

Dobry wieczor.

Magandang Hapon.

IGES in the Philippines - FY 2008:

Capacity Building Activities for CDM Reform

*Where Market Mechanisms Go?
Demonstrating the Co-Benefits of Climate Change Mitigation
and Proposal for CDM Reform based on Experiences in Asia*

An MOEJ/IGES/OECC Side Event at COP 14/CMP 4
Room 5: White-Tailed Eagle, Poznań, Poland

Joyceline A. Goco

CDM Secretariat ~ Environmental Management Bureau
Philippine DNA for CDM



Republic of the Philippines

Department of Environment and Natural Resources

Kagawaran ng Kapaligiran at Likas na Yaman

IGES-EMB CDM Capacity Building MOU

A continuing capacity building programme in the Philippines to assist:

A. The Host Country DNA for CDM

□ FY 2008 focus:

- to enhance DNA's capacity to promote 'co-benefit' types of CDM project activities in the Philippines

□ Main Outputs:

- Organization of CDM Workshop
- Development of Proposals for CDM Reform

B. The Private Sector

□ FY 2008 focus:

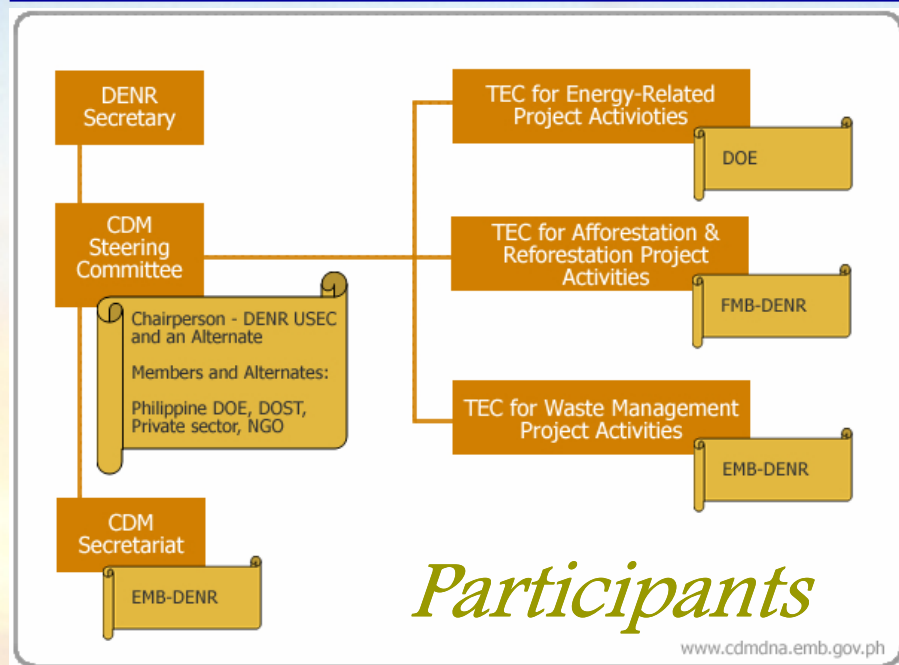
- To assist in the identification and development of CDM project activities

□ Main Outputs:

- Organization of CDM Trainings for specific private sector groups, e.g. PEZA locators
- CDM Project Concept Notes / PDDs

CDM Workshop for the DNA

17 Jul 08



- ❑ First Workshop of the DNA since it began full operation
- ❑ “**A Look Back** and **A Step Forward**”
 - DNA members take stock of the lessons gained from the initial experiences and propose reforms to further enhance CDM implementation
 - Share the results of the survey under the IGES 2007 CB Programme 3

Main Issues Raised

- ❑ Only 20 have been REGISTERED so far out of the 58 LoAs issued by the DNA since 2005
 - While the LoA requests PPs to update the DNA of the status, the lack of a timeframe for compliance may have been a factor in their non-submission
 - DNA has been blamed as the reason for a shortfall in cashflow even as the LoAs have been issued
 - failed contractual obligations?
 - Unable to meet DOE's requirements?
 - *Few DOEs; high service fees*
- ❑ Difficulty in determining the diversion / non-diversion of ODA funds
 - DNA agrees that ODA funds should not be used to purchase the CERs
- ❑ Buyers approach the DNA to inquire about uncommitted CERs
 - DNA sees the opportunity to facilitate the process, but DNA will require information from PPs / Developers / Consultants
- ❑ Lack of proper conduct of the stakeholders' consultation requirement
 - Reiteration of the importance of public participation in the CDM process including during project implementation; it is more than just a one-shot consultation activity
 - Proposed Guidelines for the conduct of a stakeholders' consultation
- ❑ Lack of convincing evidence of whether CDM projects truly deliver sustainable development benefits
 - PPs are given the liberty to define the project-level indicators but there is an observed lack of consideration in meaningfully determining SD benefits
 - Progress reporting on SD from those that have been registered
- ❑ Most are small scale; limited sectoral scopes
 - Difficulties in financing
 - CDM promotion for REs; regular scale
 - Internationally, more incentives for projects with higher SD benefits
- ❑ Keeping track of evolving rules at the international level; admin constraints

In line with the Rules and Regulations Governing the National CDM Approval Process as set forth in DAO 2005-17, the Designated National Authority for Clean Development Mechanism in the Philippines is pleased to inform you that the aforementioned proposed activity meets the national approval criteria. The Authority hereby confirms that:

- 1) the Philippines ratified the Kyoto Protocol on 20 November 2003,
- 2) the voluntary participation of the (name/s of Philippine Project Participant/s) in the proposed CDM project activity is authorized, and
- 3) the implementation of the proposed CDM project activity will assist the Philippines in achieving sustainable development based on the representations made in the Project Design Document, as supplemented by the Sustainable Development Benefits Description, Proof of Legal Capacity, Certificate of Non-Coverage under the Philippine EIS System and other supporting documents submitted to the Authority.

Furthermore, (name/s of Philippine Project Participant/s) as the authorized project participants, shall comply with the following terms to the satisfaction of the Authority:

- 1) Ensure that ODA funds are not used to purchase the CERs generated by the project activity;
- 2) Provide the Authority with information regarding the sale of CERs including name and address of buyer(s) and party(ies), and the source of funds, within 20 working days of the transfer of CERs, and the remaining balance of uncommitted CERs, as applicable;
- 3) Actively pursue and document public participation during the lifetime of the project with adequate representation of relevant stakeholders and traditionally-ignored social groups;
- 4) Inform the Authority of the status of CDM project development (validation and registration) at the end of each quarter following the issuance of this Approval;
- 5) Once registered, update the Authority on the stages and progress, including photo-documentation of the implementation of the project, its reported sustainable development benefits and public participation activities, on or before the seventh day following the end of June and December of each year during the lifetime of the project;
- 6) Comply with applicable laws, rules and regulations of the Philippines relevant to the development and implementation of the aforementioned project activity and its core / base project.

The Authority reserves its right to revoke the Host Country Approval in the event of non-compliance with any or all of the conditions stated herein. Please be advised further that, by acceptance of this Letter of Approval, the (name/s of Philippine Project Participant/s) indemnify(ies) the Authority against any loss that (name/s of Philippine Project Participant/s) may suffer as a result of voluntarily undertaking the aforementioned project activity.

Very truly yours,

JOSE L. ATIENZA, JR.
DENR Secretary

cc: CDM Secretariat – EMB (No. LOA-2006-008-WM/ER001)

Revised Philippine DNA Letter of Approval

Unconditional clauses

*ODA NOT for
buying CERs*

*DNA can assist in
finding buyers*

*Public
participation is
important*

Reportorial Requirements

*Why has the PP
not applied for
registration?*

*Progress reporting,
esp. on SD*

*Not exempt from
applicable laws*

*“DNA as main
cause of shortfalls
in cashflow”*

CDM 'PLUS' Workshop for the CDM Practitioners

10 Nov 08



- Due to the success of the CDM DNA Workshop, the DNA also requested the conduct of a similar workshop aimed at gathering Project Proponents, Project Developers, CDM Consultants, Carbon Buyers, Financing Institutions, CDM Trainers, and the DNA together in order to:
 - Gain an appreciation of the unique **PERSPECTIVES** of various CDM actors
 - Share the **LESSONS** learned based on respective experiences
 - Provide **UPDATES** on recent international CDM developments and receive updates on the status of development / implementation of CDM projects
 - Communicate the importance of meaningfully contributing to **SUSTAINABLE DEVELOPMENT**

and find ways of improving the domestic and international CDM regime

Practitioners' Observations & Concerns

CDM at the Domestic Level

- ☐ Need for a clearer indication of the processing time for HCA applications
- ☐ Lack of understanding of the CDM by some government agencies
- ☐ Political will esp. at the local government level is a key factor in successfully implementing CDM projects
- ☐ Mentoring support of Developers/Consultants is a crucial element in ensuring that monitoring of CDM project activities is properly undertaken to guarantee CER delivery
- ☐ More capacity building on PoAs
- ☐ Need for more innovative financial packages to cover costs of PDD development through registration
- ☐ Difficulty in obtaining specific energy data; & ambiguity in terms of whether there are 2 or 3 main grids
- ☐ Efficient Records System to avoid loss of documentary evidence and exploring other ways of firming up evidences
- ☐ Generic SD benefits
 - considerable uncertainty in terms of direct attribution to a project of SD benefits cited
 - no tangible indicators
 - include SD monitoring in the project monitoring protocol
- ☐ DNA constraints:
 - lack of manpower
 - only at the main office
 - no clear budget allocation to sustain operations
 - needs a systematic database of relevant national policies and regulations
 - continuous capacity building is needed because of evolving rules

Practitioners' Observations & Concerns

CDM at the International Level

☐ Backlogs in validation

- **Few DOEs: high #** of proposed projects
 - **'Expiration' of methodologies:** PDD revisions and recalculations needed to comply with revised methodologies
- No DOEs in the Philippines
 - **Travel security issues**
 - **Set-up satellite offices**
 - **Assistance in accreditation**
- Revised Validation and Verification Manual potentially **increases the transaction costs**
- DOEs send "Validators" who have **no or limited knowledge of technical matters specific to a tropical country**, particularly for afforestation / reforestation

☐ First Rejected Project from RP

- Due to CEF calculation; not additionality
 - Can it **re-apply / be re-validated / appealed**, esp if additionality is not the reason for rejection?
- ### ☐ Full-time commitment to keep in pace with evolving international CDM rules
- **Backlogs in registration;** EB members must possess appropriate expertise
 - Most carbon **buyers prefer projects with high volume of CERs**, putting small scale projects at a disadvantage
 - **Identify means to sway the market toward the rapid development of project activities with environmental integrity and high and meaningful sustainable development benefits**

Dziękuję ~ Arigato gozaimasu

Thank you ~ Salamat po.

For your questions / queries:



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DNA - CDM Secretariat
Environmental Management Bureau**

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