

A new approach to additionality

Gareth Phillips

Chief Climate Change Officer

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Poznan

Short term solution to CDM bottleneck...

- X% of requests for review and Y% of rejections are due to proof of additionality
- Ties up huge amounts of DOE and EB resources; delays projects by months....
- The broader community does not understand additionality
- Proof of additionality is becoming more of an art than a science – in many projects there is no clear answer

A new approach to additionality

- Propose a new approach based on the fact that a given project COULD have been implemented in the past but HAS NOT BEEN implemented
- For want of a better term – “historic opportunities foregone”
- This approach uses historic performance as a means to predict
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Step 1

- Define the project in terms of inputs and outputs
- Technology, raw materials, expertise
- Power and gas sales or no output (pure abatement)

Step 2

- Confirm that the project activity could have been implemented in the past [5 years] [equal to proposed crediting period 7 or 10 years]

Step 3

- Confirm that the project activity is not about to be mandated by forthcoming regulations or legislation (if so consider latest E+ E- guidance)

Step 4

- Calculate the IRR of the proposed project activity without CERs
- Apply latest EB 41 on financial calculations (good accounting practice); provide evidence to support costs and prices (as currently required)

Step 6

- Calculate IRR with CERs at the start date of the project activity.
- Use ERPA price or exchange price for OTC CERs at start date of project activity
- Compare IRR with CERs at start date with IRR throughout the historic period
- If IRR with CERs is higher than the IRR at any time during the historic period, then the project is additional

Simpler and more objective for a number of reasons:

- No attempt to identify and prove the barrier
- History speaks for itself. The project activity could have been implemented in the past but it was not
- If its been a turkey for the past 7 years, its reasonable to predict that it will remain a turkey for the next 7 years
- With CERs, it will now implemented
- Therefore, the CERs overcome the barrier

Simpler....

- Less subjective
- The analysis is based on comparison of IRR in relation to the project
- Not comparison against an (arbitrary) benchmark
- Recognises that IRR can be above a benchmark but the project still does not get implemented (real life situation)
- Removes subjectivity from the

Next steps

- Work on the language / steps of the tool
- Prepare a PDD using the new tool
- Garner sufficient support for the approach (good opportunity here in Poznan)
- Submit to EB as unsolicited communication for next EB