



A6 KP (JI) and CDM - overview

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Overview

- Origins
- Article 6 KP (JI) – Summary of key features
- CDM - Summary of key features
- Status of the CDM – February 2005
- Lessons learned CDM
- Status of Article 6 KP (JI)
- Sources of information
- CDM and JI detail description (FYI - not covered in this presentation)

Entry into force of KP | 16 February 2005

- The Kyoto Protocol entered into force on 16 February 2005
- Legally binding commitments inscribed in Annex B to KP
- Reporting system and review of national inventory (prep. work started)
- Market mechanisms and international transaction log (prep. work)
- Compliance committee, enforcement branch (prep. work will start)
- National acceleration to implement KP

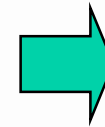


A6 KP (JI) & CDM | Origins-1

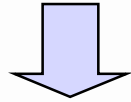
- Consensus on the science – threat of Climate Change
- COP 1 Berlin – Convention “not enough”
- Kyoto Protocol: Set legally binding targets/emission caps – agreed targets will not resolve threat -> but change in trend/behavior
- Industrialized countries to take lead - Domestic action -- costs!
- Creation of a market for emission reductions
 - Targets and compliance mechanism
 - Mechanisms (“offshore”) to allow flexibility
 - => cost reduction

A6KP (JI) & CDM | Origins-2

Convention
(Art. 3.3, 4.2 (cooperate, jointly))



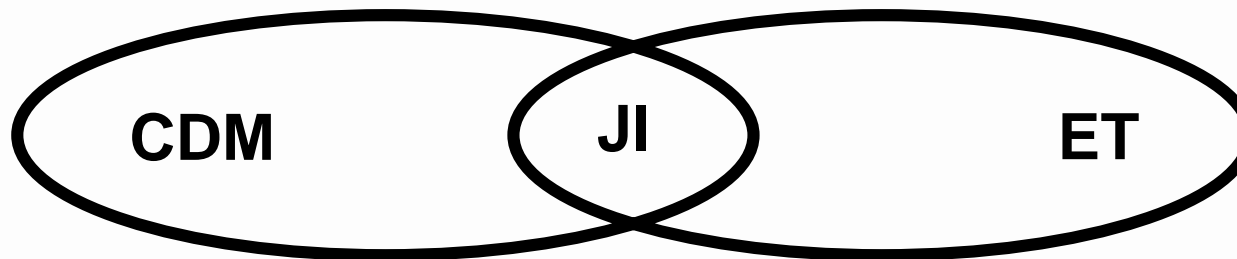
AIJ under the pilot phase



Kyoto Protocol Art. 6, 12 and 17



3 Mechanisms



project based

System with GHG
emission limitations

Project cycle – CDM/JI | Introduction

- Project Cycle is not so different from normal cycle.
- Project activity “product/deliverable”: certified emission reductions – cross-border/“globally” recognized
- Approved ways of “production” – application of approved methodologies => design/validation
- Verification and certification of “output” – application of approved monitoring methodologies/plans => verification/certification
- “Creation” of “product” => Issuance of CER/ERU
- Intergovernmental body (EB/A6SC)/National Bodies combined with, accredited, operating private/public sector companies to undertake main tasks (DOEs/AIEs)

Article 6 KP (JI) | Summary key features

- “Additional to any emission reduction that would otherwise occur”
- ERU is a converted AAU
- Two possible “worlds” :
 - Party meets AIP participation requirements for emissions trading (Art. 17) -> use of national JI requirements (Track 1: “ET like”)
 - Party does not meet such requirements -> obligation to use “verification procedure” with international oversight (Track 2: “CDM like”)
- ERU created under the “verification procedure” are exempt from commitment period reserve limitations
- A Party eligible to follow Track 1 may decide to use the verification procedure under of Track 2.
- Party under Track 2 may only issue/transfer ERUs if:
 - Party to KP; Has assigned amount calculated; has national system to track assigned amount.

CDM | Summary key features

- “Reductions in emissions that are additional to any that would occur in the absence of the certified project activity.”
- Reductions are created(issued) after being certified by company which is accredited globally by Executive Board
- Annex I Party may use CER to meet part of its target.
- CDM to assist host Party to achieve sustainable development
- Channel private sector resources to SD in host Parties
- Prompt Start under COP till entry into force of KP

Status of the CDM | February 2004

- Key outputs are being generated by the Board:
 - ✓ **Validation and registration:**
 - Four project activities were registered
 - 3 cases are under review by the Board
 - More than 90 proposed CDM project activities have completed or are completing comment phase at validation... The Board is expecting requests for registration.
 - ✓ **Accreditation:**
 - Of 26 applicant entities, 5 operational entities have received sector-specific accreditation for validation
 - Of 26 applicant entities, 5 are from developing countries



Status of the CDM | February 2004

- Key outputs are being generated by the Board:
 - ✓ **Methodologies:**
 - Methodologies are being approved (22 large and 15 small scale). Another 30 cases are under different stages of consideration.
 - While approving proposed methodologies, the Board also works on consolidation of methodologies → 2 approved (for renewable energy and for land fill gas) and a tool for assessing and determining additionality
 - ✓ **A&R process has started:**
 - Methodologies can be submitted (3 proposals for methodologies were received)



Present challenges | 1

- Managing a large caseload on methodologies and accreditation
- Advancing on the consolidation of additional methodologies as the need arises
- Bracing for a series of requests for registration of projects
- Setting up the CDM registry
- Further streamlining processes, wherever feasible, for the timely and cost-effective delivery so that transaction costs are contained

Challenges | Past and Future

- Past
 - ✓ Organize work and design procedures compatible with CDM M&P so that the CDM gets going
 - ✓ Support the Board in making decisions in discrete areas
 - ✓ Clarifications of terms and concepts in CDM M&P
- Future
 - ✓ Operational supervision – exercising regulatory functions on a worldwide and multi-sectoral scale !!!
 - ✓ Clarifications of terms and concepts
 - ✓ Improve procedures / taking stock

Lessons | General

- The CDM attracts increasing interest as a promising concept for South-North collaboration, coupling environment and sustainable development, departing from ODA patterns, being built from bottom up, participatory and open for public scrutiny.
- Potential for CER-financing of projects, which would otherwise have been left aside (e.g. renewables), needs to be seen against perceived market and regulatory risk.
- A mechanism, such as the CDM, can successfully be set up and operated under international authority.
- National structures for the CDM are rapidly expanding.
- Good up-front quality (of methodologies, applications, project design documents) is essential for the process to work well.



Lessons | Governance - 1

- A body constituted by Parties can exercise operational functions if it has, such as the CDM-EB:
 - ✓ decision-making power (e.g. on accreditation and provisional designation), while being under the COP's overall authority
 - ✓ option to vote on a matter if consensus is impossible.
- Wide regional representation of membership is important for the acceptability/legitimacy of decisions.
- The competence and personal integrity of members are essential: they act in their personal capacity, take an oath of service and disclose if they have any conflict-of-interest.

Lessons | Governance - 2

- Expertise of high quality needs to be acquired for technical tasks. Public input to expertise and panel is important.
- Clear rules must be in place (rules of procedure, clear terms of reference for panels). They must be intelligible and easy to track.
- Rules and procedures must be kept under review so that they can be adjusted when needed. Learning-by-doing is core.

Lessons | Communication

- Good and steady communication through various means (e.g. meetings, intranet) among Board and panel members is essential.
- Board meetings are webcast live and are also available on demand.
- Interaction with stakeholders and public input are among the resources for achieving “efficiency, cost-effectiveness and transparency”.
- UNFCCC CDM web site is widely used as authoritative source of information providing a level playing field and transparency!

Status A6KP (JI) | Prior to start of mechanism

- No prompt start provision: KP entry into force
- Some Parties are preparing and experimenting
- 26-27 May 2004: 1st UNFCCC workshop on Article 6 projects under the Kyoto Protocol
 - Exchange views on the established rules
 - Share experiences in establishing the institutional infrastructure and supportive environments
 - Identify lessons learned: E.g. Reduce Track 1 transaction costs by harmonizing national procedures/rules. Project information requirements identified as promising area
 - Establish UNFCCC web site / information hub
 - Info on WS: <http://unfccc.int> -> section Calendar of events
- What to learn from the CDM experience?
- A6SC would be established by COP/MOP 1



Update on mechanisms | COP 10

- CDM-Registry: version 01 exists, v2 will work with ITL
- International transaction log (ITL): work on its way to have a tested version ready for COP/MOP1 4th quarter 2005. Tender to develop and operate ITL being prepared.
- National registries: technical standards / facilitation of discussion on procedures relevant to international exchange
- International emissions trading under KP: work by Parties to meet eligibility for IET

INFORMATION SOURCE | Keep up to date

- CDM
 - UNFCCC CDM website (<http://unfccc.int/cdm>)
 - UNFCCC CDM News Facility (Requirement to register as a UNFCCC CDM web site user (join) -> automatically subscribed)
 - CDM EB meetings are web cast (internet),
 - CDM EB meets frequently with constituencies
 - Q&A sessions are held in conjunction with COPs/SBs
 - Reports of the EB to COP (First, second and third available)

Feel free to ask questions!
now or
later (e-mail to cdm-info@unfccc.int)





Search:

Executive Board (EB)

Panels / Working Groups

Project Activities

Methodologies

Designated National Authorities (DNA)

Designated Operational Entities (DOE)

Reference

CDM News

Extranets

Your location: CDM-Home

15:58 11 Nov 04

Clean Development Mechanism (CDM)

What's new

Review requested for a proposed CDM project activity

The CDM Executive Board will consider requests for review for a proposed project activity. [more >>](#)

Inputs received on approved methodology AM0001

The Executive Board agreed to review the methodology AM0001 in order to address, inter alia, the potential leakage. In order to ensure transparency of the process, the Board opened a call for public inputs in relation to this methodology. [more >>](#)

Report of the sixteenth meeting of the CDM Executive Board (EB16)

The Executive Board held its sixteenth meeting on 21 - 22 October 2004 in Bonn, Germany. [more >>](#)

Afforestation and reforestation methodologies

Open round for submissions for baseline and monitoring methodologies for afforestation and reforestation project activities [more >>](#)

Latest documents

Report of the sixteenth meeting of the Executive Board [more >>](#)

Report of the Meth 12 [more >>](#)

Information on specific project types

Small scale CDM project activities [more >>](#)

Afforestation and reforestation CDM project activities [more >>](#)

Open call for inputs / experts

Input - Projects [more >>](#)
Input - Accreditation [more >>](#)
Input - Methodologies [more >>](#)
Input - AR Methodologies [more >>](#)

Experts - Accreditation [more >>](#)
Experts - Methodologies [more >>](#)
Experts - Afforestation and reforestation [more >>](#)

CDM (BACKGROUND)

Validation and registration | Where it stands

- ✓ CDM PDD and methodology forms revised – guidelines for using it are now available
- ✓ CDM-PDD for afforestation and reforestation project activities is also available
- ✓ Clarification regarding validation and registration requirements/terms, e.g.
 - Glossary of terms: definition of project participants, approval of voluntary participation and authorization.
- ✓ Clarifications and procedures for commenting on project activities (e.g. projects to be made available for comments before full assessment by DOEs);
- ✓ Clarifications and procedures for requesting registration of project activities (e.g. registration fees, public availability of documents in UNFCCC CDM web site);
- ✓ Clarifications and procedures for EB members and Parties involved to request review of proposed activities.

Validation and registration | Where it stands

Four registered projects:

- ✓ **Project for GHG emission reduction by thermal oxidation of HFC23 in Gujarat, India.**
Annex B Parties: Japan, Netherlands, UK
- ✓ **HFC Decomposition Project in Ulsan, Republic of Korea**
Annex B Parties: Japan
- ✓ **Brazil Nova Gerar Landfill Gas to Energy Project, Brazil**
Annex B Parties: Netherlands
- ✓ **RIO BLANCO Small Hydroelectric Project, Honduras**
Annex B Parties: Finland

Three projects under review:

- ✓ **La Esperanza Hydroelectric Project, Honduras**
Annex B Parties: Netherlands, Austria, Canada, Italy, Germany, Japan, Switzerland
- ✓ **Graneros Plant Fuel Switching Project, Chile**
Annex B Parties: Japan
- ✓ **Olavarría Landfill Gas Recovery Project, Argentina**
Annex B Parties: Canada, Austria, Italy, Netherlands



Methodologies | Where it stands

- ✓ **Two consolidated methodologies for renewable energy projects and landfill gas**
- ✓ **Tool for assessing and determining additionality**
- ✓ **22 baseline and monitoring methodologies approved for:**
 - Incineration of HFC 23 Waste Streams (on hold!);
 - Landfill Gas Capture and Flaring (with and without production of electricity);
 - Grid-connected biomass power generation that avoids uncontrolled burning of biomass;
 - Bagasse-based cogeneration connected to an electricity grid;
 - Small grid-connected zero-emissions renewable electricity generation,
 - Natural gas-based package cogeneration.
 - Grid-connected projects that displaces power from the operation and expansion of the electric sector;
 - Industrial fuel switching from coal and petroleum fuels to natural gas;
 - Fuel-switch of biomass cogeneration projects that operate seasonally
 - Manure management, improved animal waste management systems in confined animal feeding operations
 - Recovery and utilization of gas from oil wells that would otherwise be flared;
 - Forced methane extraction from organic waste-water treatment plants for grid-connected electricity supply;
 - Biomethanation of municipal solid waste in India, using compliance with MSW rules.
 - Steam system efficiency improvements by replacing steam traps and returning condensate, steam optimization systems
 - Renewable energy project activities replacing part of the electricity production of one single fossil fuel-fired power plant that stands alone or supplies electricity to a grid, excluding biomass project activities
 - Water Pumping Efficiency Improvements



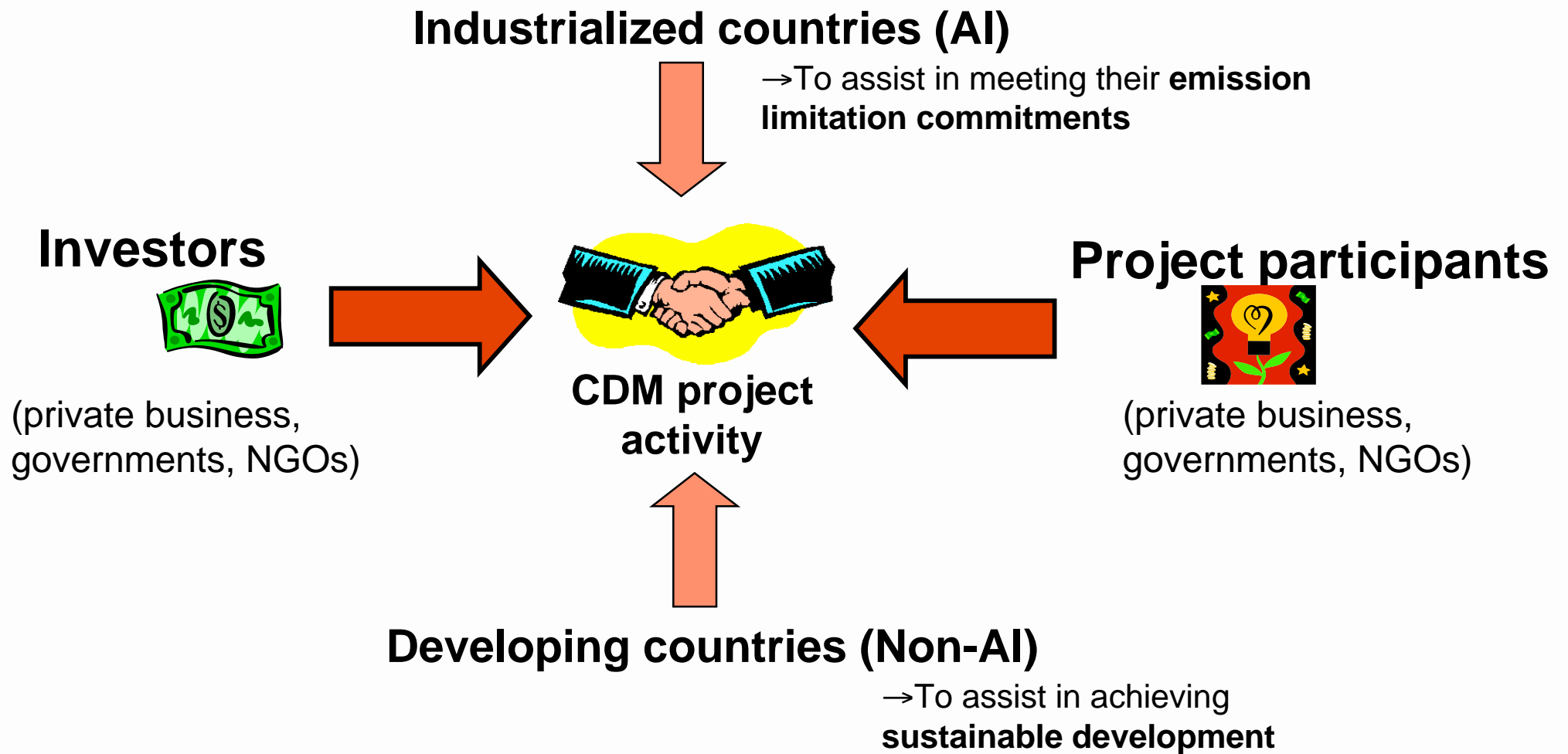
Methodologies | Where it stands

- About 30 proposed methodologies at different stages to be considered by EB on areas such as:
 - Waste water treatment;
 - Energy efficiency improvements;
 - Cement industry (use of clinker, fuel switching, blended cement);
 - Fuel switching (biodiesel);
 - Coalmine methane recovery;
 - Displacement of electricity to the grid (wind power, hydro power, biogas and biomass)
- See UNFCCC CDM web site for more information on each of the cases.

Methodologies for small-scale | Where it stands

- Methodologies approved for 15 categories of small scale projects:
 - Electricity generation by the user
 - Mechanical energy for the user
 - Thermal energy for the user
 - Renewable electricity generation for a grid
 - Supply side energy efficiency improvements – transmission and distribution
 - Supply side energy efficiency improvements – generation
 - Demand-side energy efficiency programmes for specific technologies
 - Energy efficiency and fuel switching measures for industrial facilities
 - Energy efficiency and fuel switching measures for buildings
 - Energy efficiency and fuel switching measures for agricultural facilities and activities
 - Agriculture
 - Switching fossil fuels
 - Emission reductions by low-greenhouse gas emitting vehicles
 - Methane recovery
 - Methane avoidance

What is the CDM | Incentives of the market



What is the CDM | Players

“Infrastructure”

- COP/MOP (COP until KP enters into force)
 - CDM Executive Board (supported by technical panels and working groups)
 - Designated operational entities (DOE)
-

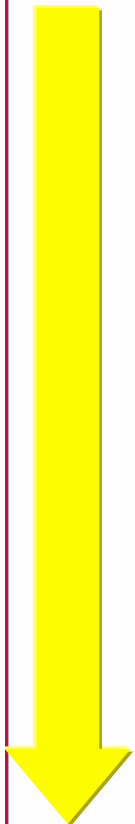
- Project participants
- Designated national authorities (DNA)

Project cycle - CDM | Introduction

- Project Cycle is not so different from normal cycle.
- Project activity “product/deliverable”: certified emission reductions – cross-border/“globally” recognized
- Approved ways of “production” – application of approved methodologies => design/validation
- Verification and certification of “output” – application of approved monitoring methodologies/plans => verification/certification
- “Creation” of “product” => Issuance of CER
- Intergovernmental body (EB) combined with, centralized accredited, globally operating private/public sector companies to undertake main tasks (DOEs)

Project cycle - CDM | Roles and responsibilities

COP/MOP



	Project Participant (PP)	Operational Entity (DOE)	Executive Board (EB)
Project Design	Provide info		
Validation/Registration		Confirm that requirements are met	* (within 8 weeks)
Monitoring	Implement		
Verification & Certification		Certify ERs	
Issuance of CERs			* (within 15 days)
	Companies (private/public)		CDM "infrastructure"

* An automatic step unless a review is requested.

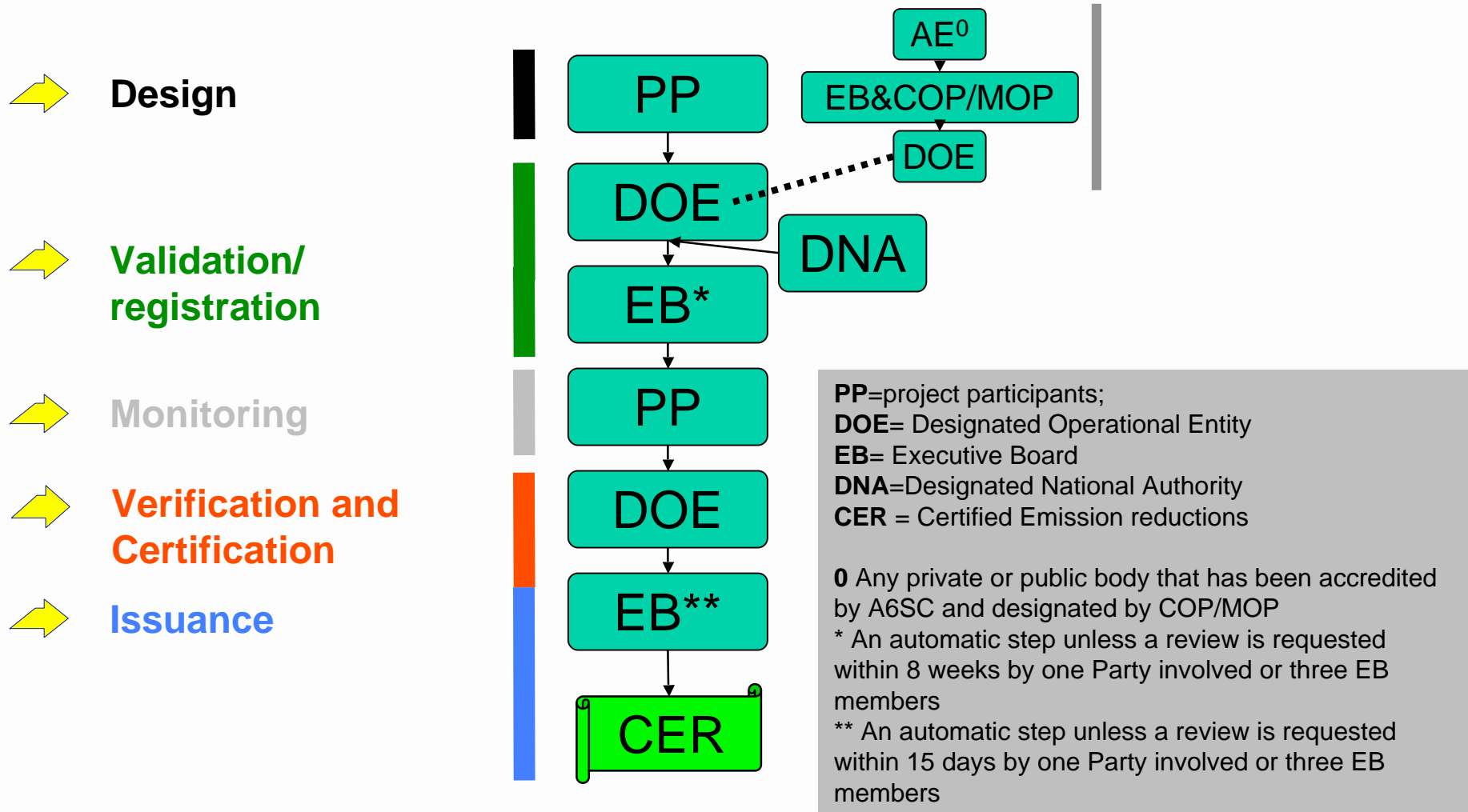
Written letter of approval from DNA involved required prior to request for registration.



Project Cycle -CDM | Role: Designated Operational Entity(DOE)

- A DOE has the following functions:
 - Checks for completeness and forwards to EB proposed new methodologies
 - Validates and subsequently requests registration of a proposed CDM project activity using an approved methodology
 - Verifies emission reductions of a registered CDM project activity, certifies as appropriate and requests the Board to issue CERs accordingly
- Role of a DOE within CDM infrastructure:
 - Part of the institutional infrastructure of the CDM, directly interacting with project participants
 - Has no role in evaluating or designing proposed new methodologies for baselines or monitoring in order to avoid conflict of interest situations
 - The role is more that of “enforcing / checking”

Project cycle – CDM | Graph



Art. 6 - JI (BACKGROUND)

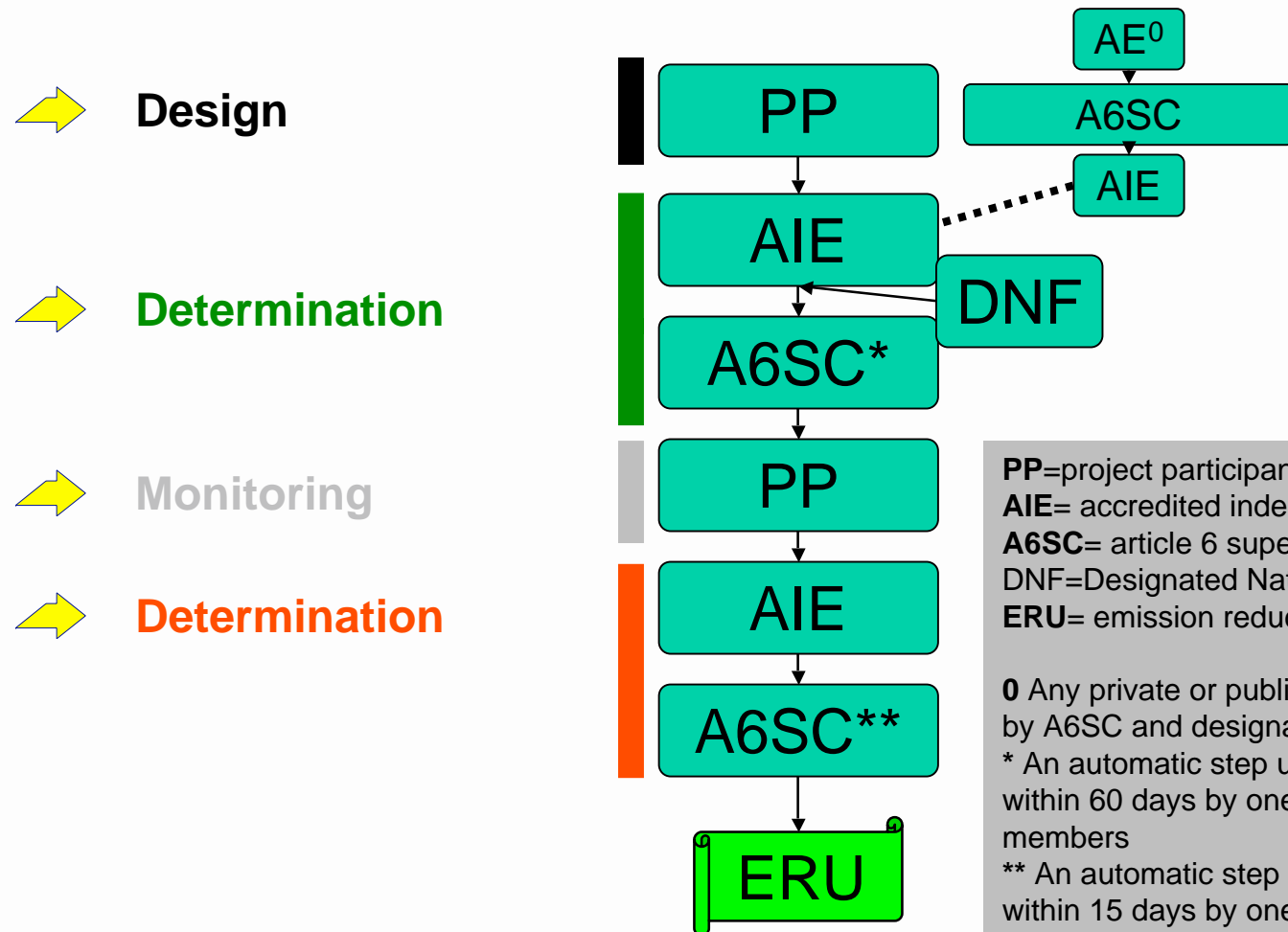
A6KP (JI) | Brief description - 1

- Emission reductions (ERU) are achieved by one Annex Party through projects in another such Party.
- These project based investments shall provide emission reductions, or an enhancement of removals by sinks, that are additional to any that would otherwise occur.
- Projects starting as of year 2000 are eligible as Article 6 projects if they meet requirements of guidelines. ERUs shall only be issued for crediting period after the beginning of year 2008.
- ERUs bankable to a max of 2.5% of assigned amount pursuant to art. 3.7 & 3.8 of that Party (art.7.4);
- Art. 6 LULUCF projects = Art. 3.3 and 3.4;
- Legal entities to be authorized by Parties



- Two “Tracks (worlds)” :
 - ✓ Party meets AIP participation requirements for emissions trading (Art. 17) -> use of national JI requirements (**Track 1: “ET like”**)
 - ✓ Party does not meet such requirements -> obligation to use “verification procedure” with international oversight (**Track 2: “CDM like”**)
- A Party eligible to follow Track 1 may elect to use the verification procedure under of Track 2

Project cycle – Article 6 KP | Track 2



PP=project participants;
AIE= accredited independent entity
A6SC= article 6 supervisory committee
DNF=Designated National Focal Point for approval
ERU= emission reduction unit issued by host Party

0 Any private or public body that has been accredited by A6SC and designated by COP/MOP
 * An automatic step unless a review is requested within 60 days by one Party involved or three A6SC members
 ** An automatic step unless a review is requested within 15 days by one Party involved or three A6SC members

A6KP (JI) | "What characterizes the two tracks"

	Track 1	Track 2
Project design (baseline/ monitoring plan)	National guidelines	Supervisory Committee (take into account work by CDM/EB)
Check project design against requirements	National guidelines (option to use Track 2)	Verification by AIE
Check performance of project	National guidelines (option to use track 2)	Verification by AIE
Transfer	<ul style="list-style-type: none"> • OK if Party meets requirements • In addition if track 2 option used: ERUs exempted from CPR limitations 	<ul style="list-style-type: none"> • Only if the Party is in compliance with eligibility requirements (para 21, a, b & d) • These ERUs are exempt from CPR limitations

A6KP (JI) | Track 1 – Role to host Party

- Key role for host Party
 - Have designated focal point for approving projects
 - Have determined national guidelines for:
 - Approving projects
 - Monitoring
 - Verification
 - Shall make directly or through secretariat information on projects publicly available
 - Meet participation requirements
- No international guidelines regarding approving projects, baseline definition, monitoring, verification etc. However regarding information to be made available

Key role for international oversight

- By A6SC:
 - Accredite independent entities (AIE)
 - Determine:
 - Baseline and monitoring methodologies
 - Verification
 - Request review of decision of AIE
- By AIE:
 - Determination Art. 6 projects
 - Determination of emission reductions