CDM Bazaar Update

United Nations Framework Convention on Climate Change

UNEP RISØ CENTRE ENERGY, CLIMATE AND SUSTAINABLE DEVELOPMENT

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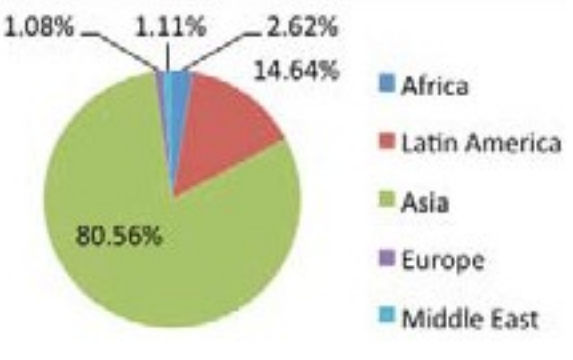
Dear reader,

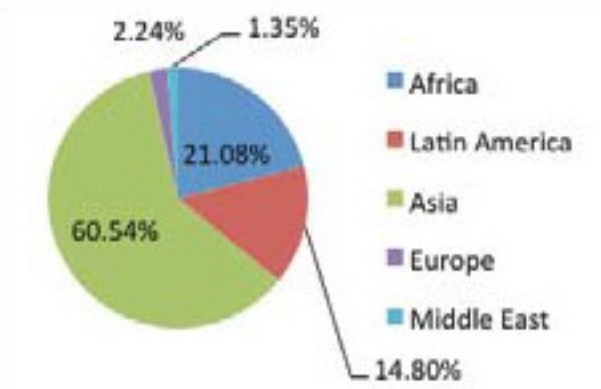
Welcome to the CDM Bazaar update. This update provides the latest CDM Bazaar news and a summary of the latest developments regarding CDM and Programme of Activity (PoA) rules.

The CDM Bazaar team is looking forward to present the new version of the CDM Bazaar in January 2012. The website is free of charge and open to all CDM stakeholders. The website will also be accompanied by the introduction of the new CDM Bazaar newsletter, which will be sent out to all CDM Bazaar profiles and published on the Climate-L three times annually. You are invited to create a profile at the CDM Bazaar at www.cdmbazaar.net

CDM pipeline (all CDM projects sent in for validation)



CDM Bazaar – non-annex 1 countries under the category "Sellers"



New CDM Bazaar website in 2012

The CDM Bazaar has been operational for four years, and as the general conditions for CDM stakeholders are changing with the new CDM rules and amendments coming up post 2012, the need for a general revamp of the whole website has been recognised. The website shall reflect the current and future trends of the CDM and at the same time be easy to navigate and be informative.

The CDM Bazaar was initiated under the Nairobi Framework to address the issue of unequal distribution of CDM projects. A way to evaluate the CDM Bazaar is thus to look at the geographical distribution of non-annex I (NAI) countries under the category "sellers" at the CDM Bazaar. As the seller profiles from the NAI countries, with a very few exceptions, sell credits from their own projects, the geographical distribution of these countries can be compared with the general trend observed in the CDM pipeline. This comparison reflects that the CDM Bazaar is contributing to the inclusion of areas that have previously not been well represented in a CDM context.

Africa is better represented among sellers in the CDM Bazaar than in the CDM pipeline. The figures below show that Africa is represented by 2.62% of the CDM projects in the CDM pipeline only, while 21.08% of the NAI country participants having a profile in the "sellers" section at the CDM Bazaar are African. In that sense the website has attracted attention from less represented areas.

The ambition of the CDM Bazaar is to contribute to a more efficient CDM and reduce transaction costs by:

- **Facilitating networking and knowledge exchange among CDM stakeholders from all over the worl**
- **Facilitating the identification of serious business partners at all stages in the CDM project cycle**
- **Facilitating and enhancing the development and regional distribution of CDM projects**

General information and recent developments on CDM rules

The Future of CDM

While the UNFCCC Secretariat experiences more activity than ever with record-breaking numbers of CDM projects submitted for validation every month and more Certified Emission Reductions (CERs) issued than any other year, the Parties have been called to provide clarity on the future of CDM in Durban, South Africa, at COP 17.

During the first commitment period of the Kyoto Protocol, the demand for CERs has mainly emerged from the European Union Emission Trading Scheme (EU ETS). After the end of this commitment period, as it currently stands, the EU will only accept CERs from:

- **All CDM projects that are registered before the end of 2012 and**
- **From CDM projects in the LDCs independently of the date of registration**

Regarding CDM Programme of Activities (PoAs), it is still undecided whether post 2012 CDM Programme Activity (CPAs) can be added to PoAs registered before the end of 2012. Hopefully, a decision will soon be made to clarify this crucial issue for CDM stakeholders. To learn more about use of international credits in the third trading phase of the EU ETS and the EU eligibility criteria, please click here.

The Guangdong ETS in China will open up for CERs (from March 2013) but it is expected that "new" carbon markets (e.g. other Chinese regions and Australia) will not affect the CER demand significantly before 2015.

Nevertheless, Parties to the Kyoto Protocol have clearly stated that the CDM and market mechanisms in general, should continue to be an important part of an integral solutions package to confront climate change. It is therefore expected that the CDM will continue to support mitigation efforts worldwide in the future.

Recent developments

UNFCCC is responding to CDM stakeholders' requests by clarifying and simplifying rules related to additionality. Two *standards* have been developed in order to facilitate the understanding of how to develop PoAs. Furthermore, new rules on demonstrating additionality for *micro scale projects* have been adopted and the *positive list* consisting of project types that do not need to demonstrate additionality, expanded. New procedures for developing standardized baselines have been developed and at least two new UNFCCC CDM initiatives will be presented at COP 17.

New standards

- **Standard for demonstrating additionality, development of eligibility criteria and application of multiple methodologies for programme of activity**
  - This standard is applicable to coordinating and/or managing entities (CMEs)
  - To demonstrate the additionality of emissions reductions achieved under a PoA
  - To develop/update eligibility criteria for inclusion of a project activity as a component project activity (CPA) under the PoA; and
  - When applying multiple technologies/measures and/or approved methodologies in one PoA.

Read the UNFCCC document here.

- **Standard for sampling and surveys for CDM project activities and programme of activities**
  - This standard specifies the reliability requirements, describes appropriate sampling methods and what is expected to be provided in a sampling plan. The general requirements shall be applicable to both small-scale and large scale CDM project activities as well as PoAs with any requirements specified in the applicable methodologies having precedence. Sampling-related requirements pertaining to validation and verification are also included.

Read the UNFCCC document here.

Demonstrating additionality for micro scale project activities

If a project fulfils the criteria below within its category it is defined as micro scale.

i. **Renewable energy projects: upper limit 5 MW of installed capacity**
ii. **Energy efficiency projects: upper limit 20 GWh energy savings per year**
iii. **Other projects: upper limit 20 kt CO2 per year**

A micro scale project activity is automatically additional if it can be found within one of the criteria described in the three boxes below.

If a micro scale project is located in a *least developed country, a small island developing state (LDC/SIDS) or a special underdeveloped zone* (identified by the government before 28 May 2010) of the host country, it is automatically additional.

Even if a project activity is *not located in a LDC/SIDS or underdeveloped zone,* certain micro scale projects do not have to demonstrate additionality. This exception is valid for projects where end users of the subsystems/measures are *households, communities or SMEs*. Apart from the end user requirement, the independent subsystems, measures of the project activity have to be within the limits described below for the different project types:

- Renewable energy projects: upper limit 1500 kW installed capacity
- Energy efficiency: upper limit 600 MWh energy savings per year
- Other projects: upper limit 600 tCO2e per year

Renewable energy project activities are privileged and have more possibilities to avoid an additionality test. If one of the two requirements below is fulfilled, no additionality has to be demonstrated for micro scale projects:

- If the project activity is an off-grid activity supplying energy to households/communities
- If the project activity employs specific renewable energy technologies/measures recommended by the host country designated national authority (DNA). If this condition is relevant some additional conditions shall apply for the DNA recommendations. The most important is the 5MW threshold and that the ratio of installed capacity of the specific renewable energy technology must not exceed 3% of the total grid connected power capacity.

Positive list

The positive list consists of the following technologies which are considered automatically additional up to 15 MW:

- **Solar technologies (photovoltaic and solar thermal electricity generation)**
- **Off-shore wind technologies**
- **Marine technologies (wave, tidal)**

Standardized baselines

The Executive Board at its sixtieth meeting, agreed to develop a new procedure for submission and assessment of *standardized baselines* (SB). SB is a baseline established for a Party, a country or a group of countries to facilitate the calculation of emission reductions and/or the determination of additionality for CDM project activities. The SB must be submitted by the DNA and also be applicable to existing or new methodologies. The baseline and/or determination of additionality is thereby not calculated and/or determined for a single project activity, but as a standard calculation of the baseline in the absence of certain type of CDM projects. Further, the new *Guideline for the establishment of sector specific standardized baselines* has made it easier to establish a SB with regards to some types of measures in certain sectors.

The aim of the SB is to reduce transaction costs, enhance transparency, objectivity and predictability, and facilitate access to the CDM, particularly with regard to underrepresented project types and regions.

- **Read the UNFCCC document on 'Standardized Baselines' here.**
- **Read the UNFCCC document on 'Guideline for the establishment of sector specific standardized baselines' here.**

Upcoming UNFCCC initiatives on CDM to be presented at COP17:

Policy dialogue from CDM EB

As we are getting closer to the end of the first period of the Kyoto Protocol, the Executive Board decided to launch a policy dialogue to review the past CDM experience and help ensure the readiness and positioning of the CDM to meet the challenges of the post-2012 period. The objective of the policy dialogue is to make recommendations regarding how to best position the CDM to respond to the future challenges and opportunities and will be of particular relevance to the ongoing intergovernmental negotiations on the future international climate regime.
The dialogue is to be conducted by a panel of distinguished members. The panel is to comprise up to 12 members drawn from civil society, policymakers and market participants. The panel is to ensure a wide and representative range of inputs and views in its work and the preparation of its report through the effective engagement of representatives, including from governmental, intergovernmental, business, environmental, research and other communities.
The official dialogue will be launched during COP 17 in Durban and the final report is to be available by September 2012.
Read ToR for the Policy Dialogue on CDM here.

CDM Loan Scheme

It was agreed at COP 16 in Cancun 2010 to implement a loan scheme to provide loans to cover the costs of the development of PDDs, validation, and the first verification of CDM projects in countries that host fewer than 10 registered projects. The UNFCCC Secretariat commenced a formal procurement process to select an implementing agency for the loan scheme. The bids have been evaluated and a preferred bidder has now been identified. The loan scheme is thereby about to be finalized and a final report from the Secretariat will be handed over to the CMP during COP17 in Durban. Find more information on the Loan Scheme here.

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