

# PIN-key issues and tips

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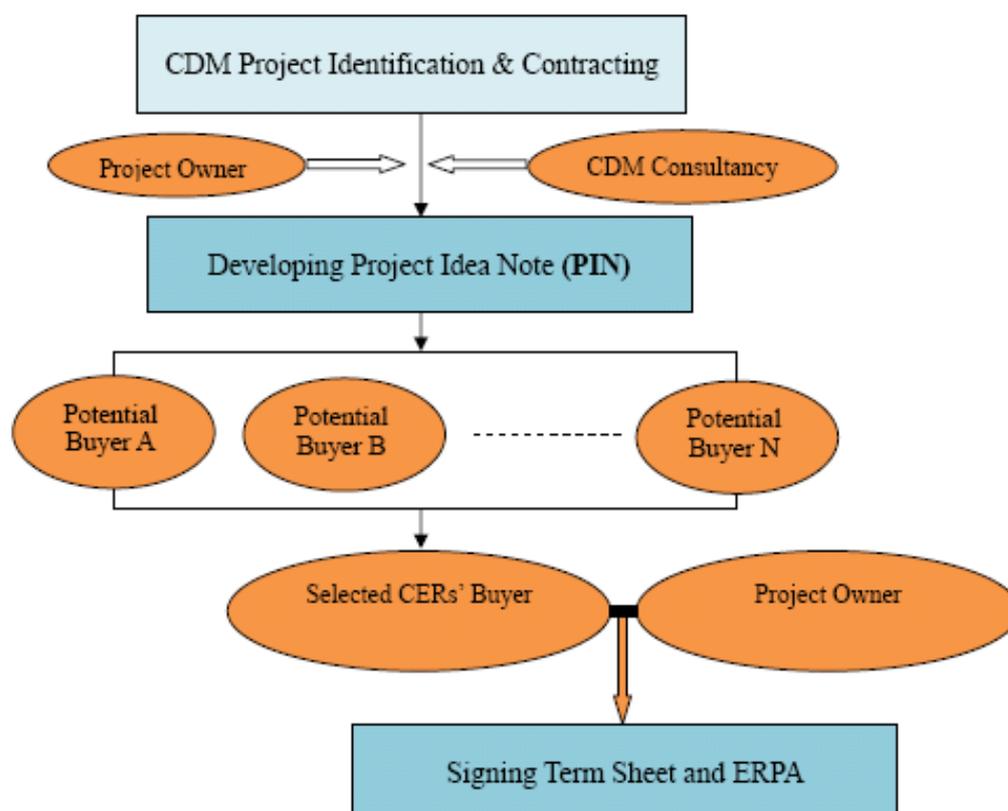
## *What is a PIN?*

Project Idea Notes (PIN) is defined as a short project description on the basic details of the Project, the Project Owner, and the CDM status.

PIN is the first step in the development of a CDM project.

## *What is the role of PIN?*

The objective of a PIN is to determine whether the submitted project proposal contains all the relevant information to screen the project and to assess whether the project meets the CDM Criteria. PIN plays a significant role in the business negotiation as shown in the diagram:



To be simple, PIN is not only the first important document to demonstrate the project to the potential CER buyers but also a useful approach to attract the potential

co-financier for the project development.

## *How to develop a good PIN?*

Generally, PIN provides the indicative information about the project, relevant to the CDM and the project financing. Some key issues and tips on developing a good PIN should be noticed. The details are as below:

### ➤ *Key issues and tips-project information*

#### - *Scale, location and technology*

The basic description of the project scale, location and the applied technology should be included. Especially, reference to technology transfer should be demonstrated as well.

#### - *Sectoral scope*

Which scope the project belongs to should be stated clearly. The accredited sectoral scopes include: *Energy industries (renewable/non-renewable sources)/Energy distribution/Energy demand/Manufacturing industries/Chemical industry/Construction/Transport/Mining or mineral production/Metal production/ Fugitive emissions from fuels (solid, oil and gas)/Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride/Solvents use/Waste handling and disposal/Land-use, land-use change and forestry/Agriculture. (EB 13, Annex 2, paragraph 1).*

#### - *Introduction of Project Owner*

The company ownership, sectoral experience and CDM experience of the project owner are directly relevant to the risk evaluation of the project. Besides, the contact information of the project owner is better provided so that the potential CER buyers or co-financier of the project could get in touch with the project owner.

#### - *Project schedule*

In case that the project has not started the construction, whether the feasibility study report has been completed? And whether the feasibility study report has been approved by the authorized department of the Host Country?

In another case that the project has started the construction, what is the construction progress? And when it is expected to be put into operation? Otherwise, if the project has been put into operation, please state the concrete data of the operation.

➤ *Key issues and tips-relevant to CDM*

- *Targeted greenhouse gases*

The targeted greenhouse gases should be specified. Which kind of the greenhouse gases does it refer to? CO<sub>2</sub>/CH<sub>4</sub>/ N<sub>2</sub>O/HFCs/PFCs/SF<sub>6</sub>?

- *Crediting period*

Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

(a) *A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the Executive Board that the original project baseline is still valid or has been updated taking account of new data where applicable; or*

(b) *A maximum of 10 years with no option of renewal. (Modalities and procedures for a clean development mechanism, paragraph 49)*

- *Methodology*

According to the selected sectoral scope, the approved and applicative methodology should be applied. And please make sure the applied methodology has applied the latest version.

- *Estimation of GHG emissions abated*

Annual emission reduction could be calculated from the baseline emission,

project emission and leakage emission. It could be estimated in metric tons of CO<sub>2</sub>-equivalent.

- *Delivery schedule*

The expected CERs amount to be delivered each year in the first crediting period should be clearly described.

- *Expected CER price*

Would you prefer to a fixed price or floating structure? If it's the latter case you selected, the expected CER price should be stated with reference to the market price.

- *CDM development plan*

No matter under which stage the Project is, it's better that a reasonable CDM development plan is provided. The schedule could be categorized in the following milestones: PDD development, LoA obtaining, validation, and registration.

- *Key issues and tips-finance*

- *Total investment*

Potential co-financiers and CER buyers are interested in knowing the total static investment value of the Project to understand the costs of development and implementation, and evaluate the economics of the Project. The ratio split between equity and bank loans should also be provided.

- *Finance status*

Whether the finance has been ready should be stated clearly. If it is not ready, the description could draw the attention of potential co-financiers. If it is ready, the potential CER buyers would regard the implementation risk of the Project as low.

- *CDM development fees*

The Project Owner has borne the construction and operation cost of the Project. If they depend the buyer to cover the CDM development fees, namely the CDM consultation, validation , registration, verification, and SoP, clear indication of these fees to be paid by the CER buyer should be made.

To sum up, PIN plays an important role in the preliminary stage of a CDM project development. Especially in the business negotiation, a good PIN could not only draw the attention of potential CER buyers and potential co-financiers, but also promote the CDM development progress. Therefore, it is quite necessary to master the key issues and tips on developing an excellent PIN.