Project Design Document and Critical Contents for Project Registration

26 August 2010

JICA Expert Team

Contents

1. What must be described in PDD
2. Critical Contents of PDD
   (1) Baseline and Project Scenario
   (2) Demonstration of Additionality
3. Recap

1. What must be described in PDD

Main Contents of PDD

Contents of the CDM-PDD

A. General description of project activity

B. Application of a baseline and monitoring methodology

C. Duration of the project activity / crediting period

D. Environmental Impacts

E. Stakeholders' comments

Annexes

Annex 1: Contact information on participants in the project activity

Annex 2: Information regarding public funding

Annex 3: Baseline information

Annex 4: Monitoring Plan

2. Critical Contents of PDD

(1) Baseline and Project Scenario

(2) Demonstration of Additionality

Why “Baseline and Project Scenario” and “Demonstration of Additionality” are the Key Contents of PDD?

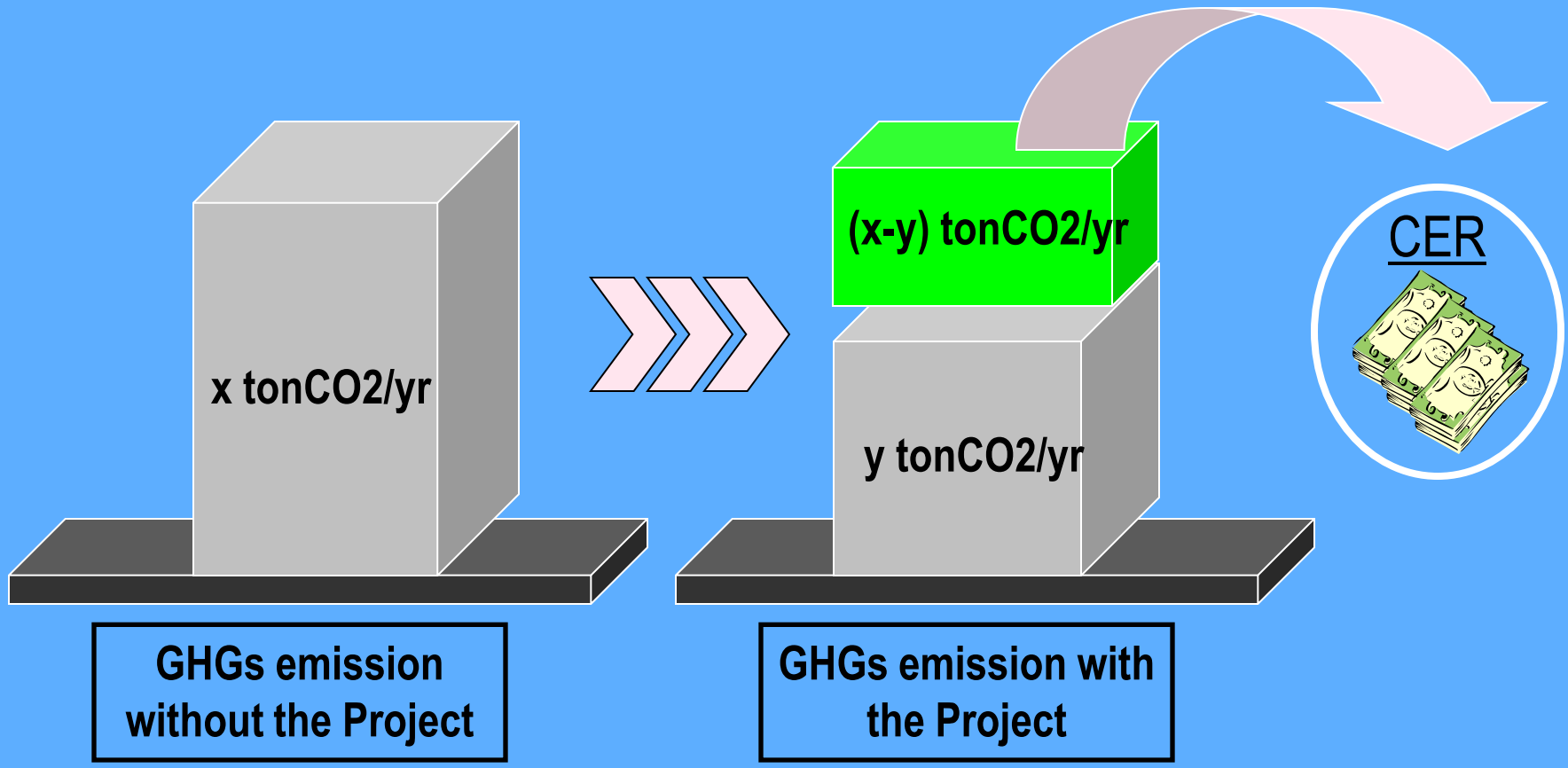
There are approx. 150 projects failed to be registered under CDM and about 500 projects the reviews for registration are requested to the project proponents.

(Reason for rejection)

Baseline and Monitoring Methodology	**64**
Additionality **- Investmrent analysis (financial additionality)** **- Barrier Analysis** **- Other Additionality issues**	**186** **102** **49** **35**
Other Reasons	**11**

(1) Baseline and Project Scenario

(1) What are the baseline and project scenarios?



(1) Baseline and Project Scenario

(2) What is "Baseline Scenario"

"the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity."

(3) What is "Project Scenario"

"the scenario that represents the anthropogenic emissions by sources of greenhouse gases that would occur in the proposed project activity."

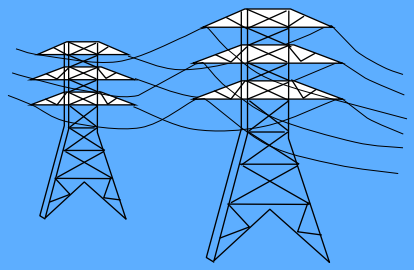
(1) Baseline and Project Scenario

(Example)

If you are going to develop renewable electricity generation and supply through (mini-hydro, wind, solar, etc.) .....

(Baseline Scenario)

You have to identify how electricity would be supplied to the place where you plan to develop and supply renewable power if your plan is not implemented.

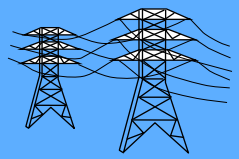


Grid Electricity

or

Diesel Generator

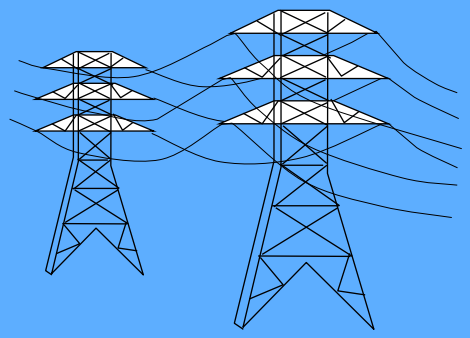
or



Both power used

(1) Baseline and Project Scenario

If the electricity would be supplied from the National Grid Electricity to the place where you plan to develop and supply renewable power.....



Grid Electricity

Baseline GHGs emission will be.....

Power Consumption (MWh/yr)

GHGs emission factor (tonCO2/MWh)

×

GHGs emission (tonCO2/yr)

(1) Baseline and Project Scenario

If the electricity would be supplied from the Diesel Generator to the place where you plan to develop and supply renewable power.....


Diesel Generator

Baseline GHGs emission will be.....

	Amount of Fuel Used (kl/yr)
×	GHGs emission factor (tonCO2/kl)
	GHGs emission (tonCO2/yr)

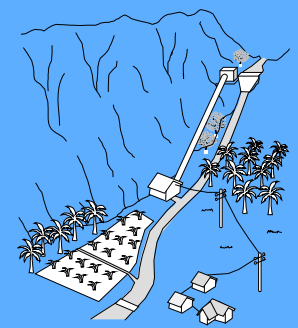
(1) Baseline and Project Scenario

(Example)

If you are going to develop renewable electricity generation and supply through (mini-hydro, wind, solar, etc.) .....

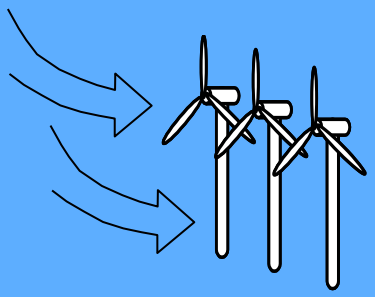
(Project Scenario)

You have to identify all the sources of GHGs emission in your planned project activity and estimate their total amount.



Hydropower

or



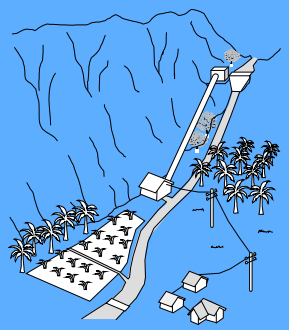
Wind Power

or

Biomass Power

(1) Baseline and Project Scenario

What are the sources of GHGs emission in the following project Scenarios

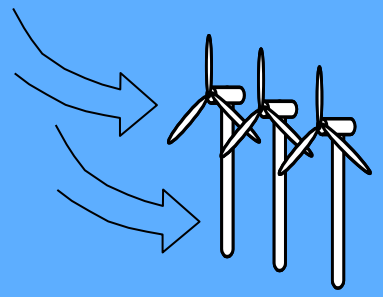


Hydropower

No emission sources required to estimate

unless

new reservoirs are developed for the project.



Wind Power

No emission sources required to estimate.

(1) Baseline and Project Scenario

What are the sources of GHGs emission in the following project Scenarios

Biomass Power

- Burning of biomass for power generation
- On-site fossil fuel consumption
- On-site electricity consumption
- Transportation of biomass to project site
- Treatment of biomass residues
- Storage of biomass residues

(2) Demonstration of Additionality

Question 1: What does the additionality mean?

In theory, additionality answers a very simple question:

Would the project have happened anyway regardless of whether there is CER under CDM or not?

If the answer is "yes", the project is → ***definitely not additional.***

If the answer is "no", the project → ***may be additional.***

We have to demonstrate and prove that the project would not have happened in the case without CER under CDM.

(2) Demonstration of Additionality

Question 2: Which of the following project activities will be deemed additional ?

(Case 1)

Company A, a power producer in Japan, decides that instead of replacing its turbines, it would like to explore buying CER credits at lower cost. Company B in Sri Lanka, also a power producer, would like to replace its old turbines, provided the company can obtain financing and access to high efficiency turbine technology. Company A approaches Company B, offering to purchase CDM credits and transfer technology and expertise.

(Case 2)

Company B in Sri Lanka has already determined that it will upgrade its turbines, and has sufficient financing and access to suitable technology. Company A offers to partner with Company B and present this project as a CDM project, creating CDM credits corresponding to the activity they have planned.

(2) Demonstration of Additionality

Question 3: How are we required to demonstrate and prove additionality ?

In principle, 4 types of additionality tests are required to completely demonstrate additionality of the project:

(1) Legal and Regulatory Addtionality Test

(2) Financial Test (Investment barrier analysis)

(3) Barrier Test (Technological, Social, Cultural, and others)

(4) Common Practice Test

There is almost no sure thing about additionality.

(1) Legal and Regulatory Addtionality Test

*If the project is implemented to fulfill official policies, regulations, or industrial standards, it **may not be** considered additional since the project is regarded as an activity under "Business As Usual" scenario.*

On the other hand,

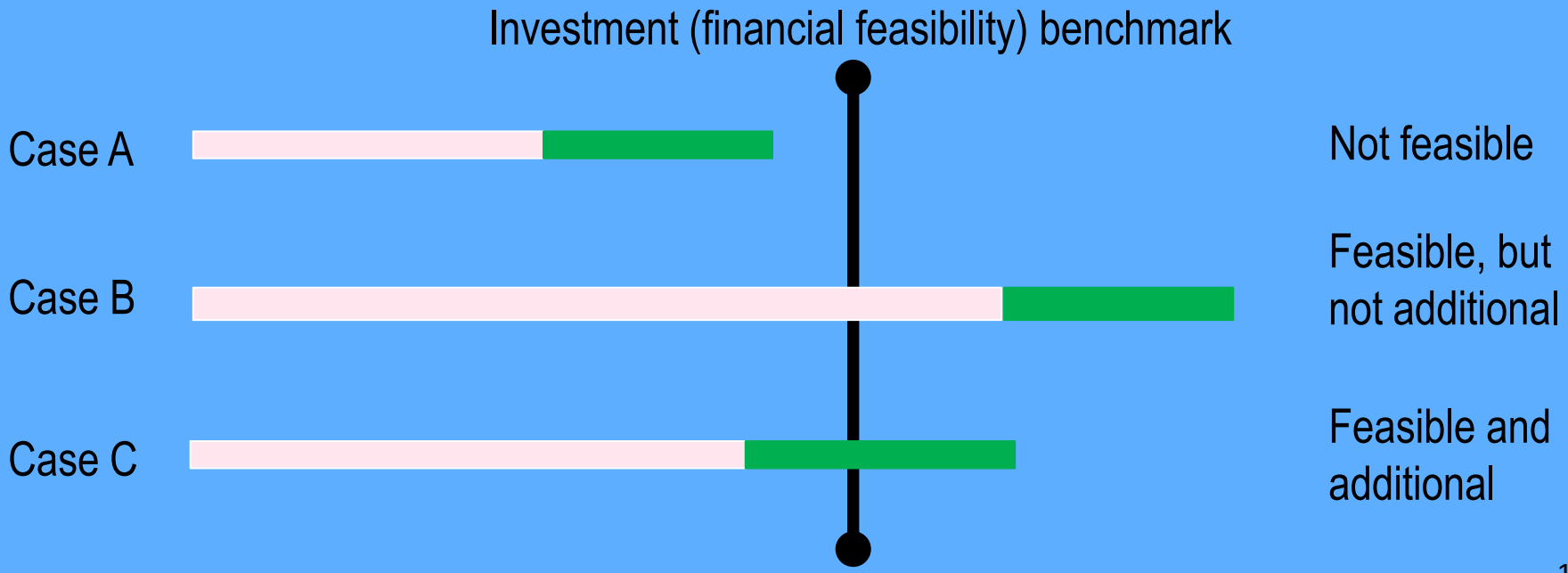
*If the project goes beyond compliance ("regulatory surplus"), it **may be** additional.*

(2) Financial Test (Investment barrier analysis)

*If the revenue from CER is a decisive reason for its implementation, the project is **may be** regarded as additional .*

How to demonstrate....?

To compare the project feasibility between the project with and without CER income.



(3) Barrier Test (Technological, Social, Cultural, and others)

*If the project can succeed in overcoming significant non-financial barriers only by obtaining the CER under CDM, it **may be** regarded as additional.*

(Non-financial barriers)
-Technological barriers
- Social/cultural barriers
- Institutional barriers
- Other local barriers

(4) Common Practice Test

If the project employs technologies that are very commonly used/applied, it might not be additional because it is likely that CER do not play a decisive role in its implementation.

3. Recap

(1) PDD and its contents

(2) Critical Contents of PDD for Project Registration

- Baseline and Project Scenario
- Demonstration of Additionality