clean development mechanism projects

SouthSouthNorth

Small-scale CDM project activities - what is in this for Africa?

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Mandate for small-scale CDM project activities?

- **Status of Small Scale CDM project activity modalities and procedures:**

  Paragraph 6, subparagraph (c) of decision 17/CP.7 on modalities and procedures for a clean development mechanism (CDM) as defined in Article 12 of the Kyoto Protocol requests the executive board "to develop and recommend to the Conference of the Parties (COP), at its eighth session, simplified modalities and procedures for the following small-scale clean development mechanism project activities:"

What is simple about a small-scale project?

- Projects can be bundled at the following stages of the project cycle Project Design Document, validation, registration; monitoring, verification, and certification.
- Project Design Document will be reduced;
- Baseline methodologies are simplified;
- Monitoring plans are simplified; and
- A single operational entity may perform validation, verification and certification.

Where is the small-scale explained in the texts?

- Small Scale modalities and procedures (draft) replace the paras 37 to 64 of Annex to decision 17/CP7 (on M&Ps in the Marrakech Accord)
- Annex A: simplified PDD (still pending);
- Annex B: technological typologies (draft);
- Annex C: debundling filter (draft); and
- All drafts are on www.unfccc.int/cdm.

What are small-scale CDM project activities?

1. Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent);
2. Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatthours per year; and
3. Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually.

Small-scale characteristics

Additionality:

- "participants to provide a qualitative explanation as to why the technology being implemented would not be implemented anyway using the barriers listed in Appendix A."
- Appendix A (to Annex B) includes a checklist of market barriers.

Small-scale characteristics

Bundling:

- SS Project activities can be "bundled" for the project design document, validation, registration and verification to reduce transaction costs.
- Bundled projects may not be debundled components of "larger" projects (Annex C debundling test).

Small-scale characteristics

Baselines:

Baseline = Emissions intensity (* activity level (after the project!))

Baseline = CO2/unit activity (*units of activity)

e.g. SA electricity baseline = 1kgCO2/kWh * number of kWhs generated

Technology Typology Descriptions Annex B

There are currently 14 small-scale categories. To be reviewed by the EB annually.

Simplified descriptions of each category by:

- Technology type;
- Boundary;
- Baseline;
- Leakage; and
- Monitoring.

Small-scale types

Type I: Renewable energy projects

A. *Electricity generation by user e.g. shs, micro-hydro;*
B. *Mechanical energy for the user e.g. wind pumps;*
C. *Thermal energy for user e.g. solar water heaters; and*
D. *Electricity generation for systems e.g. hybrid systems.*

(Missing biomass based liquid and solid fuels)

Small-scale types (cont.)

Type II: Energy Efficiency improvement technologies

E. *Supply side energy efficiency improvements - transmission and distribution;*

F. *Supply side energy efficiency improvements – generation;*

G. *Demand-side energy efficiency programmes for specific technologies;*

H. *Measures for industrial facilities; and*

I. *Demand side programmes for buildings.*

Small-scale types (cont.)

Type III: Other projects

J. *Agriculture e.g. manure management, rice farming;*

K. *Switching fossil fuels e.g. retrofit fossil to fossil; changes accompanied with increased efficiency;*

L. *Energy saving in the transport sector;*

M. *Methane recovery e.g. landfill gas, coal bed methane; and*

Small-scale types

Type I, II, and III

N. *Other small scale project activities.*

How can Africa benefit from the small-scale CDM?

- There is a large need for energy infrastructure that may include small grids and stand-alone systems.
- There is a need for energy services some of which could be met from the cleaner energy systems.
- Because of high market barriers, energy efficiency in is low.
- But amongst the poor behaviour is often as good as it can be within the constraints of limited access to modern fuels and appliances.

How can Africa benefit from the small-scale CDM? (cont.)

- There is high levels of suppressed demand for energy services because of poverty or lack of infrastructure.
- There is potential to avoid large quantities of emissions through the provision of cleaner (than baseline) energy services at the time of access.

But…

- Before the CDM project activity, but the project requires investment;
- African interest in a CDM "deal flow" will depend on a reasonable price for CERs;
- Whether the regional distribution of projects by the EB works;
- Corporate investors (those without interest in the specific technologies) are unlikely to invest in SS CDM in Africa;

More buts…

- Whether through a race to the bottom on sustainable development rules large business-as-usual projects crowd out ones with good SD; and
- Africa will need an separate SD mechanism (CDM will not deliver SD on its own).

First steps…

- Establish robust SD criteria for project appraisal (perhaps in collaboration with African colleagues);
- Build regional, national and local capacity to identify climate mitigation opportunities and use the CDM to package them;
- Look for regional/southern partnerships in building capacity through learning-by-doing on CDM project activities;
- Maximise African (or southern benefits) benefits through selecting our project, choosing our investors (CER buyers), and timing our transactions.