

Talking Points:
How energy efficiency projects are
treated for emission credit purposes
under the Kyoto Protocol

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Energy efficiency types

- Supply-side
- Demand-side

Programmatic projects

Some resources:

- Programmatic CDM project Activities... Prepared for the Carbon Finance Business Unit of the World Bank, November 2005
- Development Dividend Task Force Meeting, Figueres and Haites, Vancouver, March 27-28, 2006
- Center for Clean Air Policy study: “Program of Activities” as CDM Projects: Implications of the Montreal Decision, 2006
- UN FCCC web-site

What is programmatic CDM or JI

- A programmatic CDM project activity is a CDM project activity where the emission reductions are achieved by multiple actions executed over time as a result of a government measure or a private sector initiative. Examples include grant or soft loan programs to promote energy efficiency, fuel switching activities or the use of renewable energies by private households, in the transportation sector or by small enterprises, as well as voluntary or mandatory efficiency standards for equipments or facilities.
- Programmatic project activities are restricted to measures or initiatives where the induced greenhouse gas abatement activities and sources of emission reductions can clearly be identified and verified. Thus a policy that abolishes a subsidy on fossil fuels or implements a national or sectoral cap-and-trade system is not considered a programmatic project activity unless the induced actions are clearly identifiable, attributable to the measure and verifiable ex post. (CFBU, World Bank, page 2)

Only “projects” create JI credits

Policies and standards cannot become a JI project because of the:

- Difficulty demonstrating the policy or standard would not have been implemented otherwise
- Difficulty measuring the emission reductions and attributing them to a specific policy or standard

Programmatic projects (1 of 5)

Involve a deliberate program of emission reduction actions

- Government policy (mandatory or voluntary)
- Private initiative (voluntary)
- An entity responsible for implementing the program

Implement multiple dispersed actions

- May not occur at the same time
- Type, size and timing may not be known at registration
- Actions may be implemented by many entities

Sounds like an ESCO doesn't it!

Programmatic projects (2 of 5)

One implementing entity

Private or public

Provides incentives or obligations

Should be one of the “project participants” but does not necessarily implement all actions

The program is the project activity

Programmatic projects (3 of 5)

Baseline needed for program and actions

- Program baseline reflects actions that would have been implemented otherwise
- Action baseline reflects emissions that would have occurred otherwise

Additionality for program and actions

- Program level - as in single site CDM
- Action level - as in single site if few large, or combination of eligibility conditions and free riders if many small

Programmatic projects (4 of 5)

Monitoring

- Must monitor actions due to the program, the participants; and
- The emission reductions achieved by the actions; and
- Use sampling, control groups and other techniques if many small actions lead to reductions

Important that good methodologies be proposed

- Baseline, additionality, monitoring double counting

Programmatic projects (5 of 5)

- Can be attractive for energy efficiency projects and broadens access to JI
- Examples are:
 - ESCOs,
 - Improved instrumentation, and
 - Efficient motor and appliance programs

Comparison of the Approaches (See CCAP, 2006)

	Project Boundary	Baselines	Monitoring	Implementing Entity
Project-based CDM	Facilities at a single site of emission reductions (or groups of single sites under a bundled approach).	Specific to project activity.	Specific to project activity	Private and Public
Policy-based CDM	<p>Could be cross-sectoral under a broad P-CDM where the policy impacts multiple sectors but no necessarily all entities would participate.</p> <p>Could only be for facilities in a single sector under a narrower P-CDM.</p>	Assessed based upon the impact with and without the gov't policy. Calculated as entity specific.	Top-down based upon all affected participants, but not necessarily sector-wide	Public and private depending on the decision in the policy.
Sectoral CDM	All facilities in an entire sector (or sub-sector).	Emissions without new public or private initiatives compared to emissions after the initiatives are undertaken. Calculated as sources either in aggregate or individually.	Top-down based upon sector-wide data and possibly at the level of individual facilities.	Private and Public
Programmatic CDM	Only sources in the program.	Developed for both the program and induced actions from the program. Calculated based upon specific methodologies for each.	Conducted for the induced actions resulting from the program.	Private and Public

Supply-side efficiencies...many examples

- Power generation
- District heating

- Instruments
- Practices
- Investments

What must be done

- Look at the PERT chart for developing energy efficiency projects
- Look at lead times, look at policy fixes, propose fixes
- Accurately track specific projects so they can be bundled
- Target specific actions to promote good policies

To follow-up

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