

# Annex 1 CDM/JI approval procedures

## *A project developers' perspective*

Berlin, Symposium des BVEK e.V.  
12 October, 2007

## Who we are?

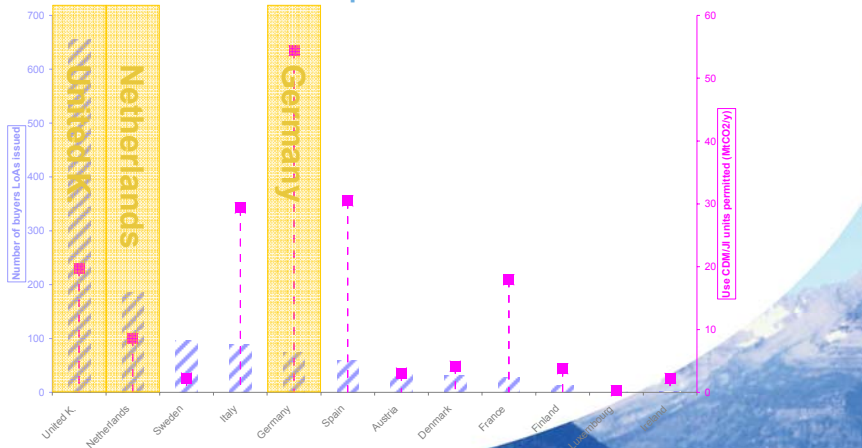
EcoSecurities is a leading originator of carbon credits in the global carbon market

Carbon Credit portfolio at 5 September 2007 comprised of:

- **456** CDM projects, up over 29% since 31 December 2006
- **215** Projects submitted to validation and **97** projects registered or submitted to registration with the CDM Executive Board (125 & 62 at 31 Dec 2006). Largest portfolio of registered projects worldwide
- Projects have the potential to generate over **185** million CERs, up over 18% since 31 Dec 2006
- Net ownership of **163** million CERs, up over 28% since 31 Dec 2006
- Options and contracts on **110** million CERs for the 2013-2028 time period
- 44 voluntary projects, up over 90% since 31 December 2006
- Projects have the potential to generate over **4.3** million VERs, first VER sales in 2007

## Why are we here today?

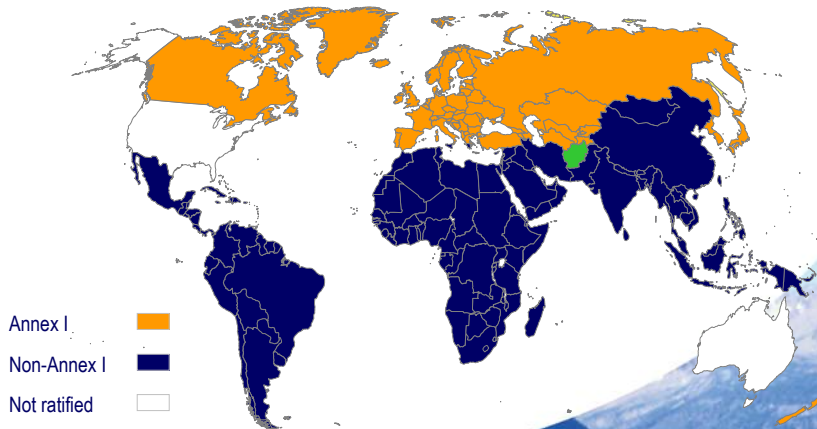
### EU ETS Countries: CDM/JI permission and Annex I LoA issuance



## Introduction to the Carbon Market

- > **The issue at hand:** Anthropogenic (i.e., man-made) climate change is a fact. If and what the implications are and if and how to address them is under dispute.
- > **The Kyoto protocol:** Aims to reduce GHG emissions by 2012 and distinguish two types of countries:
  - **Annex I countries:** With binding emission targets for industrialised countries:
    - Western and Eastern Europe, Canada, Japan, New Zealand, Russia, Ukraine
  - **Non-Annex I countries:** With voluntary participation of developing countries:
    - China, India, South Africa, Philippines, Uruguay, Brazil, etc

## The Kyoto protocol



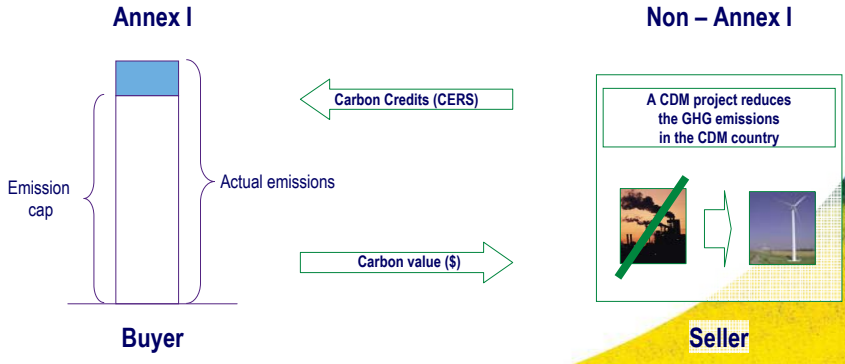
## Introduction to the Kyoto protocol

### The costs of compliance differ greatly worldwide

- > **Flexible mechanisms** allow countries to achieve their emission targets in a cost effective way
  - **Emission Trading** (trading of allowances between Annex I governments)
    - AAUs
  - **Joint Implementation** (projects between Annex I countries)
    - ERUs
  - **Clean Development Mechanism** (projects in Non-Annex I countries with participation of Annex I countries)
    - CERs

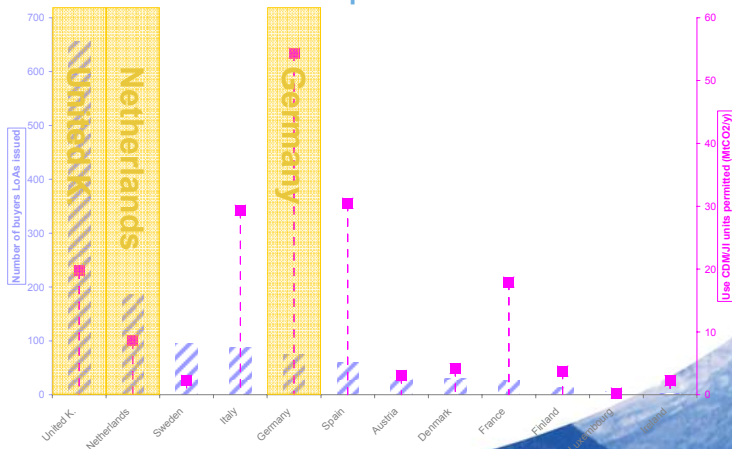
# The Clean Development Mechanism

The reduced GHGs in a Non-Annex I countries can be sold to an Annex I country



# Why are we here today?

EU ETS Countries: CDM/JI permission and Annex I LoA issuance



## Introduction to Annex I CDM/JI Approval

- > **Why do I need a letter of approval?** Participation in Kyoto project activities is voluntary and requires written approval of participation from Designated National Authorities (DNAs) of all Parties involved.
- > **Additional EU Requirement:** As stipulated in the Linking Directive further requirements specifically relate to:
  - Baselines for projects carried out in countries which are part of EU (limited to Cyprus, Malta)
  - Hydropower projects with a generating capacity > 20 MW
- > **Unique task:** “Assessment does not involve a substantive evaluation of the project (...). That is the task of the Designated Operational Entity and the CDM Executive Board.\*”

*\*Explanatory Memorandum, Ministerial Decree for Approval of Participation in Kyoto Project Activities (The Netherlands)*

## UK and NL CDM/JI Approval Procedures

	United Kingdom	The Netherlands
<i>Principle</i>	Approve Kyoto project activities in accordance with international and EU requirements	Approve Kyoto project activities in accordance with international and EU requirements
<i>Documentation required</i>	One electronic copy of: <ol style="list-style-type: none"> <li>1. PDD</li> <li>2. Host Country LoA</li> <li>3. Declaration for consistency with Kyoto Protocol and Marrakech Accords</li> </ol>	One hard and electronic copy of: <ol style="list-style-type: none"> <li>1. Link to UNFCCC's or DOE's website, where most recent PDD is published</li> <li>2. Declaration for consistency with Kyoto Protocol and Marrakech Accords</li> <li>3. Official documentation on establishment of company</li> <li>4. If available, Host Country LoA</li> </ol>

## UK and NL CDM/JI Approval Procedures

	United Kingdom	The Netherlands
<i>Legal presence required?</i>	No	No
<i>Fee</i>	No fee	€ 350
<i>Response time</i>	2 weeks (we have experienced responses within 2-3 days)	Formally 2-3 weeks (in practice 1-2 months since approval request is only considered upon payment)  <i>*Since July 2007, SenterNovem is authorized to sign LoAs</i>

## UK and NL CDM/JI Approval Procedures

	United Kingdom	The Netherlands
<i>Hydropower projects &gt; 20 MW</i>	Declaration of alignment with WCD recommendations (incl. supportive information on 80+ criteria – no clear guidance)	Declaration of alignment with WCD recommendations
<i>Hydropower projects &lt; 20 MW</i>	Under revision – no guidance yet decided (currently all hydropower projects on hold)	No additional requirements

> **ECX bans CERs from big hydro projects over EU eligibility uncertainty**  
 – “The European Carbon Exchange, which is planning to launch a futures exchange for international carbon credits later this year, said it had taken its decision because of uneven guidelines on the import of credits from hydropower plants that displace fossil fuel emissions in developing countries.” (*Point Carbon*, 9 October 2007)

## Good Practice in CDM/JI Approval Procedures

- > **Fast and correct:** Avoid transaction delays (e.g. fee payment, post delivery); Submitting correct LoAs (e.g. right applicant name, etc.)
- > **Transparent:** Provide clear guidelines on how to comply with the different requirements, and how these will be verified
- > **Minimal administrative burden:** Limit number of documents required to the minimum (i.e. most recent version of PDD, Kyoto declaration)
- > **No repetition of tasks:** Respect decisions of authorized entities to avoid repetition of tasks (e.g. CDM Executive Board, DOE, EU)
- > **Stable and open legislative environment:** Avoid changes of authority and sudden revisions of existing policies without consultations of industry stakeholders

Thank you!

Pieter-Johannes Steenbergen, Senior Consultant  
Global Consulting Services, EcoSecurities

Tel +31(0)70 365 4749  
Mob +31(0)6 1226 6542  
Fax +31(0)70 365 6495  
Email [pieter-johannes@ecosecurities.com](mailto:pieter-johannes@ecosecurities.com)  
<http://www.ecosecurities.com>