



THE WORLD BANK



# CDM Project Cycle, Types and Methodologies

**Carbon Finance Project Development Workshop**

**Ulaanbaatar, Mongolia**

**June 23-24, 2008**

# Three Project Models

Unilateral Model	Bilateral Model	Multilateral Model
<p>Implemented by non-Annex I party without an Annex I partner or financing and then CERs are sold in the international market</p>	<p>Cooperation between and Annex I party with a Non-Annex I party</p>	<p>Multiple Annex I parties contributing to a central fund managed by an intermediary buying credits from non-Annex I parties</p>

# Project Types

## □ Small Scale Projects

- Type I: Renewable energy projects of up to 15 MW capacity
- Type II: Energy efficiency projects with maximum output of 60 GWh per year
- Type III: Other projects reducing annually up to 60 kt CO<sub>2</sub>e

## ❖ Guidelines from CDM/EB

- A simplified project design document
- Should not be part of a bundled large project
- Simplified methodologies for baseline determination and monitoring plans
- Simplified provisions for environmental impact analysis
- Lower registration fee
- A shorter review period for the registration of SSC CDM project activities
- The same DOE can validate **as well as** verify and certify emission reductions for a specific SSC CDM project activity

## □ Large Scale Projects (above the limits of SSC activities)

- Single project activity
- Bundled project activity

# Project Types

## □ Program of Activities (POA)

- National/Sectoral/Regional program or policy
- Several projects (CDM Project Activities or CPAs) combined together as POA
- CPAs can be proposed by different groups, but POA has one Coordinating Agency (CA) as the principal entity
- CPAs can be across different countries (need LOA from relevant DNAs)
- Can combine different technologies, but same methodology to be used for all CPAs
- CPAs can be proposed at different sizes and times within the overall time frame of POA



# 1

## Project Design Document Preparation



- CDM Project Design Document (PDD) prepared by project developer (approx. USD 10,000 to 30,000)
- PDD format available on UNFCCC CDM website
- Working language of the CDM Executive Board (EB) is English → PDD must be submitted in English

# PDD Preparation



## Contents of a PDD

- General description of project activity
- Application of baseline & monitoring methodology
- Duration of project activity/crediting period
- Environmental impacts
- Stakeholders' comments



**Simplified version for  
small scale project**

## Annexes

Annex 1: Contact information on project participants

Annex 2: Information regarding public funding

Annex 3: Baseline information

Annex 4: Monitoring plan

# PDD Development



- Critical elements in a CDM project design (PDD)
  - Selection of an applicable, approved baseline methodology
  - Assessment and demonstration of Additionality
    - Most critical issue for project acceptance
    - Project will be refused if Additionality is not proven

The screenshot shows a Microsoft Internet Explorer browser window displaying the website "CDM: Methodologies for CDM project activities". The address bar shows the URL "http://cdm.unfccc.int/methodologies/PAMethodologies/approved.html". The page content includes a sidebar with navigation links and a main table of approved large scale methodologies.

Meth. Number	Methodology Title (including baseline and monitoring methodologies)	Sectoral Scope	Approval History
AM0001	<a href="#">Incineration of HFC 23 Waste Streams --- Version 5.2</a> (301 KB) • <a href="#">Full view and history</a>	11	NM0007-rev
AM0007	<a href="#">Analysis of the least-cost fuel option for seasonally-operating biomass cogeneration plants --- Version 1</a> (78 KB) • <a href="#">Full view and history</a>	1, 4	NM0028
AM0009	<a href="#">Recovery and utilization of gas from oil wells that would otherwise be flared --- Version 3</a> (269 KB)  Tools referenced in this methodology: <a href="#">Combined tool to identify the baseline scenario and demonstrate additionality</a> (202 KB) <a href="#">Tool to calculate project or leakage CO2 emissions from fossil fuel combustion (version</a>	10	NM0227 NM0026



# Project Methodologies



- Can propose a new methodology
  - Based on an actual project
  - Time consuming (Meth Panel review, public consultation)
  - Risk of failure (Grade A/B/C)
  - High transaction cost
- Use an approved methodology (recommended)
  - Have the analysis as clear as possible at the beginning stages
  - Be prepared to adjust project parameters to suit AMs

# Project Methodologies



Approved Methodologies (AM)	52
Approved Consolidated Methodologies (ACM)	14
Approved Small-scale Methodologies (AMS)	34
A/R Approved Methodologies (AR-AM)	10
A/R Approved Consolidated Methodologies (AR-ACM)	01
Proposed New Methodologies (NM)	39

# 2

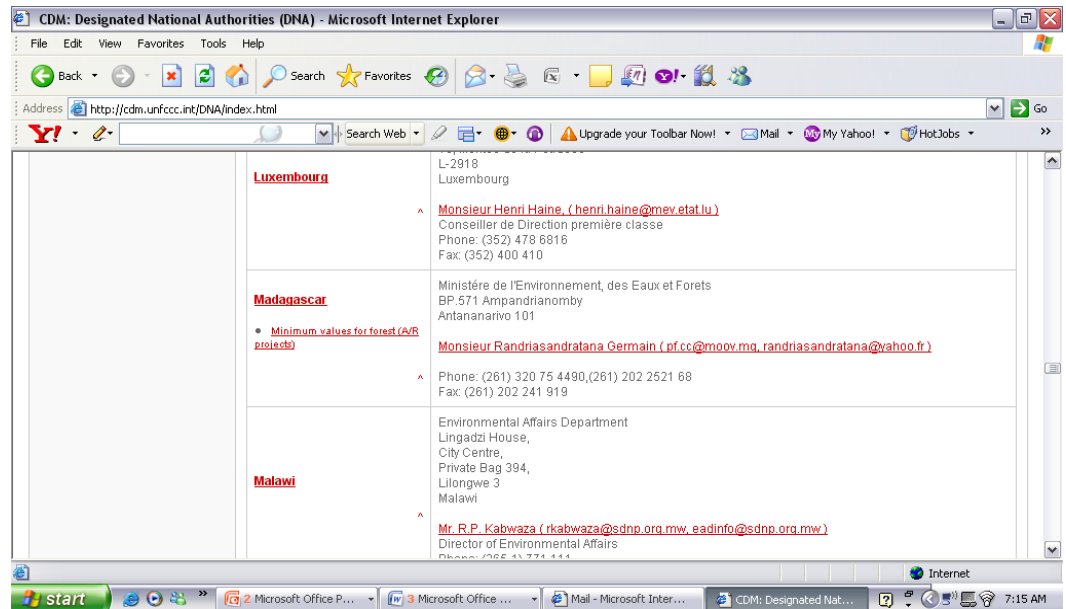
## Host Country Approval



The DNA of a party involved in a proposed CDM project shall issue a statement including the following:

1. The party has ratified Kyoto Protocol
2. Participation in the CDM project is voluntary, and
3. The proposed CDM project contributes to Sustainable Development

• Project developer is responsible for obtaining the Letter of Approval from DNA



# 3

## Project Validation



- Project developer hires a Designated Operational Entity (DOE) for Project Validation (approx. USD10,000-13,000)
- Required documents for validation:
  - PDD
  - Summary of comments by local stakeholders and how comments were collected
  - Documentation on the environmental impact assessment of the project
  - DNA's Letter of Approval

# Project Validation



- DOE will make publicly available comments on project from stakeholders including NGOs: 1 month
- If DOE satisfied with all documents, DOE will submit a Validation Report to CDM EB
- If project is approved by EB, it can then be submitted for registration

# 4

## Registration



- Is the formal acceptance of the EB of a validated project as a CDM activity
- A party involved in the project or three members of the EB can request a Project Review, hence delay Registration
- Registration fees/Share of Proceeds:
  - 10 US cents per CER for first 15,000 tCO<sub>2</sub>e for which issuance is requested in a given calendar year
  - 20 US cents per CER for any amount in excess of 15,000 tCO<sub>2</sub>e with a cap of US\$ 350,000

- Project monitoring plan is part of the PDD
- Monitoring involves collection and archiving of all relevant data during the crediting period
- Data used for measuring emission reductions achieved by the project (ex-post basis)

**Example:** Monitoring plan for a Photovoltaic kits to light up rural households :

ID number	Data type	Data variable	Data unit	Measured (m), calculated (c) or estimated (e)	Recording frequency	Proportion of data to be monitored	How will the data be archived? (electronic/ paper)	For how long is archived data to be kept?	Comment
A	Quantitative	Number of PV kits installed	Units	m	continuously	100%	Paper Electronic	15 years after installation	Data are recorded continuously
B	Quantitative	Number of running PV kits	units	m	monthly	100%	Paper	15 years after installation	Data are recorded monthly with the fee recovery

# 6

## Project Verification & Certification



- Conducted by a DOE based on a Monitoring Report may cost in the range of US\$10,000 to US\$20,000 for the initial one
- Verification is a periodic review of *ex post* measurement of GHG emissions reductions in the project in the verified period
- DOE will:
  - Conduct on-site inspections
  - Make publicly available the verification report
  - Issue a certification report which constitutes a request for issuance to the EB of CERs equal to verified reductions



# 7

## Issuance of Carbon Credits



- Issuance is final 15 days after submission of Request for Issuance unless one party or 3 members of the EB request review
- A letter will be provided by project developer on how CERs will be distributed
- EB will instruct the CDM Registry to issue the specified quantity of CERs and deduct 2% of the total CERs as levy for the Adaptation Fund

# Fees To Be Paid at Different Stages



Implementation

Pre-project implementation  
(one time)

Post-project implementation  
(Repeated): FY1 FY2..FY3

