Technical/Methodological Proposal for CDM Reform to Promote CDM Activities in LDCs

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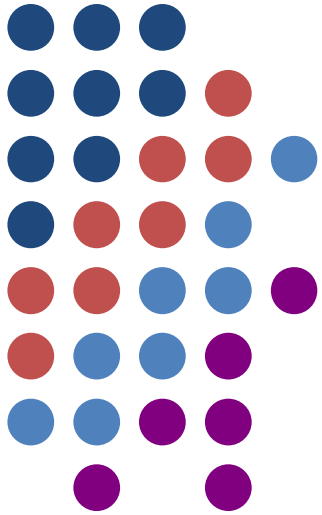
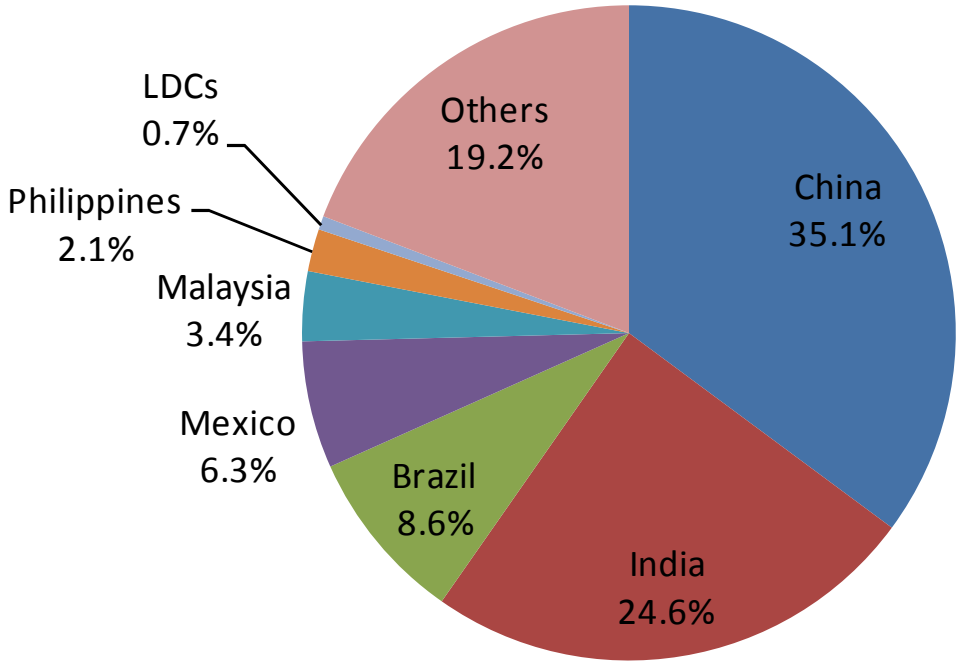


Contents

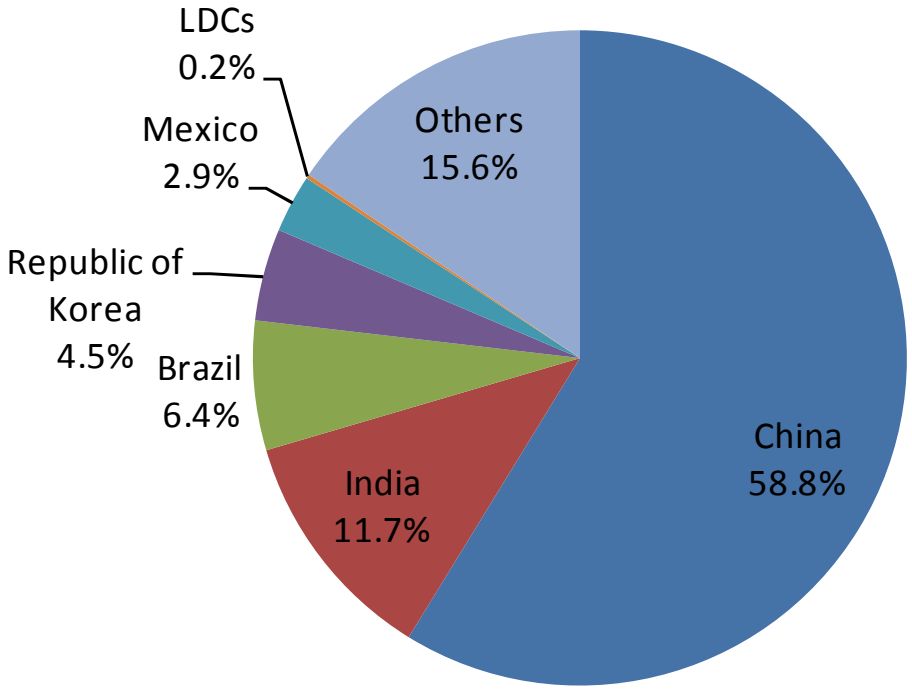
- Introduction
- Positive list
- Default factors and Monitoring

Status of CDM in LDCs (1/2)



Number of registered projects in LDCs: 13 (7 countries) of 1916 projects (0.68%) (as of 30 Nov 2009)

Status of CDM in LDCs (2/2)



Reduction by registered projects in LDCs: 635,405 of 327,137,986 tCO2e/y (0.19%) (as of 30 Nov 2009)

Background

- Decision 2/CMP.4
  - 53. Also requests the Executive Board to develop, in consultation with designated national authorities, ways to streamline the process relating to clean development mechanism project activities in countries hosting fewer than 10 registered clean development mechanism project activities, especially in the least developed countries, small island developing States and Africa, without compromising environmental integrity;
  - 54. Further requests the Executive Board, taking into account its workload and that of its support structure, to facilitate the development and approval of new and revised existing methodologies, based on the specific needs of, and potential for, application in countries underrepresented in the clean development mechanism, in order to assist those countries in realizing their clean development mechanism potential by expanding project activity types, while ensuring environmental integrity;

Roundtable at the Bangkok Climate Change Talk: Stock-taking (1/2)

- The Roundtable “Practical Solutions for Promoting CDM in LDCs” held in Bangkok, Thailand on October 1, 2009, jointly by Government of Uganda and JICA, as a parallel event of the Bangkok AWGs
- Attended by about 70 delegates including expert from 28 Parties among 49 LDCs
- The key topics were:
  - Launch of “Initiative for Clean Development in LDCs”
  - Proposal of three practical solutions from JICA for promoting CDM in LDCs, namely:
    - (1) Utilization of public funding;
    - (2) Exemption of proof of additionality for CDM projects in LDCs; and
    - (3) Application of default emission factor

Roundtable at the Bangkok Climate Change Talk: Stock-taking (2/2)

- Utilization of ODA/Public funding
  - Pros and cons on ODA utilization for climate change measures
  - Transaction cost of validation by DOEs, Language barrier (English to French), Development of emission factors, Human resources training fund etc.
- Reform of CDM: Methodological issues
  - Exemption of proof of additionality for all CDM projects in LDCs
  - Application of default emission factor for typical CDM in LDCs
  - CDM projects for infrastructure, Non permanence, Non-renewable biomass, Co-benefits etc.
- Sustainable and effective capacity development
  - Consolidated capacity building based on the actual projects by learning-by-doing basis

Potential CDM Projects in LDCs

- Renewable Energy
  - PV in Schools, Hospitals etc.
  - Rural Electrification
- Energy Efficiency
  - High Voltage Transmission Line
- Waste Management
  - Composting etc.
- Transportation
- Forestry and Agriculture

Additionality

- Additionality is demonstrated and assessed either by
  - Investment Analysis or
  - Barrier Analysis

- Additionality is the primary area for which a request of review has been triggered with the most common triggers relating to the validation of investment analysis.

- High transaction cost of additionality test but its exemption has small impact on emission reductions in certain cases

Positive List: Progress to date (1/2)

- Recommendation from EB to CMP5 on 1. CP
  - To request the development, based on the potential of CDM projects of these countries, of a positive list of project types for which compliance with the additionality tool can be assessed through the use of conservative criteria including checklists, in accordance with principles and guidelines to be established by the Board (for countries with fewer than 10 registered projects, especially LDCs, SIDs and countries in Africa)
  - To establish a positive list of sectors for which conservative criteria could be used to assess additionality initially for small-scale renewable energy and energy efficiency projects, as an alternative to using the additionality tool. (A study to determine project thresholds for this list to be conducted)

Positive List: Progress to date (2/2)

- Documentation to facilitate negotiations among Parties of AWG-KP on 2. CP
  - 22. Decides that project activities [under [5] [10] megawatts] that employ renewable energy (such as solar power, wind power, renewable biomass energy, geothermal energy or small hydropower) and/or clean fossil fuel technologies [(such as cogeneration, combined cycle or fuel switching)] as their primary technology, and/or energy efficiency project activities [of a scale less than [20] gigawatt hours per year], [shall be assumed to meet the requirement of additionality] [shall be eligible to apply simplified modalities to determine additionality];

Positive List

- Combination of
  - Scale
    - Threshold? Micro-scale/level?
  - Project Activity Types
    - Renewable energy
    - Energy efficiency
    - Co-benefits (environmental services such as air pollution reduction, improvement of water quality, proper treatment and reduction of waste etc.)?
  - Countries
    - LDCs, SIDs and countries in Africa
    - Countries with fewer than 10 registered projects

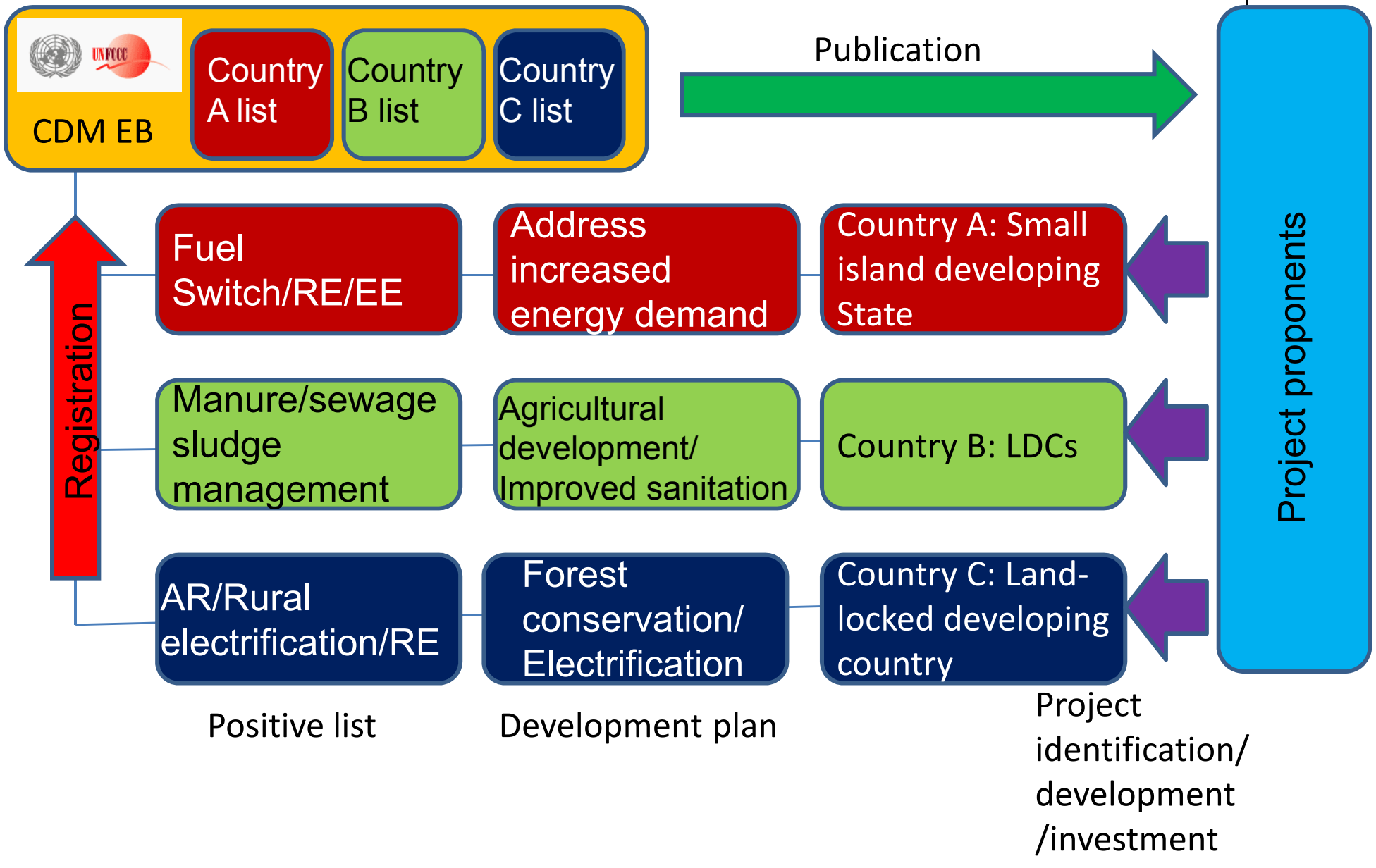
Country-specific positive list: a proposal (1/2)

- LDCs can register positive lists of selected priority areas/types for sustainable development in their countries according to their national circumstances

- Limited to LDCs (countries) and micro scale (scale)
- Can include project activity types other than RE and EE

- Need objective criteria or procedure for registration?

Country-Specific Positive list: a proposal (2/2)



Why Default Factors?

- Emission reductions = Baseline emissions – Project emissions
- Baseline emissions in many SSC meths are the product of
  - Number of consumers/appliances
  - Estimate of average annual consumption derived from historical data or estimated using survey methods
  - Emission factor
- Difficulties in Data Collection (e.g. at least 3-year historical information, annual check of all systems/appliances)
- Decrease the monitoring cost by allowing default factors

Default Factors for end-use EE meths

- In case of end-user energy efficiency methodologies
  - Decision 2/CMP.4
    - 43. Request that the Executive Board explore the use of default emission factors for small-scale end-user energy efficiency methodologies, where appropriate;
  - Default operating parameters (for example, operating hours for CFLs in commercial applications)
    - Average daily operating hours of the lighting devices: 3.5 hours per 24 hrs period
  - Default per unit energy savings (for example, per residential appliance unit annual energy savings)

Default Emission Factors

- Emission factors, for example
  - Default value of 0.8 kg CO2-e/kWh derived from diesel generation units
  - IPCC default values
  - Non-renewable biomass:
    - IPCC default for wood fuel, 0.015 TJ/tonne multiplied by
    - 71.5 tCO2/TJ for Kerosene, 63.0 tCO2/TJ for LPG (Use of fossil fuels for meeting similar thermal energy needs)

Default Factors: Progress to date (1/2)

- Recommendation from EB to CMP5 on 1. CP
  - To continue developing conservative default parameters for use in baseline methodologies, as an alternative to setting project-specific parameters that are difficult to determine, to facilitate the use of methodologies while safeguarding the environmental integrity of the CDM
  - To request the increased use of standardized baseline and additionality benchmarks in certain sectors for CDM project activities (for countries with fewer than 10 registered projects, especially LDCs, SIDs and countries in Africa)

Default Factors: Progress to date (2/2)

- Documentation to facilitate negotiations among Parties of AWG-KP on 2. CP
  - 17. Decides that the Executive Board of the clean development mechanism, drawing on expert input from its support structure and other relevant national institutions, shall, where appropriate, to enhance the environmental integrity, efficiency and regional distribution of the clean development mechanism, define standardized baselines for specific project activity types [and specific sectors or subsectors] by establishing parameters, including benchmarks, and procedures and making them available [for [mandatory use] [optional use] [optional use at the discretion of a national jurisdiction and for mandatory use once a national jurisdiction decides to use it in that particular sector,]] in the determination of additionality and the calculation of emission reductions;

Default Factors: The Way Forward

- Developing and maintaining a database of CDM default parameters building on existing data sources involving expert inputs.
- Development of Template PDD

- Support for developing Regional default factors
- Support countries with difficulties to establish their own Grid emission factor using SOP-Admin

Simplified Monitoring Scheme

- Annual check of all systems/appliances or a sample thereof to ensure that they are still operating
- Parameter values used to determine emission reductions

- Sampling methods/size
  - 90/10 precision (90% confidence interval and 10% margin of error) for parameter values: high cost but large CERs
  - The lower bound of a 90% confidence interval of the parameter value
  - Conservative default factors/parameters: low cost but small CERs

Concluding remarks (1/2)

- Develop and establish a positive list of project types/sectors such as micro scale RE and EE projects for countries with fewer than 10 registered projects, especially LDCs, SIDs and countries in Africa, including country-specific positive list

- Develop default parameters for use in baseline methodologies, as an alternative to setting project-specific parameters that are difficult to determine, including by developing and maintaining a database of CDM default parameters and by supporting the development of default factors

Concluding remarks (2/2)

- And…
  - The development of more small-scale methodologies with the potential for application in countries with fewer than 10 registered projects, especially in LDCs, SIDs, and Africa;
  - The top-down development of methodologies that are particularly suited for application in those countries and in relevant sectors;

Thank you for your attention!

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JICA's Related Side Event

Expanding Gross National Happiness through CDM project in Kingdom of Bhutan

Date & Time: 11th December (Fri), 18:15-19:45

Venue: Dan Turell

Hosted by: Government of Bhutan

Response to Climate Change in Vietnam

Date & Time: 14th December (Wed), 20:00-21:30

Venue: Liva Weel

Hosted by: Government of Vietnam

Demonstrating the potential and crucial reform needs of the CDM for poverty reduction in LDCs

Date & Time: 16th December (Wed), 20:00-21:30

Venue: Liva Weel

Hosted by: Government of Zambia