

Clean Development Mechanism and Joint Implementation

Topic for Endorsement



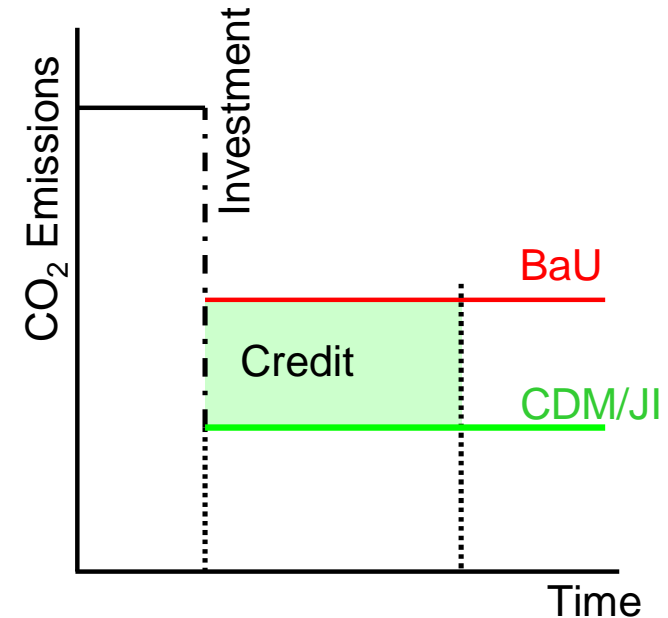
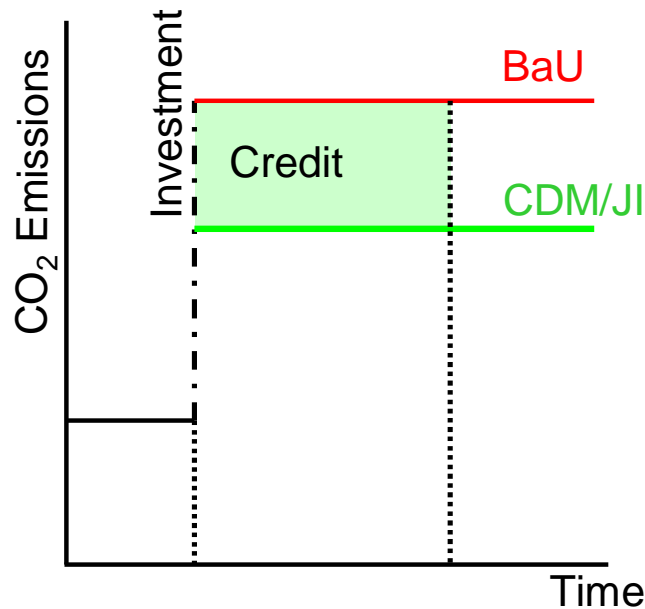
B. Vanderborght

SEP Committee, April 13-14, 2005

CDM & JI

- CDM & JI: what it is, procedures and red tape
- CDM in the cement industry
- CDM: How to go from here ?
- Items for discussion

Business-as-Usual, CDM/JI and credits



BaU = Emissions based on the „Business as Usual“-activities

CDM/JI = Emissions from CDM/JI activities

Differences between CDM and JI

JI	CDM
<ul style="list-style-type: none">▪ Credit deducted from the Cap of the host country▪ Credit added to the Cap of the investment country	<ul style="list-style-type: none">▪ Credits generated from countries without emissions Cap▪ idem
<p>⇒ Zero impact on the total Cap of Annex B countries</p>	<p>⇒ Increase of the total Cap of Annex B countries</p>
<ul style="list-style-type: none">▪ Therefore additionality not an important topic▪ EIT-authorities are open for selling credits	<ul style="list-style-type: none">▪ UN (CDM EB) watches over additionality▪ UN CDM EB is a very severe supervisor
<p>▪ Credits will be subtracted from allowances in EU ETS</p>	<p>▪ Credits can be added to allowances in EU ETS</p>

CDM process

Any moment: forward sale of credits, at risk premium

PIN: Project Idea Note

Proposal of Methodology for:

- Additionality
- Baseline
- Monitoring

Methodology Approval by UN Executive Board

Proposal of Project according to approved Methodology:

Verification / approval by third party (TüV, SGS, ...)

Methodology Approval & registration by UN Executive Board

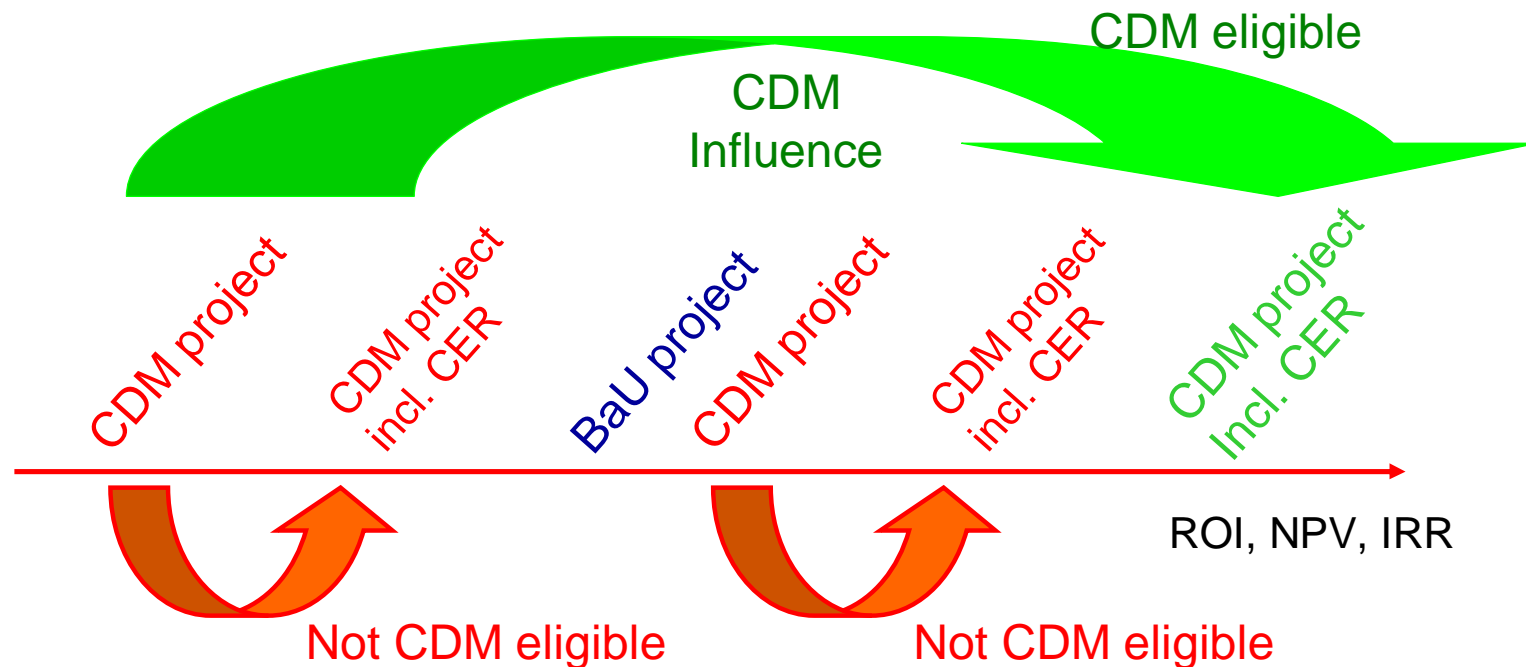
Realization of project

Yearly monitoring & certification by third party

Creation of Certified Emission Reduction Units

Red tape: additionality

- Kyoto protocol and Marrakesh accords:
„ecological additionality“
- UN CDM Executive Board:
„financial or investment-additionality“



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Holcim Costa Rica

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Holcim & Cemex Mexico

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credits, at risk premium

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Heidelberg Indonesia & Lafarge Malaysia: AFR

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AFR projects: “Use of waste is financially not attractive and would not happen without financial value of CDM credits”

Heidelberg:
Credits sold to
World-Bank

~4 \$/ton CO₂

~8 \$/ton AFR

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Heidelberg Indonesia: MIC project

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Credits sold to
World-Bank
~4 \$/ton CO₂

Methodology Approval by UN Executive Board

Proposal of Project according to approved methodology

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Methodology Approval & registration

Realization of project

Yearly monitoring & certification by the host country

Creation of Certified Emission Reduction Units

MIC project: **“Use of MIC faces severe market barriers which will be overcome thanks to financial value of CDM credits”**

Already 1,5 year UN investigation

Several projects in India (Birla, Gujarat) and China

Any moment: forward sale of credits, at risk premium

PIN: Project Idea Note

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Energy and MIC projects still in first phase

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Costs / Benefits - Risks / Opportunities

1. Cost / Benefit:

- Estimation of future CER trading value: 4 - 8 Euro / ton CO₂
- Expected cost ~ 500.000 \$
- 1 – 2 year administrative process
- Returns start at earliest one year after project start up
- Fairly low chance for success,
- but if successful then relatively high return on investment

2. Reputation ?

3. EU ETS: ~ 500 Mton / year demand for CDM credits

4. Uncertainty of post-2012 legal framework

Present Holcim Position

- Holcim decided not to develop CDM projects based on demonstration of financial additionality
- Holcim is ready to develop CDM projects based on ecological additionality...

Holcim proposal for Innovative Methodology

1. Sectoral Performance Standards, function of e.g.:
 - Region
 - Available natural and anthropogenic resources
 - Market
 - Age of industry
 - ...
2. Each project better than selected Performance Standard is additional; Performance Standard = Business-as-Usual
3. Global cement sector initiative for methodology, data collection and development of Performance Standards
4. Analogy with Allowance Allocation in Emissions Trading System
5. Politically innovative, thus time & lobby effort consuming

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Items for discussion

- What are OpCo's expectations of CDM and CIE's support ?
- Should Holcim pursue a leading role in developing a cement sector methodology based on benchmarking ?