Clean Development Mechanism Project Cycle
Contents

• Clean Development Mechanism (CDM) project eligibility criteria

• From Emissions Reduction Purchase Agreement (ERPA) signed to Certified Emissions Reductions (CERs) - Complete CDM project cycle
CDM Project Eligibility Criteria

1. Reduce greenhouse gas emissions that are included in the Kyoto Protocol (i.e. CO$_2$, CH$_4$, N$_2$O, HFCs, PFCs, SF$_6$)
2. Host Country is a Party to the Kyoto Protocol
3. Additional
4. Non-diversion of Official Development Assistance
5. Contribute to sustainable development
6. Measurable emission reductions
7. Project type
8. Eligible organisation
CDM Project Cycle

From.. ERPA

Project Design Document (PDD)

To.. CERs

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The development of the project runs on parallel to the CDM project cycle.
CDM Project Stakeholders

- Project developer (sellers)
- Buyer (South Pole, JP Morgan/Climate Care, Carbon Africa, Tricorona)
- Host Country Designated National Authority (DNA) (approver)
- Annex 1 Country DNA (approver)
- Designated Operational Entities (DOEs) (auditor: SGS, DNV, TUV, BV)
- United Nations Framework Convention on Climate Change (UNFCCC) CDM Executive Board (EB) (regulator)
- Local and international stakeholders
What is a Project Design Document (PDD)?

- The CDM ‘feasibility study’
- Most important document in CDM process
- Legally binding
- Includes:
  - Project description
  - Additionality
  - Choice of methodology
  - Description of baseline
  - Calculation of ERs
  - Monitoring plan
  - Crediting Period – 10 or up to 3 x 7 years
  - Analysis of environmental and social impacts
  - Local stakeholder comments
CDM Project Cycle

1. **Project design document**
   - Host Country Approval
     - Validation
       - Registration
         - Financing & implementation
           - Monitoring
             - Verification
               - Issue CERs

2. **Designated National Authority (DNA)**
   - Operational Entities (DOEs)

3. **Project owner**
   - Executive Board (EB)
Developing a PDD

1) Select appropriate methodology, according to applicability criteria of the methodology
2) Select PDD template (large scale or small scale depending on project size)
3) PDD developed
4) PDD sent for validation
Stakeholder Consultation

Two stakeholder consultation aspects to CDM project development:

1. International stakeholder consultation (required once PDD has been submitted for validation)
2. Local stakeholder consultation (takes place during validation)

Rwanda DNA has established guidelines for the stakeholder consultation:
- Public hearing will be held
- Meeting will be advertised at least one week previously via newspapers, radio and/or posters
- Relevant stakeholders to be invited are listed in the DNA Project Approval Process
CDM Project Cycle

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Designated national authority
Operational entities
Project owner
Executive Board
Validation

- Evaluation, by an independent party, of all documents required for CDM
- These ‘auditors’, are called Designated Operational Entities (DOE) [http://cdm.unfccc.int/DOE](http://cdm.unfccc.int/DOE)
CDM Project Cycle

- Project design document
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Registration

• Registration with the CDM Executive Board (EB) is the formal acceptance of the validated project.
• EB can request a review of the project, prior to registration. If there is a review, it can result in the project being registered with changes or, the minimal chance, of the project being rejected.
CDM Project Cycle

1. **Project design document**
2. **Host Country Approval**
3. **Validation**
4. **Registration**
5. **Financing & implementation**
6. **Monitoring**
7. **Verification**
8. **Issue CERs**

- **Operational entities**
- **Designated national authority**
- **Project owner**
- **Executive Board**
Monitoring

• A key process to ensure the CERs are generated
• Basically, no monitoring system -> NO CERs!
• Limited/poor monitoring system -> Few CERs or delayed CERs
• Monitoring goes beyond the meters and equipment installed, it is also about the system and organisation
Verification

• Process by which the emission reductions monitored get verified by a third party on a periodic basis. (usually once a year)
• Process to obtain CERs once the projects are operating

Verification procedure:
• Contract verifier
• Schedule site visit
• Monitoring package to go to verifier (including monitoring report)
• Receive draft issues list from auditor
• Site visit with the verifier
• Resolve any outstanding issues
• Verification report received
CDM Project Cycle

- Project design document
- Host country approval
- Validation
- Registration
- Financing & implementation
- Monitoring
- Verification & certification
- Issue CERs

Designated national authority
Operational entities
Executive Board
Project owner
Issuance

- Once a project completes a periodic verification, the documentation is sent to the issuance team at UNFCCC for consideration
- Request for review is possible
- If all documentation is OK, then the CERs are issued into the account of the buyer