

The Development of CDM Projects

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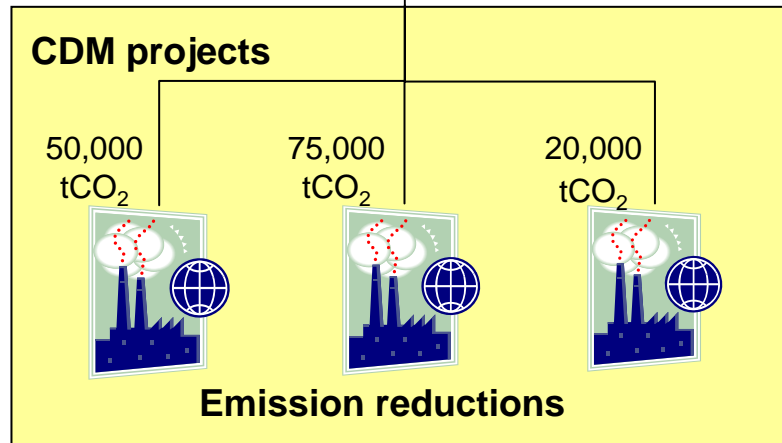
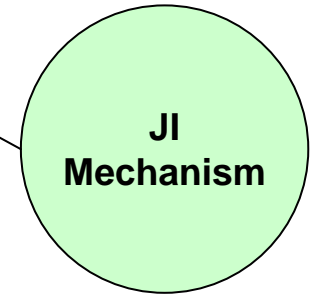
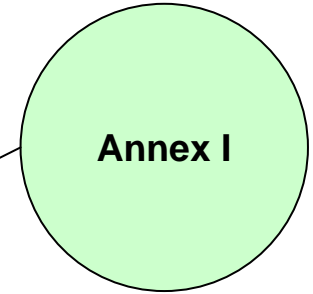
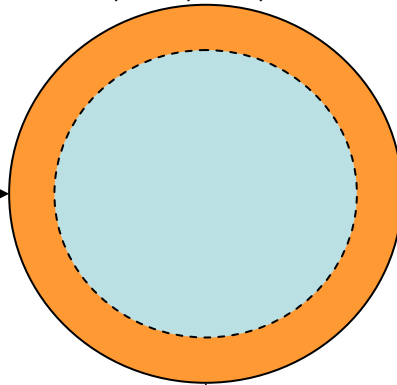
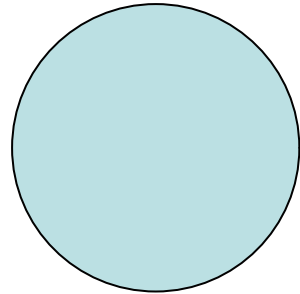
Kyoto Protocol

- The Kyoto Protocol, a means to regulate GHGs
 - Commits Annex I (developed) countries to individual legally binding targets to reduce GHG emissions
 - Defined a commitment period to achieve reductions: 2008–12
 - Negotiations expected to start end of year on post 2012 framework
- Flexibility mechanisms introduced to permit signatories to achieve reductions in the most cost effective manner
 - Projects that reduce emissions in developing countries may obtain a credit
 - Companies/countries with limits may trade

GHG Market

Japan - 1990 limit
1,116,032,000 mt

Japan - 2002 emissions
1,330,793,000 mt



Agrinergy

- UK registered company
 - Incorporated in April 2003 to focus solely on CDM projects
 - Operating in UK, India, Thailand, Indonesia, China and Argentina
 - Will incorporate a Thai company in January 2008
- Offer end to end solution for CDM projects
 - Create and monetize the carbon asset
 - Take projects through to registration with UN
 - Find buyers/investors for expected carbon credits (spot or forward contracts)
 - Assist with annual audits to issue carbon credit

Agrinergy's involvement in CDM

- Agrinergy has proven track record in CDM market
 - Development of methodologies
 - 3 methodologies approved, RE/WHR/blended cement
 - 1 in approval process, fuel ethanol
 - Registered 19 projects, 7 pending, 100 projects under development
 - Geographical diversity, 20 employees
- Experience of process
 - CDM process
 - Validated/registered and verified/issued projects with CERs
 - Market and transaction/structuring experience
 - Projects sold forward/spot

Strengths of Agrinergy

- Experience of development
 - Methodologies: understand key concepts
 - Two UN Methodologies Experts (appraise new meths for UN)
 - Development of projects demonstrates our understanding
- Independent, not tied to a buyer or development structure
- Continuously evolving CDM market
 - Good knowledge about market trends
 - Agrinergy seeking to develop new business structures that meet CDM EB thinking

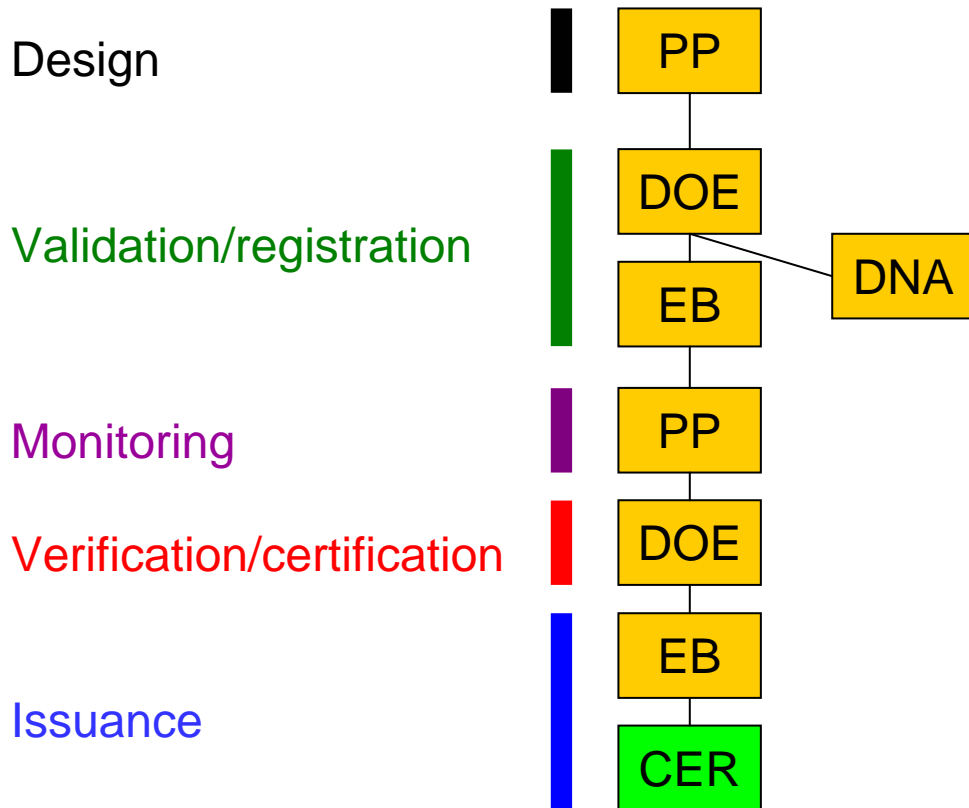
Clean Development Mechanism

- Areas of opportunity for CDM projects
 - 6 greenhouse gases covered
 - CO₂, CH₄, N₂O, HFCs, PFCs, SF₆
 - Any reduction in any of these gases may qualify as CDM
- Scale of project:
 - Small scale, simplified rules and procedures (<15MW, <60ktCO₂e)
 - Large scale, stricter rules and monitoring procedures, requires an approved methodology
- Registration of project with UN
 - Creates an asset – carbon credit (1 tCO₂e)

Qualification of Projects

- Baseline
 - What would have occurred in the absence of the project?
 - Permits a calculation of the reduction in emissions due to the project
- Additionality
 - Still debate on how to define additionality but moving towards a pure investment approach
 - Typically CDM seen as a trading mechanism
 - Evolving to a:
 - Technology transfer and financing mechanism and recognition of this will facilitate registration

Project cycle



- 1) Design of project involves the production of a project design document (PDD) by PP (project participants – project/Agrinergy)
- 2) The PDD is validated by a DOE, a UN appointed auditor, and if approved it is sent to the United Nations CDM Executive Board (EB) to be registered as a CDM project. **As part of this process host government approval must be obtained, MONRE.**
- 3) The project will be monitored by Agrinergy on the basis of net generation to assess the cumulative carbon credits.
- 4) At the end of the year a DOE will be required to verify the amount of carbon credits claimed by the project. The verification affirms this claim and on the basis of the DOE verification report the CDM EB issues carbon credits to the account of the project.
- 5) The transfer of carbon credits or issuance to the account of the buyer will be the event against which payments is made,

Development costs

		Action	Costs		
Design	■	PP	Develop and write PDD Propose project to buyer who contributes to PDD cost	Money at risk	
		DOE	Agrinergy arranges validation (SGS, DNV etc). Buyer pays the costs of validation.		
Validation registration	■	EB	Registration fee paid by project/buyer. US\$0.1/tCO ₂ for first 15k and US\$0.2 for each subsequent tCO ₂		
		PP	Position management undertaken by agrinergy. No future sales made without consent of project owner		
Verification certification	■	DOE	Agrinergy arranges verification (SGS, DNV) Costs of verification covered by project owner		Limited risk
		EB	Verification fee, US\$0.1 and US\$0.2/tCO ₂ e issued 2% EB fee automatically deducted from issued CERs by UN		
Issuance	■	CER	Project owner paid when CERs allocated to the account of buyer.		

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- Agrinergy in Thailand
 - One project registered by UN (KSL)
 - One approved by DNA (Surin Power)
 - 7 projects und PDD preparation (Biomass , MSW , Biogas)

Will transform from Rep. to Local Com this month.

Problems

- Understanding of CDM o Clients
- Absorbtion of cost.
- Approval process
- Unethical claims

Problem Solving

- Provide knowledge on CDM to clients.
- Find forward buyers.
- Co-ordination with DNA
- Be frank to clients (professionalism)