



CDM/JI Project Development

This T@W Presentation gives information about conducting your own CDM or JI Project, including:

- **conditions**
- **project cycle**
- **benefits**
- **risks**



Introduction to CDM/JI Project Development

When should you start your own project?

- If you are **planning activities abroad** related to your core business
- If you are a **multinational company** with business activities in foreign countries

What are the conditions?

- Generation of **CERs from CDM projects** since 2005
- Generation of **ERUs from JI projects** from 2008
- **Need for agreement** from project participants, approvals from authorities and auditor
- See the **project cycle** in the next slide.



CDM/JI Project Stages

Project Idea and Feasibility Study

Project Design Document (PDD)

Approval by Involved Countries

Validation and Registration

Implementation and Monitoring

Verification, Certification and Issue

Utilisation of Emission Reductions



Benefits of conducting your own CDM/JI Project (1)

- **Certificates** (ERUs, CERs) available not attached to market development
- High potential for **greenhouse gas (GHG) reductions**
- **Acceptance:** Projects are visible, “live” – more real, less abstract
- **Incentives**
 - All companies can run projects
 - Economic incentive to search for the least cost reduction potentials in all sectors
- **More allowances** available – **lower prices** inside the EU



Benefits of conducting your own CDM/JI Project (2)

● **Technology Transfer and Innovations:**

- **Additional Revenues** possible for efficient Technologies
- **Support of Market Entry Strategies** for or by energy efficient and emission extensive Technologies
- **Strengthening of competitive position** possible, especially on targetted export markets
- Increased opportunity to **perceive Climate Policies as an economic chance**, not only as a risk or burden



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Benefits of conducting your own CDM/JI Project (4)

- **More flexible options for companies covered by EU linking Directive**
 - An **additional option**
 - The only option to “**produce**” **allowances** by oneself and to increase the individual cap!
 - From today’s perspective **CERs** from CDM Projects are the only kind of certificates that are **bankable from 2007 to 2008!**



Risks of conducting your own CDM/JI Project

- **High capital commitment**
- **All traditional risks of “going abroad”**
 - E.g. **Country Risks** (dependent on host country, see for more information country reports)
 - E.g. **Currency Exchange Risks** and **Financial Risks**
- **JI/CDM-specific Risks (see next slide)**
- **Relatively high, specific, additional costs of project development**
- **Advanced additionality assessment**



JI/CDM-specific Risks

- **Risks of Project permission and acceptance**
 - **Two States:** Investing Country and Host Country
 - **International Bodies** (“Executive Board”): for CDM and partly for JI
- **Political Risks**
 - **“Transfer Risk”**
 - From 2008 on **“Project units Cap”** inside the EU?
- **Technical and Economic Risks**
 - Will the **project run as planned?**...
 - ... and delivers reduction units as a **“by-product”**?
 - What will the **price** for the units be?



Earnings and Cost of a CDM/JI Project

- **Earnings:** related to the price of certificates (ERUs and CERs)
- **Costs:** divided into variable (e.g. share of proceeds for UNFCCC Executive Board, dependent on amount of certificates) and fixed costs like:
 - Specific **Documents** need to be worked out (i.e. PDD)
 - Independent “**Validation**” before the project starts
 - In many cases: **Public Participation!**
 - Specific **Permissions** – additional talks, letters, conferences, travel
 - Ongoing **Monitoring, Verification and Certification**



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**Further information can be found on the
T@W website at:**

www.setatwork.eu/cdm_projects.htm

**Do not underestimate the work to do, but
also do not fear it!**