



# CDM PDD – Pitfalls

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# CDM PDD- Pitfalls

- Pitfall refers to “issues that need to be managed” during a validation and registration process.

Based on DNV’s findings from projects validated by them to September 2010.)

- More than 100 issues, grouped into 34 key validation pitfalls.



# Key Validation Pitfalls

	Delay of more than 1 week	Delay of more than 1 month
Frequency more than 20%	<ul style="list-style-type: none"><li>• Lack of logic and consistency in PDD.</li><li>• Deviations from selected calculation methodology not justified sufficiently and not brought to the attention of DOEs at the initial stages of validation.</li><li>• Compliance with local legal requirements not covered sufficiently.</li><li>• Insufficient information on the stakeholder consultation process.</li><li>• Absence of baseline data.</li><li>• Poor quality of the PDD.</li></ul>	<ul style="list-style-type: none"><li>• Start date of the project not correct. Lack of evidence of CDM consideration.</li><li>• Evidence of EIA and/or required construction/operating permits/approvals not provided.</li><li>• Letter of Approval insufficient or delayed.</li><li>• Extended delay by project developers to respond to CLs and CARs.</li></ul>



# Key Validation Pitfalls

	Delay of more than 1 week	Delay of more than 1 month
Frequency less than 20%	<ul style="list-style-type: none"><li>• Project participants not clearly identified.</li><li>• The modalities of communication (MOC) with the Executive Board in terms of issuing CERs and allocation instructions are not stated clearly, or not signed by all project participants.</li><li>• Insufficient description of the technology.</li><li>• Insufficient explanation of baseline scenarios.</li><li>• Insufficient demonstration of project additionality.</li><li>• Baseline information not sufficiently supported by evidence and/or not sufficiently referenced.</li><li>• Major risks to the baseline not identified/described.</li></ul>	<ul style="list-style-type: none"><li>• Small-scale methodology selected for a large-scale project.</li><li>• No written confirmation that funding will not result in a diversion of official development assistance.</li><li>• Non-compliance with the applicability conditions of the applied baseline methodology or compliance not sufficiently explained.</li><li>• Incorrect start date for projects involving capacity expansions of operational non-CDM.</li><li>• Assigning inappropriate economic values to biomass residue and reference plant.</li><li>• No updated licenses and permits.</li><li>• Baseline for PoA not appropriate.</li></ul>



# Key Validation Pitfalls

	Delay of more than 1 week	Delay of more than 1 month
	<ul style="list-style-type: none"><li>• Project boundaries not clearly defined.</li><li>• Project and/or crediting period starting date unclear.</li><li>• Deviations from monitoring methodology not sufficiently justified.</li><li>• Monitoring and project management procedures not defined.</li><li>• Claims in the PDD do not match the actual situation on project site.</li><li>• Insufficient information on the measurement methods and source of data as part of data/parameter description in monitoring plan.</li><li>• Insufficient information on physical location allowing unique identification of the project activity.</li><li>• Inconsistency among CPAs.</li><li>• Physical location of CPA not specific.</li><li>• Crediting period of CPA starts before its inclusion.</li></ul>	



# CDM PDD Pitfalls

## **Pitfall 1: Small-scale methodology selected for a large-scale project**

### **Small-scale:**

- Type I: RE project activities up to 15 megawatts
- Type II: EE project activities up to 60 GWh per year
- Type III: Other project activities up to 60 kt CO<sub>2</sub> eq. reductions per year

The thresholds provided for each type must be met for the entire crediting period of a project.

- Bundle of small-scale projects should not exceed the eligible limits.



# CDM PDD Pitfalls

## **Pitfall 2: Project participants not clearly identified**

- A Party involved, which has indicated to be a project participants, or
- A private and/or public entity authorized by a Party involved to participate in a CDM project activity

Distribution of CERs exclusively decided by project participants.

Typically, consultants, DNAs and local municipalities do not have a share in the distribution of CERs.



# CDM PDD Pitfalls

**Pitfall 3: Evidence of EIA and/or required construction/operating permits/approvals not provided**

**Pitfall 4: Letter of approval insufficient or delayed**

- Over 80% of all PDDs submitted for validation are not accompanied by a LoA from all relevant DNAs.

**Pitfall 5: No written confirmation that funding will not result in a **diversion** of official development assistance**

- Ideally from the relevant Annex I country DNA.
- Such a statement is only needed when public funding from an Annex I Party is used by the project.





# CDM PDD Pitfalls

**Pitfall 6: The modalities of communication with the Executive Board in terms of CERs issuance and allocation instructions are not stated clearly, or not signed by all project participants**

- The communication statement ready before request registration

**Pitfall 7: Insufficient description of the technology**

- Provide vital information, avoid unnecessary details
- Wind energy: Type of turbine, its certification, load factor, total installed capacity and other important factors from feasibility study- wind conditions
- Landfill gas capture projects: Detailed components- flare efficiency, combustion engines



# CDM PDD Pitfalls

## **Pitfall 8: Non-compliance with the applicability conditions of the applied baseline and monitoring methodology or methodology compliance not sufficiently explained**

- Eg. remaining lifetime of an equipment in fuel switch or EE

## **Pitfall 9: Insufficient explanation of baseline scenarios**

- The identification of the *relevant and realistic baseline scenarios* is not always in line with the methodology.
  - Eg. in landfill gas projects, the possibility of selling off the gas to nearby industry facilities needs to be considered
  - In some cases the baseline scenario is quite different from what is selected as the baseline



# CDM PDD Pitfalls

## **Pitfall 10: Insufficient demonstration of project additionality**

- All additionality information is public information including contracts with suppliers and loan agreements with banks.
- Barriers analysis: Description is not enough; the real impact of this barrier should be reflected; eg. in the financial analysis.
- Investment analyses should be reproduce-able. This includes an Excel file with calculations to DOE.
- Justification of all sources used for the analysis for the investment, discount rate, annual costs and revenues. Eg; if claim is 20% IRR needed, the company will need to make public the internal procedures and as evidence of all projects evaluated in the past, including investment analysis.
- Sensitivity analysis for critical parameters



# CDM PDD Pitfalls

## **Pitfall 11: Availability of financial parameters used for additionality**

- Latest values, or ex-post values, if project already operational.

## **Pitfall 12: Baseline information not sufficiently supported by evidence and/or referenced sufficiently**

## **Pitfall 13: Major risks to the baseline and project activity not identified/described**

- Baseline risk for example - more renewable electricity is added to the grid than expected at the validation stage, changes in law, baseline obsolete earlier than expected
- Project risks for example- operating lifetime shorter than crediting period, company in bad financial health, assumptions do not materialise



# CDM PDD Pitfalls

## **Pitfall 14: Absence of baseline data**

- Mostly in the projects operational before registration- due lack of clarity or accuracy of the monitoring equipment used in the baseline

## **Pitfall 15: Lack of logic and consistency in the PDD**

- Eg. Inconsistent arguments to support the additionality- trends in the energy sector
- The emission factors used in the baseline and in the project emission calculations not consistent
- GHG sources included in the baseline are excluded or inconsistent with GHG sources in the project emission calculations
- Inadequate references and links to justify assumptions in the PDD



# CDM PDD Pitfalls

## **Pitfall 16: Poor quality of the PDD**

- Incorrect version methodology
- Incorrect version of the PDD template
- Monitoring plan not project-specific
- Detailed worksheet of emission reduction calculations not provided
- Use of IPCC default values when local values are available
- Insufficient discussion of technology and details of equipment
- Discussion on common practice barriers is too generic. Survey or study needed to substantiate the common practice claims

## **Pitfall 17: Claims in the PDD do not match the actual situation at project site**

- The baseline data, characteristics of the project site; eg. gas sale possible
- Equipment different, monitoring not as claimed, quality control, training claims wrong



# CDM PDD Pitfalls

## **Pitfall 18: The project boundaries are not drawn appropriately or are missing some emission sources**

- On-site or off-site emissions not clearly identified or estimated, or excluded such as fuel transportation, emissions outside the project boundary and fugitive emissions, N<sub>2</sub>O from combustion activities etc.
- Leakage *not properly considered*- Eg. in biomass projects, potential effects on biomass availability for other users, in landfill projects, If the project does not generate electricity, emissions due to the use of equipment, in co-generation projects, if fuel is bagasse, what the organizations using bagasse will use.

## **Pitfall 19: Project and/or crediting start date unclear. Lack of evidence indicating prior CDM consideration**

- Starting date- earliest date at which either the implementation or construction or real action of a project activity begins.



# CDM PDD Pitfalls

- If a project was stopped and restarted due to consideration of the benefits of the CDM, the cessation needs to be demonstrated- eg.cancellation of contracts or revocation of government permits.
- If gap between the start date of the project validation is significant, may need to justify how did project go ahead.

## **Pitfall 20: Starting date for projects involving capacity expansions of operational non-CDM project activity**

- Limitations need to be demonstrated
- Additional investment needed- evidence of the date of the first financial commitment and CDM consideration





# CDM PDD Pitfalls

## **Pitfall 21: Insufficient information on the measurement methods and source of data as part of data/parameter description in monitoring plan**

- Project-specific monitoring plan instead of copying the plan from the approved methodology
- Source of data, measurement methods, recording frequency should be stated

## **Pitfall 22: Monitoring and project management procedures not defined**

- Indicate clearly for project management, procedures for training of personnel, calibration, maintenance of equipments, reporting, record keeping etc.



# CDM PDD Pitfalls

## **Pitfall 23: Deviations from monitoring methodology not justified sufficiently**

- Request for deviation should be included in PDD, be project-specific, and not deviate to the extent that a revision is needed

## **Pitfall 24: Deviations from selected calculations in the methodology not justified sufficiently or incorrect formulas applied**

- Example- In animal manure projects, deviation from recommended default emissions factors may need to be justified,
- In cases where country-specific values are available, the use of default IPCC values need to be justified.



# CDM PDD Pitfalls

## **Pitfall 25: Compliance with local legal requirements not covered sufficiently**

- Indicate compliance with host country laws and regulations.

## **Pitfall 26: Insufficient information on the stakeholder consultation process**

- Local stakeholder involvement process is in line with the host country requirements
- All relevant stakeholders have been contacted.



# CDM PDD Pitfalls

## **Pitfall 27: Long delays in the validation process**

- Delays after the draft validation- methodologies may change
- Provide all necessary documents at the PDD submission time

## **Pitfall 28: Insufficient information on physical location allowing unique identification of the project activity**

- Specify location properly with details
- Latitude and longitude, map



# CDM PDD Pitfalls

## **Pitfall 29: Assigning inappropriate economic values to biomass residue and reference plant**

- Cost of biomass and reference plant determination often an issue
- Disposal through incineration or landfilling means no economic value and should be reflected in investment analysis. Else need to demonstrate economic value.
- The reference plant relates to the common practice in the region, and important is the current practice.



# PoA Validation Pitfalls

## **Pitfall 30: Inconsistency among CPAs**

- Large number of CPAs included in the PoA, consistency can be a challenge. Inclusion criteria should not be too broad or ambiguous.

## **Pitfall 31: Physical location of CPAs not specific**

- Exact location of each project activity to avoid double counting



# PoA Validation Pitfalls

## **Pitfall 32: Crediting period starts before inclusion**

- Crediting start date in the CPA-DD should not be prior to the date when the CPA is included into a PoA. This may happen due to delay in validation.

## **Pitfall 33: No updated licenses and permits**

- With large number CPAs, it could happen



# PoA Validation Pitfalls

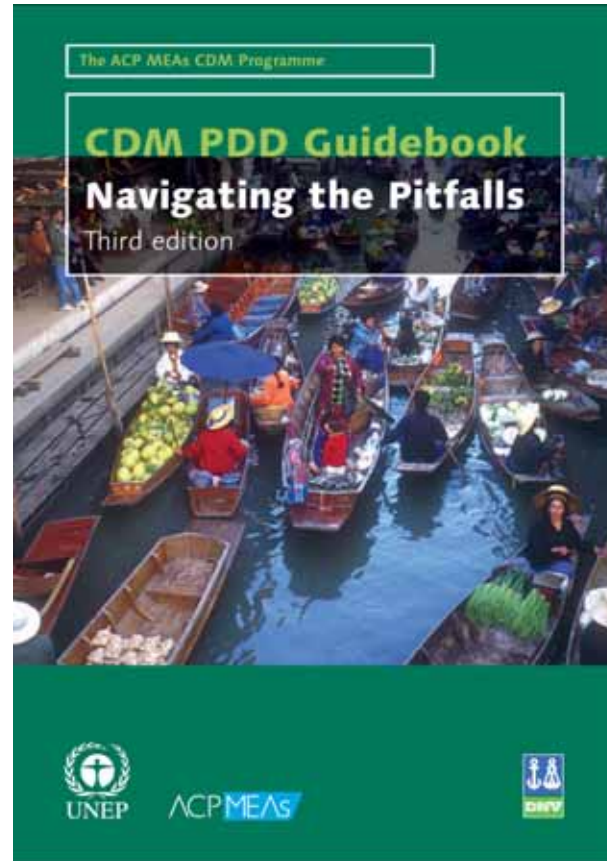
## **Pitfall 34: Baseline for PoA not appropriate**

- Since PoAs often have a large project boundary covering one or more countries, the baseline scenario or many parameters in the baseline might vary from region to region.

When establishing a baseline, the project developer should ascertain the boundary to which the baseline is applicable.

- Establish baseline scenarios for all regions or countries at the time of the PoA registration.







## Project website

[www.acp-cd4cdm.org](http://www.acp-cd4cdm.org)

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