

Sindicatum  
carbon capital

# State of the CDM

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# Introduction to SCC

- **SCC exclusively invests in climate change and clean energy activities**
- **We have raised a fund in excess of \$300m which we are using to finance and implement CDM and clean energy projects mainly in China, SE Asia, India and the US**
- **We have around 150 staff covering all aspects from project identification, technical designing and PDD development until CER selling i.e. Climate Change professionals, Engineers, Investment analysts, lawyers and accountants**
- **We are focussed on a small number of high quality projects and expect that every single one of the projects we invest in will gain registration, be implemented and deliver CERs and/or clean energy.**

## The State of the CDM

- **Good growth in the CDM pipeline – which is overwhelmingly positive – but also a steady extension of the time required within the registration process**
- **Inefficient knowledge management within the CDM sector (Project Developers Knowledge Base and Capacity)**
- **Real and present difficulties with the proof of additionality (Environmental Integrity)**
- **Major threat around the implementation of monitoring methodologies and issuance (Expansion of the Meth Panel)**
- **Massive lack of information about project implementation, with knock on effects on issuance (Executive Summary)**

## Knowledge management in the CDM

- The CDM is a highly technical sector, with **frequent changes** in guidance and regulations
- **Complex concepts** in an evolving environment
- Disconnect between the submission of documentation and the application of guidance
- Knowledge residing in multiple **poorly-connected / isolated nodes** – EB; Project Developers; DOEs, Secretariat; Meth Panel; Accreditation Panel; RIT; Consultants; Interested stakeholders
- The result? Multiple interpretations of everything. It's not only understanding the CDM, but also to **understand how others understand the CDM.**
- The State of the CDM report proposes accredited training programs

## Environmental Integrity / Additionality Tool

- The majority of rejections / requests for review are around additionality
- Additionality has become an art, not a science
- The EB can and does spend huge amounts of time trying to unravel the concept of additionality as it is defined in the current additionality tool
- New guidance only addresses specific issues and creates new problems as it is applied to existing projects in the pipeline
- **There is no doubt – we need new means of proving additionality**
- The challenge is that anything which Project Developers put forward is likely to enable projects to demonstrate that they are additional
- New ways on additionality demonstration have the potential to create a step change in the rate of project registration, unblocking the log jam but also testing the political commitment to the CDM.

## Implementation of Monitoring Methodologies / Expanding the role of the Meth Panel

- The existing monitoring methodologies are extremely inflexible, they are at times inappropriate, inaccurate or indeed incorrect and do not reflect state of the art
- This is the normal result of a bottom up approach as monitoring is a much more project specific aspect compared e.g. to baseline identification
- From the EB's perspective, challenges to verification and issuance are going to grow exponentially as the volume of projects increase and as, over time, projects change in design
- From a Project Developer's point of view, monitoring methodologies remain subject to revision or new guidelines, which as we have already seen, can have marked impacts upon CER portfolios

## Monitoring methodologies

### Recommendation:

- Abandon the existing monitoring methodology approach and adopt a tiered approach which requires project developers to implement a monitoring methodology that is accurate to a required level
- The parameters to be measured remain the same as in the existing meth, but the project developer then designs a metering system which measures those parameters and the DOE assesses it
- Monitoring methodologies would then be resolved into a short manual / tool which can be consistently applied throughout the CDM – to be drafted by meth panel
- This is the system which is working extremely efficiently in the EU ETS

## A black hole on project implementation and issuance / Projections in the Executive Summary

- Projections of CER issuance seem to be over optimistic (especially in the current economic climate)
- It is dangerous to run with these data because it detracts from the impacts of the current delays in the CDM process.
- An uninformed reader might conclude “there are some problems but the CDM will still come through for KP and EU ETS buyers”
- Our experience is that there is a significant number of projects outside the HFC23 and N2O sectors which are not being implemented or have not been implemented according to the PDD
- A significant proportion (2/3<sup>rd</sup>s) of the N2O sector is as yet unproven
- Many hydro projects are still unilateral
- More considered analysis required from all parties

# Thank you for your attention

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