Improving the Efficiency and Outreach of CDM: Options for streamlining the CDM Project Cycle

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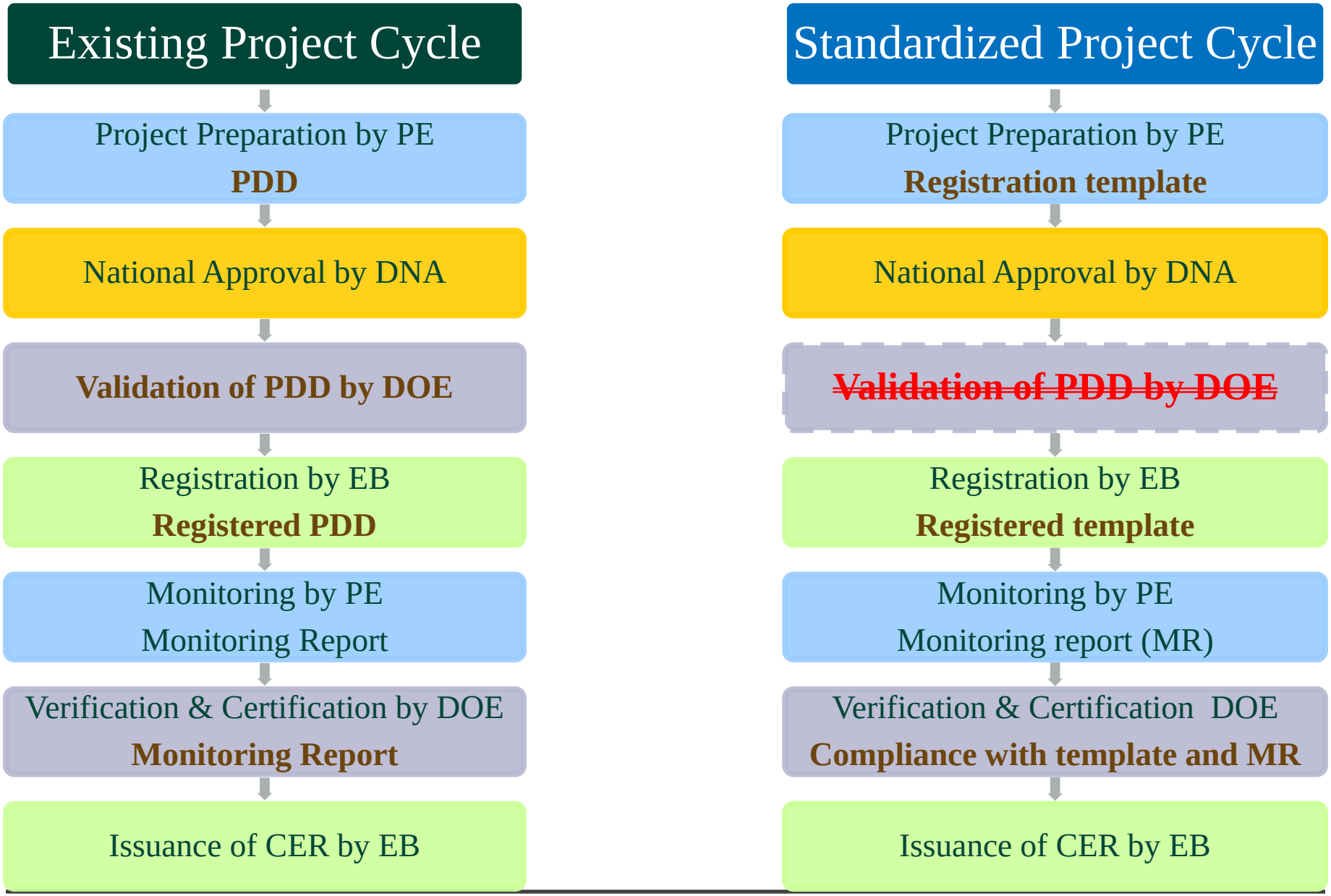
Why do we need to simplify the PCP?

- More simple and predictable
- More consistent with the sectoral baselines
- More responsive to the needs of Programmes of Activities (PoAs)
- More attractive for "good" projects
- Bring the procedures to the same level of efficiency of current standardization efforts
- Current carbon market conditions provide opportunities to try and pilot new ideas for mitigation activities
  - Using CDM framework for result-based financing
  - Voluntary cancellation of credits

PCP Reform Recommendation 1: Optional automatic registration procedures for projects using SBs

- Eligible for single projects using standardized baselines:
  - Predetermined baseline and additionality
- Standardized registration template instead of PDD:
  - Checklist “yes/no” approach
- Ex post verification of compliance together with achieved emission reductions replaces validation
- Most relevant for homogenous, replicable projects:
  - About 30% of CDM single project pipeline covering small scale renewable
  - About 70% of the pipeline in the future including medium scale renewable and energy efficiency

Optional standardized registration procedure for single projects using standardized approaches

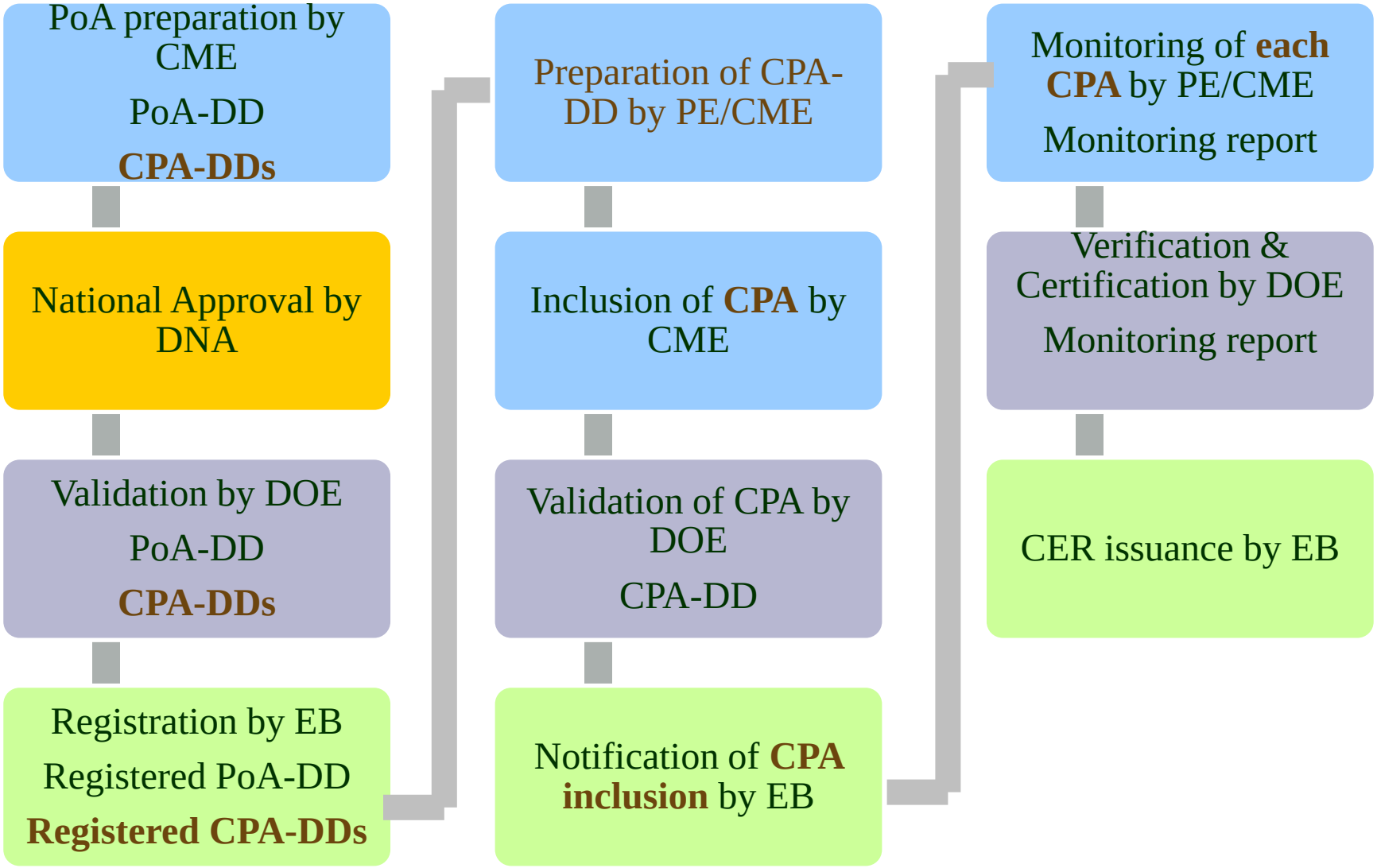


Recommendation reform of PCP 2: Standardization of inclusion of micro-scale units into a PoA

- Optional procedure eligible for micro-scale PoAs
- Abolishment of component project activity (CPA) concept - to avoid artificial stratification of activities:
  - Micro-scale threshold at the level of each activity;
  - No validation at the inclusion stage;
  - Use of streamlined monitoring approaches;
  - Eligibility and emissions reductions verified ex post in one step.
- Applicable to about 50% of PoA pipeline
- Potential to expand to PoAs addressing small scale activities and using standardized baselines

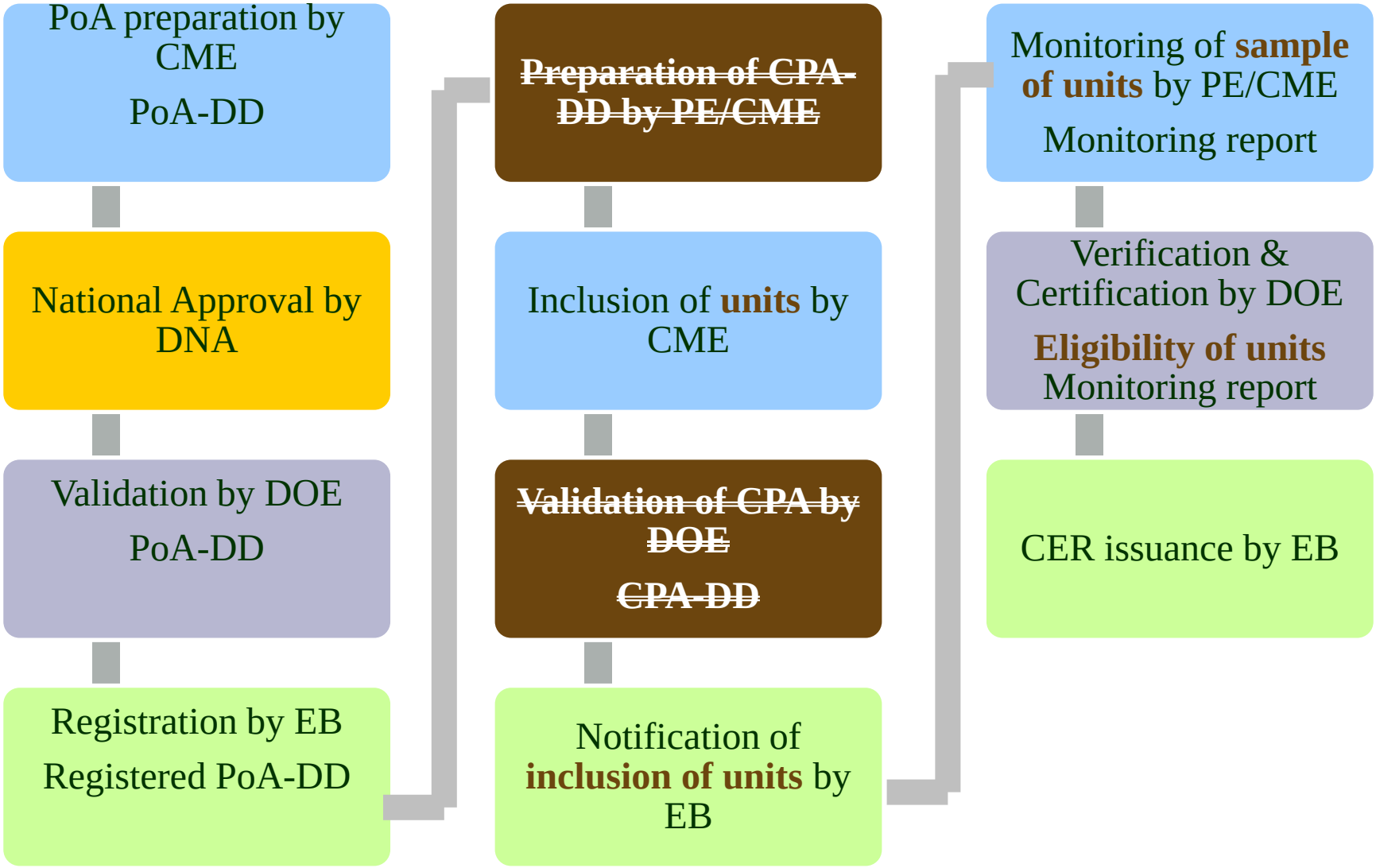
Optional standardized procedure for micro-scale PoAs: comparison (1)

Existing Project Cycle for micro-scale PoAs



Optional standardized procedure for micro-scale PoAs: comparison (2)

Standardized project Cycle for micro-scale PoAs



Does a streamlined approach compromise environmental integrity, transparency and sustainable development?

1. **Environmental integrity (EI)**
   - Applicability criteria defined to ensure EI (i.e. SB must have pre-approved baseline and additionality and PoAs must be micro-scale units and eligibility criteria must translated into yes/no checklist.
   - Emission reductions only issued after verification.
   - Project developers responsible for misstatements in the checklists.
2. **Transparency in local and global stakeholder consultations**
   - Limit to projects where LSC and GSC occur at time of submission of SB to EB.
   - Mitigate risk to communities by either a) host country system approach and/ or b) liability approach
3. **Sustainable development (SD)**
   - Eligible projects under SB and micro-scale activities under PoA eligible for the proposed reform are assessed at the time the SB or PoA is submitted.

Will commercial and regulatory risk increase for project developers and CER buyers?

- Standardised registration or inclusion is optional
- Primary objective or reform proposal is to reduce regulatory risk. Commerical risks depend on robustness of the business model. CDM process does not greatly influence this.
- Predictability will be improved and this could results in the avoidance of lost credits in the registration proces (e.g. due to delays). This will increase investor confidence.
- Shortened process can be expected to reduce time for processing and associated costs.

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Thank you for your attention

The full study on CDM reform is available at:

www.carbonfinance.org

Publications and Reports

Back up slides

Decision 5/CMP.8: Guidance relating to the clean development mechanism

V. Registration of clean development mechanism project activities and issuance of certified emission reductions

45. *Requests* the Executive Board to explore the possibility of reviewing the validation process of clean development mechanism project activities that are deemed to be automatically additional;

+

Review of the CDM Modalities and Procedures

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Examples of other Offset Standards: California and Japan

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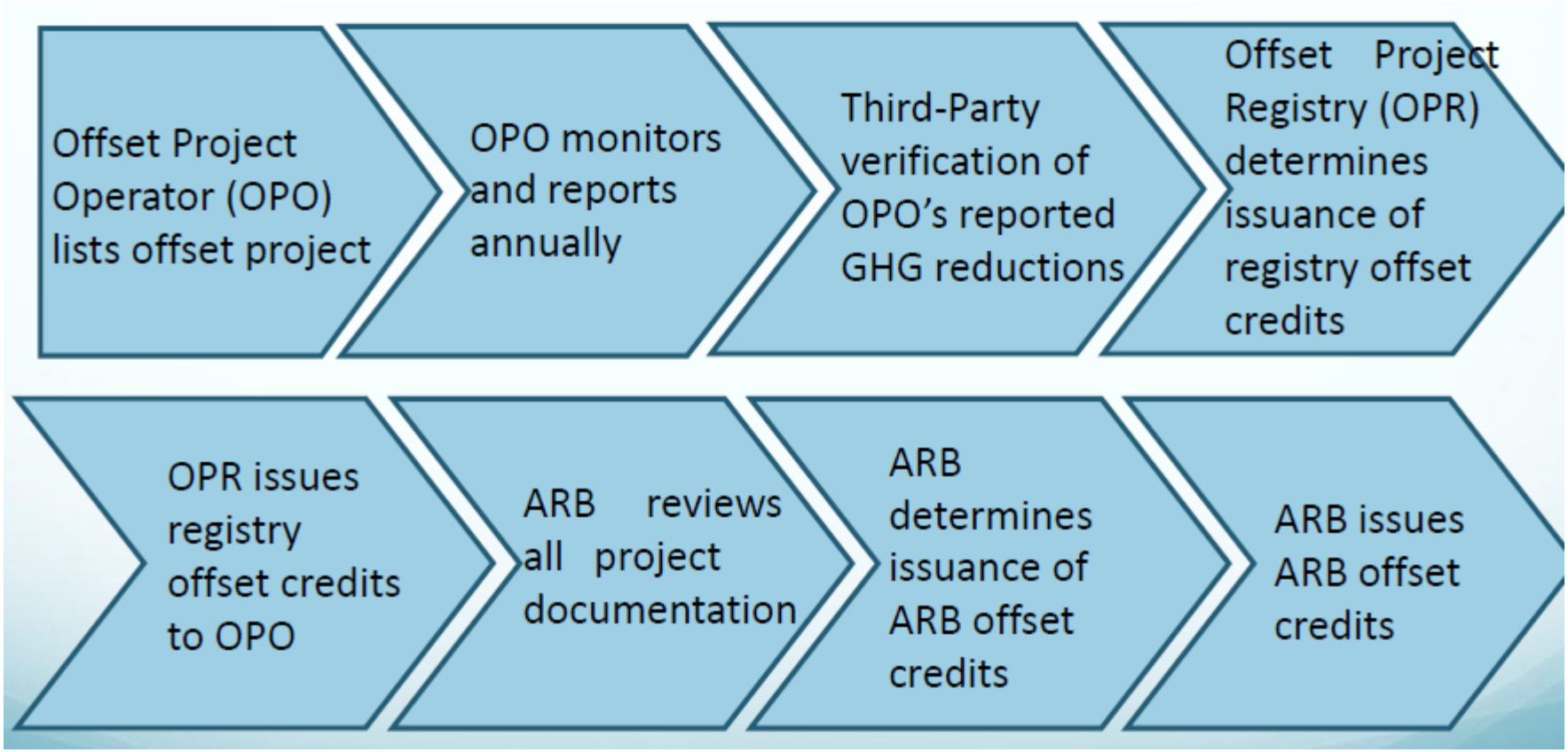
California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms: Offset Process Overview



- Protocols describe activities that are additional, and the monitoring, reporting and verification
- Third-party verification

Source: California Air Resources Board (ARB)

Japan Joint Crediting Mechanism (JCM)/ Bilateral Offset Credit Mechanism (BOCM)

- Checklist for predefined eligibility criteria in methodologies for each type of project and each host country
- Approved Methodology Spreadsheet
- Monitoring Plan Sheet
- Possibility to **combine validation and verification**

Source: www.thepmr.org

Fast-Track Template (example hydropower generation)

1- General project information

1. Project title:	[Insert title]
2. Project entity:	[Insert name] For all project participants fill Annex I.
3. Project location:	[Insert coordinates]
4. Project implementation date[1]:	[Insert date]
5. Project commissioning date:	[Insert date] Please confirm the commission date is: ☐ Expected ☐ Actual
6. Crediting period:	☐ Fixed (10 years) ☐ Renewable (7 years *2)
7. Lifetime of the project:	[Insert value, years]

Fast-Track Template (example hydropower generation)

2- Applicability conditions

8. The hydro power plant is run-of-river:	☐ Yes
9. The project is connected to the grid:	☐ Yes
10. The project is complying with national laws and regulation:	☐ Yes

3- Installed generation capacity

11. Confirm the scale of total installed generation capacity:	☐ Micro-scale: <5MW ☐ Small Scale: 5MW to 15MW ☐ [Threshold as per standardized baseline]
12. Detailed information on installed capacity:	☐ Provided in table 1
13. Changes as compared with the design approved for implementation by the relevant national authority:	☐ Yes (please indicate) ☐ No _____

Detailed information on installed capacity

Unit No.	Nameplate capacity (MW)	Generation potential (MWh)	Operation start date	Type of technology[2)]
xx	Xx	xx	Xx	Xx
Total	**Xx**	**xx**	**-**	**-**

Fast-Track Template (example hydropower generation)

4- Method used to calculate emissions

14. Baseline grid emission factor:	□ [as established by SB]
15. Baseline emissions:	□ Use formula (1) from AMS.I.D.
16. Estimated emission reductions:	□ Use formula (10) from AMS.I.D.
16a. Annual amount:	[Insert amount, tCO_2e]
16b. Total amount:	[Insert amount, tCO_2e]

5- Monitoring (Parameters to be monitored)

17. Electricity supplied to the grid:	Bi-directional meter data: □ Yes (use in [15] above for calculation) □ No (continue to [18]; use [19] for calculation)
18. Electricity imported from the grid:	□ (MWh)
19. Net electricity supplied to the grid:	Calculate as [17]-[18]

Fast-Track Template (example hydropower generation)

5- Monitoring (equipment)

20. Metering arrangement:	□ Project-owned [continue to 21] □ Utility-owned [continue to 25]
21. Type of the main meter:	□ Analogue □ Digital □ Bi-directional
22. Accuracy class:	□ 0.2S □ 0.5S □ Other [insert value]
23. Calibration frequency:	□ Half-yearly □ Yearly □ Other [insert value]
24. Calibration arrangements:	□ Internal □ Third-party
25. Cross-checking procedures:	□ Invoices □ Back-up meter □ Plant operational data (e.g., capacity, hours)
26. Recording frequency:	□ Daily □ Monthly □ Other [insert value]
27. Record keeping:	□ Electronic □ Paper

Fast-Track Template (example hydropower generation)

6- Stakeholder consultation

30. Confirm that stakeholder consultation is required by the standardized baseline:	☐ Yes [continue to 31] ☐ No [continue to 34]
31. Confirm that stakeholder consultation was conducted before project implementation date (if required)* :	☐ Yes [insert date]
32. Comments provided by local stakeholders taken into account*:	☐ Yes [continue to 33] ☐ No
33. Confirm that DNA approved the outcome of the stakeholder consultation:	☐ Acknowledge in the LoA ☐ Other

7- EIA

34. Confirm that environmental impact assessment is required by the standardized baseline:	☐ Yes [continue to 35] ☐ No [continue to 38]
35. Confirm that EIA was conducted before project implementation date*:	☐ Yes [insert date]
36. Confirm that EIA contains approved environment management plan:	☐ Yes ☐ No [not required]
37. Confirm that EIA was approved by the relevant national authority (including appropriate environment management plan if applicable):	☐ Yes

*In compliance with national requirement and international good practice as applicable

Fast-Track Template (example hydropower generation)

9- Funding

38. Confirm the use of public funding:	☐ Yes (continue to 9) ☐ No
39. Confirm that there is no ODA diversion:	☐ Yes

Annex I. Information on project participants

Date of submission: [Insert]

Authorized representative of project entity: [Signature]