the simplified AMS-II.J.
- 15 million CFLs manufactured in by Chinese CE Lighting will be distributed in a Philippine CDM programme starting this month.

- French nuclear energy company AREVA is diversifying into biopower, planning 100 MW capacity in India
- The first large power plant rehabilitation CDM project is starting in Azerbaijan where rehabilitation of a power plant envisages to improve efficiency by 9%.
- Bangladesh plans four supercritical 500 MW coal power plants as CDM projects from 2014. To date, Bangladesh has not used coal for power production.
- South Korea's Ecopro is planning to commercialize PFC destruction equipment in the context of CDM projects for semiconductor and LCD screens
- EcoSecurities has achieved its first 6-month profit of 1.1 million Euro. The spread between CER generation costs (8 Euro) and sales price (13.8 Euro) reaches 5.8 Euro.
- Camco has written off 12 million Russian ERUs
- Trading Emissions has written off 3.7 million CERs due to problems with its coal mine methane projects in China.

Incentives for CDM investment

- EU allowances climbed to 14.9 Euro for the spot market and 17 Euro for 2012 vintages. The spread to issued CERs has remained stable at 1.5 Euro.
- The Australian Senate rejected the ETS bill. It is likely to be resubmitted but there will be a substantial delay in implementation and further watering down.
- Denmark has approved a Chinese hydro project of 81 MW, which is the first application of the harmonized large hydro rules within the EU
- India plans to set up an energy efficiency certificate trading scheme but links to the CDM are unclear
- A broad coalition of ministries in Brazil wants to scupper the rule that fossil power plants have to offset their emissions (see issue 72)
- The Slovakian prime minister is trying to cancel the huge AAU deal that raised a lot of political discussions due to very low prices and shady counterparties (see last issues)
- Estonia plans to sell 88.9 million AAUs
- Japanese electric utilities have set aside 64 million CERs and ERUs in the fiscal year 2007-8 to fulfil their voluntary agreement with the government.
- UNIDO supports Pakistan' engineering industry through CDM capacity building
- The setup of Meteor Clean Energy Fund signals the reawakening of fund developers. The fund wants to invest 0.6 to 4 million Euro per project in CDM projects with an IRR of at least 15%. Total volume has not been disclosed
- The UN wants to buy 5000-10,000 Gold Standard CERs to make its headquarters carbon-neutral.
- Regarding post-2012 negotiations
 - Korea proposes a 4% reduction to 8% increase target for 2020 compared to 2005
 - New Zealand announced a 10 to 20% reduction target for 2020 compared to 1990

Web news and downloads of the month

- A guidebook on legal challenges in CDM host countries written by renowned legal practice Baker McKenzie has been published by CD4CDM for download at http://www.cd4cdm.org/Publications/ImplementingCDM_GuidebookHostCountryLegalIssues.pdf
- Estimates of US offsets demand for 2030 have been done by the Congressional Budget Office, download at <http://www.cbo.gov/ftpdocs/104xx/doc10497/08-03-Offsets.pdf>
- The impact of REDD on global carbon markets is assessed by Valentina Bosetti, Ruben Lubowski, Alexander Golub, Anil Markandya, available at <http://www.feem.it/NR/rdonlyres/396DBB3D-C57B-4878-9AE6-E493471DDC89/2930/5609.pdf>
- Capacity building costs for emissions trading and CDM have been assessed by Ecofys, albeit without checking the literature on CDM capacity building. See (copy link and paste into address bar) http://www.decc.gov.uk/Media/viewfile.ashx?FilePath=What%20we%20do\Global%20climate%20change%20and%20energy\Tackling%20Climate%20Change\Emissions%20Trading\Lazarowicz%20report\1_20090720133430_e_@@_Capacitybuildingcostfordevelopingcountries.pdf&filetype=4
- A paper on CDM reform has been published by the Harvard Project on International Climate Agreement, albeit not taking into account proposals made by climate negotiation specialists. Download at http://belfercenter.ksg.harvard.edu/files/Issue_Brief_1_Final_4.pdf
- A PoA manual for biogas plants in Honduras published by CD4CDM is available at <http://www.cd4cdm.org/Publications/PoAManualBiogasHouseholds.pdf>

- A report on the benefits of carbon finance to bioenergy in Africa is available at <http://www.undp.org/climatechange/carbon-finance/Docs/Bio-carbon%20in%20Africa%20-%20harnessing%20carbon%20finance%20for%20forestry%20and%20bio-energy.pdf>
- Charles Palmer, Markus Ohndorf and Ian A. MacKenzie discuss how contract enforcement can influence the probability of permanence of forestry projects at <http://www.cer.ethz.ch/research/WP-09-113.pdf>
- The UNFCCC Secretariat has made 12 audio files on CDM issues available at <http://cdm.unfccc.int/about/multimedia/podcasts/index.html>
- By the end of August, 223 buyers (+3) from 35 countries (+0), 291 (+5) sellers from 62 countries (+2) and 619 service providers (+8) from 61 countries (+0) had listings on CDM Bazaar. India leads the list of service providers with 147 entries, followed by the UK with 60, US with 55, China with 50 and Brazil with 33. 55 projects and project ideas (+0) have been posted by sellers.

GTZ CDM capacity development

GTZ is has implemented a workshop on Capacity Development for programmatic CDM on September 4, in Hanoi, Vietnam. The concept of the workshop is related PoA options for energetic use of rice husk in rice production, energy efficiency in shrimp farming and energetic use of wood waste. Together with the Ministry of Natural Resources and Environment local CDM project developers are trained.

Other news

- The 2nd Annual CDM Asia Pacific Forum conference in Beijing has been postponed to 26-29 January 2010
- Commercial conference provider Greenpower organizes “Carbon Markets Turkey, South Caucasus & Central Asia” in Istanbul on September 29 – 30

Country of the month: Nigeria

Nigeria, the most populous country in Africa with a large oil industry, has so far not fulfilled its promise to become a major CDM destination. In late 1999, UNIDO started CDM capacity building in the country. The World Bank’s Global Gas Flaring Reduction Initiative became active in the country in 2003 as gas flaring reached 25 billion m³ per year, equivalent to 300 million t CO₂. From time to time, CDM capacity building workshops have been held in the country.

The DNA was set up in July 2005 as Presidential Implementation Committee on CDM. In 2008, a Special Climate Change Unit was created in the Federal Ministry of Environment. Its head serves as DNA and the presidential committee on CDM was dissolved.

The key CDM potential is gas flaring reduction. However, this has not made a lot of headway, also due to a law that gas flaring would be phased out by 2008. A Nigeria Gas Master Plan was specified in 2008 with the aim to build pipelines from oil production sites to power plant sites. Landfill gas reduction has a significant potential. A barrier is that all foreign oil companies have joint ventures where Nigeria contributes 60% of all capital. Telecommunication companies are likely to be mandated to utilize renewable energy.

The current project pipeline contains two registered gas flaring reduction projects (18.4 million CERs by 2013) and five projects (flaring reduction, hydro, cement blending, landfill gas and efficient cook-stoves) with 9.3 million CERs before 2013. No CERs have been issued to date.

Number of the month

- 101: projects applying for the Gold Standard; equal to 4% of projects in validation.

CDM counter (as of August 31, 2009)

- Pending large-scale baseline methodologies: 35
 - of which forestry: 2
- Pending small-scale baseline methodologies: 10
- Approved and published large-scale baseline methodologies: 92 (including 14 consolidated ones)
 - of which forestry: 11 (including 2 consolidated ones)
- Approved and published small-scale baseline methodologies: 52
 - of which forestry: 6
- Notified DNAs: 142 (115 host countries, 27 buyer countries)
- Companies applying to become operational entity: 14
- Accredited operational entities: 26
 - Of which 22 for verification
 - 2 DOEs have withdrawn
 - 0 DOEs are suspended
- Projects currently open for public comments on PDD: 98
 - Of which 2 are a PoA
- Projects in the validation phase: 2839
 - Of which 62 have applied for registration since the end of the last month
 - Of which 109 are in the period where a request for review can be launched
 - Of which 206 are under completeness check
 - for 40 of which a request for review has been launched
 - Of which 54 have to make corrections
 - Of which 31 are undergoing review
 - Of which 14 are PoAs
 - Of which 101 apply for the Gold Standard
- Expected CERs until 2012 from projects at validation: 1121 million
 - Of which 65.6 million from those that officially applied for registration
 - Of those 22.8 million from projects with request for review
 - Of which 20.2 million from projects that need to make corrections
 - Of which 28.8 million from those undergoing review
- Projects that failed during validation: 685
 - Of which 116 have been rejected by the EB
 - Of which 36 have officially been withdrawn
 - Of which 128 got a negative validation report
 - Of which 405 dropped out of validation
- CER estimates until 2012 from projects failed before registration: 315 million
 - Of which 72.1 million from EB-rejected ones
 - Of which 14.7 million from withdrawn ones
 - Of which 61.0 million from validator-rejected ones
 - Of which 177 million from projects that dropped out of validation
- Registered projects: 1792
 - expecting 1666 million CERs by 2012
 - Of which 0 are PoAs
 - Of which 14 fulfil the Gold Standard
 - Host countries: 57
 - Buyer countries: 16

- Issued CERs: 326 million
 - Projects with issued CERs: 546
 - Of which 5 Gold Standard projects
 - Rejected and not resubmitted requests for issuance: 10 (0.2 million CERs)
 - Withdrawn and not resubmitted requests for issuance: 16 (1.1 million CERs)

- CER price: 6-8 Euro for high quality post-2012 vintages, 5-7 Euro for medium-risk forwards, 8-9 Euro for low-risk forwards, 10-12 Euro for registered projects, 13-14 Euro for issued CERs, 13.4 Euro BlueNext spot price on Reuters.

Abbreviations

A&R WG	Afforestation and Reforestation Working Group
AAU	Assigned Amounts Units
A(C)M	Approved (consolidated) baseline- and monitoring methodology
AMS	Approved small scale baseline and monitoring methodology
CCS	Carbon Capture and Storage
CDM	Clean Development Mechanism
CERs	Certified Emission Reductions
COP	Conference of Parties
CMM	Coal Mine Methane
CPA	CDM Programme Activity
DNA	Designated National Authorities
DNV	Det Norske Veritas (DOE)
DOE	Designated Operational Entities – Validator and/or Verifier
EB	CDM Executive Board of UNFCCC
ERPA	Emission Reduction Purchase Agreement
ERU	Emissions Reduction Unit
EU ETS	EU Emissions Trading Scheme
GHG	Greenhouse Gases
GIS	Green Investment Scheme
JI	Joint Implementation
JISC	Joint Implementation Supervisory Committee
JQA	Japan Quality Assurance Organisation (DOE)
LFG	Landfill Gas
PDD	Project Design Document
PFC	Perfluorocarbons
PoA	Programme of Activities
RIT	Registration and Insurance Team
SSC WG	Small Scale Working Group
VERs	Verified Emission Reductions

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