Clean Development Mechanism (CDM) - Basics

Why Climate is Changing

Rapid increase in energy demand (Industrialization)

↓

High dependency on crude oil & fossil fuels

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Increased CO_2 and other GHG emissions

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Global Warming due to increased Concentration of GHG

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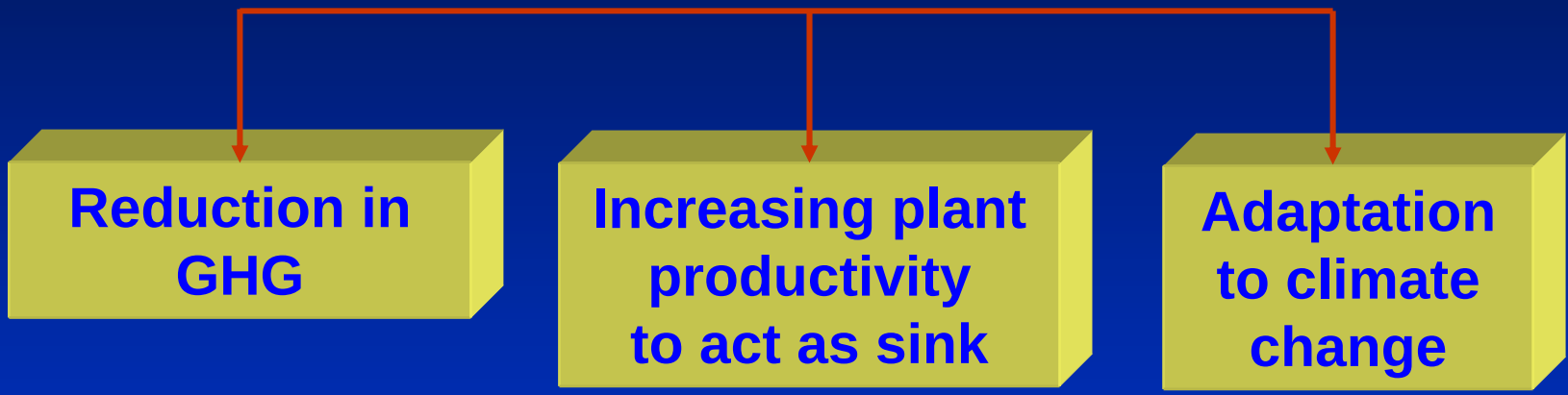
- Sea level rise
- Changes in wind pattern and changes in precipitation
- Changes in productivity

Possible Remedial Measures



United Nations Framework Convention on Climate Change (UNFCCC)

- 165 nations signed the 1992 United Nations Framework Convention on Climate Change (UN-FCCC) at Rio de Janeiro
- The Convention divides countries into two main groups Annex I (developed) & non-Annex I (developing)

UNFCCC

- Annex I (Developed Countries) agreed to reduce their GHGs by 5.2 % below 1990 levels in 1st commitment period 2008 – 2012
- Convention hinges on three principles:
  - Common but differentiated responsibility
  - Precautionary approach
  - Sustainable Economic Growth and Development

UNFCCC

- The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005.
- Kyoto Protocol defines how to bring down emissions during COP 3 in 1997
- 184 Parties of the Convention have ratified its Protocol to date.

Flexibility Mechanisms

Project Based Mechanisms

Clean Development Mechanism (CDM)

Between developing and developed countries

Joint Implementation (JI)

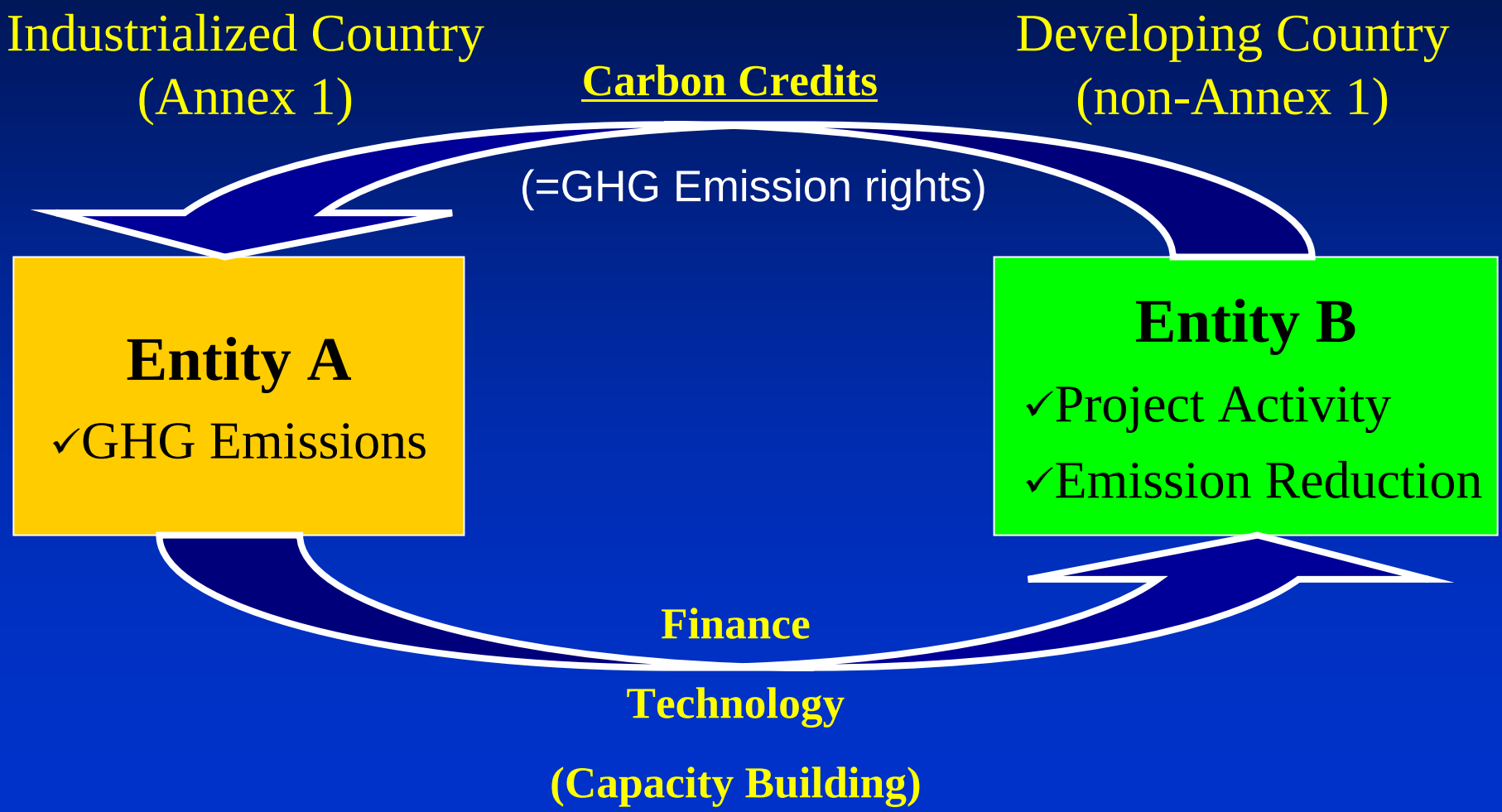
Between developed countries

International Emission Trading

- (IET)

Between developed countries

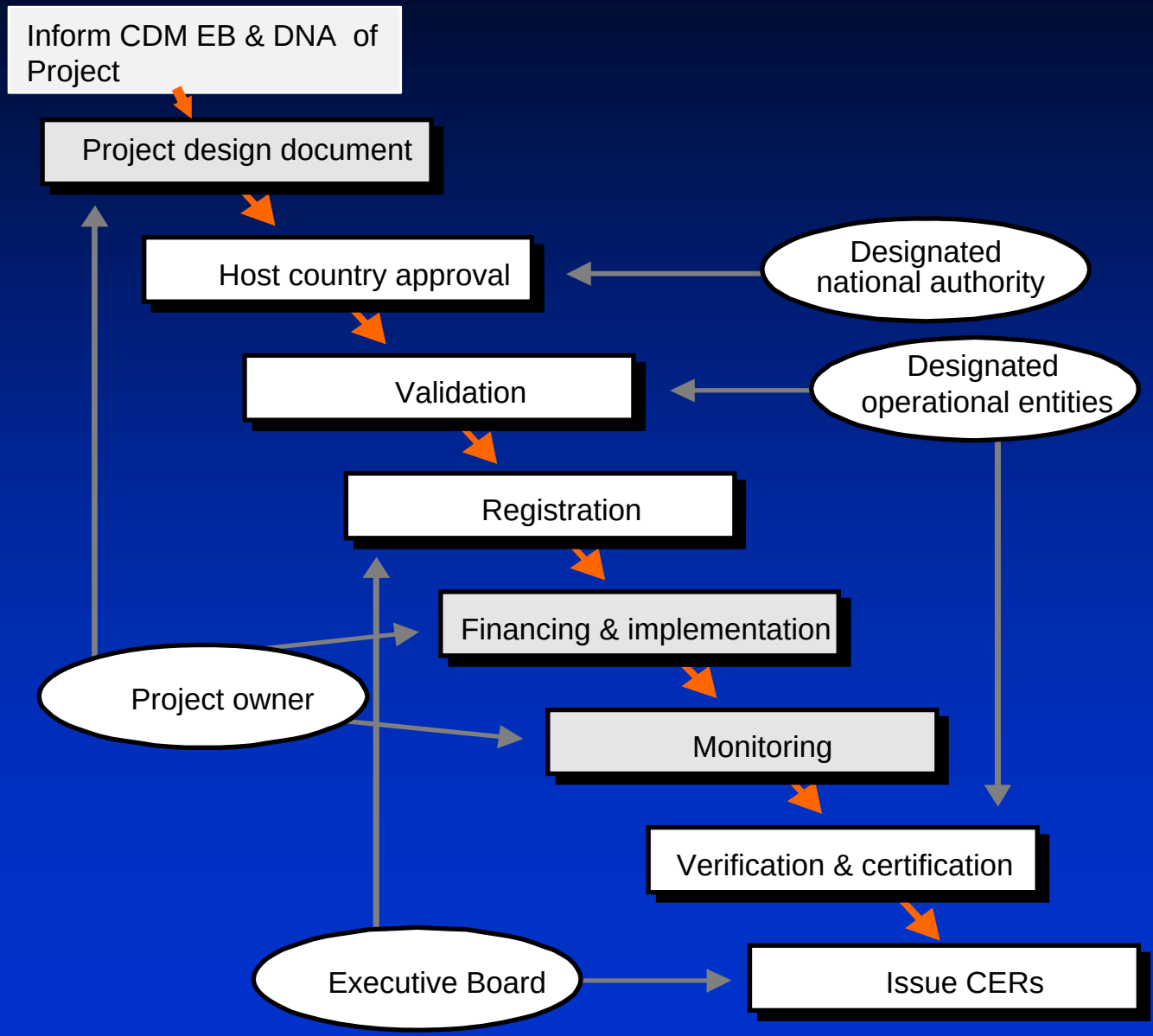
CDM Concept


Industrialized Country
(Annex 1)
Carbon Credits
(=GHG Emission rights)
Developing Country
(non-Annex 1)
Entity A
✓GHG Emissions
Entity B
✓Project Activity
✓Emission Reduction
Finance
Technology
(Capacity Building)

Institutional Framework for CDM

- Developing country- Project Developer
- Annex-1 country- Buyer, Investor
- Approval of project – Designated National Authority
- An institution which verifies the essential prerequisites for CDM projects- Designated Operational Entity (DOE)
- An Institution which verifies the emission reduction- Designated Operational Entity (DOE)
- An institution which issue CERs- CDM Executive Board (CDM EB)

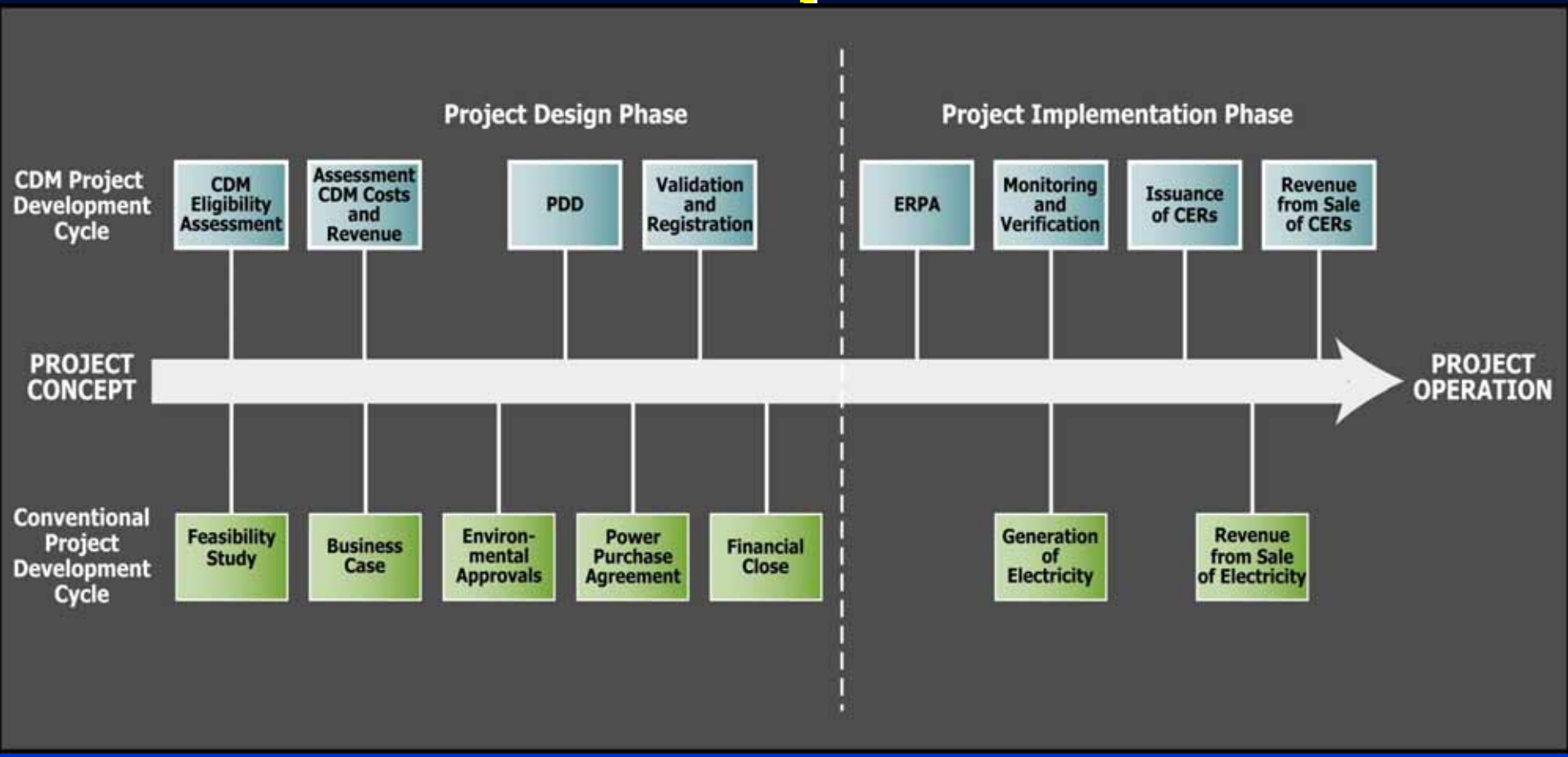
CDM Project Cycle



Prerequisites for a project to be considered under CDM

- Contributes to the sustainable development of the host country
- Results in GHG emission reductions that would not have happened otherwise
- Generates real, measurable and long-term climate change mitigation benefits
- Approved by parties (host and purchasing) involved

CDM & Conventional Project Development



Benefits of CDM

- Additional revenue stream through carbon credits
- Opportunity to achieve improved energy efficiency
- Energy Security from renewable Energy
- Improved environmental quality
- Access to climate-friendly technology
- Investment in priority sectors
- Reduced dependence on imported fuel
- Encourages private sector involvement in global GHG reductions
- Stimulates technology transfer and capacity building

CDM Statistics
(Source UNFCCC website 22nd February 2012)

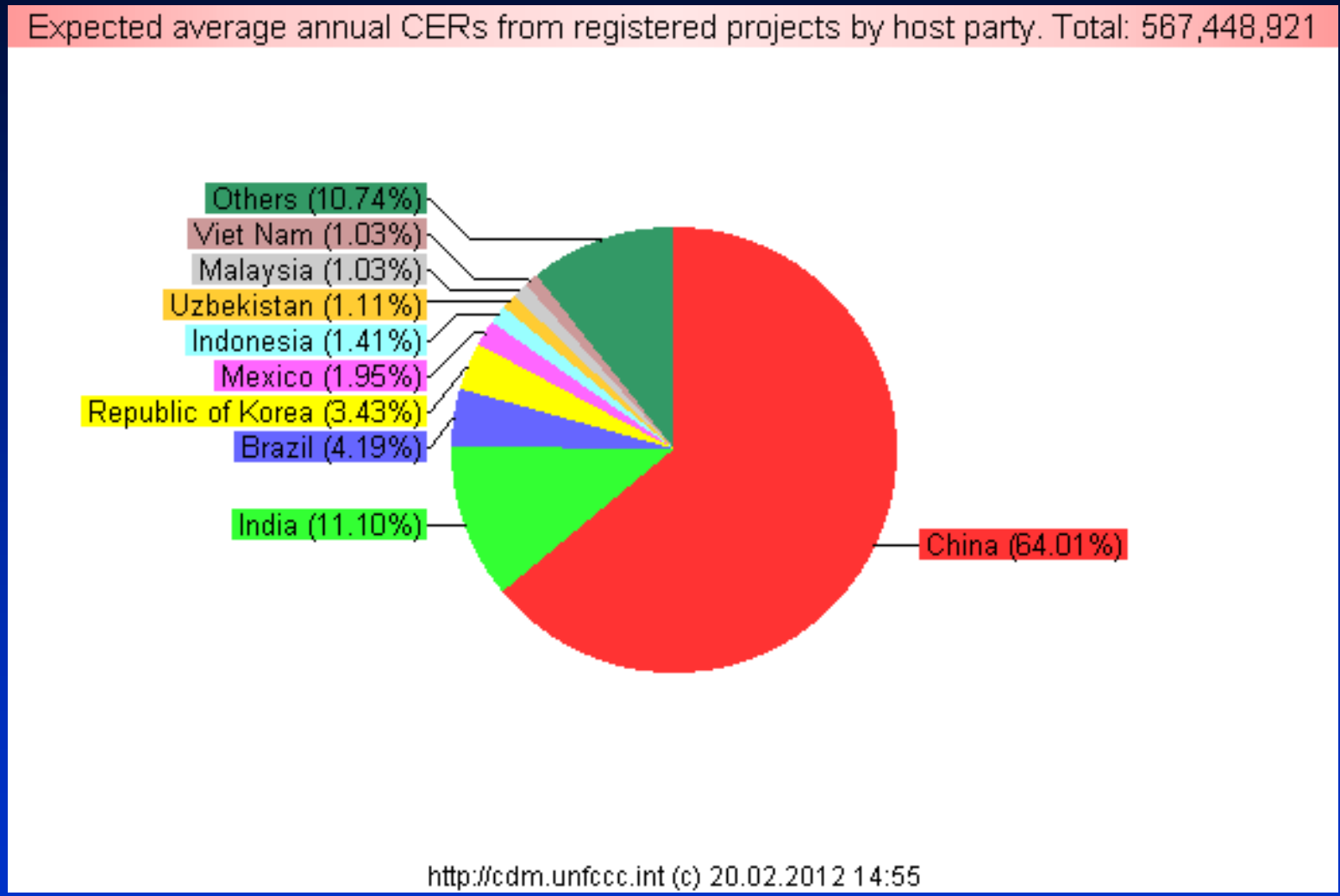
	Annual Average CERs[1]	Expected CERs until end of 2012[2]
CDM project pipeline: > 5600 of which:	N/A	> 2,700,000,000
3845 are registered	566,573,359	> 2,120,000,000
82 are requesting registration	12,368,317	> 10,000,000

Assumptions:

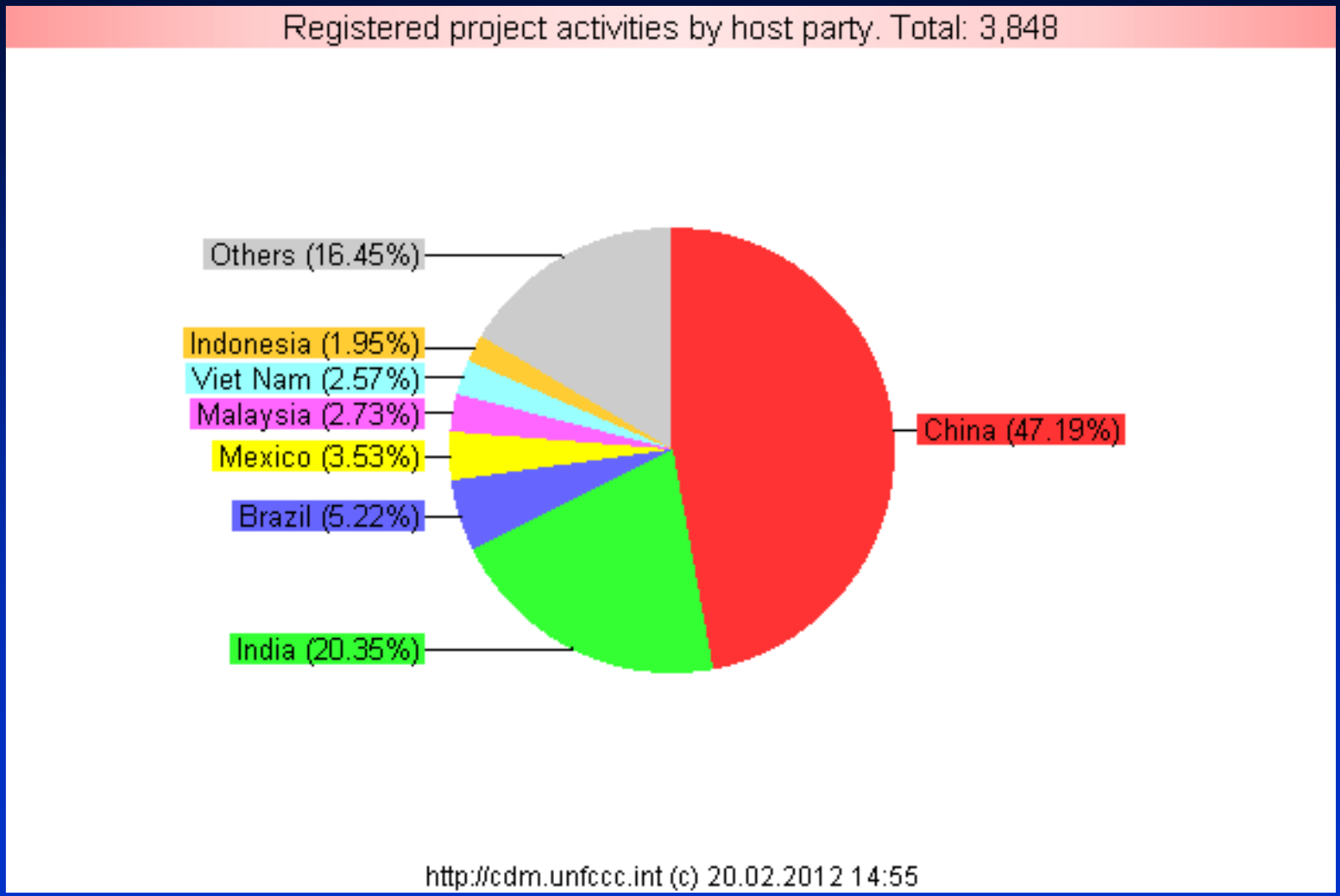
1. All activities deliver simultaneously their expected annual average ERs

2. No renewal of crediting periods

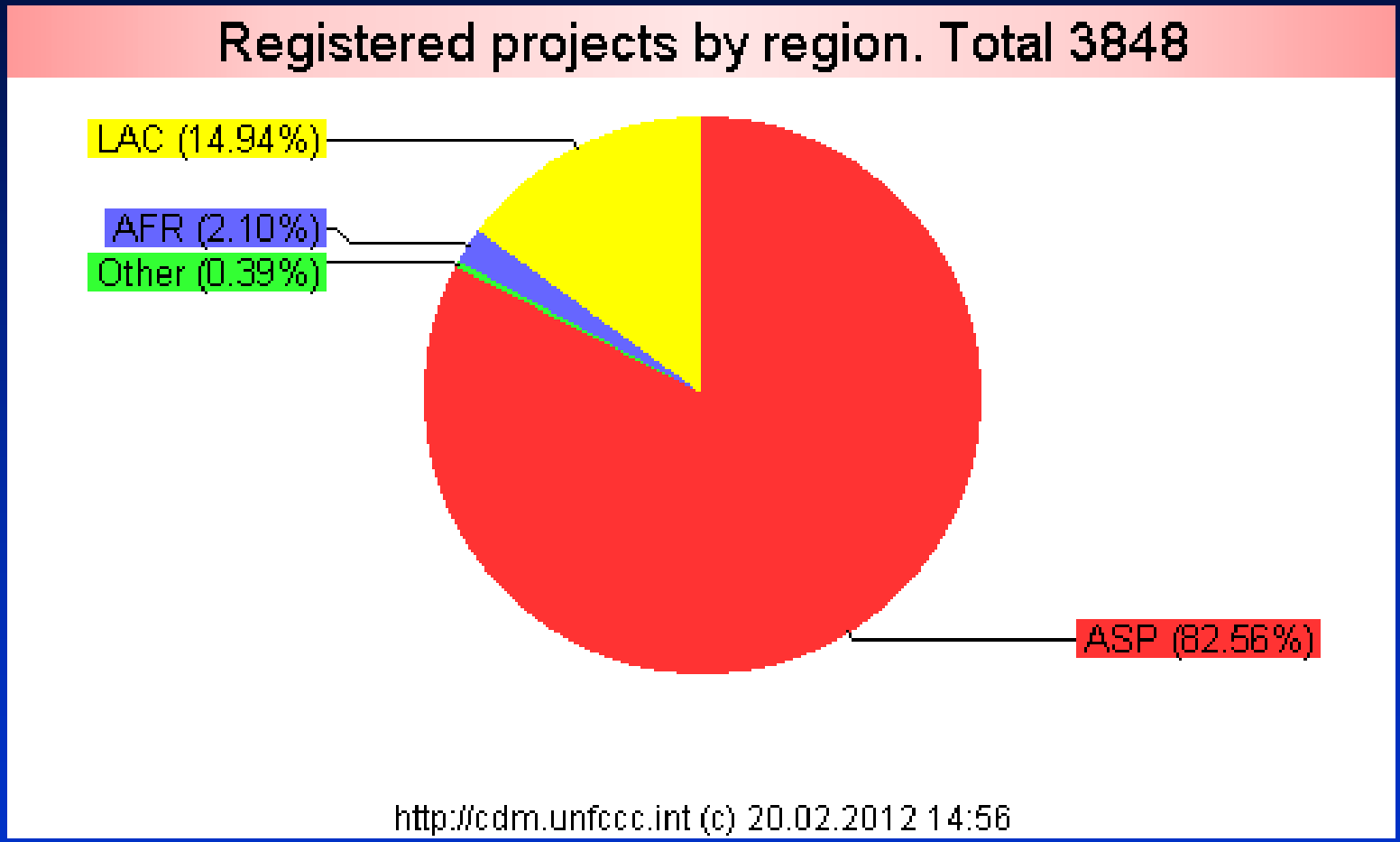
CDM Statistics



CDM Statistics



CDM Statistics



THANK YOU