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Deutsche Emissionshandelsstelle

Project quality issues from the perspective of the German DNA

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Outline

- Key Quality Criteria for JI/CDM projects
 - Quality Criteria for large hydro power projects
 - Quality Criteria for JI projects within the EU
 - Additionality as key element of CDM/JI
 - Additionality in practice
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- Opinion is based on approximately 140 projects assessed by German DNA/DFP

Key Quality Criteria for projects

- Adequate baseline setting (business as usual scenario)
- Emission reduction additional to any that would otherwise occur
- Leakage has to be considered and if necessary be included in project emissions
- No serious harmful environmental impacts
- CDM: Contribution to sustainable development of host country
- Within the EU: LULUCF projects and nuclear projects are not eligible

Quality criteria for large hydro power projects (I)

- EU member states have to guarantee that hydro power projects greater than 20MW comply with the Guidelines of the World Commission on Dams (WCD Guidelines)
- Scope of application:
 - Defining large dams: electric power is relevant (20 MW)
 - A height or reservoir volume criterion is not applied (non-dams hydro power plants are also addressed)
 - If two or more hydropower plants are located along one river, the impact could accumulate and lead to environmental degradation and loss of livelihood → can not absolve from the WCD Guidelines

Quality criteria for large hydro power projects (II)

- For the approval procedure German DNA/DFP requires an additional WCD compliance report from the DOE/IE
- More detailed requirements to be found in a manual for the validation to be published soon
- Ratio of the manual is to make hydro power projects possible in the CDM/JI with Germany as investor country if the key principles of the WCD Guidelines are adhered to. It seems to be impossible to fulfill all aspects and criteria of the WCD Guidelines.
- Standards for approval vary greatly between EU member states

JI within the EU: Quality Criteria

- No double counting – direct or indirect emission reductions in ETS installations are counted as part of the baseline emissions
- Baseline setting has to take the “acquis communautaire” into account
- It is possible to calculate the baseline emissions in the new EU member states based on the delayed adaptation periods that were accepted in the EU accession treaties

Additionality as key element of CDM/JI

- Additionality is – besides Monitoring - the key quality criteria for CDM/JI
- Basic principle: Emission reductions would not take place without the incentive of the flexible mechanisms – a business as usual scenario shall not receive the benefit of CERs/ERUs
- Tool for the demonstration and assessment of additionality (AT) of the CDM Executive Board (Version 03) is key document
- Important aspects of AT:
 - Investment analysis
 - Barriers analysis
 - Common practice analysis

Additionality in practice (I)

- Significant differences between projects with regard to compliance with additionality
 - Experience shows deficits with regard to
 - Investment analysis → determination that proposed project activity is not the most economically or financially attractive is not conclusive
 - Barrier analysis gives leeway for misapplication
 - Some projects/project ideas are simply common practice
- Single non-additional projects undermine the integrity of the flexible mechanisms of the Kyoto Protocol

Additionality in practice (II)/Monitoring

- Difficulty for all institutions involved (DOE/IEs, DNA/DFPs and EB/JISC) to scrutinize and check compliance with Additionality, especially with regard to investment analysis (e.g. determination of benchmark for the IRR in the relevant market)
- Special responsibility for DOE/IE and host country DNA/DFP to ensure Additionality
- First experiences with Monitoring and Reporting show that adequate supervision through institutions involved is necessary, e.g. compensatory measures not taking place as set out in PDD

Conclusions

- It is important to ensure the integrity of the mechanisms JI and CDM because they play a decisive role for international mitigation of climate change → not all complaints of bureaucratic hurdles are therefore justified
- Adequate balance between facilitation of projects and supervision and monitoring is necessary
- Large majority of projects is additional → we all should work to ensure that it stays that way in the future

Thank you for your attention!

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