

# **Small-Scale CDM & Bundling: Criteria, Advantages & Status**

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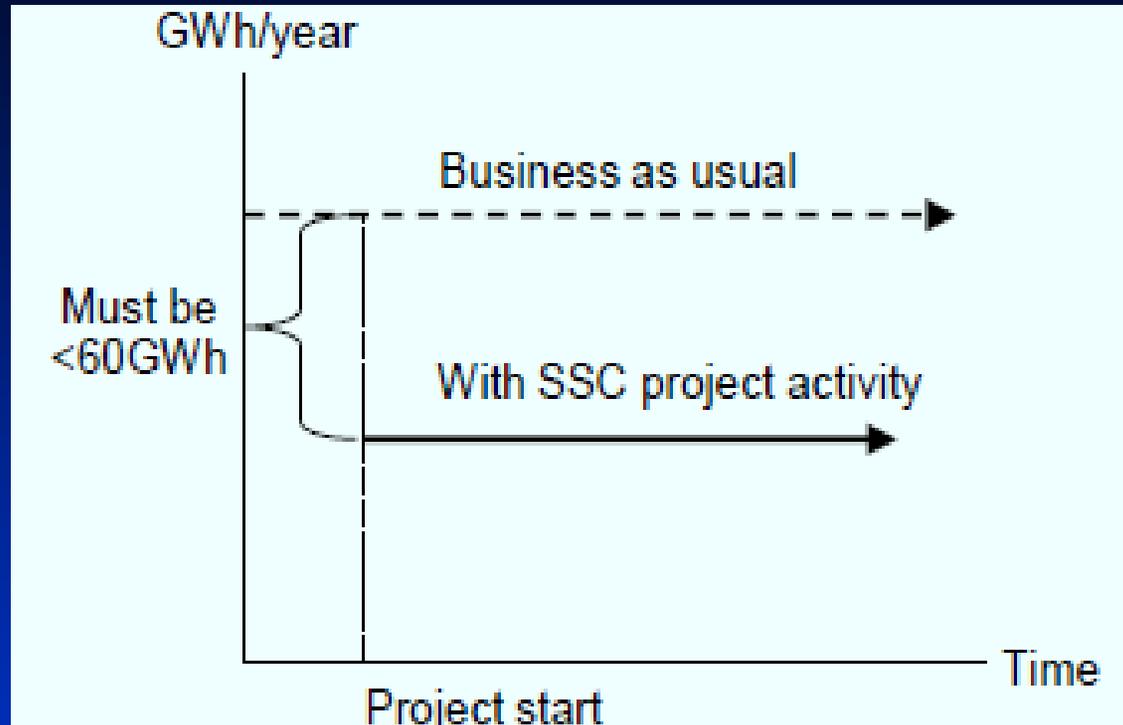
# Need for Small-Scale CDM

- introduced by CDM EB to encourage the development of **smaller CDM projects**
- typically would have been less attractive in terms of the **volume of CERs** generated relative to **transaction costs**
- can utilise **simplified modalities and procedures**
- **do not require** the **rigorous and expensive approval and assessment processes** as required for larger scale projects

# Types & Criteria for Small scale CDM (SSC) projects

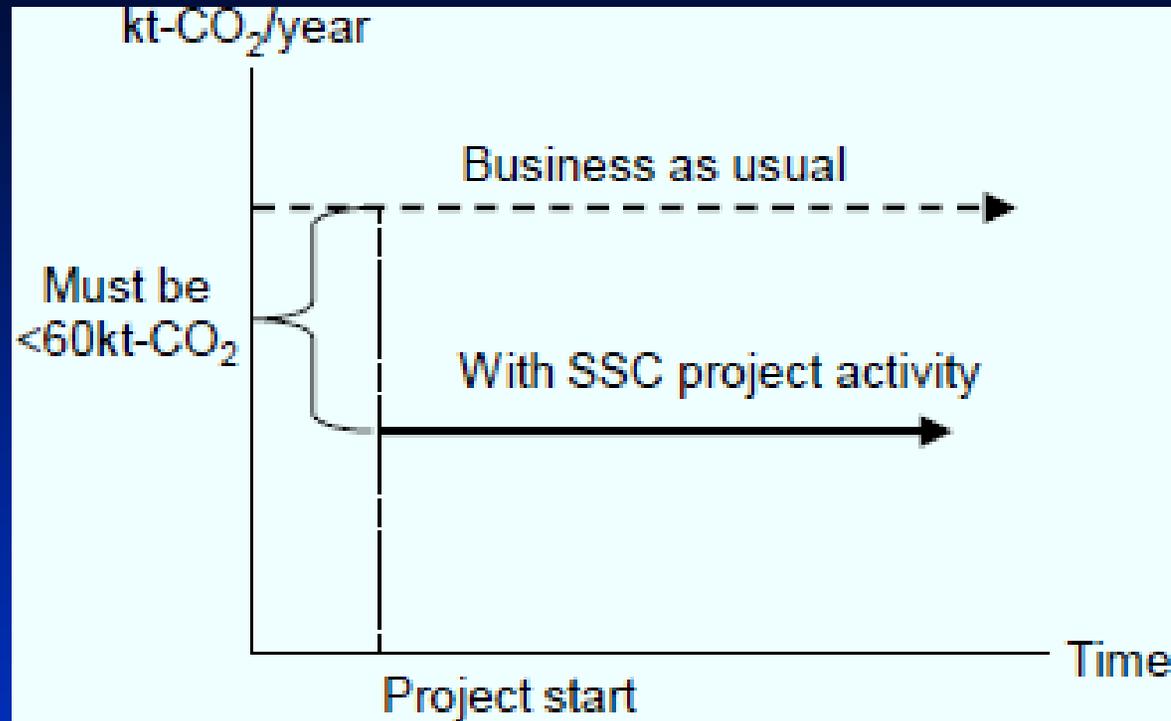
- **Type I:** Renewable energy project activities with a maximum output capacity of **15 MW** (or an appropriate equivalent)
- "**Maximum output**" is defined as: *installed/rated capacity*, as indicated by the manufacturer of the equipment or plant, disregarding the actual load factor of the plant
- "**Appropriate equivalent**" of 15 megawatts can include MW(e) or MW(th): *As MW(e) is the most common denomination, and MW(th) only refers to the production of heat which can also be derived from MW(e), the Board agreed to define MW as MW(e) and otherwise to apply an appropriate conversion factor*

# Types of Small scale CDM (SSC) projects



- **Type II:** Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, limited to those with a maximum output of **60 GWh** per year

# Types of Small scale CDM (SSC) projects



- **Type III:** Other project activities limited to those that result in emission reductions of **less than or equal to 60 kt CO<sub>2</sub> equivalent** annually

# Categories of Small scale CDM (SSC) projects

## Project types

**Type (i): Renewable energy projects**

**Type (ii): Energy efficiency improvement projects**

**Type (iii): Other project activities**

## Project categories

A. Electricity generation by the user/household

B. Mechanical energy for the user/enterprise

C. Thermal energy for the user

D. Electricity generation for a system

E. Supply-side energy efficiency improvements - transmission and distribution activities

F. Supply-side energy efficiency improvements - generation

G. Demand-side energy efficiency programmes for specific technologies

H. Energy efficiency and fuel switching measures for industrial facilities

I. Energy efficiency and fuel switching measures for buildings

J. Agriculture

K. Switching fossil fuels

L. Emission reductions in the transport sector

M. Methane recovery

# Categories of Small scale CDM (SSC) projects

- Simplified baseline and monitoring methodologies have been developed for **14 small-scale project activity categories** (previous slide)
- reviewed at least **once a year** and updated as necessary
- The three project types are **mutually exclusive** - project activities that contain more than one component must meet the eligibility criteria relevant to each component.
- Project activity with **multiple components** of the **same type**, the combined size of the components must **not exceed** the limits set out

# Advantages of SSC Projects

- Simplified modalities and procedures. The SSC projects:
  - Be **bundled** or **portfolio bundled**
  - Use a **simplified project design document** (CDM-SSC-PDD)
  - Use **simplified baseline methodologies**
  - Use **simplified monitoring plans** with reduced monitoring requirements
  - Engage the **same designated operational entity** (DOE) to undertake validation, verification and certification

# SSC Projects – General Requirements

- The **participation requirements** (voluntary participation, establishment of a designated national authority (DNA) and ratification of the Kyoto Protocol) have been **met**
- Comments from **local stakeholders** have been **received** and **taken into account**
- **environmental impacts** of the project submitted to the designated operational entity (DOE)
- The project is **additional**

# SSC Projects – General Requirements

- For **non-bundled** projects - the project falls into one of the **SSC project categories** and uses the **relevant baseline and monitoring methodology**
- For **bundled** projects - the bundle satisfies the **conditions for bundling** and has an appropriate overall **monitoring plan**
- The project confirms to **all other requirements** for small-scale CDM projects

# Additionality for SSC Projects

- Small-scale projects must **demonstrate** that they **would not be implemented** in the absence of **CDM registration** because of **one or more** barriers
- The **attachment A to Appendix B** of the SSC modalities and procedures corresponds to **list of barriers** to be used in order to demonstrate that a small scale project activity would not have occurred otherwise (i.e. is additional).

# Additionality for SSC Projects

## ➤ Investment Barrier

- a financially more viable **alternative** to the project activity would have led to higher emissions

## ➤ **Best practice examples** of investment barrier include but are not limited to:

- application of **investment comparison analysis** using a relevant **financial indicator**
  - application of a **benchmark analysis** or
  - a **simple cost analysis** (where CDM is the only revenue stream such as end-use energy efficiency)
- ## ➤ It is recommended to use **national or global accounting practices and standards** for such an analysis.

# Additionality for SSC Projects

## ➤ Technological Barrier

- a less technologically advanced alternative to the project activity involves lower risks due to the performance uncertainty or low market share of the new technology adopted for the project activity and so would have led to higher emissions

## ➤ Best practice examples of technological barrier include but are not limited to:

- demonstration of non-availability of human capacity to operate and maintain the technology
- lack of infrastructure to utilize the technology
- un-availability of the technology and high level of technology risk

# Additionality for SSC Projects

- **Barrier due to prevailing practice**
  - prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions
- **Best practice examples** of barrier due to prevailing practice include but are not limited to:
  - demonstration that project is among the **first of its kind** in terms of technology
- **Other Barriers**
  - without the project activity, for another specific reason identified, such as **institutional barriers** or **limited information, managerial resources, organizational capacity, financial resources**, or capacity to absorb **new technologies**, emissions would have been higher

# Additionality for Specific SSC Projects

- Guidelines for demonstrating additionality of renewable energy projects  $\leq 5$  MW and energy efficiency projects with energy savings  $\leq 20$  GWh per year” EB 54
- For project activities up to **5 MW** that employ **renewable energy** as their **primary technology** and for **energy efficiency** project activities that aim to achieve **energy savings** at a scale of **no more than 20 GWh/y**, simplified modalities for demonstrating additionality has been approved by the EB

# What is Bundling?

- bringing together of several SSC project activities, to form a single CDM project activity or portfolio without the loss of distinctive characteristics of each project activity
- Project activities in a bundle can be divided into a series of sub-bundles
- Project activities within a sub-bundle belong to the same type.
- Has limits: 15MW for power (small scale project activity limits), same technology etc

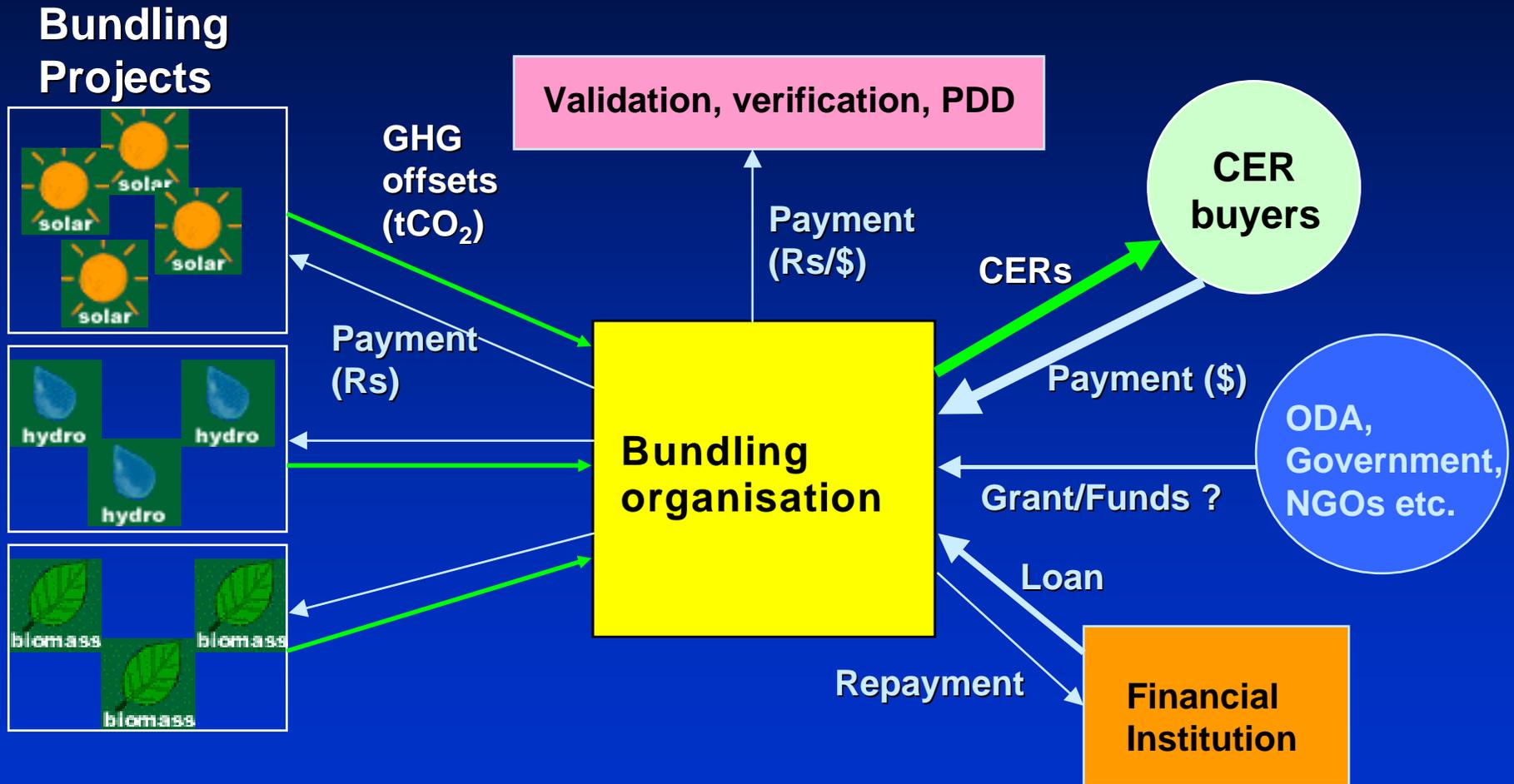
# Role of Bundling Organisation

Multiple  
greenhouse gas  
reducing projects

Simply an intermediary between  
project developer/owner and the  
CER buyer



# Functions of Bundling Organisation



# General Characteristics of Bundling

- indicate **intention to bundle** when making the **request for registration**
- The composition of bundles shall **not change** over time.
- All project activities in the bundle shall have the **same crediting period**
- at registration provide a **written statement** indicating
  - agreement of **all PPs to bundle** their individual project activities and
  - proposed **bundling agency** who represents all PPs in order to communicate with the EB

# General Characteristics of Bundling

- submitted in a **single submission** to the EB and pay only **one fee** proportional to the amount of expected average annual emission reductions of the total bundle
- If 3 EB members or a Party involved in a project activity **requests the review** of the project activity, the total bundle remains under review.
- A form with information related to the bundle **“F-CDM-BUNDLE”** must be included in the submission

# General Characteristics of Bundling

- **Letter of Approval** - indicate that the Host Party is aware that the project activity(ies) taking place in its territory is part of the bundle
- **Monitoring Plan:**
  - a separate monitoring plan shall apply for each of the constituent project activities, or an
  - overall monitoring plan shall apply for the bundled projects, as determined by the DOE at validation
- **Validation & Verification:**
  - One DOE can validate the bundle
  - One verification report is adequate, one issuance will be made at the same time for the same period, and a single serial number will be issued for all the project

# Status of SSC Projects

	Number	kCERs	2012 kCERS
<b>SSC Projects by Status</b>			
<b>At Validation</b>	1393	38468	106510
<b>Requesting Registration</b>	86	2574	7062
<b>Registered</b>	1176	32045	147119
<b>Total Expected</b>	2655	73087	260691
<b>Issued</b>	284	19629	-
<b>Rejected by DOEs</b>	524	-	-
<b>Withdrawn</b>	23	-	-
<b>Rejected by EB</b>	57	-	-

<http://cdmpipeline.org/publications/CDMpipeline.xlsx>,  
1/1/2011

**THANK YOU**