Experiences and issues regarding application of approved CDM approaches for JI Projects - Mr. Jesse Uzzell

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Current CDM Additionality Options

 Scenarios Analysis: all scenarios compatible with the project activity shall be taken into consideration. Alternative scenarios depend on the project activity and the perspective of the project proponent and sectoral conditions.

Investment Analysis: in this case it shall be demonstrated that either the project is not economically attractive or the project is less attractive than other alternative scenario. EB41 has provided a specific guidance for performing investment analysis.

Barriers Analysis: in this case barrier to the implementation of the project activity shall be demonstrated through documental evidence. INTERNAL COMPANY DOCUMENTATION IS NO LONGER ACCEPTED.

Common Practice Analysis: it shall be demonstrated that the project activity is not business as usual. In some cases a survey would be needed, and this survey could involve confidential information that makes it difficult to prove that the project is not common practice.



Recent Changes for CDM Projects from EB41

Early consideration of the CDM: The necessary evidence should be enough to demonstrate that the CDM was taken into account at the moment the decisions to go ahead with the project were made. This evidence shall be documented through, e.g. Board minutes or public communications on the project (before the media, authorities, etc.).

Seriousness of CDM consideration. for this criteria it is important to take into consideration the time lag between the "start date" and the continuity of actions that demonstrate the permanent consideration of CDM. The important thing is the time between events or the issuance of evidence, since what must be demonstrated is that no time was wasted and, eventually, any delay must be reasonably justified. There are many possible documents, but if one year goes by between one document and another, this demonstrates a lack of interest in the CDM.

Impact of the CDM on the project: beyond all the demonstration of additionality itself, whether it is by barriers or economic, it must be demonstrated that the CDM has an impact on the decision making and that must be documented with the documents in the above item. For example, if the CDM was said to be a key factor for the financial closing or for a bank to provide financing or for a buyer to be interested there must be a document containing the information proving it. It is not enough to assume things that may sound logical from the business point of view.



The history of JI is different than CDM

- Institutionally JI is much younger than CDM But conceptually it is older
- JI outreach & capacity building started in the late 1990's in many Eastern European Countries
- Many potential JI projects were identified in the late 90's and early 2000's.
- Some identified "JI projects" were eventually financed
- Some were put on hold (or they "died on the vine")
- When, if ever, would JI revenue reach such projects?
- Recent changes in energy prices and need for "energy security" has enabled some projects to go ahead without waiting for JI revenue
- But the environmental benefits are real if JI was considered for such projects at what point should these projects be considered "non-additional"?



JI is different than CDM

- JI verification can be bottom-up AND top-down!
- This led to the Track-1 & Track-2 compromise
- This has consequences on how one could interpret additionality for either or both tracks since in both cases the ERU is backed by an AAU – which is government owned
 - If a JI host government wishes to prioritize sustainable development & environmental improvements for certain projects and sectors they have different options for incentives. One option is supporting them with AAU/ERU incentives.
 - Does it make sense then to apply the same additionality criteria and approaches as CDM, especially for JI projects if they are a within a prioritized sector for host country development/improvement?



Using CDM Meths for JI Projects

- CDM Meths offer a good option and short-cut for some JI projects, however:
- CDM Methodologies are not always perfect some even have flaws
 - Some are combinations of several methodologies not always ideal since they were originally specific to a particular project and region
 - Sometimes they make sense on paper but not in reality

Some specific examples for <u>very additional</u> N2O abatement projects:



AM0051 – "Perfect on Paper"

 Example AM0051 - <u>Secondary catalytic N20 destruction in nitric</u> acid plants – requires mounting N20 monitoring probes inside the reactor – by boring through the reactor walls!

• Quite risky from an engineering perspective = meth is not used





AM0034 – Some flexibility needed

 AMOO34 Catalytic reduction of N2O inside the ammonia burner of nitric acid plants – definition of baseline campaign is too narrow



Assumes all reactor gauzes are replaced at the simultaneously after each campaign = "best practice"

This is often not the "standard industry practice" – JI should assist in reaching "best practice" but should not assume best practice from the beginning!



- CDM meths and approaches to additionality can work for JI projects
- However, flexibility is needed the current system strikes a good balance – if the AIE and project developer are pragmatic and professional
- A new JI meth panel is not needed we have enough delays already
- The circumstances and history surrounding JI are different than CDM therefore not all CDM precedents and procedures should be used for JI
- Specific guidance could be given for additionality criteria for sectors that are given specific priority by JI host governments

MGM International



Current Offices

Expansion Offices

More than 120 projects

- Chemical: Nitric Acid (N₂O), Aluminum (PFC), Refrigerants (HFC-23)
- CH₄: Landfill gas, Coal mine methane Oil & Gas
- CO₂: Renewable energy Cement, Fuel switching, Energy efficiency, Forestry and others.
- 7 CDM Methodologies

Services:

- Project Identification
- Project Development
- Greenhouse Gas Inventories
- MGMonitoring Services
- CER/ERU/VER Commercialization
- Carbon Finance



Thank you

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